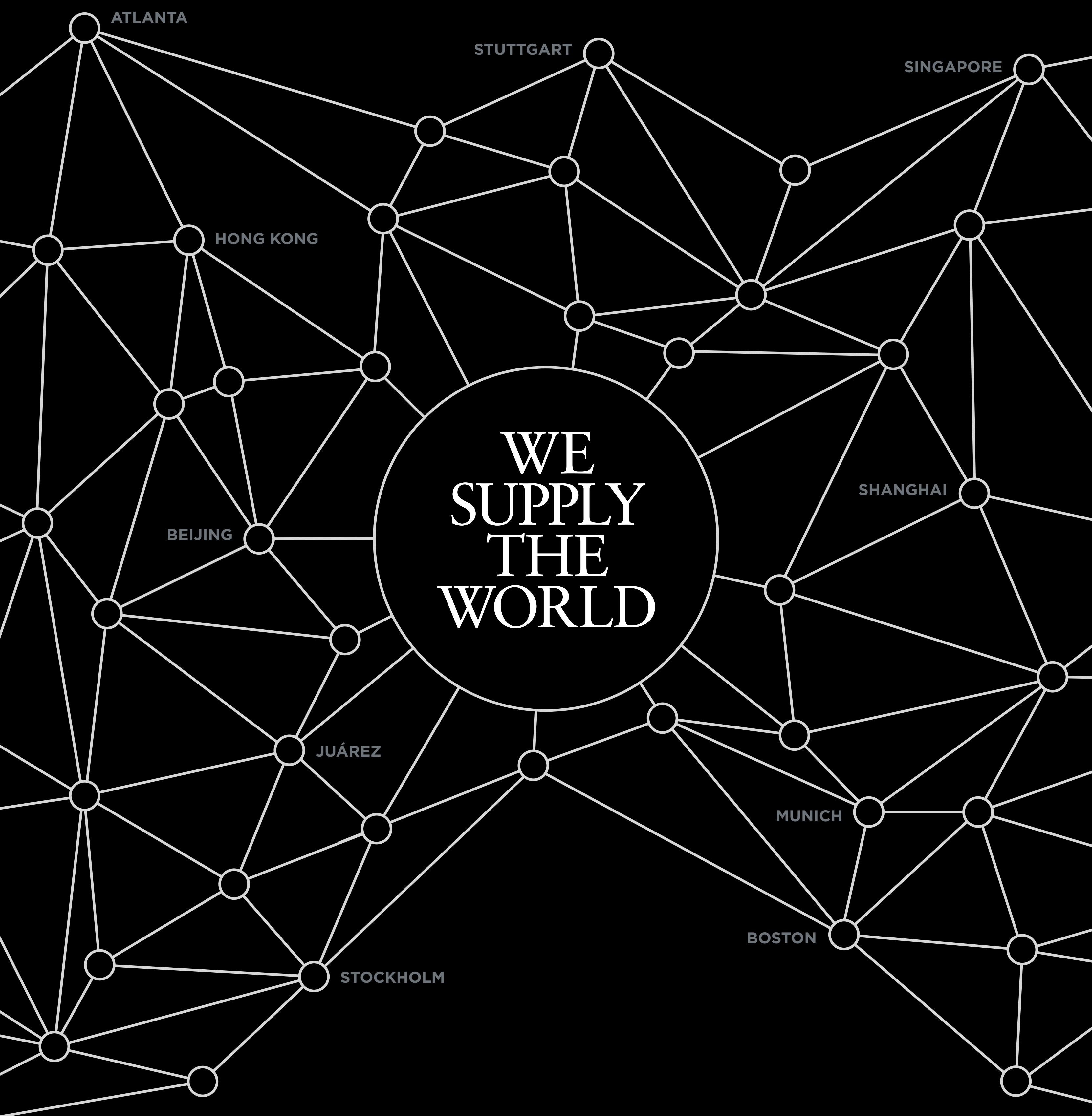



# WE SUPPLY THE WORLD

elanders GROUP

Annual Report 2017

# CONTENTS



9,342
Net sales, MSEK
19
Number of countries
86
Total number of locations
6,997
Total number of employees
1,000,000
Total sqm of production and warehouse space

*This is Elanders*

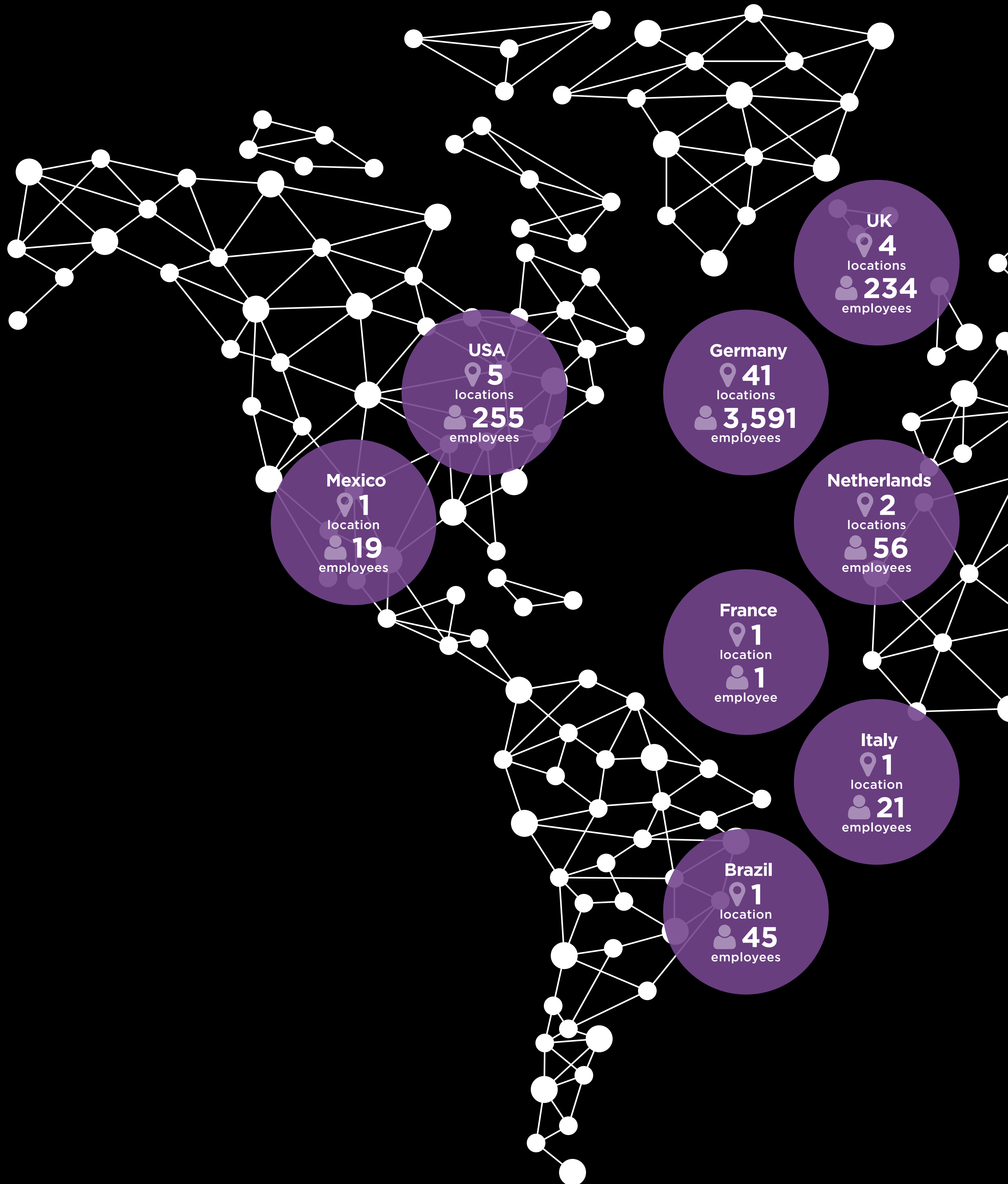
# GLOBAL OFFER

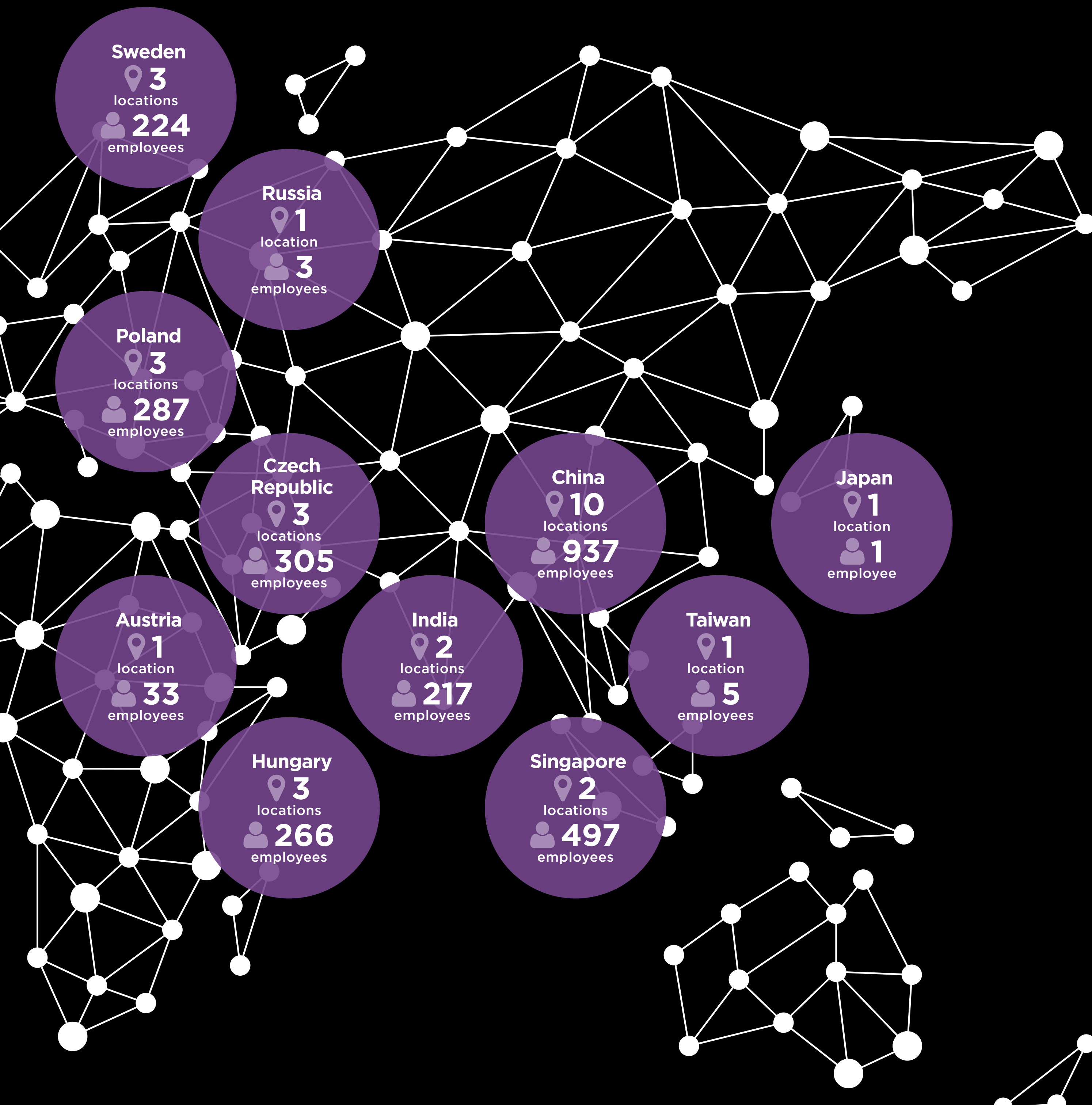
Elanders offers global integrated solutions in supply chain management, print & packaging and e-commerce. Elanders can take an overall responsibility for complex and global deliveries encompassing procurement, warehousing, configuration, production and distribution. Our offer also includes order management,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

Elanders is a global supplier of integrated solutions in supply chain management, print & packaging and e-commerce. The Group has close to 7,000 employees and operates in some 20 countries on four continents. Our most important markets are China, Germany, Singapore, Sweden, the United Kingdom and the USA. Our major customers are active in the branches Automotive, Electronics, Fashion & Lifestyle, Industrial and Health Care & Life Science.

The business is conducted mainly through three business areas, Supply Chain Solutions, Print & Packaging Solutions and e-Commerce Solutions, which are all more or less independent businesses, but together they form a whole that few companies can compete with.

*The world of Elanders*




Sweden
3 locations
224 employees
Russia
1 location
3 employees
Poland
3 locations
287 employees
Czech Republic
3 locations
305 employees
China
10 locations
937 employees
Japan
1 location
1 employee
Austria
1 location
33 employees
India
2 locations
217 employees
Taiwan
1 location
5 employees
Hungary
3 locations
266 employees
Singapore
2 locations
497 employees

# 2017 IN SUMMARY

Through the acquisition of LGI in 2016 Elanders created a stable platform for continued growth in supply chain management while also significantly broadening our customer base. This year's strong organic growth is a result of this.

Compared to last year net sales increased by MSEK 3,057 to MSEK 9,342 (6,285), or 49 percent. This increase is primarily due to the fact that LGI was consolidated throughout 2017, compared to five months in 2016. Cleared of exchange rate fluctuations and acquisitions net sales grew by six percent.

Supply Chain Solutions is Elanders' largest business area and makes up three quarters of the Group. Net sales grew strongly in 2017, but the result was impacted by higher start-up costs than expected for some of the new customer projects. The growth in the business area is mainly found in Asia and Europe. Several new projects were initiated in 2017, which bodes well for the future.

Excluding the new operations with subscription boxes in the USA sales fell by nearly one percent for business area Print & Packaging Solutions. The new operations with subscription boxes are a combination of supply chain management and traditional printing which in just a couple of years has skyrocketed from zero to 18 million dollars in sales.

After an initial weak six months business area e-Commerce Solutions finished the year with a strong fourth quarter and had net sales of MSEK 101 and an operating result of MSEK 17.

**49%**

**Net sales increased by 49% in 2017.**

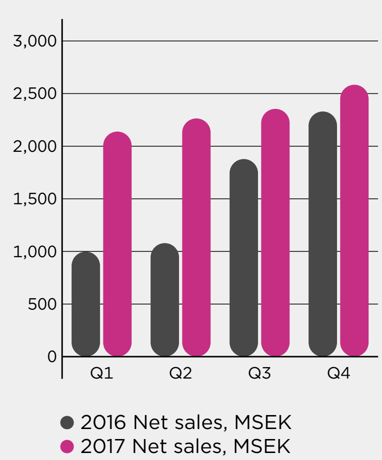
## THREE YEAR OVERVIEW

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Net sales, MSEK | 9,342 | 6,285 | 4,236 |
| EBITDA, MSEK | 563 | 516 | 428 |
| EBITA, MSEK | 371 | 384 | 313 |
| Result after financial items, MSEK | 230 | 300 | 259 |
| Result after tax, MSEK | 165 | 217 | 175 |
| Earnings per share, SEK [1] [2] | 4.65 | 7.35 | 6.18 |
| Cash flow from operating activities per share, SEK [2] | -1.81 | 11.19 | 9.52 |
| Equity per share, SEK [2] | 69.21 | 81.58 | 52.72 |
| Dividend per share, SEK [2] | 2.60 [3] | 2.60 | 2.07 |
| EBITA-margin, % | 4.0 | 6.1 | 7.4 |
| Return on total assets, % | 4.3 | 6.7 | 8.2 |
| Return on equity, % | 6.8 | 12.4 | 12.1 |
| Return on capital employed, % | 6.2 | 10.0 | 12.6 |
| Net debt/EBITDA ratio | 4.7 | 4.3 | 1.7 |
| Debt/equity ratio, times | 1.1 | 0.9 | 0.5 |
| Equity ratio, % | 33.1 | 35.6 | 42.0 |
| Average number of outstanding shares, thousands [2] | 35,358 | 29,555 | 28,224 |

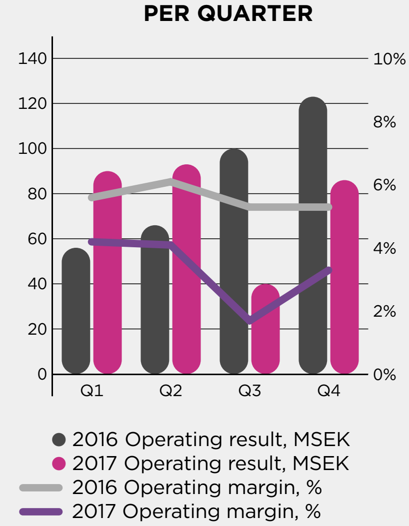
[1] There is no dilution.
[2] Historic number of shares and historic key ratios have been adjusted for the bonus issue element in the new share issue in 2016.
[3] Proposed by the board.

For Reconciliation Alternative Performance Measures and Financial definitions, see pages 108–110.

## NET SALES PER QUARTER




## OPERATING RESULT AND OPERATING MARGIN PER QUARTER



# THE BUSINESS AREAS' DEVELOPMENT IN 2017

## SUPPLY CHAIN SOLUTIONS

For business area Supply Chain Solutions, consisting of LGI and Mentor Media, the positive trend continued. Operations are focused on developing existing customers and creating new business with new and existing customers, preferably with services from all business areas. This created strong organic growth in 2017 and resulted in several new projects which bodes well for the future. The start-up of some of the new customer projects strained the organization in 2017 and this resulted in higher start-up costs than estimated for the projects as more resources were needed.

**Brands:** LGI, Mentor Media and ITG

## PRINT & PACKAGING SOLUTIONS

The market for Print & Packaging Solutions continues to be characterized by tough price pressure, reduced total volumes and overcapacity just as in previous years. Total printing volumes are decreasing on all Elanders' markets and there is a clear trend towards digital print and more customized products instead of conventional offset print with large editions. The business area is continuously consolidating production capacity in order to adapt to the market situation.

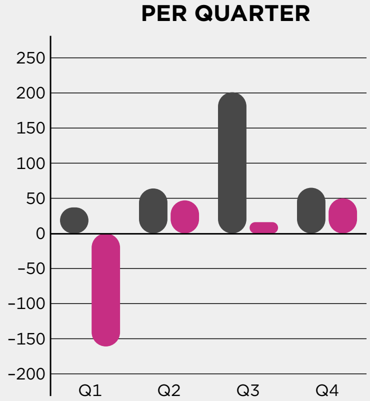
**Brands**: Elanders

## E-COMMERCE SOLUTIONS

The business area has substantial seasonal sales variations and the fourth quarter is normally by far the strongest. This quarter normally represents the total earnings for the year, and this year was no exception. After three relatively weak quarters there was a major recovery in the fourth quarter, even if net sales for the full year decreased somewhat. The business area is undergoing a strategic review regarding its continued existence as a separate business area in the Group.

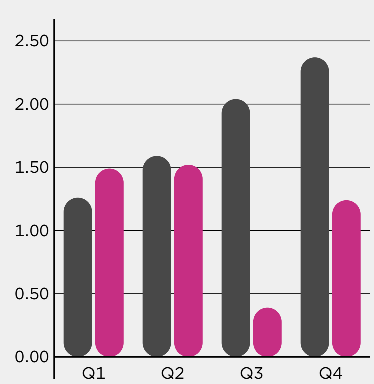
**Brands:** d|o|m, fotokasten and myphotobook

### OPERATING CASH FLOW EXCLUDING ACQUISITIONS PER QUARTER



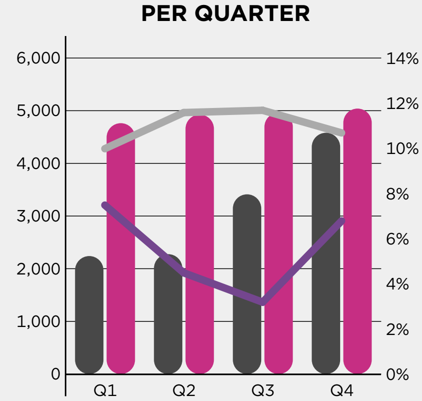

- 2016 Operating cash flow, MSEK
- 2017 Operating cash flow, MSEK

### EARNINGS PER SHARE PER QUARTER




- 2016 Earnings per share, SEK
- 2017 Earnings per share, SEK

### RETURN ON CAPITAL EMPLOYED PER QUARTER




- 2016 Capital employed, MSEK
- 2017 Capital employed, MSEK
- 2016 Return on capital employed, %
- 2017 Return on capital employed, %

*CEO comment*

# A YEAR OF STRONG ORGANIC GROWTH

Almost ten years ago we launched a whole new era in Elanders' long history. This marked the beginning of a strategic shift that has transformed us from a purely graphic company into a global supply chain management company operating all over the world. 2017 was an intensive year for Elanders with robust organic growth in large parts of the Group. Although it has been a bit of a challenge in terms of results, a lot of new business with huge potential for the future has started up this year.

Focus in 2017 has been on stabilizing the new international Group and aligning operations to meet the future. A high level of sales and many new projects that were initiated in the autumn led to extra costs, which weakened the result in 2017 somewhat. Nonetheless, we expect these activities to generate positive effects in the coming years.

**Successful integration**

2017 was the first entire year the logistics company LGI was part of Elanders. The integration has been highly successful entailing a lot of new business for the Group and a stronger presence in Europe. During the year, considerable resources have been put to good use to develop joint projects and further identify synergies going forward. The LGI part of the Group showed 8 percent organic growth in 2017.

**Weaker result but strong organic growth**

The strong organic growth in the Group accelerated during the year and net sales increased but the result was slightly lower

> **We expect a lower level of investments, improved margins and continued organic growth during 2018.**

than last year's record level. Net sales in 2017 increased by MSEK 3,057 to MSEK 9,342 (6,285). The increase was primarily a consequence of LGI being consolidated during the entire year all the while organic growth in the underlying business in Supply Chain Solutions was considerable. Cleared of exchange rate fluctuations and effects of acquisitions, net sales rose by 6 percent. All in all, the operating result excluding one-off items was MSEK 336 (382).

We are pleased with the positive trend in business area Supply Chain Solutions where we see a continuously growing demand from both new and existing customers. Growth was most evident in the segments Automotive, Electronics and Fashion & Lifestyle.

Sales in business area Print & Packaging Solutions were not as good as expected due to a decline in demand from existing customers and waning new sales. The price pressure on the market is intense and the demand for offset print is a continuous downhill slope. A consequence of this was the redundancy of some 50 employees in our Swedish organization. To counter the decreased demand for offset print we are successively shifting the business towards digital print and packaging production. It is also important that we continue our work to transform some of our sites to combined supply chain and print services sites.

Sales in e-Commerce Solutions developed negatively in the beginning of the year but stabilized to a certain degree in the fourth quarter. There was a change in management in the business area and e-Commerce Solutions is now going through a strategic review concerning its future role in the Group.

### New customers show great confidence in Elanders

We continue to work on greater collaboration between business areas, in part through a global sales team. These efforts have resulted in several new customer requests and projects during the year. The high demand from customers in business area Supply Chain Solutions has naturally been positive but it has also put our organization under considerable pressure and created extra costs since we have had to make rapid adjustments for a shortage of resources. A number of new projects in the segment Automotive led to substantial start-up costs during the second half of the year. We expect volumes to stabilize in the beginning of 2018. One of these projects is for a premium car-maker where we are building up a whole new cross-docking facility for production logistics for assembly, development and handling spare parts, which will require around 200 new employees. Starting in the summer of 2018 Elanders will also be responsible for warehousing and distribution of a large part of Panasonic's products in Europe.

### Multi-sites for greater profitability

In the USA Elanders has made substantial investments to broaden our offer to new customer segments, among them a new facility in Atlanta. This has proven to be a good investment, generating a larger increase in sales than anticipated. During the year we have also inaugurated a new, modern facility in Singapore where we moved several of our existing units.

Our concept of converting printing plants to combined multi-sites for both print and supply chain management continued to be a high priority in 2017. It reinforces our business and creates a stable platform for growth. We opened our multi-site in Stuttgart last summer and we expect it to be part of the compensation for lower volumes in conventional print on the European market. During the year we have also made a couple of minor acquisitions such as Asiapack Limited as part of our effort to broaden our offer in supply chain management.

### Moving towards a sustainable society

It is becoming increasingly necessary to offer sustainable production in every stage of our operations in order to be able to compete, particularly on a global level. During the year we have carried out a number of environmental initiatives – everything from measures to reduce energy and water consumption as well as greenhouse gas emissions to generating less hazardous waste. Elanders is also running several CSR projects. One of them is the cooperation, together with several other Swedish companies, that we started this year with the non-governmental organization Pratham. The organization works to provide underprivileged children in India with quality education for a better future.

### Larger volumes and continued organic growth

It is becoming increasingly obvious that the strategic shift Elanders initiated several years ago was necessary and is reaping success. Running into potholes along the way is to be expected. We are currently in a demanding situation where we are balancing conventional printing operations with our role as a global supply chain management supplier. Many major investments are now in place and we expect a lower level of investments, improved margins and continued organic growth during 2018.

Our primary goal in 2018 is to quickly increase volumes in new customer projects and continue our long-term work on improving margins step-by-step by focusing on profitable areas in Supply Chain Solutions and Print & Packaging Solutions.

In conclusion, I would like to say I am very pleased with the performance of all our employees which has contributed to our good collaboration and the successful integration of LGI. I also would like to thank our customers for the confidence they have shown in us with all the new business in 2017. The extensive investments we have made during the year have prepared us well for the future.

Magnus Nilsson,
President and Chief Executive Officer

*Business concept, goals and strategies*

# A GLOBAL STRATEGIC PARTNER

Elanders will contribute to developing customers' business and strengthen their competitive capacity by helping customers to streamline and optimize their business critical processes.

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. By fulfilling the long-term financial goals of the Group we create the prerequisites for continued growth and development, as well as greater value for shareholders. In order to achieve our goals we need to continuously develop and optimize our existing business as well as ensure that the total business is in balance, both geographically and between the different customer segments. Another important component is strategic, complementing acquisitions that can broaden our customer base, provide access to new geographic markets and/or contribute with further niche expertise.

**Develop local customers with global needs to global customers**

Elanders grows and develops with its 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 this 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 customers may also have local needs that we should identify and develop to augment local deliveries.

**Optimize operations**

Elanders has operations and offices in many parts of the world. An important success factor is optimizing our capacity utilization in all our facilities. 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 and broaden our offer or customer base**

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 integrated offer. Acquisitions are particularly prioritized in supply chain management in order to broaden or complement our offer and if possible provide Elanders with further niche expertise. We are also interested in gaining access to new geographic markets or customer segments.

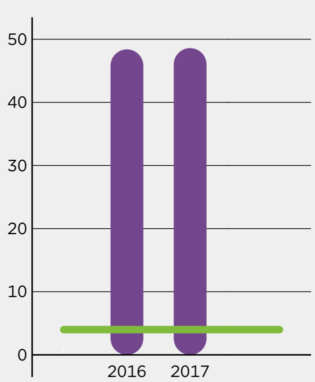
**POTENTIAL ACQUISITIONS NEED TO FULFILL ONE OR MORE OF THE FOLLOWING ACQUISITION CRITERIA:**

- Add new customer segments and/or supplement the customer base with valuable, unique customers.
- Complement and strengthen existing business or provide access to new geographic markets.
- Add new products and/or services.
- Be a good deal in the long-term on its own or generate material synergies.
- Increase profit per share pro forma.

# FINANCIAL GOALS

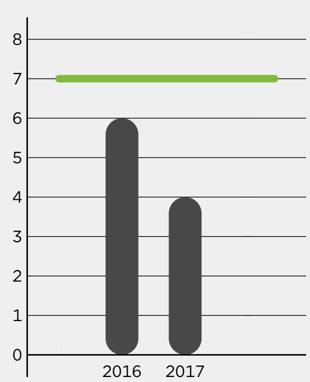
The acquisition and consolidation of LGI in 2016 had a significant effect on Elanders key ratios. As a consequence new and more relevant long-term financial goals for the company was presented in 2017. Elanders believes that it should be possible to reach these goals within some years.

**NET SALES GROWTH, %**



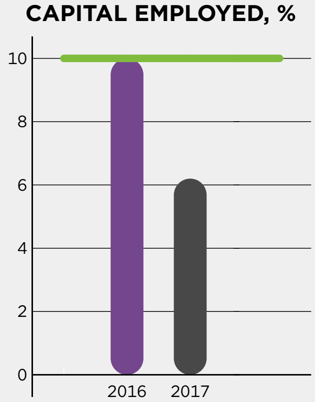

Net sales growth of 3–5 percent annually.

**EBITA MARGIN, %**



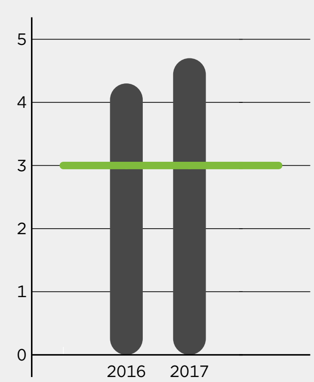

EBITA margin of at least 7 percent.

**RETURN ON CAPITAL EMPLOYED, %**




Return on capital employed of at least 10 percent.

**NET DEBT/EBITDA**




Net debt/EBITDA quota no higher than 3.

● Goal achieved ● Goal not achieved — Goal

*Our integrated offer*

# ONE STOP SHOP

Elanders is a leading company in global comprehensive solutions throughout the entire supply chain and is now established on four continents. Operations are divided into three business areas that are stable and standalone businesses in themselves. Together they form an ensemble that few companies can match.

**Supply Chain Solutions**

# COMPLEX FLOW OF GOODS DEMANDS A GLOBAL PARTNER

Supply chain is managing and optimizing the flow of raw materials, components, final products, money and information from suppliers and manufacturers to end consumers through every step of production. 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 through one contact only. Elanders handles everything from taking orders, procurement, purchasing components and warehousing to manufacturing, configuration, quality control, value-added services and delivery. The Group also handles payment flows, synchronization of purchasing and warehousing with demand and after sales services, including handling returned or outdated products destined to be recycled or resold. Elanders also offers industrial value-added services such as installations, updating, tests, reparations and certification of electronical equipment, unloading and reloading products (so-called cross-docking), packaging management (so-called empties management) and different kinds of packaging services.

Each industry has its own norms and regulations that need to be complied with when handling and transporting products, often in combination with tight timeframes. More and more stringent environmental demands heighten the complexity of the support chain which, in turn, requires more specialist knowledge. Because Elanders has developed advanced and customizable IT systems it is possible to develop individual solutions that are completely adapted to the customer. Elanders' systems can be integrated with the customer's business system as well as be connected to e-commerce platforms to efficiently manage orders, customer service and after sales services.

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. This enables more flexibility and cost-efficiency. Many of Elanders' sites in Europe, Asia and the USA are multi-sites where several customers' operations are collected under one roof in order to achieve synergies such as greater capacity utilization and efficiency. Uncertainty factors such as utilization levels, where seasonal variations and other peaks can impact capacity utilization, can be managed if customers from different industries with varying volume patterns are combined at one site. Elanders' employees and resources are always in place and can be moved from one customer's needs to another's on a daily basis depending on the workload. This raises the efficiency in the facility while allowing the customer to focus on their core business.

**Print & Packaging Solutions**

# INNOVATIVE PRINTING SERVICES AND CUSTOMIZED PACKAGING

An important part of our integrated offer consists of graphic services such as printing manuals, 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 offers 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 one of the leading players of sophisticated packaging solutions and luxury item packaging, sometimes in limited editions that help raise the customer experience of a certain 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. In the last few years the Group has invested in competitive digital printing technology in order to meet customer demand for flexible printed matter production in shorter and smaller series with high quality at competitive prices. This printed product is, for example, printed using one of the Group's five inkjet printers. Currently 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 for just-in-time or sequence deliveries.

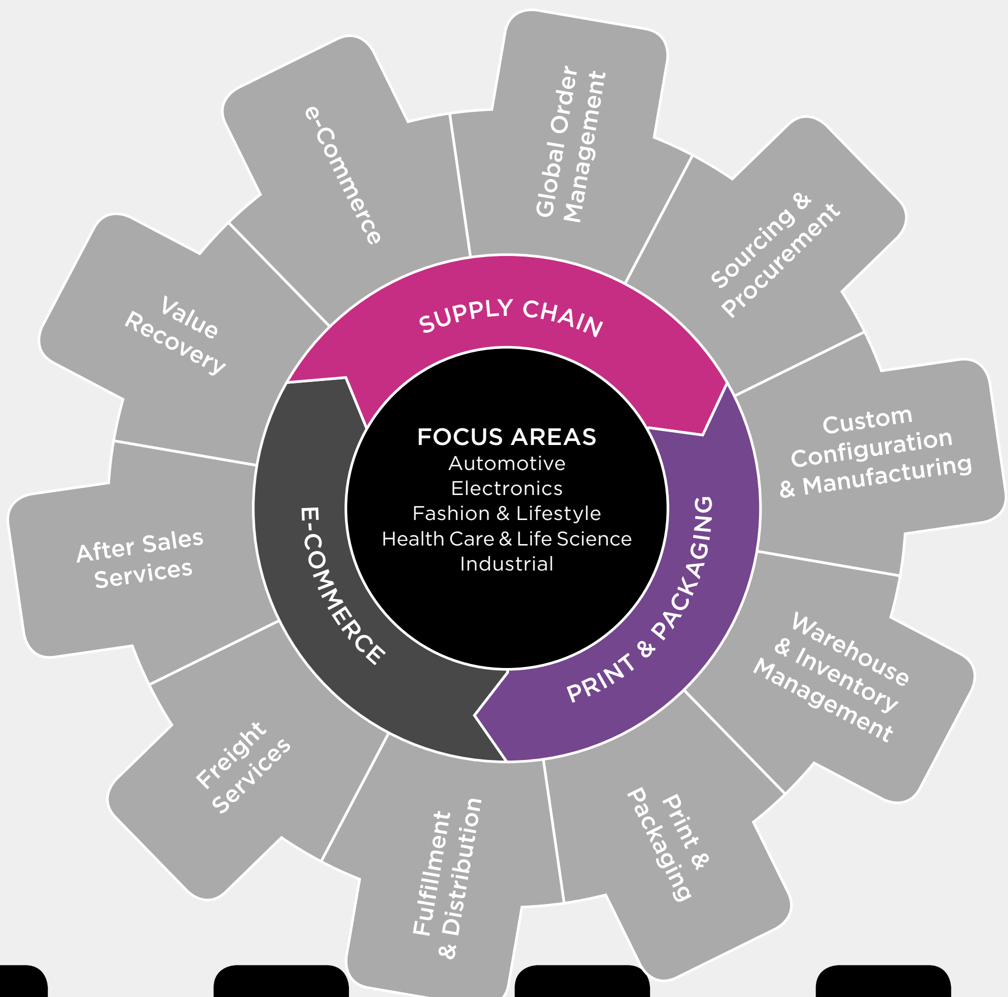
**e-Commerce Solutions**

# E-COMMERCE SOLUTIONS FOR PHOTO PRODUCTS

Elanders is one of the leading players in Europe in online sales of personalized photo products through a number of acquisitions. The services are marketed under three brands: fotokasten, myphotobook and d|o|m. fotokasten and myphotobook are primarily focused on consumers and with the help of d|o|m's e-commerce solutions they are able to offer a broad range of photo products such as photobooks, calendars, gifts and home accessories. Through d|o|m Elanders also offers so-called white label solutions allowing other companies to sell parts of Elanders' range of photo products under their own 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. Two of the largest retail chains in Europe are among our white label customers.

# AN INTEGRATED OFFER

Elanders offers a broad spectrum of different services and solutions needed in order for our customers to be able to focus on their core business. They are offered separately or packaged in complete end-to-end solutions that include everything from purchasing the customer's components, warehousing and printing to production, configuration and other services that add value throughout the entire production chain. Elanders also delivers finished products to retailers or end consumers as well as after-sales services and recycling. And all this with only one contact.




PROCUREMENT LOGISTICS → PRODUCTION → TRANSPORTATION → AFTER SALES → RETURN LOGISTICS

# PRIORITIZED CUSTOMER SEGMENTS

**Automotive**
The automotive industry is doing better than ever but at the same time it faces enormous challenges in the future. The shift to electric cars, self-driving technology and demand for personalized and climate neutral vehicles will have an effect on automated production. The industry will have to make major strategic decisions in order to be successful in the next decade. Elanders has a good position in the industry, largely due to the fact that most of our customers are premium brands and should handle the transformation and development of the industry well. Elanders has extensive expertise in production logistics and helps manufacturers to focus on their core business without having to skimp on quality or safety.

**Electronics**
The market for electronics is rapidly growing, largely due to greater consumption because of a growing middle class, and the fact that prices for home electronics have gone down in the last few years. The electronics industry is generally characterized by sensitive technology that requires special handling and infrastructure in order to protect fragile units and instruments, but also in order to recycle products. Electronics is a large customer segment for Elanders. Our offer has been continuously developed in the last few years and now also includes services for quality control, assembly, after-sales market, reparations and recycling/reuse of electronics, so-called Value Recovery Services.

**Fashion & Lifestyle**
The area Fashion & Lifestyle, which includes fashion and leisure/lifestyle products, contains some of the largest companies in the world and the industry can show a stable growth. The explosion of digital, social and mobile technologies will continue to change consumer habits and this will have consequences for both retailers and manufacturers of fast-moving consumer goods. The customers are usually looking for a partner that is responsible for, and has total control over, everything from quality control in production and the entire supply chain to retailers or end-consumers. Elanders offers managing omni-channels, distribution and returns as well as automated warehouses with services such as quality control, laundry, mending, labeling etc. There is a great potential for growth in the customer segment Fashion & Lifestyle, particularly considering the growing level of outsourcing in the industry.

**Health Care & Life Science**
An aging population, lifestyle diseases, expanding growth markets, progress in treatment and the current technology development are all expected to stimulate growth in the health care sector in the coming years. The industry is subject to heavy regulation and there are extremely high demands on quality for processes and management in areas where there is no room for error. Health Care & Life Science is a relatively small customer segment for Elanders, but the Group has a strong offering that includes everything from delivery of consumables to delivery, service and repair of medical equipment. There is a great potential for broadening the customer base.

**Industrial**
The requirements on low manufacturing costs, high product quality, short lead times and high delivery precision put a lot of pressure on today's industrial manufacturers. In order for the operations to be competitive and render returns on the investment, control and efficiency are prerequisite throughout the whole process. Elanders has a good position in the customer segment Industrial where the Group currently handles everything from small products to large, complex constructions and solutions. Elanders also handles factory logistics and logistics for the after-sales market. In the customer segment Industrial there is a potential not only in developing the existing customer base, but also to attracting new customers.

**APPROXIMATE SHARE OF GROUP NET SALES PER MAJOR CUSTOMER SEGMENT**

| 25% | 35% | 10% | 5% | 15% |
|---|---|---|---|---|
| Automotive | Electronics | Fashion & Lifestyle | Health Care & Life Science | Industrial |

# SUSTAINABLE SOLUTIONS

Some external trends have a larger impact on business than others. Adapting our offer so that our business is benefited from trends creates a platform to keep and strengthen the leading position that Elanders has on selected markets and generates long-term, profitable growth. In general, global market trends seem to increase customers' need for sustainable solutions for supply chain management that are completely integrated into their operations. Here are some of the global megatrends that Elanders believes might have an impact on business in the future.

## Sustainability

The global challenges for creating a sustainable society are enormous. Demands for reduced emissions, lower energy consumption, recycling and less traffic congestion will in the foreseeable future challenge existing flows, and future supply flows must be changed completely in order to be sustainable. This greatly increases the complexity in the supply chain, putting even higher demands on intelligent IT solutions, traceability and control.

### Elanders' response

Increasing focus on sustainable development will increase the demand for external supply chain management solutions, and this will reduce resource consumption in transportation, manufacturing and warehousing. Sustainability aspects permeate Elanders' work on all levels. For instance, Elanders has substantially decreased carbon dioxide emissions through a continuous upgrading of vehicles. Elanders is also a part of the circular economy with its services in Value Recovery Services where, for instance, customers' computers, computer screens and printers are either recycled or reused.

## Globalization

New trends spread quickly between countries and continents through greater globalization and demand for goods from other countries rises. Globalization also increases the need for efficient transportation with the least amount of environmental and traffic impact. The trend in national and regional transportation is shifting towards big logistics terminals and warehouses that are largely automated. For shorter distances to end consumers innovative technical solutions are needed so that consumers can customize the solution to a higher degree. A greater flow of goods also leads to demands for more complexity in logistics and supply, such as the need to identify and trace goods in real time.

### Elanders' response

Elanders' strong position in Europe, Asia and the Americas provides a good base for meeting increased international trade and competition. Being a true global player Elanders can meet customers' needs for global solutions. Elanders follows customers out into the world when they need help in a new location and consistently increases its geographic presence through acquisitions, more networks, new forms of cooperation and the establishment of new sites in central locations worldwide.

## Urbanization

Both developing countries and more mature ones are now facing rapid urbanization. Cities are becoming more numerous and spreading and their financial importance for trade and the country's economy is on the rise. Rules, regulations and fees limit transportation in and out of the large cities as roads to and from city centers risk overcrowding or the negative environmental impact, like air pollution, gets too big. At the same time urbanization contributes to more efficient deliveries as more people are gathered in one location. Another aspect of urbanization is a possible negative effect on car-makers in their current form.

### Elanders' response

Elanders is constantly developing sustainable solutions to streamline and consolidate deliveries. Through unique logistics solutions with networks and consolidation points Elanders is able to reduce heavy traffic in city centers and make distribution more efficient. Another example is the service pakadoo that collects deliveries from many suppliers for delivery to workplaces. In the Automotive segment Elanders works primarily with premium brands that are at the forefront or have the prerequisites to be at the forefront in the development of vehicles with lower environmental impact and autonomy.

## Automation and digitalization

Digitalization thoroughly effects society and changes the conditions for business today. Customers are demanding supply chain solutions be automated and that they can provide information in real time in order to reduce costs, shorten delivery times and increase quality. This puts very high demands on supply chain management suppliers when it comes to technology and development. Automation also usually requires deep integration into customers' systems and operations.

### Elanders' response

In the last few years Elanders has made major investments in automated flows and sites such as in an advanced virtual warehouse management system for a large sport fashion company in Munich. Elanders is also involved in a pilot project where the possibilities of using robots in warehousing are being investigated. Elanders is continuously increasing integration in customers' digital systems and physical operations on site to further build up customer relations and facilitate flows in their supply chain.

## More outsourcing

By outsourcing parts of, or their entire supply chain, companies enhance their delivery reliability and can invest less in plants, personnel and systems, shifting the risk to their logistics partner. This also gives them the possibility and strength to concentrate on their core business. Demand for more supply chain management services has been growing as more and more companies choose to even outsource operations that are closer to the core business, for instance, by inviting the supplier into their own sites to reduce overhead and replace it with variable costs that enable greater flexibility.

### Elanders' response

The need for more outsourcing creates a demand for efficient supply chain services. By using multi-sites where several customers and similar operations are collected, Elanders can even out changes in volumes and create economies of scale advantages. The Group also has expertise in, for example, contract logistics and offers advanced end-to-end solutions where Elanders takes care of the product directly from the supplier, adds value and delivers it to its final destination.

# INNOVATION FOR GROWTH

In over 100 years of innovation and development Elanders has gone from being a Swedish printer to becoming a global service company with operations on four continents. By advancing ideas into profitable services Elanders continues to develop and create organic growth.

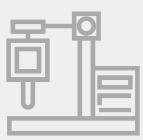
# ROBOTIZED WAREHOUSING

Meet TORU, the order-picking robot. He is part of an innovation project at Elanders run in cooperation with robot producer Magazino, software company Gigaton and the sports brand PUMA. Elanders handles distribution of PUMA's products to consumers and retailers in Europe and has integrated the order-picking robot into daily operations. To achieve this the robot was connected to the warehouse management system (WMS). The system consolidates orders and creates pack lists that are then sent to the robot which moves autonomously around the warehouse. The robot can even visually perceive where the products are on the shelf. The robot picks up individual objects with a precise grasp, places them in its built-in shelf system and delivers them to the packing station.

In e-commerce, orders are often placed during the weekend creating a heavy workload on Mondays. Night and weekend shifts are usually both expensive for a company and have negative effects on employee health. The robot, however, can do at least two shifts a day, anytime of day or night, seven days a week and is ready and waiting on weekends and holidays. As a result ordered products can already be pre-picked and ready for final packing and distribution to end customers on Monday morning.

Thanks to the robot, Elanders can reduce total costs since the expense of traditional labor can be lowered through less overtime, shift allowances etc. Elanders' ambition is not, however, to replace employees but the monotone and routine work along with uncomfortable work positions like picking products off shelves that are high up or low down. It is also a flexible system that can be scaled up or down. By adding robots or moving them between facilities Elanders can better handle customers' fluctuating work flows.

## THE PROCESS



**ORDERS**
The WMS sends an order list to the robot that moves freely within the warehouse to the shelf where the product is.

**PICKING**
The robot picks up the product with a precise grasp and places it in its built-in shelf system. The robot can handle objects in different shapes and sizes.

**DELIVERY**
When the shelf system is full the robot delivers the products to the packing station where they are packed and delivered to the customer.

Megatrends like digitalization, globalization and more outsourcing are transforming perception of traditional value chains. These global trends are leading to completely new kinds of customer needs and different demands on the supply chain.

The Group's offer in areas like supply chain management, print & packaging and e-commerce are rarely completely unique but the integrated offer, where all the areas are completely or partially combined, are along with the broad spectrum of expertise and solutions.

In order for the Group to maintain profitable growth our value-adding services and integrated offer must continually develop systematically. This is essential to the innovative process between the Group's various companies and across geographic borders. Done well, this will lead to new, unique sales concepts, difficult for competitors to copy.

### MORE EXAMPLES OF CURRENT INNOVATION PROJECTS

- Network-connected forklifts
- Integrated supply chain management solutions in real time
- Value-adding services in transportation
- Greater utilization of the transportation fleet by linking it to a transport system
- Sales of advertisement space on transport packaging
- Packaging Innovation Center


7
6

CASE: MANAGED PRINT SERVICES

# CUSTOMIZED COMPREHENSIVE SOLUTIONS

Elanders combines contract and transportation logistics throughout the entire supply chain and contributes to better customer relations.

**Mattias Moser**
Division Manager,
Electronics, LGI

**Services**
- Fulfillment & Distribution
- Custom Configuration & Manufacturing
- Warehouse & Inventory Management
- Value Recovery
- Life Cycle Services

One of the world's largest suppliers of IT equipment also offers print and document management solutions, a so-called MPS solution. Through leasing companies can have an individually adapted multifunctional printer which can be exchanged as the needs of their business change. In 2017, Elanders began managing an entire supply chain for multifunctional printers in Germany and Benelux.

When an end customer orders a multifunctional printer it is customized at Elanders' distribution hub in Hünxe, Germany. Trained technicians with broad expertise adapt the hardware, install the software and program customer-specific settings like IP addresses, host names and scanning alternatives. Elanders also makes sure the printer functions properly before it is delivered. Together with Elanders' customer and the end customer, Elanders plans the delivery, and any possible challenges on location at the end customer which might affect transportation are evaluated. Narrow passageways, sensitive floors or getting into security-classed rooms are some examples.

The printers can weigh up to 90 kilos and the equipment is extremely sensitive to external impact, so they require special treatment. When the printer arrives at the end customer Elanders packs it up and places it where it belongs. The printer is started up and controlled and the customer's personnel is trained to use and care for it. Old equipment may also be taken back for recycling or resetting which contributes to a sustainable, circular economy. Elanders expects to install and deliver around 10,000 printers annually. Because Elanders' takes care of the installation of software and hardware, warehousing, delivery, printer installation and training, customers can focus on their core business.

## THE PROCESS

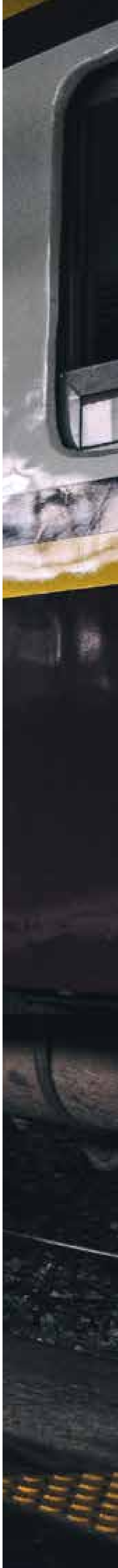
**ONE CONTACT**
With a single customer contact Elanders efficiently and seamlessly handles the flow throughout the entire supply chain.

**WAREHOUSING**
Elanders stores customers' multi-functional printers and components in the warehouse in Hünxe for quick deliveries to the end customer.

**CUSTOMIZED**
The printers are customized to end customers' individual configuration demands.

**DELIVERIES**
Multifunctional printers are sensitive equipment and need special treatment.

**INSTALLATION**
The hardware is installed at the end customer's facility and personnel there is trained to run and care for the printer. Old equipment is recycled or reset.



CASE: NETWORK SOLUTIONS

# CUSTOM-MADE AND TRANSPARENT NETWORK SOLUTION

Elanders has created a solution for HP Inc. for their entire logistics regarding guarantee returns of computers.

**Martina Weihing**
Division Manager,
Network Solutions, LGI

**Services**

- Freight Services
- After Sales Services

Guarantee-related work can be both costly, difficult and time-consuming and most of it involves transporting the faulty product to and from reparation. Therein lies one of the greatest challenges: satisfying the end-customer when the starting point is a malfunctioning product.

HP Inc. is one of the world's largest manufacturers of home electronics. The company has a centralized repair hub that serves Europe with guarantee repairs of personal computers. In certain European countries Elanders has developed a unique solution for HP with only one contact for the reverse supply chain, and is responsible for the entire transportation process from pick-up at the consumer to return to the same. Pick-up of the computers can be made at home, at a retailer or at one of the 16,000 package service points connected to the system. With special packaging, developed by Elanders, the product is protected during delivery, with a neutral appearance for greater safety. The distribution solution consists of a consolidated dispatch network that delivers the parcel to one of four European consolidation points from which daily dedicated transportation runs are made to the repair center. It is cost-efficient, effective and quick, which is crucial for the end consumer. After reparation the unit is delivered to the customer via the consolidation points.

Elanders has developed an advanced tracking service where the consumer, online and in real time, can track their delivery even though the chain includes some 15 separate service providers and many stages. A dedicated cockpit team at Elanders continuously monitors the entire chain. They are HP's point of contact within Elanders and ensure smooth handling of the over 6,000 guarantee cases that are dealt with each month.

## THE PROCESS

Elanders has developed an efficient process for quickly and satisfactorily handling transports for HP's all guarantee cases in Austria, Benelux, the Czech Republic, Germany, Hungary, Poland, Slovakia, Switzerland as well as in Slovenia.

**PICK-UP**
When the consumer requests repair of his/her computer, it is picked-up at the customer or at one of 16,000 package service points.

**CONSOLIDATION**
An extensive dispatch network delivers the packages to one of four European consolidation points available for further delivery to HP's repair center.

**REPAIR CENTER**
The computer is repaired at HP's repair center.

**TRANSPORTATION**
From the consolidation points, the computers are picked up by local freight forwarders.

**CUSTOMER**
The product is returned to the customer.

CASE: AXIS COMMUNICATIONS

# MORE THAN JUST SIMPLE LOGISTICS

Axis has outsourced parts of its operations to Elanders with deep integration in their value chain.

**Mattias Moser**
Division Manager, Electronics, LGI

**Services**

- Print & Packaging
- Fulfillment & Distribution
- Custom Configuration & Manufacturing
- Warehouse & Inventory Management

Axis Communications is a market-leading manufacturer of network cameras used in security and video surveillance. Elanders handles logistics planning and storage for Axis Communications' operations in Europe, including picking and packing, from Jirny outside Prague. The outsourcing also includes production logistics and quality control. Elanders mounts components onto the network cameras and then tests the equipment and calibrates it for colors and structures after which the cameras are ready for delivery.

Production takes place in an over 8,000 square meters production facility, where 130 Elanders employees work up to three shifts. Assembly personnel consist primarily of engineers and experienced technicians that have the competence needed for the precision work required in the different camera configurations. The strategic position of the distribution hub in the Czech Republic, with good connections to everywhere in Europe, is a great advantage for customers. Elanders is deeply integrated into Axis' operations due to the essence of the work.

Axis' headquarters are connected to the distribution central in Jirny and it monitors status and performance in real time. The partnership between Axis and Elanders has been highly successful because of the excellent company cultural fit. Elanders has achieved and maintained the high level of quality in mounting, calibrating and testing that Axis is famous for. Since 2011 volumes have grown from around 10,000 products per month to 65,000 per week today.

## THE PROCESS

Axis has outsourced parts of its operations to Elanders, which nowadays not only handles warehousing and logistics planning, but also manages parts of production.

**DISTRIBUTION HUB**
Elanders has been running one of Axis European distribution hubs since 2011. Production takes place in an over 8,000 square meters production facility.

**ASSEMBLY**
More than 130 employees at Elanders mounts, calibrates and tests the sensitive camera equipment.

**LOGISTICS PLANNING**
Cameras are packaged and delivered to the end customer.

CASE: 3D PRINTERS

# GLOBAL DELIVERIES

Elanders runs a global distribution center in its megahub in Singapore for 3D-printers for customers that demand short delivery times and a high level of service.

**Mentor Media Program and Operations team** who handle the successful onboarding and running of the 3D-printer Distribution Center in Singapore.

**Services**

- Fulfillment & Distribution
- Warehouse & Inventory Management
- Global Order Management

The new 3D-technique has changed all the rules that previously limited creativity and sustainability, and the demand for 3D-printers is huge. One of the world's leading global manufacturers of 3D-printers has chosen Elanders as its partner for warehouse management and distribution of these printers. Customers are major contract manufacturers and brand owners. They primarily use 3D-printers to produce prototypes and components on-demand, i.e. as needed.

The business of selling 3D-printers entails complex logistics of unwieldy goods on a global B2B market that requires a high level of quality and service as well as short delivery times. Elanders' global distribution center in Singapore receives deliveries of 3D-printers from different manufacturers in the region. The logistics are literally no piece of cake. A 3D-printer can be three meters long and weigh close to a ton. The units are also extremely expensive and require special handling throughout the entire supply chain.

The Group's centrally located megahub in Singapore can also handle work from other customers. By using personnel for various jobs Elanders can streamline workflows, achieve economies of scale and quickly adapt resources according to customers' fluctuations in volume. This also gives customers the advantage of being able to expand their operations within the same partnership. Elanders is handling the rapid ramp up of 3D-printers with a number of new products every year. We are capable of scaling up and plan to offer an even broader range of supply chain services.

## THE PROCESS

Elanders is a flexible partner who is prepared to grow and develop with the customer.

**MANUFACTURER**
3D-printers are delivered from different manufacturers in the region.

**MEGAHUB**
Through flexible resources and personnel, operations can be streamlined, quickly adapted to fluctuations in customer volumes and economies of scale can be created.

**GLOBAL DELIVERIES**
3D-printers are unwieldy, expensive and require special treatment. Elanders delivers all over the world by air, sea and land.

**CUSTOMERS**
Customers are major contract manufacturers and brand owners in diverse trades that use 3D-printers to produce prototypes and components on-demand.

# A COMPANY WITH STRONG GROWTH

The past few years have been very eventful and Elanders has gone through a metamorphism. 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.

## 2017

The year was characterized by strong organic growth, mainly in business area Supply Chain Solutions where growth was generated in both Asia and Europe. Several new deals were signed during the year. Organic growth amounted to six percent for the Group as a whole, but increased to 12 percent in the fourth quarter. Net sales amounted to SEK 9.3 billion and there were close to 7,000 employees at year-end. The robust growth led to some growing pains for the organization, which was apparent in the result in the form of extra start-up costs for several of the new, large customer projects in Supply Chain Solutions.

Price pressure and overcapacity on the market for business area Print & Packaging Solutions continued and 50 employees were made redundant in the Swedish operations.

## 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 was then larger than ever before 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).

## INCOME STATEMENTS – SUMMARY

| MSEK | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Net sales | 9,342 | 6,285 | 4,236 | 3,730 | 2,096 |
| Operating expenses | –9,034 | –5,941 | –3,944 | –3,555 | –1,965 |
| EBIT | 308 | 344 | 292 | 175 | 131 |
| Financial items | –78 | –44 | –33 | –35 | –29 |
| Result after financial items | 230 | 300 | 259 | 140 | 102 |
| Result for the year | 165 | 217 | 175 | 88 | 70 |
| EBITDA | 563 | 516 | 428 | 292 | 229 |
| EBITA | 371 | 384 | 313 | 194 | 139 |

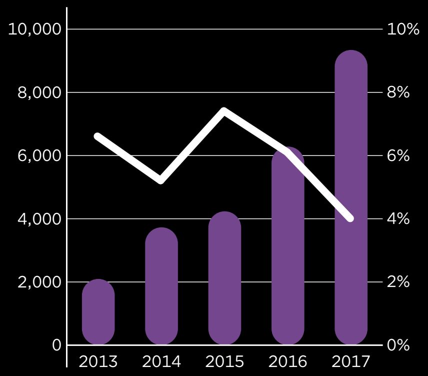
## CASH FLOW – SUMMARY

| MSEK | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Cash flow from operating activities | –64 | 331 | 269 | 162 | 128 |
| Paid taxes | –134 | –104 | –85 | –61 | –57 |
| Investments | –262 | –1,907 | –42 | –296 | –164 |
| Operating cash flow | –115 | –1,428 | 344 | –38 | 50 |
| Change in net debt | 438 | 983 | –198 | 174 | 69 |

## BALANCE SHEETS – SUMMARY

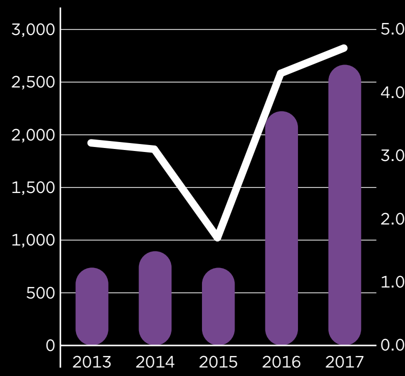
| MSEK | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Goodwill | 2,337 | 2,273 | 1,200 | 1,205 | 1,090 |
| Other fixed assets | 1,874 | 1,855 | 602 | 675 | 582 |
| Inventory | 390 | 295 | 266 | 253 | 107 |
| Accounts receivable | 1,795 | 1,396 | 825 | 844 | 387 |
| Other current assets | 333 | 312 | 139 | 136 | 82 |
| Cash and cash equivalents | 679 | 651 | 529 | 457 | 215 |
| Equity | 2,453 | 2,411 | 1,488 | 1,348 | 1,039 |
| Interest-bearing liabilities | 3,344 | 2,875 | 1,267 | 1,352 | 954 |
| Non-interest-bearing liabilities | 1,612 | 1,496 | 805 | 870 | 471 |
| Total assets | 7,409 | 6,782 | 3,560 | 3,570 | 2,464 |

### EBITA



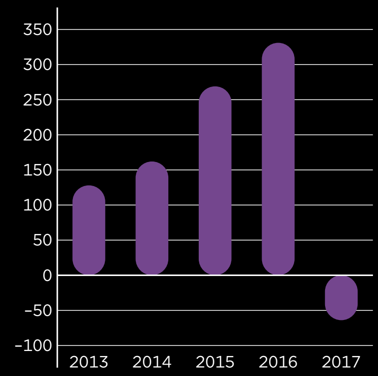

● Net sales, MSEK
● EBITA margin, %

### NET DEBT




● Net debt, MSEK
● Net debt/EBITDA, times

### CASH FLOW



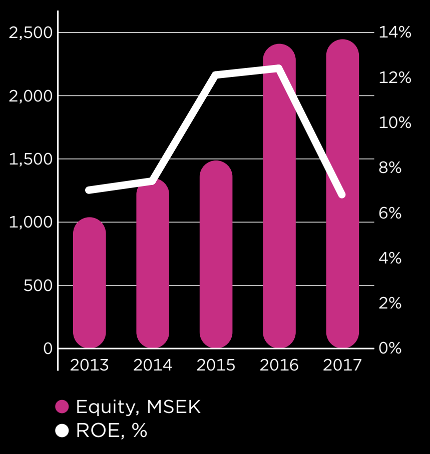

● Cash flow from operating activities, MSEK

## KEY RATIOS

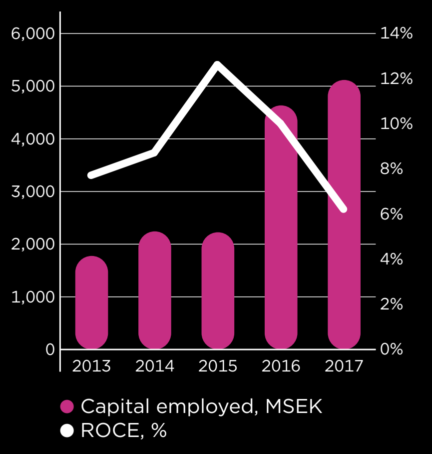
| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| EBITA-margin, % | 4.0 | 6.1 | 7.4 | 5.2 | 6.6 |
| Operating margin, % | 3.3 | 5.5 | 6.9 | 4.7 | 6.2 |
| Profit margin, % | 2.5 | 4.8 | 6.1 | 3.8 | 4.8 |
| Equity ratio, % | 33.1 | 35.6 | 42.0 | 37.8 | 42.2 |
| Risk capital ratio, % | 35.7 | 38.7 | 44.1 | 40.1 | 44.8 |
| Interest coverage ratio, times | 4.1 | 7.8 | 12.7 | 5.0 | 5.3 |
| Debt/equity ratio, times | 1.1 | 0.9 | 0.5 | 0.7 | 0.7 |
| Return on equity, % | 6.8 | 12.4 | 12.1 | 7.4 | 7.0 |
| Return on capital employed, % | 6.2 | 10.0 | 12.6 | 8.7 | 7.7 |
| Return on total assets, % | 4.3 | 6.7 | 8.2 | 5.9 | 5.6 |
| Average number of employees | 6,658 | 4,536 | 3,182 | 3,360 | 1,864 |
| Number of employees at the end of the year | 6,997 | 6,444 | 3,177 | 3,320 | 1,898 |
| Net debt/EBITDA, times | 4.7 | 4.3 | 1.7 | 3.1 | 3.2 |
| Enterprise Value, MSEK | 5,570 | 5,981 | 2,555 | 1,919 | 1,298 |
| Risk capital, MSEK | 2,645 | 2,625 | 1,568 | 1,431 | 1,104 |
| Capital employed, MSEK | 5,118 | 4,635 | 2,226 | 2,243 | 1,777 |
| Net debt, MSEK | 2,665 | 2,224 | 738 | 895 | 739 |

For Reconciliation Alternative Performance Measures and Financial definitions, see pages 108–110.

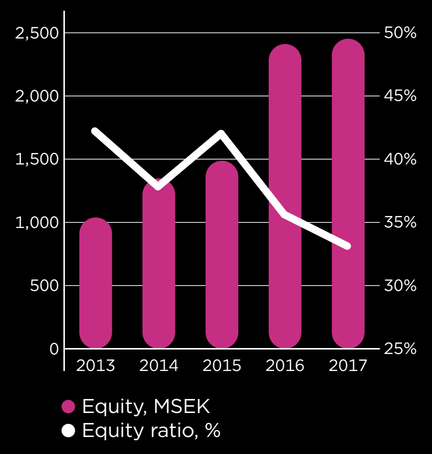
### RETURN ON EQUITY




### RETURN ON CAPITAL EMPLOYED




### EQUITY RATIO



“Organic growth of 12 percent in the fourth quarter.

*Share information and ownership structure*

# A YEAR OF CHALLENGES

2017 was a challenging year for Elanders, characterized by strong organic growth for the Group but which also came with some growing pains. This is reflected in the development of the share price during the year.

**History**

Elanders' B shares were first listed on the Stockholm Stock Exchange on 9 January 1989. On 31 December 2017 the company had 33,542,938 (33,542,938) B shares listed on NASDAQ OMX Stockholm, Mid Cap, under the ELAN B symbol.

**Development during the year**

The market value of B shares fell by 23 (+55) percent during 2017, while the Stockholm Stock Exchange index OMX Stockholm PI grew by 6 (6) percent during the same period. During 2017 a total of 8,591,669 (13,024,518) Elanders shares were traded, which is equivalent to an average trading rate of approximately 0.24 (0.44) times.

The lowest share price during 2017 was SEK 80.75 on 8 December and the highest was SEK 118.00 on 26 April. The final share price in 2017 was SEK 82.00 (106.25), which means that Elanders' stock market value at year-end was approximately MSEK 2,899 (3,757).

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

At the end of 2017 there were a total of 35,357,751 (35,357,751) issued shares in the company, of which 1,814,813 (1,814,813) were class-A shares and 33,542,938 (33,542,938) were class-B shares.

Each class-A share is worth ten votes and each class-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 pages for share capital and voting disposition. The class-B share is covered by a liquidity guarantee and Remium AB is the guarantor.

**Share allocation**

There were 3,457 (3,576) Elanders shareholders at year-end. The share of foreign shareholders amounted to 8 (7) percent of the capital. The allocation between shareholder type and share of capital is 9 (10) percent private owners and 30 (30) percent institutional owners. At the end of the year Carl Bennet AB controlled 66 (66) percent of the votes and 50 (50) percent of the capital and was the only owner who controlled more than 10 percent of the capital or 10 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, under the section Investors.

Questions can also be asked to Elanders directly via e-mail at 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.

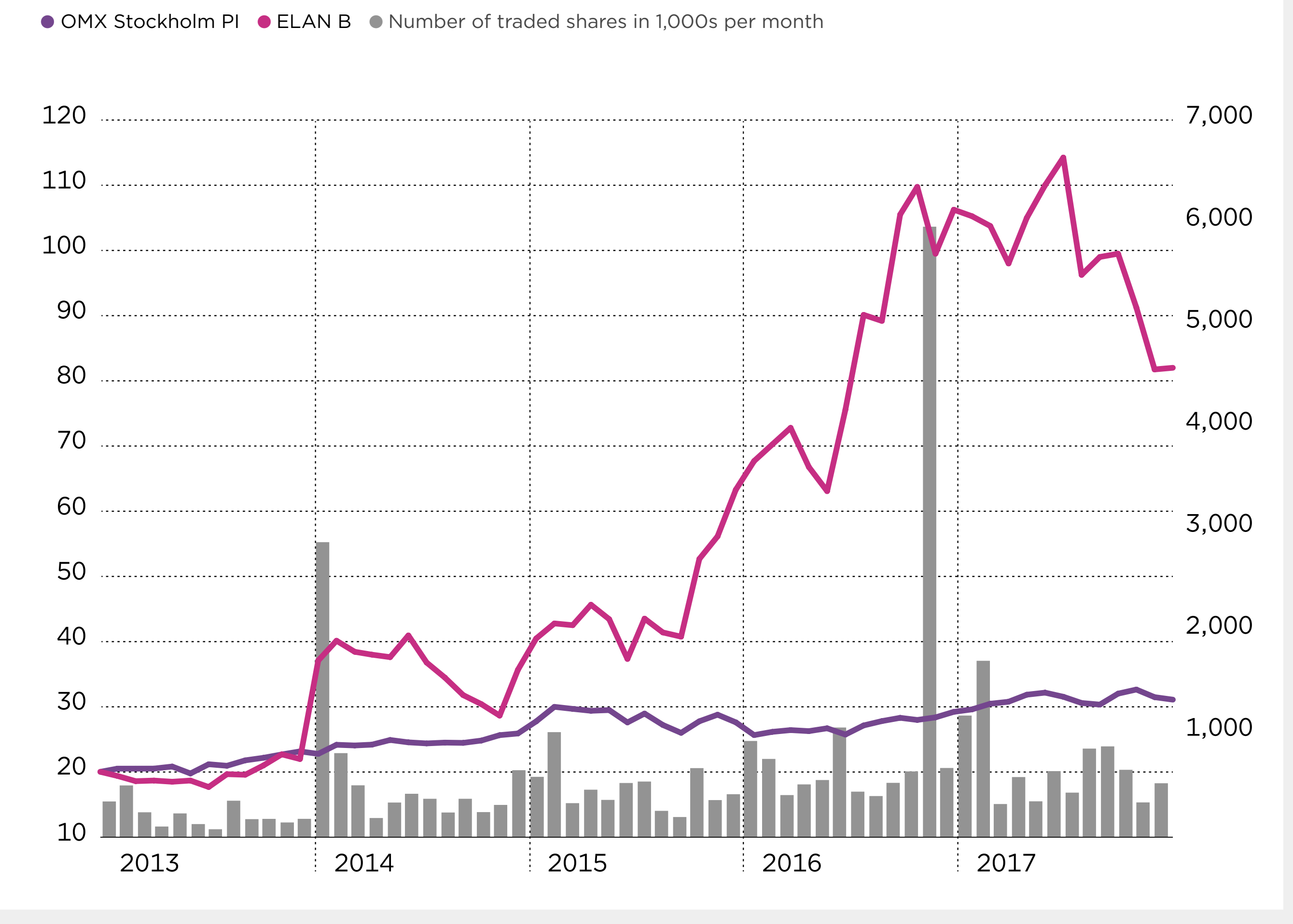
## DATA PER SHARE

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Net result, SEK | 4.65 | 7.35 | 6.18 | 3.27 | 2.81 |
| Share price at year-end, SEK | 82.00 | 106.25 | 64.36 | 36.27 | 23.11 |
| P/E ratio | 17.6 | 14.5 | 10.4 | 11.1 | 8.2 |
| P/S ratio | 0.3 | 0.5 | 0.4 | 0.3 | 0.3 |
| Dividend, SEK | 2.60 [1)] | 2.60 | 2.07 | 1.03 | 0.73 |
| Dividend yield, % | 2.6 | 3.1 | 4.5 | 2.9 | 3.6 |
| Share price/equity, times | 1.2 | 1.6 | 1.2 | 0.8 | 0.6 |
| Equity, SEK | 69.21 | 68.19 | 52.72 | 47.75 | 42.93 |
| Risk capital, SEK | 74.80 | 74.24 | 55.57 | 50.70 | 45.63 |
| EBITDA, SEK | 15.92 | 17.47 | 15.16 | 10.89 | 9.20 |
| Operating cash flow, SEK | –3.24 | –48.32 | 12.19 | –1.42 | 2.01 |
| Cash flow from operating activities, SEK | –1.81 | 11.19 | 9.52 | 6.03 | 5.15 |
| Average number of outstanding shares, in thousands | 35,358 | 29,555 | 28,224 | 26,825 | 24,900 |
| Turnover rate | 0.24 | 0.44 | 0.20 | 0.27 | 0.11 |

1) Proposed by the Board.

Historic number of shares and historic key ratios have been adjusted for the bonus issue element int the new share issues in 2014 and 2016. For Reconciliation Alternative Performance Measures and Financial definitions, see pages 108–110.

## 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 and 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 |
| **Outstanding shares and share capital on 31 December 2017** | **1,814,813** | **33,542,438** | **35,357,751** | **353,577,510** |

## MAJOR SHAREHOLDERS 31 DECEMBER 2017

| | 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 | – | 3,038,707 | 5.9 | 8.6 |
| Lannebo Funds | – | 2,615,665 | 5.1 | 7.4 |
| Didner & Gerge Funds | – | 2,536,000 | 4.9 | 7.2 |
| Fourth Swedish National Pension Fund | – | 1,141,981 | 2.2 | 3.2 |
| Second Swedish National Pension Fund | – | 544,570 | 1.1 | 1.5 |
| The Bank of New York Mellon SA/NV | – | 391,586 | 0.8 | 1.1 |
| HSBC Trustee of Marlborough, European | – | 373,000 | 0.7 | 1.1 |
| Dan Olsson | – | 297,352 | 0.6 | 0.8 |
| P-A Bendt AB | – | 200,000 | 0.4 | 0.6 |
| Other Shareholders | – | 6,500,481 | 12.6 | 18.4 |
| **Total** | **1,814,813** | **33,542,938** | **100.0** | **100.0** |

Source: Euroclear Sweden AB.

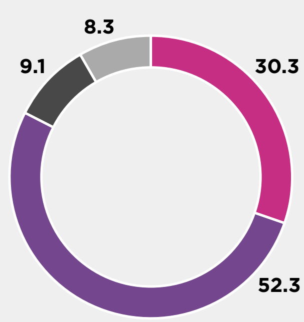
## SHAREHOLDER STATISTICS 31 DECEMBER 2017

| Number of shares | Number of shareholders | Number of A shares | Number of B shares | Percent of share capital | Percent of votes |
|---|---|---|---|---|---|
| 1–500 | 2,441 | – | 353,849 | 1.0 | 0.7 |
| 501–5,000 | 852 | – | 1,288,197 | 3.6 | 2.5 |
| 5,001–50,000 | 129 | – | 1,957,923 | 5.5 | 3.8 |
| 50,001–500,000 | 29 | – | 4,162,450 | 11.8 | 8.1 |
| 500,001– | 6 | 1,814,813 | 25,780,519 | 78.0 | 85.0 |
| **Total** | **3,457** | **1,814,813** | **33,542,938** | **100.0** | **100.0** |

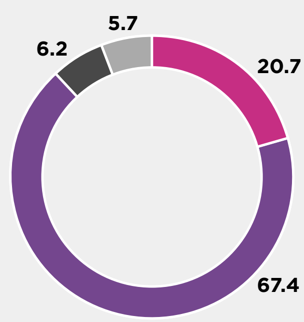
Source: Euroclear Sweden AB.

## SHAREHOLDER CATEGORIES 31 DECEMBER 2017

### PERCENT OF SHARE CAPITAL




### PERCENT OF VOTES




- Swedish institutions and Investment companies
- Swedish companies
- Swedish private persons
- Foreign owners

Source: Euroclear Sweden AB.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# 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 2017.

Elanders AB (publ) is the parent company of the Elanders Group and the company's B shares are listed on NASDAQ OMX Stockholm, Mid Cap. 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 Elanders Group has close to 7,000 employees and operates in some 20 countries on four continents. Our most important markets are China, Germany, Singapore, Sweden, the United Kingdom and the USA. Our major customers are active in the branches Automotive, Electronics, Fashion & Lifestyle, Industrial and Health Care & Life Science. The business is conducted mainly through three business areas, Supply Chain Solutions, Print & Packaging Solutions and e-Commerce Solutions, which are all more or less independent businesses, but together they form a whole that few companies can compete with.

## 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 the own brands fotokasten and myphotobook.

## Net sales and result

Net sales for the year increased by MSEK 3,057 to MSEK 9,342 (6,285). The increase is foremost related to that LGI was consolidated for twelve months during 2017 compared to five months during 2016. Cleared of exchange rate effects and acquisitions net sales grew by six percent.

EBITA, i.e. the operating result adjusted for amortization on assets identified in conjunction with acquisitions, amounted to MSEK 371 (384) including one-off items of some net MSEK –28 (–39). Operating result amounted to MSEK 308 (344) including one-off items of some net MSEK –28 (–39).

The one-off items during the year were foremost related to structural measures in the Swedish operations within Print & Packaging Solutions. The decrease in the result as a whole is due to start-up costs for several major customers projects in Supply Chain Solutions were higher than expected, as further explained below.

### Supply Chain Solutions

For the Group's largest business area, Supply Chain Solutions, the strong organic growth continued and amounted to seven percent, were the growth came from both Asia and Europe. Last year the organic growth were four percent. The customer base has been expanded during the year with several new large customers within both Automotive and Electronics. The organic growth also shows that there is a stable underlying growth in the supply chain market. Our growth, which is mostly derived from new customer projects and business, has put a certain amount of pressure on our organization and the company, both in terms of resources and financially, which is also apparent in the result for the period. Implementing new customer projects has been more extensive than we anticipated. This has led to extra start-up costs, which affected the result negatively. Among these were costs for temporary personnel since we needed double crews, transports, consultants etc. Most of these projects are now up and running. During the second half-year we also had extra costs for moving and consolidating our units in Singapore as well as the establishment of new units in Germany and the USA, which had a negative effect on the result. Otherwise, focus has been on developing existing customers and generate new business with new and existing customers, which include services from all business areas.

In October Elanders signed a contract to acquire 80 percent of the shares in the Hong Kong-based company Asiapack Limited (Asiapack), along with the option to buy the rest of the shares in 2020. The acquisition is a complement to Elanders' existing operations in Asia, Mentor Media, and will provide new customer segments as well as broaden our range. Asiapack has specialized in value-adding services such as product configuration, consolidation and packing. Asiapack has annual net sales of around MSEK 70 and slightly more than 200 employees. Asiapack will become part of the business area Supply Chain Solutions and is expected to contribute positively to earnings per share as of 1 January 2018, as well as improve the business area's operating margin somewhat. The purchase price for the shares was around MSEK 50 on a debt-free basis and the acquisition is financed through cash and loans.

### Print & Packaging Solutions

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. As a consequence of the decreasing volumes and the price pressure the Group's consolidation of capacity of conventional print continues. For example a notice of redundancy affecting 50 persons within the Swedish operations were given in the third quarter. The work is also underway to transform some of the existing printing businesses into offering supply chain management services, which has previously been successful both in Brazil and the USA. It is this part that grows in the business area, and above all, it is the service area in the USA relating to subscription boxes, which includes print, freight and packing services. It has skyrocketed from nearly zero to 18 million dollars in net sales over the past two years. Excluding this section from the business area, organic net sales contracted with just under one percent last year. During 2018 also the Swedish printing operation will offer these combined services. Spreckley Limited in Great Britain, which offers packaging, marketing material and labels to the British market, was acquired in the third quarter. Spreckley has some 20 employees and had net sales of MSEK 25 in the twelve-month period that ended on 31 March 2017.

### e-Commerce Solutions

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. Despite this the sales and the result ended up significantly lower than the previous year. A strategic review regarding the business area e-Commerce's future as a separate business area is ongoing. Currently only around 3 percent of the Group's entire net sales are within e-Commerce.

During the third quarter a change in the management of the business area were the former President of the business area left the Group. For the time being Magnus Nilsson, President and CEO for Elanders, is responsible for the business area.

## Significant events during the year

No other significant events besides what has been stated above have occurred during the year.

## Investments and depreciation

During the year net investments amounted to MSEK 262 (1,907), of which MSEK 67 (1,796) were acquisitions. Depreciation and amortization amounted to MSEK 255 (171).

## Financial position, cash flow and equity ratio

The net debt per 31 December 2017 was MSEK 2,665 compared to MSEK 2,224 at the start of the year. Included in the net change is an increase of MEUR 27.5, equal to MSEK 262, which refers to a repayment of a factoring debt. A subsidiary previously used factoring as a finance form by transferring accounts receivable to a finance institute. This factoring debt has now been replaced with conventional bank credits. As a result of this repayment accounts receivable and net debt grew in equal amounts, which had a negative effect on cash flow from operating activities. Cleared of this item and exchange rate effects net debt increased by MSEK 163 during the period, foremost due to increased working capital, high level of investments and the purchase price of acquisitions.

Operating cash flow for the year, excluding acquisitions amounted to MSEK –48 (368) and MSEK –115 (–1,428) including acquisitions, of which –262 (0) consisted of increased working capital in the form of accounts receivable due to a repayment of a factoring debt. Cleared of this one-off effect and the purchase price of acquisitions, operating cash flow was MSEK 214 (368). For the fourth quarter, operating cash flow, excluding acquisitions amounted to MSEK 49 (65) and MSEK 5 (69) including acquisitions.

## 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 6,658 (4,536), of which 241 (270) were in Sweden. At the end of the period the Group had 6,997 (6,444) employees, of which 224 (250) 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 11 (9) and the number at year-end amounted to 10 (9). Other information concerning the number of employees, salaries, remuneration and conditions of employment is given in note 4 to the consolidated financial statements.

## Information concerning company shares

On 31 December 2017 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 NASDAQ OMX Stockholm, Mid Cap. 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 2017 was Carl Bennet AB with 66 (66) percent. No shares are owned by personnel through pension foundations or similar.

### Contracts with clauses regarding ownership changes

The company has certain customer contracts and bank agreements 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 26 April 2017. The Board proposes that the Annual General Meeting 2018 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 distribution 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

No significant 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 1,061,455,472 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 969,525,319 |

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 services/products), financial risks (currency, interest, financing/liquidity 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.*

## 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.

| | Risks and uncertainty factors | Elanders' response |
|---|---|---|
| **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 (56) percent of net sales in 2017. Sales to the Group's largest customer represent 15 (16) 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 personnel costs and transportation costs. These two categories represent 46 (38) percent of total operating costs in 2017. | 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. Elanders has also the possibility within some agreements to pass on increased costs to the customers. |
| **Contracts and disputes** | In business daily operations can give rise to disputes. | 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. |

### 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.

| | Risks and uncertainty factors | Elanders' response |
|---|---|---|
| **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. In most cases the expansions in supply chain do not involve significant investments in fixed assets and lease agreements are signed to match the customer contracts. A large part of the running costs in new projects are variable and can be adjusted in case of volumes changes. |
| **The future of the services/ products** | 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. | 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 services and products. Elanders is continually consolidating the operations especially within print & packaging. To increase capacity utilization and minimize the level of investments. |

### Financial risk

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

| | Risks and uncertainty factors | Elanders' response |
|---|---|---|
| **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). | Receivables and liabilities as well as in some cases purchase and sales orders are partly hedged by using forward exchange contracts. 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 and USD. | 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/ liquidity 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. |

# 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.

### 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 2017 there were 3,457 (3,576) shareholders. The foreign ownership in Elanders was 8 (7) percent of shares and 6 (5) percent of votes.

The only direct or indirect shareholding exceeding a tenth of the votes in the company per 31 December 2017 was Carl Bennet AB with 66 (66) 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. 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. Class-A shares and class-B shares have the same right to a share

**Elanders' Corporate Governance**

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 under Corporate Governance.

### Annual General Meeting 2017

The Annual General Meeting 26 April 2017 decided:

- to adopt the Annual Report for 2016,
- to distribute a dividend of SEK 2.60 per share for the financial year 2016,
- to discharge the members of the Board of Directors and the Chief Executive Officer from liability for 2016,
- to grant according to a proposal in the summons the Board and committee remuneration for a total of SEK 3,930,000 to be divided within the Board,
- to appoint the following Board Members:
  – Carl Bennet (re-elected)
  – Pam Fredman (re-elected)
  – Dan Frohm (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 2018,
- 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 2018

The next Annual General Meeting for shareholders in Elanders will take place at Gothia Towers, Mässans gata 24 in Gothenburg Friday 27 April 2018. Further information about the Annual General Meeting will be published at 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), Göran Espelund (Lannebo Funds), Carl Gustafsson (Didner & Gerge Funds) and Sophie Nachemson-Ekwall (representative for the smaller shareholders). No remuneration has been paid to the nomination committee. The members' contact information is found on page 115 in the Annual Report and on 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 2017

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 2017 the Board consisted of ten members without deputies: Carl Bennet, Chairman, Johan Stern, Vice Chairman, Pam Fredman, Dan Frohm, 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. During the autumn, Eija Persson and Ivan Taborsak resigned as employee representatives in the Board. All the members of the Board elected by the Annual General Meeting have an independent relationship to the company except Magnus Nilsson. Pam Fredman, 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. Dan Frohm, Erik Gabrielson, Anne Lenerius and Johan Stern are also dependent in relation to Carl Bennet AB where Dan Frohm, Erik Gabrielson and Johan Stern are members of the Board and Anne Lenerius is CFO.

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 par-

## 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 [1] | Independent |
|---|---|---|---|---|---|---|---|
| **Members chosen by the AGM** | | | | | | | |
| Carl Bennet, Chairman | 9 (9) | 1 (1) | Not member | 100 | 670 + 70 | 1,814,813 A<br>15,903,596 B | No, owner |
| Johan Stern, Vice Chairman | 9 (9) | 1 (1) | 3 (4) | 93 | 335 + 134 + 35 | 107,000 B | No, owner |
| Pam Fredman | 6 (9) | 1 (1) | Not member | 70 | 335 + 35 | 1,609 B | Yes |
| Dan Frohm | 6 (6) | 1 (1) | Not member | 100 | 335 + 35 | – | No, owner |
| Erik Gabrielson | 9 (9) | 1 (1) | Not member | 100 | 335 + 35 | – | No, owner |
| Linus Karlsson | 5 (9) | 1 (1) | Not member | 60 | 335 + 35 | – | Yes |
| Cecilia Lager | 8 (9) | Not member | 4 (4) | 92 | 335 + 67 | 37,521 B | Yes |
| Anne Lenerius | 9 (9) | Not member | 4 (4) | 100 | 335 + 67 | 6,221 B | No, owner |
| Magnus Nilsson, CEO | 8 (8) | Not member | Not member | 100 | Employee | 73,577 B | No, company |
| Caroline Sundewall | 9 (9) | Not member | 4 (4) | 100 | 335 + 67 | 6,666 B | Yes |
| **Employee representatives** | | | | | | | |
| Eija Persson [2] | 6 (8) | Not member | Not member | 75 | Employee | – | No, company |
| Marcus Olsson | 4 (9) | Not member | Not member | 44 | Employee | – | No, company |
| **Total** | | | | **87** | **3,930** | | |

[1] Shareholding as of December 31, 2017 for those Directors being on the Board at that moment.
[2] Resigned in December, 2017.

ticipate 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 two occasions relating to remunerations to senior officers.

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 2017 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 to the left.

Further information about the Board and the members elected on the Annual General Meeting can be found on pages 112–113.

### 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 1–100, where the highest grade is 100. The average score in 2017 was 94 (91). 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, Dan Frohm, Erik Gabrielson, Linus Karlsson and Johan Stern. The guidelines for remuneration to leading officers adopted at the Annual General Meeting 2017 can be found in note 4 in the consolidated financial statements and on the company's website, www.elanders.com under Corporate Governance. The guidelines for remuneration to leading officers for 2017 and the Board of Director's proposal for guidelines for 2018 can be found on page 39 in the Annual Report 2017. 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 four times in 2017. 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. This year there has also been a tender process for audit services for the year 2018 and onwards, which was discussed on one of meetings. 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, Elanders Group; Acting President e-Commerce Solutions
- Andréas Wikner — Group Chief Financial Officer
- 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

## 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. 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 2017 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.

# SUSTAINABILITY REPORT

*This is Elanders first sustainability report since the requirement to present one was written into the Annual Accounts Act. In the future a sustainability report will be published annually, integrated into the Annual Report.*

## About the Sustainability Report

The Sustainability Report refers to the financial year 2017 and Elanders as the Group appeared at the beginning of 2017. The companies acquired in 2017, Spreckley Limited (United Kingdom) and Asiapack Limited (Hong Kong and Shenzhen) are not included in the 2017 Sustainability Report but will be included in 2018.

The report covers the sustainability areas considered material to Elanders and its stakeholders within financial, environmental and social aspects. The purpose of the Sustainability Report is to present a fair view of Elanders' work on sustainability. The report has not been externally audited.

## Sustainability and opportunities

Since Elanders' listing on the stock market in 1989 the Group has been transforming from a pure printing company with operations primarily in Sweden into a global service supplier with operations on four continents. Elanders has always strived to follow megatrends like digitalization, globalization and structural changes in the graphic industry. Along the way acquisitions have contributed to the company's ability to expand into new markets, customer segments and services.

Elanders believes the success of a company should be measured in more than just numbers. Although the Group's profit is important in order to be successful on the market, Elanders is truly engaged in creating a good balance between building up a successful company and taking responsibility for social, ethical and environmental issues. Elanders is convinced that the best way to reach targeted goals is by having clearly formulated social, ethical and environmental principles, and making sure they are followed.

The demands on corporate responsibility in large multinational companies are just as high for their partners. In their environmental and quality documentation these companies set requirements that suppliers must meet as well. Elanders' sustainability work is therefore largely governed by our global customers' demands, which makes it a competitive factor.

Sustainability work is, however, not just about demands. It also opens up opportunities. Working actively with sustainability offers significant opportunities to create value and improve profitability, for example, through better resource efficiency and lower costs like those for raw materials, energy and transportation.

Every employee in the Elanders Group is responsible for reducing negative impact on the environment, improving the work environment, increasing equality and counteracting corruption. Elanders works according to guidelines concerning corporate responsibility and aims at contributing to developing society in the 19 countries where the Group operates.

## Stakeholder dialogue and materiality analysis

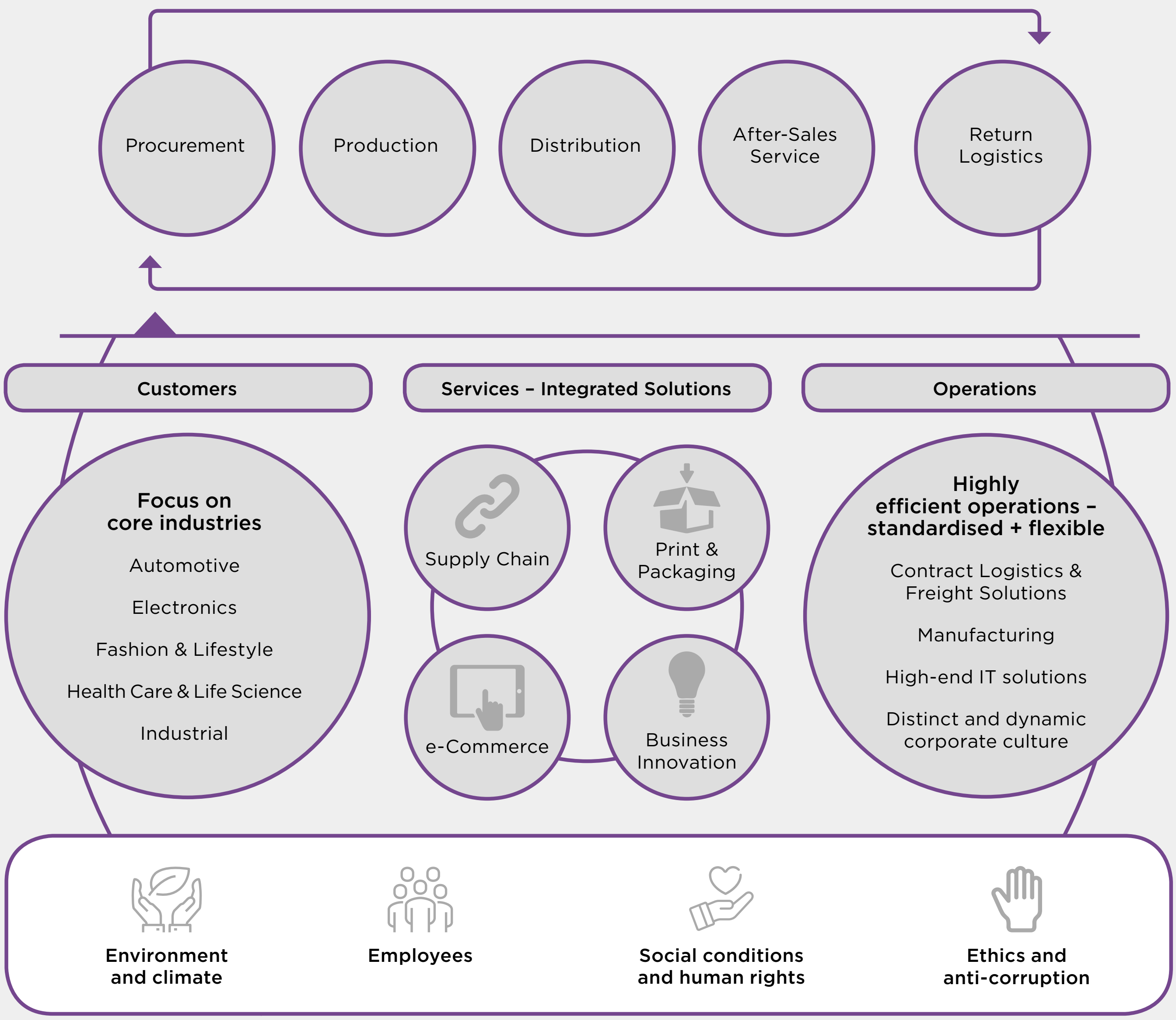
### Stakeholder dialogue

Elanders maintains a continuous dialogue with stakeholders and has identified five overall stakeholder groups as presented below. In the Sustainability Report the actual impact and expectations of the stakeholder groups, based on this continuous dialogue, has been taken into consideration.

| Stakeholder group | Communication with stakeholder groups |
|---|---|
| Shareholders and investors | Financial reports<br>Annual General Meeting<br>Investor meetings<br>Website<br>Press releases |
| Suppliers | Continuous dialogue<br>Procurements and purchasing negotiations |
| Employees | Development discussions<br>Intranet/other internal communication channels<br>Dialogue with unions |
| Customers | Continuous dialogue<br>Customer surveys |
| Society | Local cooperations<br>Participation in networks<br>Trainees and student essays |

**Business model linked to sustainability**

Elanders' sustainability work covers the Group's entire business model and permeates the company on every level. Elanders is working to further integrate sustainability matters into operations in order to reduce the Group's negative impact on the environment, contribute to social development and act as a responsible and respectfull employer.



### Materiality analysis

Elanders has performed a materiality analysis based on financial, environmental and social aspects. The analysis is based on dialogues with stakeholders as well as information from the Board, Group Management and other leading officers. The materiality analysis resulted in four material areas and linked to these four areas underlying aspects and key ratios for Elanders' sustainability work were identified. Elanders' sustainability work will mainly focus on these areas and they will be reviewed routinely to ensure that Elanders is working with issues relevant to its business and stakeholders and which contribute to development over time.

| | Materiality | Elanders' response |
|---|---|---|
| **Environment and climate** | Historically Elanders' operations have primarily had a direct impact on the environment through noise and solvent emissions into the air, but also minor emissions into water. As of the acquisition of LGI Elanders now has a fleet of around 265 trucks with trailers. This truck fleet has a direct impact on the environment through the transportation done for customers. This especially adds to noise levels, air pollution, acidification, overfertilization and higher greenhouse effects. Another aspect of Elanders' climate impact is energy consumption. Energy in facilities is mainly used for manufacturing, heating, lighting and cooling. | Elanders' work to reduce its negative impact on the environment and climate is governed from Group level through environmental policies. The Group places great importance on strictly following legal requirements concerning the environment. This minimizes the risk for events that can lead to significant business risks and/or fines.<br>The following areas are considered material for Elanders' environmental work:<br>• Material<br>• Energy consumption<br>• Emissions<br>The following key ratios have been identified in the area:<br>• Percent of renewable electricity<br>• Carbon dioxide emissions from transportation |
| **Employees** | The Elanders Group has 6,997 employees in 19 countries. Actively working with human resources is essential since employees that are happy, well and motivated contributes to Group development on every level. | Work concerning employees is governed by the Group Code of Conduct. Local units are responsible for creating their own procedures and guidelines to ensure conformance with the code.<br>The following areas are considered material for Elanders' work concerning employees:<br>• Common values<br>• Health and safety<br>• Equality, equal opportunity and diversity<br>The following key ratios have been identified in the area:<br>• Personnel turnover<br>• Sick leave<br>• Serious injuries<br>• Gender distribution<br>• Age distribution |
| **Social conditions and human rights** | Because Elanders is a global business with operations on several continents it is imperative to work with social conditions and human rights. Although ensuring fair working conditions on every level is a given, constant full focus and follow-up is a necessity. As a globally active and influential group, Elanders intends to be one of the best regarding social responsibility and engagement in every area the company is involved in. | Elanders work regarding social conditions and human rights is based on the Group's Code of Conduct. Elanders intends to be one of the best regarding social responsibility and engagement and the local units are encouraged to support and get involved in projects where they believe their contributions can make a difference.<br>The following areas are considered material for Elanders' work concerning social conditions and human rights:<br>• Social responsibility<br>• Equal rights |
| **Ethics and anti-corruption** | An ethical and transparent approach is fundamental to Elanders reducing the risk for conflicts of interest, and having a profitable and sustainable business with a strong brand. | Elanders follows all applicable laws and regulations, locally and internationally. Elanders has an anti-corruption policy that comprises all employees, the Board and other persons that act in Elanders' name.<br>The following area is considered material for Elanders' work concerning ethics and anti-corruption:<br>• Policies and education<br>Elanders has zero tolerance of any type of corruption or bribe, which means the number of incidents concerning corruption are an important key ratio to monitor and the target number is therefore 0. |

## Elanders' Code of Conduct

Elanders has drawn up a Code of Conduct that governs actions in every part of the organization. Elanders' Code of Conduct stipulates that both Elanders and its employees' actions and behavior must be characterized by honesty, integrity, personal responsibility, sincerity, loyalty and respect for others and the environment. The Code of Conduct comprises all employees, the Board and other persons that act Elanders' name. There is an annual follow-up to ensure that all companies in the Group comply with the code and that it is communicated to all employees.

## Environment and climate

Elanders works systematically to reduce its environmental impact and develop products, services and processes to achieve optimal quality. The overall environmental goal is to reduce the Group's environmental impact in every entity without lowering quality. Almost all units are certified according to established quality and environmental standards like ISO 9001 and ISO 14001. The Group places great importance on strictly following legal requirements and compliance with other requirements in the regular environmental reviews according to ISO 14001 and when the due diligence process is involved in possible acquisitions.

A number of environmental initiatives were carried out during the year, everything from measures to reduce energy consumption and greenhouse gas emissions to generating less hazardous waste. Each company in the Group is responsible for its own environmental and quality work to meet local regulations and the quality and environmental reviews initiated by Elanders' customers. One result from this work comes from Elanders in the USA who received an Environmental Impact Award from its main supplier of packaging material. The motivation for the award was that Elanders actively looked for environmentally friendly solutions and thereby contributed to positive environmental effects like saving water, reducing carbon dioxide emissions and reducing energy consumption.

### Material

The connection between quality-ensured production and manufacturing with a lower environmental impact is becoming evident to more and more companies. Environmental demands from customers and authorities can vary greatly from one geographic market Elanders operates in to another, but the general trend is clear. Offering sustainable production on every level is becoming a prerequisite for being able to compete, particularly for global business.

The graphic industry has been a pioneer in many countries with an offensive environmental program. Using less paper is relevant from both a financial and environmental perspective. The industry has been able to show environmental improvements in the form of less paper and hazardous waste, lower energy consumption and greenhouse gas emissions. Over time the scope of environmental issues has broadened to include warehousing and distribution as well. Customers with far-reaching environmental demands consider the entire life cycle of a product.

Paper and packaging are a major commodity in Elanders' business areas Print & Packaging Solutions and Supply Chain Solutions. The Group works on following-up, analyzing, reducing and actively dealing with paper waste. When possible Elanders produces on-demand, which reduces both paper waste in production and the risk of unused stores that will be scrapped at a later date. Elanders has a number of ecolabels in different operations such as the Swan, FSC® responsible forestry and Climate Neutral Company.

### Energy consumption

Using energy drives costs up and therefore reducing energy consumption can raise profitability and competitive capacity. Elanders' goal is to reduce energy consumption and use as much renewable electricity as possible on the markets where it is available, making this an important focus area at Elanders.

Elanders primarily uses electricity and natural gas. When making new investments Elanders selects the best possible technique from an energy efficiency perspective. For instance, a large number of forklifts are electric in Group warehouses and printing plants.

| Percentage of renewable electricity | 2017 |
|---|---|
| All entities | 30.5 |

Of total electricity consumption in 2017, 30.5% comes from renewable sources. This is the first year figures have been produced for this key ratio, i.e. 2017 is the base year. Elanders will routinely follow-up the key ratio and analyze the possibilities of increasing the use of renewable energy on the markets the company operates in.

### Emissions

Transportation is one of the main conditions for our current undeniable financial and social development. At the same time transportation has a negative effect on people's health and the environment. Elanders' emissions into the air primarily consist of carbon dioxide and are largely generated by transportations.

Development is continually being made in different areas at Elanders to reduce the negative effects of transportation, particularly in business area Supply Chain Solutions with its fleet of around 265 trucks. As a result of continuously upgrading the fleet Elanders has drastically lowered carbon dioxide emissions. In 2017 95% of the trucks complied with the Euro 6 norm of a maximum of 80 mg/km NOx emissions. A consequence of this high standard has been a dramatic reduction in fuel consumption in the past few years. Elanders is also continuously working on streamlining transportation, thereby reducing environmental impact. Effective motors, well-developed GPS systems, driver training and prizes for the most fuel efficient drivers contribute to reducing fuel consumption. In 2017, the average fuel consumption was 30 liters/100 km.

Different types of solvent are used in business area Print & Packaging Solutions in connection with printing, mostly aliphatic solvents and isopropanol. Elanders' goal is to eliminate the use of aromatic solvents since they have a severe negative effect on both health and the environment. The kind of solvents being used is routinely monitored.

According to the Environmental Act in Sweden and corresponding legislation in other countries several printing plants are required to have permits or submit reports depending on their total consumption of solvents. In 2017 the Swedish organization had operations in Mölnlycke that were required to have a permit. Outside Sweden Elanders has operations required to have a permit in varying degrees in China, Germany, Great Britain, Hungary, Poland and the USA. Local units are responsible for making sure they comply with the laws, regulations and standards valid for their operations and that the necessary measures are taken to meet all requirements.

Using solvents also causes emissions of VOC (Volatile Organic Compounds). Elanders continually looks for ways to reduce the environmental impact of these emissions without affecting product quality negatively, for example through more efficient methods that reduce consumption or by switching to less volatile alternatives.

Elanders' ultimate goal is to reduce direct and indirect emissions of greenhouse gases. The Group's greatest impact comes from carbon dioxide emissions from the transportation operations.

| Carbon dioxide emissions, metric tons | 2017 |
|---|---|
| From transportation operations | 27,282 |

The emissions of carbon dioxide come from 265 trucks. This is the first year figures have been produced for this key ratio, i.e. 2017 is the base year. Elanders will actively analyze and monitor developments.

### Matter with the Environmental Authority

In 1999 a limited area of ground contamination was discovered under a building in one of Elanders' previous locations in Sweden. 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.

## Employees

Through a number of acquisitions around the world the number of employees has quadrupled in a few years and the Group is now bigger than ever. Exciting challenges and tremendous opportunities await us in the creation of common values in the different units. At the end of the year 6,997 people were employed in 19 countries on four continents. Most of the increase in employees came through the acquisitions of Mentor Media in 2014 and LGI in 2016.

| Personnel turnover, % | 2017 |
|---|---|
| All employees | 29.9 |

Personnel turnover includes the staffing activities carried out by the German subsidiary LOGworks GmbH, which contributes to the relatively high figure. Furthermore, staff turnover in 2017 was affected by reorganizations, primarily within Print & Packaging Solutions, where employees were dismissed and terminated during the year.

This is the first year figures have been produced for this key ratio, i.e. 2017 is the base year. Elanders will routinely follow-up the key ratio and analyze what ought to be relevant goals for personnel turnover in the Group based on the various units' operations and personnel configuration.

### Common values

Elanders' companies are to a large extent 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. These are communicated to employees in the Group's employee policy. 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 and to be active, for instance, by submitting suggestions for improvements and taking initiative. Employees should also take pride in always doing their best and in responsibility for their own customer deliveries. Leaders in the organization should act as role models by living up to Group values and integrating them in their daily work and decisions.

### Health and safety

A healthy and secure work environment leads to happier employees that work safely, are more productive and contribute to society at large. Elanders' policy concerning the work environment is found in the Group Code of Conduct. It states, among other things, that workplaces must be free from pollution, that the temperature, ventilation and lighting must be suited to the premises and that the workplace must have a high hygienic standard. It is up to local management to ensure that these rules are followed by formulating and communicating guidelines and policies suited to their specific work environment.

An important aspect of the work environment is absence due to illness. Low sick leave entails significant gains for both employees and the company. Elanders' goal is to have healthy employees, and in addition to following the guidelines in the Code of Conduct, the Group also works continuously with improvements for personnel in the work environment such as automation in production to keep sick leave levels down. Elanders has a zero vision regarding workplace injuries and works continuously to reduce the risks for serious injuries. Most of the injuries arise in the production and the most common injuries are minor cut or fall injuries. In 2017 there were around 20 serious work related injuries within the Group.

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 17th time in a row been awarded *"Best of the Best Workplace"* in the American graphic industry. The jury judges companies based on criteria such as work environment, health programs, safety instructions, and how well employees can create a good balance between work and leisure.

In Germany, with the biggest part of employees, the majority of employees have a common company employee policy and employees are offered risk insurance, Benefit Card with a tax subsidy and annual health checks.

Elanders has chosen to implement OHSAS 18001 in Asian operations, a management system for the work environment. One of several goals with the management system is reducing absence due to illness and thereby improving quality and profitability. Analyzing and preventing health problems, illness and accidents is also included.

| Absentee rate, % | 2017 |
|---|---|
| All employees | 4.1 |

This is the first year figures have been produced for this key ratio, i.e. 2017 is the base year. Elanders will work actively to analyze and monitor developments as well as arrive at a relevant goal for the absence rate.

### Equality, equal opportunity and diversity

Because of the development Elanders has gone through in the past few years, in part through major acquisitions, the Group's composition has changed and it is now significantly more spread out geographically. This has not, however, changed Elanders' basic premise that long lasting profitability can only be reached if there is equality, equal opportunity and diversity in the workplace. Among other things, this means that all employees should have the same opportunities to advance their career. Elanders is currently reviewing its material goals in this area and the results and progress from this review will be presented and followed-up in future sustainability reports.

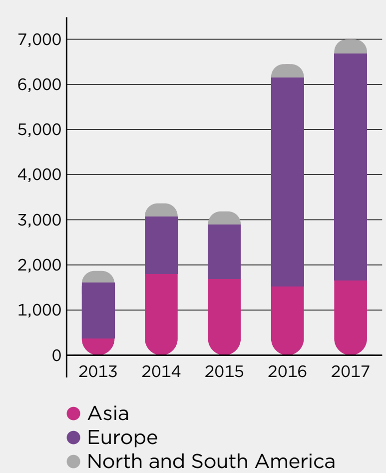
| Gender distribution, % | 2017 Men/women | 2016 Men/women | 2015 Men/women |
|---|---|---|---|
| All employees | 64/36 | 60/40 | 53/47 |
| Middle management | 72/28 | 68/32 | 64/36 |
| Group Management | 100/0 | 100/0 | 100/0 |
| Board | 60/40 | 56/44 | 60/40 |

| Age distribution, % | 2017 | 2016 | 2015 |
|---|---|---|---|
| Under 30 years | 24 | 22 | 28 |
| 30 – 39 years | 31 | 30 | 34 |
| 40 – 49 years | 22 | 24 | 21 |
| 50 – 59 years | 19 | 19 | 13 |
| Over 60 years | 4 | 5 | 4 |

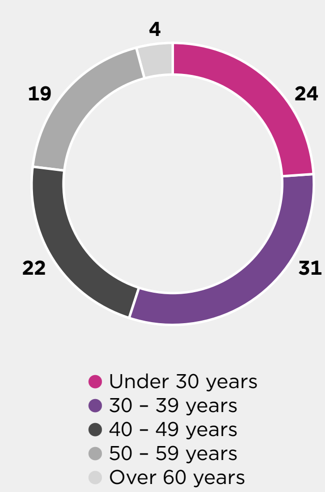
**NUMBER OF EMPLOYEES**


**Elanders has 6,997 employees in 19 countries.**

**NUMBER OF EMPLOYEES PER REGION**




**AGE DISTRIBUTION 2017, %**



## Social conditions and human rights

### Social responsibility

As a globally active group Elanders wants to be among the best regarding CSR and engagement everywhere the company is involved. There are a number of different projects concerning social responsibility and aid going on in the Group. The local units decide which projects they want to be involved in and support. For example, Elanders supports the unique project *"AtelierResonanzRaum"* (*"Studio Resonance Space"*) at Rems-Murr Medical Center in Winnenden, Germany. The project is aimed at giving cancer patients renewed vitality through art and music therapy. Elanders in Hungary contributes to the local pre-school in Zalalövő that 95 children attend. Among other things, the company donated money to the pre-school instead of sending Christmas presents to customers.

Elanders supports an orphanage in Poland, giving all the children Christmas presents from their wish lists. Elanders in the USA has supported The United Way of the Quad Cities for many years. The organization helps city residents through activities that improve their health and increase their financial stability, and by providing education. Employees also do volunteer work in the organization like renovating, building playgrounds and cleaning up areas. 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 has also won awards in several countries. Among them, LGI won the award *"Campus Mensch"*. 2017 was the first year the prize was awarded and its purpose is to spotlight companies that work for a good and sustainable collaboration between businesses and charitable organizations. LGI won the award for its focus on people and its engagement in the education and development of people with disabilities through innovative projects where they are given the opportunity to work.

In Sweden Elanders supports Médecins Sans Frontières as an annual field partner and with special efforts when needed.

### Pratham for better education

Together with some ten other Swedish companies Elanders initiated a collaboration with the organization Pratham Education Foundation this year. The innovative education organization was started in 1995 to improve the quality of education in India. Pratham has grown to become on of the largest charitable organizations in the world today. Its founding principle is to help as many children as possible achieve higher levels of knowledge through education programs that take into consideration the gaps in the Indian educational system.

### 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 2017 it was awarded to the Chilean architect Alejandro Aravena. Together with his colleagues in the think tank Elemental, Alejandro Aravena works in socioeconomically disadvantaged areas. Their design philosophy gets residents involved as part of the solution to creating economic housing in a sustainable manner.

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.

### Selected CSR projects

- Pratham
- United Way of the Quad Cities in the USA
- Christmas presents to an orphanage in Poland
- Médecins Sans Frontières
- Immigrant project Wir Zusammen in Germany
- Beija-Flor for underprivileged children in Brazil
- Bigs for Littles
- Domestic Violence Sheltering Services
- Donation to the local pre-school in Hungary
- Shepherd's Field Children's Village in China
- Blood donor projects
- Visiting Professor Programme at University of Gothenburg, School of Business Economics and Law
- The Gothenburg Award for Sustainable Development

### Human rights

Elanders' values regarding human rights are established in the Group's Code of Conduct and stipulate that Group companies should protect international human rights. The code strictly prohibits any kind of forced labor and has a section dedicated to child labor. It is self-evident for Elanders to work for children's rights to protection from economic exploitation and performing dangerous jobs, disrupting their education or harming a child's physical, spiritual, moral, social or mental development. Elanders' work is based on the UN Convention on the Rights of the Child. To ensure that there is no child labor at Elanders or its suppliers the company has controls where Group units confirm that they abide by the Code of Conduct. Elanders' Code of Conduct is formulated so that it also includes suppliers. Local units are currently responsible for guaranteeing that suppliers considered relevant also comply with the code. Because the Group has grown so extensively in the past few years the Code of Conduct is undergoing a review and a common Supplier Code of Conduct is being prepared. The plan is for this to then be used in all subsidiaries and sent to relevant suppliers.

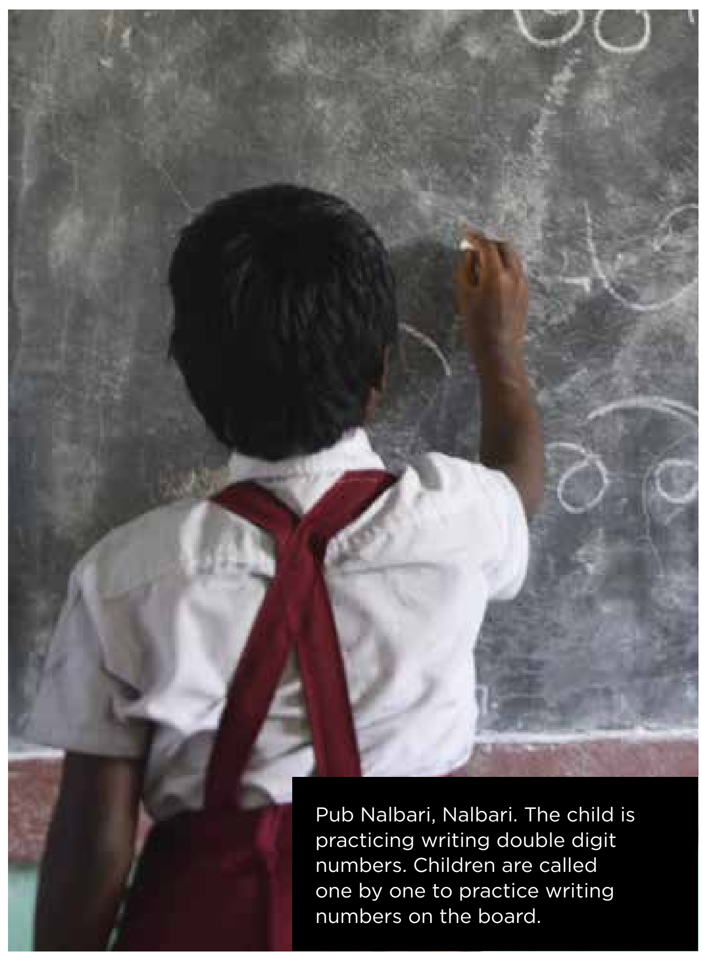
In the same way Elanders controls its suppliers, Elanders and its subsidiaries are often reviewed by customers to make sure child labor is not used in production.

Elanders Code of Conduct also contains bans against any kind of harassment or discrimination because of race, gender, civil status, ethnic background etc. Elanders strives for freedom of speech, freedom of movement and religious freedom within the framework of applicable legislation and the Group does not tolerate human rights violations. Elanders enjoys a very good

Kamalpur, Kamrup. Pratham's method is partly about engaging the children to learn through play. The picture shows a class of children in grades 1–2.

**"The education organization Pratham takes children in India who are falling behind in school and makes sure they get the proper instruction so that they can achieve higher levels of knowledge.**

Kamalpur, Kamrup. The girls in the picture are in grades 3–5. They are showing sentences they have learnt to write in Pratham's Learning Camps.



Pub Nalbari, Nalbari. The child is practicing writing double digit numbers. Children are called one by one to practice writing numbers on the board.

Kamalpur, Kamrup. Children in one of the schools.

relationship with unions and has an ongoing dialogue with them in the majority of the countries it operates in. All employees have the right be involved in unions and collective bargaining agreements and it is not acceptable to punish those that choose to legally organize or join a union. In addition to this, Elanders' work methods are fair and national and local laws are respected. All Elanders employees have the right to a written employment contract.

An example that shows the result of Elanders' work for human rights comes from China. Elanders' site in Beijing was certified according to SA8000 in 2017, a standard founded on the UN Declaration on Human Rights, ILO's conventions, international human rights norms and national work laws. The purpose of the standard is to support and protect employees, in the company and at suppliers. Certification is a guarantee that the company considers human rights in every aspect of its business and production, ensuring the company is a professional partner that takes responsibility for human rights and the welfare of its employees throughout the process.

At the moment Elanders has not found a relevant, quantitative key ratio for its work on human rights. In the near future Elanders will focus on updating common policies and codes of conduct and continue to work on guaranteeing human rights for all.

## Ethics and anti-corruption

Elanders' reputation, ethical behavior and trustworthiness is highly valued by the Group and customers. Any kind of corruption would have a very negative affect on the Group's image. The Group governs anti-corruption through a separate anti-corruption policy. It states that there is absolutely zero tolerance of any kind of fraud, bribes, or other actions that create unfair advantages and which transgress against Elanders' policy, local laws and regulations, industry standards and ethics codes in the countries the Group is active in. Employees may not accept, be promised, demand or swindle any kind of advantages in connection with their occupation in the company. It is worth noting that a bribe does not actually have to materialize – merely promising or being promised, and accepting a bribe is illegal, for private persons and companies in both the private and public sectors. Laundering money is also illegal and therefore Elanders' principle is generally to avoid cash transactions.

### Policies and education

Elanders follows all applicable laws and regulations locally and internationally that deal with corruption and ethical behavior, along with the Group's Code of Conduct. The Group's anti-corruption policy informs its work concerning ethics and anti-corruption. The policy contains guidelines for handling cases of corruption and fraud. The purpose is to make sure that all Elanders employees (including temps) and all independent third parties that work in Elanders' name understand and follow valid laws as well as Elanders' policy against corruption and fraud. There is an annual control to ensure that all the companies in the Group follow the anti-corruption policy. The managing director in each company is responsible for communicating the policy to all employees as well as organizing education concerning it and the processes for combatting and preventing fraud and corruption. The policy also states that all employees are obliged to comport themselves with integrity and make sure that they understand and follow Group guidelines.

During 2017 Elanders began updating the anti-corruption policy and a new policy will be communicated to the entire Group in 2018.

During 2017, a few minor thefts were reported by some of the Group's units. The employees who committed these thefts have all been dismissed immediately. However, no significant incidents associated with fraud, corruption, bribery or money laundering have been reported during the year.

# INCOME STATEMENTS

| MSEK | Note | 2017 | 2016 |
|---|---|---|---|
| Net sales | 2 | 9,342.0 | 6,285.3 |
| Cost of products and services sold | | –8,008.0 | –5,090.9 |
| **Gross profit** | | **1,334.0** | **1,194.4** |
| Selling expenses | | –367.6 | –314.9 |
| Administrative expenses | | –699.3 | –567.2 |
| Other operating income | 3 | 78.7 | 99.5 |
| Other operating expenses | 3 | –37.6 | –67.8 |
| **Operating result** | 4, 5, 6, 7, 25 | **308.2** | **344.0** |
| Financial income | 8 | 13.2 | 48.5 |
| Financial expenses | 8 | –90.9 | –92.0 |
| **Result after financial items** | | **230.4** | **300.4** |
| Taxes | 9 | –65.4 | –83.1 |
| **Result for the year** | | **165.0** | **217.3** |
| Result for the year attributable to | | | |
| – parent company shareholders | | 164.5 | 217.3 |
| – non-controlling interests | | 0.5 | – |
| Earning per share, SEK,[1] | 10 | 4.65 | 7.35 |

[1] There have been no dilution effects.

# STATEMENTS OF COMPREHENSIVE INCOME

| MSEK | 2017 | 2016 |
|---|---|---|
| **Result for the year** | **165.0** | **217.3** |
| *Items that not will be reclassified to the income statement* | | |
| Actuarial gains/losses on defined benefit pensions plans | –1.6 | 6.9 |
| Tax effect on actuarial gains/losses on defined benefit pensions plans | 0.5 | –2.0 |
| *Items that will be reclassified to the income statement* | | |
| Translation differences | –72.9 | 90.1 |
| Change in value of cash-flow hedges, net | 1.0 | –0.7 |
| Tax effect on change in value of cash-flow hedges, net | –0.2 | 0.2 |
| Change in fair value of the hedge of the net investment abroad | 47.0 | –32.5 |
| Tax effect on the change in fair value of the hedge of net investments abroad | –10.3 | 7.2 |
| **Other comprehensive income** | **–36.5** | **69.1** |
| **Total comprehensive income for the year** | **128.5** | **286.4** |
| Total comprehensive income attributable to | | |
| – parent company shareholders | 128.0 | 286.4 |
| – non-controlling interests | 0.5 | – |

# STATEMENTS OF CASH FLOW

| MSEK | Note | 2017 | 2016 |
|---|---|---|---|
| **Operating activities** | | | |
| Result after financial items | | 230.4 | 300.4 |
| Adjustments for items not included in cash flow | 12 | 257.7 | 147.8 |
| Paid taxes | 9 | –133.6 | –104.4 |
| **Cash flow from operating activities before changes in working capital** | | **354.5** | **343.7** |
| **Cash flow from changes in working capital** | | | |
| Increase (–)/decrease (+) in inventory | | –108.6 | –2.6 |
| Increase (–)/decrease (+) in operating receivables | | –441.0 | 56.7 |
| Increase (+)/decrease (–) in operating payables | | 131.0 | –67.2 |
| **Cash flow from operating activities** | | **–64.0** | **330.6** |
| **Investing activities** | | | |
| Investments in intangible and tangible assets | 13, 14 | –219.3 | –137.1 |
| Divestment of tangible assets | 14 | 23.4 | 24.2 |
| Acquisition of operations | 26 | –67.0 | –1,795.7 |
| Payments received regarding long-term receivables | | 1.0 | 2.1 |
| **Cash flow from investing activities** | | **–262.0** | **–1,906.5** |
| **Financing activities** | | | |
| Amortization of loans | 20 | –105.5 | –692.2 |
| New loans | 20 | 325.8 | 1,910.9 |
| Other changes in interest-bearing liabilities | 12, 20 | 242.6 | –189.6 |
| New share issue | | – | 695.2 |
| Dividend to parent company shareholders | | –91.9 | –58.3 |
| **Cash flow from financing activities** | | **371.0** | **1,666.0** |
| **Cash flow for the year** | | **45.0** | **90.0** |
| Cash and cash equivalents at the beginning of the year | | 651.1 | 529.0 |
| Translation difference in cash and cash equivalents | | –16.7 | 32.1 |
| **Cash and cash equivalents at year-end** | 17 | **679.4** | **651.1** |
| **Change in net debt** | | | |
| Net debt at the beginning of the year | | 2,223.7 | 737.7 |
| Net debt in acquired operations | | –12.9 | 462.4 |
| Changes in loans and cash and cash equivalents | | 435.5 | 987.6 |
| Changes in provisions for post-employment benefits | | 2.0 | –4.4 |
| Translation difference | | 16.2 | 40.4 |
| **Net debt at year-end** | | **2,664.6** | **2,223.7** |
| **Operating cash flow** | | | |
| Cash flow from operating activities excl. financial items and paid tax | | 147.3 | 478.6 |
| Net investments | | –262.0 | –1,906.5 |
| **Operating cash flow** | 11 | **–114.6** | **–1,427.9** |

# STATEMENTS OF FINANCIAL POSITION

| MSEK | Note | 2017 | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | | | |
| Intangible assets | 13 | 3,135.9 | 3,081.4 |
| Tangible assets | 14, 24 | 828.3 | 805.8 |
| Deferred tax assets | 9 | 245.0 | 237.8 |
| Other financial assets | | 2.0 | 3.0 |
| **Total fixed assets** | | **4,211.2** | **4,128.0** |
| **Current assets** | | | |
| Inventory | 15 | 389.7 | 295.0 |
| Accounts receivable | 18 | 1,795.2 | 1,395.8 |
| Current tax receivables | 9 | 52.6 | 62.6 |
| Other receivables | | 157.9 | 156.5 |
| Prepaid expenses and accrued income | 16 | 122.9 | 93.2 |
| Cash and cash equivalents | 17 | 679.4 | 651.1 |
| **Total current assets** | | **3,197.7** | **2,654.2** |
| **Total assets** | | **7,408.9** | **6,782.2** |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Equity attributable to parent company shareholders | 19 | 2,447.0 | 2,411.0 |
| Equity attributable to non-controlling interests | | 6.2 | – |
| **Total equity** | | **2,453.2** | **2,411.0** |
| **LIABILITIES** | | | |
| **Long-term liabilities** | | | |
| Other interest-bearing liabilities | 18, 20, 24 | 2,413.8 | 2,560.7 |
| Provisions for post-employment benefits | 21 | 90.2 | 85.8 |
| Other provisions | 22 | 9.5 | 19.2 |
| Deferred tax liabilities | 9 | 198.7 | 213.7 |
| **Total long-term liabilities** | | **2,712.2** | **2,879.4** |
| **Short-term liabilities** | | | |
| Interest-bearing liabilties | 18, 20, 24 | 840.1 | 228.4 |
| Accounts payable | 18 | 652.0 | 567.8 |
| Current tax liabilities | 9 | 25.9 | 61.2 |
| Other liabilities | | 141.5 | 144.3 |
| Accrued expenses and deferred income | 23 | 504.5 | 450.9 |
| Other provisions | 22 | 79.4 | 39.2 |
| **Total short-term liabilities** | | **2,243.4** | **1,491.8** |
| **Total equity and liabilities** | | **7,408.9** | **6,782.2** |

# STATEMENTS OF CHANGES IN EQUITY

| | Equity attributable to parent company shareholders | | | | | | |
|---|---|---|---|---|---|---|---|
| **MSEK** | **Share capital** | **Other contri-buted capital** | **Other reserves** | **Retained earnings** | **Total** | **Equity of non-controlling interest** | **Total equity** |
| **Opening balance on 1 Jan. 2016** | **265.2** | **669.0** | **100.9** | **452.9** | **1,488.0** | **–** | **1,488.0** |
| Dividend to parent company shareholders | – | – | – | –58.3 | –58.3 | – | –58.3 |
| New share issue | 88.4 | 606.6 | – | – | 695.0 | – | 695.0 |
| Result for the year | – | – | – | 217.3 | 217.3 | – | 217.3 |
| Other comprehensive income | – | – | 64.1 | 4.9 | 69.1 | – | 69.1 |
| **Closing balance on 31 Dec. 2016** | **353.6** | **1,275.6** | **165.0** | **616.8** | **2,411.0** | **–** | **2,411.0** |
| Dividend to parent company shareholders | – | – | – | –91.9 | –91.9 | – | –91.9 |
| Change in non-controlling interest | – | – | – | – | – | 5.7 | 5.7 |
| Result for the year | – | – | | 164.5 | 164.5 | 0.5 | 165.0 |
| Other comprehensive income | – | – | –35.5 | –1.1 | –36.5 | 0.0 | –36.5 |
| **Closing balance on 31 Dec. 2017** | **353.6** | **1,275.6** | **129.5** | **688.3** | **2,447.0** | **6.2** | **2,453.2** |

## 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 2017 were approved by the Board and will be presented to the Annual General Meeting on 27 April 2018 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 2017. 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 financial liabilities 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, bonus, 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. Actuarial changes are recorded within other comprehensive income. 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. No depreciation on land is made. 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 from acquisitions are reported at fair value on acquisition date and in subsequent periods other intangible assets are reported with a determined useful life at acquisition value less accumulated amortization and write-downs. Trademarks with indefinite useful life are recorded at acquisition value less accumulated write-downs. Useful life for other intangible assets, besides trademarks with indefinite useful life, is normally 5–10 years.

## NOTE 1. Accounting principles (cont.)

**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 and intangible assets with indefinite useful life is, however, tested at least once a year. When this is made the recoverable amount of the asset is calculated. Goodwill and Intangible assets with indefinite useful life are 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 necessary. Recoveries of prior write-downs are tested individually and are recorded in the income statement. Impairment losses relating to goodwill and intangible assets with indefinite useful life 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.

*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.

## NOTE 1. Accounting principles (cont.)

*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. Financial liabilities are classified as short-term unless the Group has an unconditional right to postpone the payment of the debt for at least 12 months after the end of the reporting period.

**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 and there is a clear expectation that the plan will be implemented. Provisions are reconsidered every time an external report is made.

**Reporting on segments**
The three business areas are reported as reportable segments, since this is how the Group is governed. The President has been identified as the highest executive decision-maker and follows the development of the segments based on sales and operating profit, but not assets or liabilities per reportable segment. 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.

**Standards, amendments and interpretations of existing standards that came into effect during 2017**
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. IFRS 9 introduces a new write-down model based on expected credit losses and considering forward information. The Group has evaluated its model for calculating the reserve for expected customer losses, which also includes accounts receivable where no losses have occurred. The use of the new model is not expected to have significant effect on the Group. Furthermore, the new rules in the standard regarding hedge accounting are not deemed to have significant impact on the Group. The mandatory effective date for IFRS 9 is 1 January 2018 and, in accordance with the transition rules of the standard, the Group will not recalculate comparative figures for financial year 2017. A project is underway to analyze what additional information may be required to comply with the disclosure requirements in revised IFRS 7 "Financial Instruments: Disclosures".

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. Management's assessment is that the standard will not entail any material impact on net sales and cost of products and services sold. Furthermore, management's analysis of the impact of the standard on the financial reports shows that there are costs related to fulfilling contracts that in the future may be capitalized, instead of, as current principles, being expensed. However, the assessment is that the effect of costs for fulfilling contracts only will be material in exceptional cases, on very large projects, and that no effects of the transition exist. Otherwise, management's assessment is that the standard will primarily affect the disclosures presented in the financial statements. A project is underway to analyze what additional information may be required to comply with the disclosure requirements in IFRS 15. The transition to IFRS 15 will be based on the Modified Retrospective Approach.
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. The new standard will affect primarily the accounting for the group's operating lease agreements where there are large commitments in terms of rental contracts for premises and leasing of machinery and equipment. Both types of agreements often have an agreement period between 3–10 years. The current assessment by the company's management is that the new standard will have a significant effect on the Group's total assets and liabilities, but there is currently no exact calculation. To give an idea of the extent, these commitments amounted to close to 1.4 billion Swedish kronor as of 31 December 2017, including rental contracts for premises. For further information see note 7.

## NOTE 1. Accounting principles (cont.)

### 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 181 (193) per 31 December 2017. 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.

**Alternative performance measures**
The Annual report includes alternative performance measures for monitoring the Group's operations. Alternative performance measures are performance measures that not have been defined by IFRS. For reconciliation of the primary alternative performance measures and financial definitions, see pages 108–110.

# NOTE 2. Segment reporting

### REPORTING BY SEGMENT

| | Supply Chain Solutions | | Print & Packaging Solutions | | e-Commerce Solutions | |
|---|---|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Net sales | 7,006.7 | 3,998.0 | 2,219.8 | 2,145.9 | 208.5 | 227.1 |
| Operating expenses | –6,753.4 | –3,740.3 | –2,127.4 | –2,018.7 | –213.7 | –208.0 |
| **Operating result** | **253.3** | **257.7** | **92.4** | **127.2** | **–5.2** | **19.1** |
| Net financial items | – | – | – | – | – | – |
| **Result before tax** | **253.3** | **257.7** | **92.4** | **127.2** | **–5.2** | **19.1** |
| Investments | 172.7 | 1,815.9 | 113.0 | 114.5 | 0.5 | 1.9 |
| Depreciation and amortization | –175.1 | –83.7 | –72.4 | –76.9 | –7.5 | –10.4 |
| Goodwill | 1,125.8 | 1,075.0 | 1,051.8 | 1,042.8 | 159.2 | 154.7 |
| Trademarks with indefinite useful life | 377.0 | 366.2 | – | – | – | – |

| | Group functions | | Eliminations | | The Group | |
|---|---|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Net sales | 34.8 | 26.8 | –127.8 | –112.5 | 9,342.0 | 6,285.3 |
| Operating expenses | –67.1 | –86.9 | 127.8 | 112.5 | –9,033.8 | –5,941.4 |
| **Operating result** | **–32.3** | **–60.1** | **–** | **–** | **308.2** | **344.0** |
| Net financial items | –77.8 | –43.5 | – | – | –77.8 | –43.5 |
| **Result before tax** | **–110.1** | **–103.6** | **–** | **–** | **230.4** | **300.4** |
| Investments | 0.1 | 0.6 | – | – | 286.4 | 1,932.9 |
| Depreciation and amortization | –0.1 | –0.2 | – | – | –255.1 | –171.2 |
| Goodwill | – | – | – | – | 2,336.8 | 2,272.5 |
| Trademarks with indefinite useful life | – | – | – | – | 377.0 | 366.2 |

Sales attributable to the business areas Supply Chain Solutions and Print & Packaging refers to services, while sales attributable to the business area e-Commerce Solutions refers to products.

Financial income and expenses are not allocated to the resepective business areas since the financing of the Group is managed by Group Finance.

Investments are including acquisitions amounting to MSEK (45) 1 762 within Supply Chain Solutions and MSEK 22 (34) within Print & Packaging Solutions.

## NOTE 2. Segment reporting (cont.)

### SALES BY GEOGRAPHIC AREA

| MSEK | 2017 | 2016 |
|---|---|---|
| Germany | 3,789.9 | 1,976.6 |
| Singapore | 1,324.2 | 1,254.6 |
| China | 724.6 | 666.8 |
| USA | 677.5 | 423.1 |
| Switzerland | 586.0 | 188.1 |
| Sweden | 474.4 | 448.2 |
| United Kingdom | 381.5 | 351.5 |
| Hungary | 283.4 | 137.9 |
| Poland | 211.9 | 119.5 |
| Netherlands | 108.6 | 58.7 |
| Other countries | 780.0 | 660.2 |
| **Total** | **9,342.0** | **6,285.3** |

### FIXED ASSETS BY GEOGRAPHIC AREA

| MSEK | 2017 | 2016 |
|---|---|---|
| Germany | 834.2 | 847.6 |
| Poland | 68.3 | 65.3 |
| Czech Republic | 62.0 | 60.4 |
| USA | 59.9 | 74.6 |
| United Kingdom | 59.6 | 35.9 |
| China | 46.7 | 34.8 |
| Hungary | 42.0 | 50.2 |
| Singapore | 30.3 | 28.4 |
| India | 30.0 | 32.7 |
| Sweden | 7.2 | 9.7 |
| Other countries | 10.2 | 8.8 |
| **Total** | **1,250.4** | **1,248.5** |

Fixed assets above include other intangible assets as well as tangible fixed assets. Goodwill and trademarks with indefinite useful life of MSEK 2,714 (2,639) have not been divided geographically since they are based on segments.

**Information concerning the Group's largest customers**
In 2017 sales to the Group's largest customer represent 15 (16) 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 (56) percent of total net sales.

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

### OTHER OPERATING INCOME

| MSEK | 2017 | 2016 |
|---|---|---|
| Exchange rate gains | 14.0 | 20.2 |
| Capital gains from the sales of fixed assets | 17.5 | 5.9 |
| Insurance compensations | 7.1 | 4.4 |
| Income from sales of coupons | 4.1 | 5.0 |
| Other | 36.0 | 64.0 |
| **Total** | **78.7** | **99.5** |

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 | 2017 | 2016 |
|---|---|---|
| Exchange rate losses | –25.2 | –11.1 |
| Capital losses from the sales of fixed assets | –1.3 | –1.1 |
| Other | –11.1 | –55.6 |
| **Total** | **–37.6** | **–67.8** |

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 | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| **Parent company** | | | | | | |
| Sweden | 4 | 3 | 7 | 6 | 11 | 9 |
| **Subsidiaries** | | | | | | |
| Germany | 910 | 415 | 2,435 | 1,112 | 3,345 | 1,527 |
| China | 566 | 607 | 242 | 264 | 808 | 871 |
| Singapore | 229 | 223 | 276 | 265 | 505 | 488 |
| Czech Republic | 134 | 68 | 178 | 93 | 312 | 161 |
| Poland | 58 | 54 | 241 | 160 | 299 | 214 |
| Hungary | 117 | 105 | 165 | 142 | 282 | 247 |
| USA | 113 | 101 | 139 | 137 | 252 | 238 |
| Sweden | 72 | 83 | 159 | 178 | 231 | 261 |
| United Kingdom | 60 | 52 | 166 | 152 | 226 | 204 |
| India | 28 | 30 | 177 | 166 | 205 | 196 |
| Netherlands | 3 | 4 | 50 | 19 | 53 | 23 |
| Brazil | 20 | 20 | 22 | 20 | 42 | 40 |
| Austria | 11 | 4 | 26 | 10 | 37 | 14 |
| Italy | 14 | 15 | 7 | 7 | 21 | 22 |
| Mexico | 11 | 7 | 8 | 7 | 19 | 14 |
| Taiwan | 4 | 4 | 1 | 1 | 5 | 5 |
| Russia | 1 | – | 2 | 1 | 3 | 1 |
| France | – | – | 1 | – | 1 | – |
| Japan | – | – | 1 | 1 | 1 | 1 |
| **Total** | **2,355** | **1,795** | **4,303** | **2,741** | **6,658** | **4,536** |

### SALARIES AND OTHER REMUNERATION

| | Board and CEO | | | | | |
|---|---|---|---|---|---|---|
| | Basic wage incl. other benefits | | Variable remuneration | | Other employees | |
| **MSEK** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Parent company | 12.2 | 10.0 | 0.0 | 3.9 | 10.0 | 12.0 |
| Subsidiaries | 43.9 | 29.4 | 13.2 | 9.9 | 1 922.7 | 1 206.3 |
| **Total** | **56.1** | **39.4** | **13.2** | **13.8** | **1 932.7** | **1 218.3** |

| | Salaries and remuneration | | Social security contributions | | Pension contributions | |
|---|---|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Parent company | 22.2 | 25.8 | 8.5 | 9.7 | 5.5 | 4.5 |
| Subsidiaries | 1,979.8 | 1,245.7 | 345.1 | 209.2 | 31.5 | 33.8 |
| **Total** | **2,002.0** | **1,271.5** | **353.6** | **218.9** | **37.0** | **38.3** |

## NOTE 4. Personnel (cont.)

### GENDER DISTRIBUTION IN MANAGEMENT

| | Women | | Men | | Total | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Board members | 4 | 4 | 6 | 5 | 10 | 9 |
| Group Management | – | – | 8 | 7 | 8 | 7 |
| Supervisors | 94 | 81 | 236 | 169 | 330 | 250 |

The Board also includes two employee representatives.

### REMUNERATION TO THE BOARD, CHIEF EXECUTIVE OFFICER AND OTHER SENIOR OFFICERS 2017

| SEK ’000s | Basic wage/ Board remuneration | Variable remuneration | Other benefits | Pension contributions | Total |
|---|---|---|---|---|---|
| Chairman of the Board | 740 | – | – | – | **740** |
| Board members (8 persons) | 3,190 | – | – | – | **3,190** |
| Chief Executive Officer | 8,153 | 0 | 90 | 2,847 | **11,090** |
| Other senior officers (7 persons) | 32,029 | 8,916 | 1,809 | 1,593 | **44,346** |
| **Total remuneration to the Board, CEO and senior officers** | **44,112** | **8,916** | **1,899** | **4,440** | **59,366** |

Severance payment to one person with a total amount of MSEK 5 is included in the basic wage and variable remuneration to Other senior officers.

### 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 |
| **Total remuneration to the Board, CEO and senior officers** | **32,200** | **13,211** | **1,759** | **3,790** | **50,961** |

For information on remuneration to Board members, see page 44.

## 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 have been allowed to do this during 2017 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 2017.

**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 2017 and is normally paid out in 2018.

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 2017 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 2017 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, Dan Frohm, 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 2017. The committee has been supported by external expertise in matters concerning compensation levels and structures.

## NOTE 5. Fees to the auditors

| MSEK | 2017 | 2016 |
|---|---|---|
| **PwC** | | |
| Audit assignment | 5.7 | 6.3 |
| Audit-related services | 0.0 | 0.9 |
| Tax advisory services | 0.1 | 0.2 |
| Other services | 0.3 | 4.1 |
| **Other** | | |
| Audit assignment | 1.5 | 1.4 |
| Audit-related services | 0.0 | 0.0 |
| Tax advisory services | 3.1 | 2.8 |
| Other services | 0.0 | 0.9 |
| **Total** | **10.8** | **16.6** |

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 PwC – Other services in 2016 refers mainly to services in relation to acquisitions.

## NOTE 6. Expenses allocated per type of cost

| MSEK | 2017 | 2016 |
|---|---|---|
| Personnel costs | 2,450.6 | 1,530.3 |
| Freight costs | 1,743.5 | 739.7 |
| Goods for resale | 1,716.9 | 1,497.5 |
| Other production costs | 1,495.2 | 647.5 |
| Paper costs | 431.5 | 401.8 |
| Cost of sub-contracted work | 362.0 | 412.9 |
| Depreciation and write-downs | 255.1 | 171.3 |
| Other production material | 243.6 | 231.9 |
| Cost for advertising and marketing | 116.8 | 112.9 |
| Other costs | 259.6 | 227.2 |
| **Total** | **9,074.9** | **5,973.0** |

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

| | Annual cost | | Future lease payments and rental costs | | |
|---|---|---|---|---|---|
| MSEK | 2017 | 2016 | 2018 | 2019–2022 | 2023– |
| Computer equipment | 10.8 | 4.1 | 2.6 | 1.1 | – |
| Machinery and other equipment | 138.9 | 89.3 | 95.7 | 189.8 | 0.2 |
| Rental contracts, premises | 372.1 | 237.7 | 385.7 | 687.8 | 26.2 |
| **Total** | **521.8** | **331.1** | **484.0** | **878.7** | **26.4** |

Lease agreements are normally 3–10 years.

## NOTE 8. Financial income and expenses

### FINANCIAL INCOME

| MSEK | 2017 | 2016 |
|---|---|---|
| Interest income | 1.2 | 1.0 |
| Exchange rate gains | 11.9 | 47.4 |
| **Total** | **13.2** | **48.5** |

### FINANCIAL EXPENSES

| MSEK | 2017 | 2016 |
|---|---|---|
| Interest expenses | –76.0 | –44.5 |
| Exchange rate losses | –6.3 | –35.7 |
| Other | –8.6 | –11.8 |
| **Total** | **–90.9** | **–92.0** |

## NOTE 9. Taxes

### RECORDED TAX

| MSEK | 2017 | 2016 |
|---|---|---|
| Current tax on the result for the year | –83.7 | –60.3 |
| Withholding tax on dividends and other taxes | –22.9 | –14.0 |
| Correction of previous years' current tax expense | 0.1 | 1.3 |
| Deferred tax | 41.1 | –10.2 |
| **Recorded tax** | **–65.4** | **–83.1** |

### RECONCILIATION OF RECORDED TAX

| MSEK | 2017 | 2016 |
|---|---|---|
| Result before taxes | 230.4 | 300.4 |
| Tax according to Swedish tax rate of 22% | –50.7 | –66.1 |
| Tax effect of: | | |
| Differences in tax rates for foreign subsidiaries | 12.2 | 2.1 |
| Effect from changes in tax rates | –3.0 | – |
| Non-deductible costs | –9.6 | –12.1 |
| Change in unrecorded deferred tax assets | 9.5 | 8.6 |
| Tax losses carried forward not valued | –2.5 | –2.0 |
| Correction of previous years' tax expense | –0.7 | 1.3 |
| Withholding tax on dividends and other taxes | –22.9 | –14.0 |
| Other | 2.4 | –0.9 |
| **Recorded tax** | **–65.4** | **–83.1** |

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

| MSEK | 2017 | 2016 |
|---|---|---|
| Tax loss carryforwards | 180.9 | 193.1 |
| Fixed assets | –160.2 | –157.7 |
| Other items | 38.7 | 4.3 |
| | **59.4** | **39.7** |
| Less: | | |
| Tax losses carried forward not valued | –13.1 | –15.6 |
| **Closing value, net** | **46.3** | **24.1** |

Unrecorded deferred tax assets refer to not valued tax loss carry-forwards. For information concerning the valuation of the tax loss carryforwards please see note 1, section Important estimations and assessments on page 66.

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

| MSEK | 2017 | 2016 |
|---|---|---|
| Deferred tax assets | 245.0 | 237.8 |
| Deferred tax liabilities | –198.7 | –213.7 |
| **Closing value, net** | **46.3** | **24.1** |

### CHANGE IN DEFERRED TAX

| MSEK | 2017 | 2016 |
|---|---|---|
| Opening value, net | 24.1 | 113.9 |
| Acquisitions of operations | –5.7 | –82.4 |
| Recorded deferred tax on the result for the year | 41.1 | –10.2 |
| Tax items charged directly against other comprehensive income | –10.0 | 5.4 |
| Translation differences | –3.2 | –2.6 |
| **Closing value, net** | **46.3** | **24.1** |

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

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

| MSEK | 2017 | 2016 |
|---|---|---|
| Due within one year | 1.4 | 0.5 |
| Due within 2–5 years | 4.7 | 3.9 |
| No due date | 174.9 | 188.7 |
| **Closing value** | **180.9** | **193.1** |

## 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.

| | 2017 | 2016 |
|---|---|---|
| Result for the year attributable to parent company shareholders, MSEK | 164.5 | 217.3 |
| Average number of outstanding shares, in thousands | 35,358 | 29,555 |
| **Earnings per share, SEK** [1] | **4.65** | **7.35** |

[1] 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 | 2017 | 2016 |
|---|---|---|
| Cash flow from operating activities | –64.0 | 330.6 |
| Financial items | 77.8 | 43.5 |
| Paid taxes | 133.6 | 104.4 |
| Acquisition of operations | –67.0 | –1,795.7 |
| Other items included in cash flow from investing activities | –195.0 | –110.8 |
| **Operating cash flow** | **–114.6** | **–1,427.9** |

## 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.

**Other changes in interest-bearing liabilities**
The item Other changes in interest-bearing liabilities mainly refers to changes stemming from utilization of revolving credits.

ADJUSTMENT FOR ITEMS NOT INCLUDED IN CASH FLOW

| MSEK | 2017 | 2016 |
|---|---|---|
| Depreciation, amortization and write-downs of intangible and tangible assets | 255.1 | 171.2 |
| Changes in provisions that affect cash flow | 28.4 | –10.6 |
| Unrealized exchange rate gains and losses | –19.3 | –8.1 |
| Result from disposal of tangible assets | –6.6 | –4.7 |
| **Total** | **257.7** | **147.8** |

PAID AND RECEIVED INTEREST

| MSEK | 2017 | 2016 |
|---|---|---|
| Paid interest | –75.7 | –44.5 |
| Received interest | 1.2 | 1.0 |
| **Total** | **–74.5** | **–43.5** |

# NOTE 13. Intangible assets

| | Goodwill | | Trademarks [1] | |
|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2017** | **2016** |
| Opening acquisition value | 2,273.2 | 1,200.3 | 366.2 | – |
| Investments | – | – | – | – |
| Acquired operations | 43.6 | 1,031.1 | – | 363.8 |
| Disposals | – | – | – | – |
| Reclassification | – | – | – | – |
| Translation difference | 20.7 | 41.8 | 10.8 | 2.4 |
| **Closing acquisition value** | **2,337.5** | **2,273.2** | **377.0** | **366.2** |
| Opening accumulated amortization and write-downs | –0.7 | –0.7 | – | – |
| Accumulated amortization in acquired operations | – | – | – | – |
| Amortization of the year | – | – | – | – |
| Disposals | – | – | – | – |
| Reclassification | – | – | – | – |
| Translation difference | – | – | – | – |
| **Closing accumulated amortization and write-downs** | **–0.7** | **–0.7** | **–** | **–** |
| **Net residual value** | **2,336.8** | **2,272.5** | **377.0** | **366.2** |

| | Other intangible assets [2] | | Total | |
|---|---|---|---|---|
| **MSEK** | **2017** | **2016** | **2017** | **2016** |
| Opening acquisition value | 672.6 | 195.2 | 3,311.9 | 1,395.5 |
| Investments | 18.1 | 5.4 | 18.1 | 5.4 |
| Acquired operations | 25.9 | 486.4 | 69.5 | 1,881.3 |
| Disposals | –1.1 | –26.6 | –1.1 | –26.6 |
| Reclassification | –1.2 | – | –1.2 | – |
| Translation difference | 10.2 | 12.1 | 41.8 | 56.3 |
| **Closing acquisition value** | **724.5** | **672.6** | **3,439.0** | **3,311.9** |
| Opening accumulated amortization and write-downs | –229.7 | –126.0 | –230.4 | –126.7 |
| Accumulated amortization in acquired operations | –0.1 | –75.8 | –0.1 | –75.8 |
| Amortization of the year | –74.6 | –48.2 | –74.6 | –48.2 |
| Disposals | 1.2 | 26.3 | 1.2 | 26.3 |
| Reclassification | 0.9 | – | 0.9 | – |
| Translation difference | –0.1 | –6.0 | –0.1 | –6.0 |
| **Closing accumulated amortization and write-downs** | **–302.5** | **–229.7** | **–303.1** | **–230.4** |
| **Net residual value** | **422.1** | **442.8** | **3,135.9** | **3,081.5** |

[1] Trademarks with indefinite useful life.
[2] Customer relations, trademarks with defined useful life, software and leasehold.

## NOTE 13. Intangible assets (cont.)

### AMORTIZATION SPECIFIED PER FUNCTION IN THE INCOME STATEMENT

| MSEK | 2017 | 2016 |
|---|---|---|
| Cost of products and services sold | –44.1 | –19.9 |
| Selling expenses | –24.6 | –23.8 |
| Administrative expenses | –5.8 | –4.5 |
| **Total** | **–74.6** | **–48.2** |

### INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE DIVIDED BY CASH GENERATING UNIT

| MSEK | 2017 | 2016 |
|---|---|---|
| Supply Chain Solutions | 1,502.8 | 1,441.2 |
| Print & Packaging Solutions | 1,051.8 | 1,042.8 |
| e-Commerce Solutions | 159.2 | 154.7 |
| **Total** | **2,713.8** | **2,638.7** |

### Impairment test

Goodwill and trademarks with indefinite 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 each cash generating unit is based on a calculation of the 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 different 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 for the business areas Supply Chain Solutions and e-Commerce Solutions 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 business area Print & Packaging Solutions zero growth has been assumed for the period after the initial three years. For the impairment test a discount rate after tax has been calculated based on the weighted average cost of capital (WACC) and was during the year 8.9 (8.9) 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. If the average growth rate or operating margin was reduced with one percentage unit or the discount rate was increased with one percentage unit the impairment test for the business area Print & Packaging Solutions would show a potential need for write-down. An increase of the discount rate with one percentage unit indicates that a write-down of MSEK 123 might be necessary. If the operating margin is decreased by one percentage unit this also shows a write-down need of MSEK 149. If these two were to be combined a write-down of MSEK 301 might be necessary. For the other business areas there is a good headroom between the recoverable value and the book value.

## NOTE 14. Tangible assets

### DEPRECIATION SPECIFIED BY FUNCTION

| MSEK | 2017 | 2016 |
|---|---|---|
| Cost of products and services sold | –154.7 | –107.2 |
| Selling expenses | –1.1 | –1.0 |
| Administrative expenses | –24.8 | –14.7 |
| **Total** | **–180.6** | **–122.9** |

### Finance lease agreements

The net residual value of tangible assets possessed through finance leases is MSEK 189.7 (211.2) of which 186.2 (206.3) are reported as Equipment, tools, fixtures and fittings and MSEK 3.5 (4.7) as Plant and machinery. The financal lease agreements are mainly related to parts of the truck fleet and fittings on leased buildings.

### FUTURE MINIMUM LEASE PAYMENTS FOR FINANCE LEASES

| MSEK | 2017 | 2016 |
|---|---|---|
| Within 1 year | 45.9 | 44.6 |
| Between 1 and 5 years | 139.8 | 159.4 |
| More than 5 years | 15.0 | 29.2 |
| **Total** | **200.7** | **233.2** |
| Future interest expenses for finance leases | –13.7 | –18.2 |
| **Current finance lease liability** | **187.0** | **215.0** |

## NOTE 14. Tangible assets (cont.)

| MSEK | Buildings and land[1] 2017 | Buildings and land[1] 2016 | Plant and machinery 2017 | Plant and machinery 2016 | Equipment, tools, fixtures and fittings 2017 | Equipment, tools, fixtures and fittings 2016 |
|---|---|---|---|---|---|---|
| Opening acquisition value | 313.5 | 154.4 | 1,013.6 | 950.5 | 982.7 | 233.1 |
| Investments | 11.9 | 1.2 | 78.6 | 27.4 | 104.2 | 60.0 |
| Acquired operations | – | 163.1 | 11.1 | 165.0 | 1.9 | 714.0 |
| Disposals | –0.2 | –15.2 | –125.3 | –163.0 | –67.4 | –42.1 |
| Reclassification | –2.7 | – | 40.2 | 7.2 | 6.3 | 0.6 |
| Translation difference | 6.5 | 10.0 | –10.5 | 26.5 | 11.1 | 17.1 |
| **Closing acquisition value** | **329.0** | **313.5** | **1,007.8** | **1,013.6** | **1,038.7** | **982.7** |
| Opening accumulated depreciation and write-downs | –144.3 | –49.0 | –834.7 | –768.6 | –572.9 | –197.8 |
| Accumulated deprecation in acquired operations | – | –92.9 | –7.8 | –129.0 | –1.1 | –352.0 |
| Depreciation for the year | –12.0 | –7.8 | –61.7 | –63.4 | –106.9 | –51.7 |
| Disposals | –0.2 | 10.3 | 114.4 | 149.9 | 63.8 | 40.6 |
| Reclassification | 0.0 | – | –0.1 | – | –0.8 | – |
| Translation difference | –3.1 | –4.8 | 12.5 | –23.6 | –3.4 | –12.1 |
| **Closing accumulated depreciation and write-downs** | **–159.5** | **–144.3** | **–777.4** | **–834.7** | **–621.4** | **–572.9** |
| **Net residual value** | **169.5** | **169.2** | **230.4** | **179.0** | **417.3** | **409.8** |

| MSEK | Fixed assets under construction[2] 2017 | Fixed assets under construction[2] 2016 | Total 2017 | Total 2016 |
|---|---|---|---|---|
| Opening acquisition value | 47.8 | 11.3 | 2,357.7 | 1,349.3 |
| Investments | 6.7 | 43.2 | 201.4 | 131.8 |
| Acquired operations | – | 0.9 | 13.0 | 1,043.0 |
| Disposals | –1.9 | – | –194.8 | –220.2 |
| Reclassification | –42.5 | –7.8 | 1.2 | – |
| Translation difference | 1.1 | 0.2 | 8.3 | 53.8 |
| **Closing acquisition value** | **11.2** | **47.8** | **2,386.6** | **2,357.7** |
| Opening accumulated depreciation and write-downs | – | – | –1,551.9 | –1,015.4 |
| Accumulated deprecation in acquired operations | – | – | –8.9 | –573.8 |
| Depreciation for the year | – | – | –180.6 | –122.9 |
| Disposals | – | – | 178.0 | 200.8 |
| Reclassification | – | – | –0.9 | – |
| Translation difference | – | – | 5.9 | –40.5 |
| **Closing accumulated depreciation and write-downs** | **–** | **–** | **–1,558.3** | **–1,551.9** |
| **Net residual value** | **11.2** | **47.8** | **828.3** | **805.8** |

[1] Buildings and land include land with a book value of MSEK 16.3 (17.1).
[2] Fixed assets under construction include advances related to tangible assets of MSEK 10.5 (43.9).

There were no significant investment obligations per 31 December 2017 or 2016.

## NOTE 15. Inventory

| MSEK | 2017 | 2016 |
|---|---|---|
| Raw materials and consumables | 176.3 | 134.2 |
| Work in process | 39.0 | 35.4 |
| Finished goods | 174.4 | 125.5 |
| **Total** | **389.7** | **295.0** |

Costs relating to obsolescence expensed during the year amounted to MSEK 8.1 (8.8) and at year-end the obsolescence reserve was MSEK 13.5 (12.6).

## NOTE 16. Prepaid expenses and accrued income

| MSEK | 2017 | 2016 |
|---|---|---|
| Machine rent paid in advance | 5.8 | 6.4 |
| Premise rent paid in advance | 6.8 | 7.7 |
| Other prepaid expenses | 38.4 | 38.5 |
| Accrued income | 71.9 | 40.6 |
| **Total** | **122.9** | **93.2** |

## NOTE 17. Cash and cash equivalents

| MSEK | 2017 | 2016 |
|---|---|---|
| Cash and bank | 679.4 | 651.1 |
| **Cash and cash equivalents** | **679.4** | **651.1** |

Translation differences in cash and cash equivalents for the year were MSEK –16.7 (32.1).

# 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 return on employed capital of at least 10 percent. In 2017 it amounted to 6.2 (10.0) percent. Furthermore Elanders has the goal of net debt in relation to EBITDA as a maximum of 3 times. In 2017 this quota was 4.3 (4.7) times.

## 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. Financial risks in the Group's subsidiaries are managed by Group Finance that also 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.

### 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 to some extent. 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 2017 amounted to MSEK 0 (–1) and will be returned to the income statements in 2018.

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 2017:

| MSEK | Estimated effect on net sales | Estimated effect on operating result |
|---|---|---|
| EUR | +/– 577 | +/– 11 |
| USD | +/– 281 | +/– 16 |
| EUR & USD | +/– 857 | +/– 27 |

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 115 (93), including the above described hedging.

*Currency hedges*

The table below shows a compilation over the Group's outstanding forward exchange contracts per 31 December 2017. All the contracts are due within a year.

| Currencies | Nominal amount MSEK | Average hedging rate |
|---|---|---|
| SEK/GBP | 19.4 | 11.08 |
| SEK/USD | 78.4 | 8.17 |
| EUR/SEK | 293.3 | 9.84 |
| EUR/PLN | 22.1 | 4.27 |
| USD/PLN | 3.8 | 3.58 |
| GBP/PLN | 10.0 | 4.72 |

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

**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 tax by MSEK 19 (16). 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 further down in this note they are included in non-financial liabilities.

| MSEK | Floating interest | Non-interest-bearing |
|---|---|---|
| Current receivables | – | 1,879.4 |
| Cash and bank | 679.4 | – |
| Long-term liabilities | –2,504.0 | – |
| Current liabilities | –840.1 | –740.4 |
| **Total** | **–2,664.7** | **1,139.0** |

**Financing/liquidity risk**
Financing/liquidity 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 regarding debt/equity ratio, net debt in relation to EBITDA and cash flow in relation to interest and amortizations. As of 31 December 2017 all covenants were fulfilled. See page 83 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 counterparts that have been approved by Group Finance should be used. On 31 December 2017 total exposure regarding financial credit risks was MSEK 586 (768). 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 1,795 (1,396) per 31 December 2017.

In 2017 credit losses amounted to MSEK 3 (5), 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.

**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 tax 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 personnel costs is multiplied with total personnel costs. A change in transportation costs is multiplied with costs for transportations and is not assumed to be able to be charged from the customer. 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 +/– 35
- Personnel cost +/– 18
- Cost of material +/– 13

## 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 | 2017 | 2016 |
|---|---|---|
| 1–30 days overdue | 142.5 | 137.1 |
| 31–60 days overdue | 72.5 | 65.5 |
| 61–90 days overdue | 22.5 | 25.7 |
| 91–120 days overdue | 10.4 | 11.8 |
| More than 120 days overdue | 20.2 | 48.6 |
| **Total** | **268.1** | **288.7** |

Accounts receivable amounting to MSEK 30 (60) are overdue with more than 90 days without any identified need for write-down. The receivables referes to customers without any history of payment difficulties.

#### CHANGE IN PROVISION FOR DOUBTFUL RECEIVABLES

| MSEK | 2017 | 2016 |
|---|---|---|
| Opening provision for doubtful receivables | –20.8 | –8.8 |
| Provision in acquired operations | – | –10.1 |
| Reversal of provision from previous year | 0.6 | 1.3 |
| Confirmed losses | 0.4 | 0.8 |
| Provisions during the year | –2.6 | –4.7 |
| Translation difference | 0.2 | 0.7 |
| **Closing provision for doubtful receivables** | **–22.2** | **–20.8** |

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

| MSEK | 2017 | 2016 |
|---|---|---|
| Interest income from financial assets | 1.2 | 1.0 |
| Interest expenses due to financial liabilities | –74.3 | –43.9 |
| **Total** | **–73.1** | **–42.9** |

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 | 2017 | 2016 |
|---|---|---|
| Loans and receivables | 28.0 | 56.1 |
| Other financial liabilities | –33.6 | –35.3 |
| **Total** | **-5.6** | **20.8** |

### 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 derivates 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 | 2017 | 2016 |
|---|---|---|
| Other current assets – Derivative instruments in hedge accounting relationships | 0.3 | – |
| Non-interest-bearing current liabilities – Derivative instruments in hedge accounting relationships | – | 0.7 |

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 58 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 2017 and 2016 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

| | Derivative instruments in designated hedge accounting relationships | | Loans and receivables | | Non-financial assets | | Total | |
|---|---|---|---|---|---|---|---|---|
| MSEK | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Intangible assets** | – | – | – | – | 3,135.9 | 3,081.4 | 3,135.9 | 3,081.4 |
| **Tangible assets** | – | – | – | – | 828.3 | 805.8 | 828.3 | 805.8 |
| **Financial assets** | – | – | – | 1.0 | 247.0 | 239.8 | 247.0 | 240.8 |
| **CURRENT ASSETS** | | | | | | | | |
| Inventory | – | – | – | – | 389.7 | 295.0 | 389.7 | 295.0 |
| Accounts receivable | – | – | 1,795.2 | 1,395.8 | – | – | 1,795.2 | 1,395.8 |
| Current tax receivables | – | – | – | – | 52.6 | 62.6 | 52.6 | 62.6 |
| Other receivables | 0.3 | – | 84.2 | 103.0 | 73.4 | 53.5 | 157.9 | 156.5 |
| Prepaid expenses and deferred income | – | – | – | – | 122.9 | 93.2 | 122.9 | 93.2 |
| Cash and cash equivalents | – | – | 679.4 | 651.1 | – | – | 679.4 | 651.1 |
| **Total current assets** | 0.3 | – | 2,558.8 | 2,149.9 | 638.6 | 504.3 | 3,197.7 | 2,654.2 |
| **Total assets** | 0.3 | – | 2,558.8 | 2,150.9 | 4,849.8 | 4,631.3 | 7,408.9 | 6,782.2 |

### LIABILITIES

| | Derivative instruments in designated hedge accounting relationships | | Other financial liabilities | | Non-financial assets | | Total | |
|---|---|---|---|---|---|---|---|---|
| MSEK | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Long-term liabilities and provisions** | – | – | 2,413.8 | 2,560.7 | 298.4 | 318.7 | 2,712.2 | 2,879.4 |
| **CURRENT LIABILITIES AND PROVISIONS** | | | | | | | | |
| Interest-bearing liabilities | – | – | 840.1 | 228.4 | – | – | 840.1 | 228.4 |
| Accounts payable | – | – | 652.0 | 567.8 | – | – | 652.0 | 567.8 |
| Current tax liabilities | – | – | – | – | 25.9 | 61.2 | 25.9 | 61.2 |
| Other liabilities | – | 0.7 | 88.4 | 87.1 | 53.1 | 56.5 | 141.5 | 144.3 |
| Accrued expenses and prepaid income | – | – | – | – | 504.5 | 450.9 | 504.5 | 450.9 |
| Provisions | – | – | – | – | 79.4 | 39.2 | 79.4 | 39.2 |
| **Total current liabilities and provisions** | – | 0.7 | 1,580.5 | 883.3 | 662.9 | 607.8 | 2,243.4 | 1,491.8 |
| **Total liabilities and provisions** | – | 0.7 | 3,994.3 | 3,444.0 | 961.3 | 926.5 | 4,955.6 | 4,371.2 |

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

### 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 amounts are future undiscounted cash flows. The credit agreeement with the Group's main banks expires in July 2019.

| MSEK | Jan.–Mar. 2018 | Apr.–Dec. 2018 | 2019–2020 | 2021–2022 | 2023– |
|---|---|---|---|---|---|
| Borrowing debts | 695.0 | 90.5 | 2,273.0 | – | – |
| Finance lease liabilities | 10.8 | 43.8 | 89.3 | 33.6 | 17.9 |
| Accounts payable | 652.0 | – | – | – | – |
| Other financial liabilities | 87.1 | 1.3 | – | – | – |
| Interest | 18.8 | 43.5 | 35.3 | 2.6 | 0.4 |
| **Total** | **1,463.7** | **179.1** | **2,397.6** | **36.2** | **18** |

## NOTE 19. Share capital

| Number of registered shares in the parent company | 2017 | 2016 |
|---|---|---|
| Issued per 1 January | 35,357,751 | 26,518,314 |
| New share issue | – | 8,839,437 |
| **Issued per 31 December** | **35,357,751** | **35,357,751** |

| 2017 | 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 |
| | **35,357,751** | **51,691,068** | **353,577,510** |

All shares are completely paid for. No shares are reserved for transfer according to option agreements or other contracts.
The shares' quota value is SEK 10.

## NOTE 20. Interest-bearing liabilities

The Group had a total of MSEK 3,369 (3,870) per 31 December 2017 in credit facilities of which MSEK 137 (1,081) 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 2.4 (2.2) percent.

### LONG-TERM LIABILITIES

| MSEK | 2017 | 2016 |
|---|---|---|
| Finance lease liabilities | 140.8 | 175.9 |
| Borrowing debts | 2,273.0 | 2,384.8 |
| **Total** | **2,413.8** | **2,560.7** |

### CURRENT LIABILITIES

| MSEK | 2017 | 2016 |
|---|---|---|
| Finance lease liabilities | 54.6 | 39.1 |
| Borrowing debts | 785.5 | 189.3 |
| **Total** | **840.1** | **228.4** |

### CHANGES IN INTEREST-BEARING LIABILITIES

| MSEK | 2017 | 2016 |
|---|---|---|
| Opening liabilities | 2,789.1 | 1,252.2 |
| Liabilities in acquired operations | 2.7 | 438.0 |
| New loans | 325.8 | 1,910.9 |
| Amortization of loans | –105.5 | –692.2 |
| Other changes in interest-bearing liabilities | 242.6 | –189.6 |
| Translation difference | –0.8 | 69.8 |
| **Closing liabilities** | **3,253.9** | **2,789.1** |

### BANK OVERDRAFT FACILITIES

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

| MSEK | 2017 | 2016 |
|---|---|---|
| Bank overdraft facilities, utilized amount | 2.6 | – |
| Bank overdraft facilities, granted amount | 50.0 | 341.8 |
| **Unutilized amount** | **47.4** | **341.8** |

**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 23.1 (22.6) as of 31 December 2017 and the present value of the pension obligations amounted to MSEK 113,3 (108.4). The defined contribution plans are mainly attributable to the operations in Germany.

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

| Percent | 2017 | 2016 |
|---|---|---|
| Discount rate [1] | 1.60 | 1.70 |
| Expected inflation | 0.50 | 0.50 |
| Expected return on plan assets | 1.70 | 1.35 |

1) The discount rate is based on the anticipated returns from a typical high-quality company euro bond with AA rating.

## NOTE 21. Provisions for post-employment benefits (cont.)

### PENSION PROVISIONS

| MSEK | Funded plans | Unfunded plans | Total |
|---|---|---|---|
| Present value of pension obligations | 95.5 | 17.8 | 113.3 |
| The fair value of plan assets | –23.1 | – | –23.1 |
| **Provisions for pensions recognized in the statements of financial position** | **72.4** | **17.8** | **90.2** |

### CHANGE IN CURRENT VALUE OF THE PENSION OBLIGATION

| MSEK | 2017 | 2016 |
|---|---|---|
| Opening balance | 108.4 | 17.1 |
| Pension obligations in acquired companies | – | 95.0 |
| Interest expense | 1.7 | 0.6 |
| Actuarial gains(-)/losses(+), net | 1.7 | –5.2 |
| Current year service cost | 0.8 | 1.0 |
| Pensions paid out | –2.2 | –1.0 |
| Translation difference | 2.9 | 0.9 |
| **Closing balance** | **113.3** | **108.4** |

### CHANGE IN PLAN ASSETS FAIR VALUE

| MSEK | 2017 | 2016 |
|---|---|---|
| Opening balance | 22.6 | 2.6 |
| Plan assets in acquired companies | – | 20.0 |
| Interest income | 0.3 | 0.1 |
| Actuarial gains(-)/losses(+), net | –0.3 | –0.3 |
| Translation difference | 0.5 | 0.2 |
| **Closing balance** | **23.1** | **22.6** |

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

| MSEK | 2017 | 2016 |
|---|---|---|
| Current year service cost | 0.8 | 1.0 |
| Interest expense | 1.7 | 0.6 |
| Interest income | –0.3 | –0.1 |
| **Pension costs for defined benefit plans** | **2.2** | **1.5** |

### 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 33.2 (24.7).

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 2017 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 2017 for pension insurance from Alecta totaled MSEK 3.2 (2.9). For 2018 no significant changes are expected regarding the total costs for pension insurance from Alecta.

## NOTE 22. Other provisions

| MSEK | 2017 | Translation difference | Provided for during the year | Utilized during the year | Reversal of unutilized amounts | 2016 |
|---|---|---|---|---|---|---|
| Restructuring measures | 24.8 | 0.2 | 20.6 | –6.9 | – | 10.9 |
| Guarantee commitments | 22.5 | 0.8 | 12.4 | –5.0 | – | 14.3 |
| Restoration costs for premises | 12.4 | 0.2 | 1.4 | – | – | 10.8 |
| Additional purchase sums | 4.6 | 0.1 | 4.5 | – | – | – |
| Other | 24.6 | 0.4 | 18.0 | –12.0 | –4.2 | 22.4 |
| **Total** | **88.9** | **1.7** | **56.9** | **–23.9** | **–4.2** | **58.4** |
| Of which current | 79.4 | | | | | 39.2 |

## NOTE 23. Accrued expenses and deferred income

| MSEK | 2017 | 2016 |
|---|---|---|
| Holiday pay liability | 51.2 | 48.9 |
| Social security contributions | 36.8 | 32.2 |
| Accrued salaries and remuneration | 115.2 | 117.2 |
| Other accrued expenses and deferred income | 301.2 | 252.6 |
| **Total** | **504.5** | **450.9** |

## NOTE 24. Pledged assets and contingent liabilities

PLEDGED ASSETS

| MSEK | 2017 | 2016 |
|---|---|---|
| Floating charges | 194.9 | 194.9 |
| Other pledged assets | 423.1 | 480.7 |
| **Total** | **617.9** | **675.6** |
| Pledged to: | | |
| Credit institutions | 617.9 | 675.6 |
| **Total** | **617.9** | **675.6** |

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 | 2017 | 2016 |
|---|---|---|
| Other contingent liabilities | 0.1 | 0.1 |
| **Total** | **0.1** | **0.1** |

## 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 3,976 (1,999). 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 2017 and 2016 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 2017 liabilites to Carl Bennet AB amounted to MSEK 0 (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 12.3 (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 1.6 (4.4).

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 hade made under the condition that it should be cost-neutral for Elanders.

# NOTE 26. Acquisitions

### ACQUISITION OF OPERATIONS IN 2017

| Company | Acquisition date | Country | Number of employees |
|---|---|---|---|
| Spreckley Limited | August 2017 | United Kingdom | 20 |
| Asiapack Limited | October 2017 | China | 220 |

**Spreckley Limited**
In July Elanders signed an agreement to acquire Spreckley Limited, a niched packaging company in the UK. The business is consolidated into the Elanders Group as of August 2017. For the 12 months period that ended on March 31, 2017, Spreckley reported net sales of approximately MGBP 2. The company employs around 20 people and is consolidated in the business area Print & Packaging Solutions. The purchase price was MGBP 2, where 85% is paid at the time for the acquisition and 15% 18 months after the acquisition, if certain conditions are met. Goodwill related to the acquisition amounted to MGBP 2 and other identified amortizable intangible assets amounted to MGBP 1. The acquisition's effect on the group's liquid funds was MSEK –22.

**Asiapack Limited**
In October Elanders signed an agreement for the acquisition of 80% of the shares in the Hong Kong-based company Asiapack Limited. The business is consolidated into the Elanders Group as of October 2017. Asiapack has an annual sales of around MHKD 70 and has some 220 employees. Asiapack is part of the business area Supply Chain Solutions and is expected to contribute positively to earnings per share as of 1 January 2018. The purchase price for the shares is around MHKD 45 on a cash and debt-free basis and the acquisition will be financed through cash and loans. Elanders has an option to purchase the rest of the shares in 2020. Goodwill in connections to the acquisition amounted to MHKD 24 and identified amortizable intangible assets amounted to MHKD 14. The acquisition's effect on the group's liquid funds was MSEK –45.

### ASSETS AND LIABILITIES IN ACQUIRED OPERATIONS

| MSEK | Book value in acquired operations | Adjustments to fair value | Book value in the group |
|---|---|---|---|
| Intangible assets | – | 26.0 | 26.0 |
| Tangible assets | 3.5 | – | 3.5 |
| Inventory | 2.6 | – | 2.6 |
| Accounts receivable | 18.4 | – | 18.4 |
| Other current assets | 4.6 | – | 4.6 |
| Cash and cash equivalents | 15.6 | – | 15.6 |
| Equity attributable to non-controlling interests | –5.7 | – | –5.7 |
| Accounts payable | –5.5 | – | –5.5 |
| Other non-interest bearing liabilities | –8.5 | –5.0 | –13.5 |
| Interest bearing liabilities | –2.5 | – | –2.5 |
| **Identifiable net assets** | **22.5** | **21.0** | **43.5** |
| Goodwill | | | 43.6 |
| **Total** | | | **87.1** |
| **Less:** | | | |
| Unpaid purchase sums | | | –4.5 |
| Cash and cash equivalents in acquisitions | | | –15.6 |
| **Negative effect on cash and cash equivalents for the Group** | | | **67.0** |

Since the acquisition date the acquired companies has contributed with MSEK 25 in net sales and MSEK 2 in operating result before acquisition costs. If the acquired companies would have been consolidated from January 1 instead of acquisition date they would have contributed with an additional MSEK 65–70 in net sales. The acquisition costs amounted to MSEK 2 and affected the result for 2017 negatively. No part of goodwill from the acquisitions is expected to be tax deductible.

# NOTE 26. Acquisitions (cont.)

## 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 of the shares in the Germany company LGI Logistics Group International GmbH, which is one of the leading players in Industrial Contract Logistics in Germany. The purchase price amounted to around MEUR 257 on a cash and debt-free basis.

LGI has been consolidated into the group since July 26, 2016. Acquisition-related one-off costs attributable to the LGI acquisition were around MSEK 27 in 2016 and affected the result negatively. The acquisition analysis below is final.

## ASSETS AND LIABILITIES IN ACQUIRED OPERATION

| MSEK | Book value in acquired operations | Adjustments to fair value | Book 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 |
| **Identifiable net assets** | **169.5** | **625.8** | **795.3** |
| Goodwill | | | 1,014.5 |
| **Total** | | | **1,809.8** |
| **Less:** | | | |
| Cash and cash equivalents in acquisition | | | –47.8 |
| **Negative effect on cash and cash equivalents for the Group** | | | **1,762.0** |

## 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. The purchase price was MEUR 4.5 on a cash and debt-free basis. Acquisition costs were around MSEK 2 and charged the result in 2015.

ASSETS AND LIABILITIES IN ACQUIRED OPERATION

| MSEK | Book value in acquired operations | Adjustments to fair value | Book value in the group |
|---|---|---|---|
| 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 |
| **Identifiable net assets** | **17.1** | **7.4** | **24.5** |
| Goodwill | | | 16.9 |
| **Total** | | | **41.4** |
| **Less:** | | | |
| Unpaid purchase sum | | | –4.5 |
| Cash and cash equivalents in acquisition | | | –3.1 |
| **Negative effect on cash and cash equivalents for the Group** | | | **33.8** |

## NOTE 27. Events after the balance sheet date

No significant events have taken place after the balance sheet date until the day this Annual report was signed.

# INCOME STATEMENTS

| MSEK | Note | 2017 | 2016 |
|---|---|---|---|
| Net sales | | 34.8 | 28.1 |
| Administrative expenses | 2, 11, 12 | –70.0 | –76.2 |
| Other operating income | 3 | 3.4 | 8.7 |
| Other operating expenses | 3 | –0.5 | –0.6 |
| **Operating result** | 4, 7 | **–32.3** | **–40.0** |
| Result from shares in subsidiaries | | 147.3 | 151.3 |
| Interest income | | 123.2 | 63.2 |
| Other financial income | | 71.9 | 77.7 |
| Interest expenses | | –65.7 | –35.9 |
| Other financial expenses | | –27.3 | –121.7 |
| **Result after financial items** | 5 | **217.1** | **94.6** |
| Taxes | 6 | –17.7 | 6.9 |
| **Result for the year** | | **199.4** | **101.5** |

# STATEMENTS OF COMPREHENSIVE INCOME

| MSEK | 2017 | 2016 |
|---|---|---|
| **Result for the year** | **199.4** | **101.5** |
| Other comprehensive income | – | – |
| **Total comprehensive income for the year** | **199.4** | **101.5** |

# CASH FLOW STATEMENTS

| MSEK | Note | 2017 | 2016 |
|---|---|---|---|
| **Operating activities** | | | |
| Result after financial items | | 217.1 | 94.6 |
| Adjustments for items not included in cash flow from operating activitites | 16 | –138.2 | –68.4 |
| Paid taxes | | –1.1 | –0.2 |
| **Cash flow from operating activities before changes in working capital** | | **77.8** | **26.0** |
| **Cash flow from changes in working capital** | | | |
| Increase (–)/decrease (+) in operating receivables | | 14.1 | –19.6 |
| Increase (+)/decrease (–) in operating liabilities | | –7.2 | 5.9 |
| **Cash flow from operating activities** | | **84.8** | **12.3** |
| **Investing activities** | | | |
| Acquisition of tangible assets and intangible assets | 11, 12 | –0.1 | –0.6 |
| Investments in subsidiaries | 9 | 1.0 | –5.7 |
| Shareholders' contribution | | – | –386.2 |
| Received dividends from subsidiaries | 16 | 147.3 | 151.3 |
| Payments received regarding long-term holdings | | 1.0 | 1.2 |
| Lending to and from subsidiaries | | –668.0 | –1,670.3 |
| **Cash flow from investing activities** | | **–518.9** | **–1,910.2** |
| **Financing activities** | | | |
| Amortization of loans | 14 | –103.7 | –670.1 |
| New loans | 14 | 325.8 | 1,910.9 |
| Other changes in interest-bearing liabilities | 14 | 264.9 | 28.0 |
| New share issue | | – | 694.8 |
| Dividend to parent company shareholders | | –91.9 | –58.3 |
| **Cash flow from financing activities** | | **395.0** | **1,905.2** |
| **Cash flow for the year** | | **–39.1** | **7.3** |
| Cash and cash equivalents at the beginning of the year | | 179.9 | 172.6 |
| **Cash and cash equivalents at year-end** | | **140.9** | **179.9** |

# BALANCE SHEETS

| MSEK | Note | 2017 | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | | | |
| Intangible assets | 11 | 1.2 | 1.2 |
| Tangible fixed assets | 12 | 0.3 | 0.3 |
| Shares in subsidiaries | 9 | 1,530.5 | 1,632.6 |
| Receivables from group companies | | 2,806.7 | 2,272.0 |
| Deferred tax assets | 6 | 122.6 | 139.1 |
| Other financial assets | | – | 1.0 |
| **Total fixed assets** | | **4,461.4** | **4,046.3** |
| **Current assets** | | | |
| Accounts receivable | | – | 0.0 |
| Receivables from group companies | | 315.9 | 211.4 |
| Other receivables | | 2.8 | 12.8 |
| Prepaid expenses and accrued income | | 11.5 | 16.4 |
| Cash and bank balances | | 140.9 | 179.9 |
| **Total current assets** | | **471.1** | **420.5** |
| **Total assets** | | **4,932.5** | **4,466.8** |

# BALANCE SHEETS (CONT.)

| MSEK | Note | 2017 | 2016 |
|---|---|---|---|
| **EQUITY, PROVISIONS AND LIABILITIES** | | | |
| **EQUITY** | | | |
| **Restricted equity** | | | |
| Share capital | | 353.6 | 353.6 |
| Statutory reserve | | 332.4 | 332.4 |
| **Total restricted equity** | | **686.0** | **686.0** |
| **Unrestricted equity** | | | |
| Retained earnings | | 862.0 | 852.5 |
| Result for the year | | 199.4 | 101.5 |
| **Total unrestricted equity** | **8** | **1,061.5** | **953.9** |
| **Total equity** | | **1,747.4** | **1,639.9** |
| **PROVISIONS** | | | |
| Provisions for pensions and similar obligations | | 1.4 | 1.4 |
| Other provisions | 10 | 1.5 | 1.5 |
| **Total provisions** | | **2.9** | **2.9** |
| **LIABILITIES** | | | |
| **Long-term liabilities** | | | |
| Liabilities to credit institutions | 14, 15 | 2,117.8 | 2,225.3 |
| Liabilities to group companies | | 66.1 | 136.5 |
| Other liabilities | | 0.1 | 0.1 |
| **Total long-term liabilities** | | **2,184.0** | **2,361.9** |
| **Current liabilities** | | | |
| Liabilities to credit institutions | 14, 15 | 770.8 | 167.8 |
| Accounts payable | | 2.5 | 8.7 |
| Liabilities to group companies | | 197.4 | 256.9 |
| Current tax liabilities | | 0.1 | 0.1 |
| Other liabilities | | 2.1 | 3.0 |
| Accrued expenses and deferred income | 13 | 25.2 | 25.5 |
| **Total current liabilities** | | **998.1** | **462.0** |
| **Equity, provisions and liabilities** | | **4,932.5** | **4,466.8** |

# STATEMENTS OF CHANGES IN EQUITY

| MSEK | Share capital | Statutory reserve | Unrestricted equity | Total |
|---|---|---|---|---|
| **Opening balance on 1 Jan. 2016** | **265.2** | **332.4** | **304.5** | **902.0** |
| Dividend | – | – | –58.3 | –58.3 |
| New share issue | 88.4 | – | 606.6 | 695.0 |
| Total comprehensive income for the year | – | – | 101.5 | 101.5 |
| **Closing balance on 31 Dec. 2016** | **353.6** | **332.4** | **953.9** | **1,639.9** |
| Dividend | – | – | –91.9 | –91.9 |
| New share issue | – | – | – | – |
| Total comprehensive income for the year | – | – | 199.4 | 199.4 |
| **Closing balance on 31 Dec. 2017** | **353.6** | **332.4** | **1,061.5** | **1,747.4** |

## NOTE 1. Accounting principles

A presentation of Elanders' accounting principles can be found in note 1 to Elanders' consolidated financial statements. The parentcompany 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.

**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.

**Standards, amendments and interpretations of existing standards that have taken effect in 2017**
No new standards, amendments or interpretations that have had significant affect on the companys' financial reports have come into effect during 2016.

## NOTE 2. Fees to the auditors

| MSEK | 2017 | 2016 |
|---|---|---|
| **PwC** | | |
| Audit assignment | 1.1 | 2.5 |
| Audit-related services | – | 0.3 |
| Tax advisory services | – | 0.0 |
| Other services | – | 4.1 |
| **Total** | **1.1** | **6.8** |

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 | 2017 | 2016 |
|---|---|---|
| Exchange rate gains | 0.1 | 0.6 |
| Other | 3.3 | 8.0 |
| **Total** | **3.4** | **8.7** |

### OTHER OPERATING EXPENSES

| MSEK | 2017 | 2016 |
|---|---|---|
| Exchange rate losses | –0.5 | –0.6 |
| **Total** | **–0.5** | **–0.6** |

## 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 | 2017 | 2016 |
|---|---|---|
| Dividends from subsidiaries | 147.3 | 151.3 |
| **Total** | **147.3** | **151.3** |

### INTEREST INCOME

| MSEK | 2017 | 2016 |
|---|---|---|
| Interest income, external | 0.2 | – |
| Interest income, subsidiaries | 123.0 | 63.2 |
| **Total** | **123.2** | **63.2** |

### OTHER FINANCIAL INCOME

| MSEK | 2017 | 2016 |
|---|---|---|
| Exchange rate gains | 71.9 | 77.7 |
| **Total** | **71.9** | **77.7** |

### INTEREST EXPENSES

| MSEK | 2017 | 2016 |
|---|---|---|
| Interest expenses, external | –65.7 | –35.7 |
| Interest expenses, subsidiaries | – | –0.2 |
| **Total** | **–65.7** | **–35.9** |

### OTHER FINANCIAL EXPENSES

| MSEK | 2017 | 2016 |
|---|---|---|
| Exchange rate losses | –18.9 | –104.5 |
| Other financial expenses | –8.4 | –17.2 |
| **Total** | **–27.3** | **–121.7** |

## NOTE 6. Taxes

### TAX ON THE RESULT FOR THE YEAR

| MSEK | 2017 | 2016 |
|---|---|---|
| Withholding tax on income from foreign subsidiaries | –1.2 | –0.2 |
| Deferred tax | –16.5 | 7.1 |
| **Total** | **–17.7** | **6.9** |

### RECONCILIATION OF RECORDED TAX

| MSEK | 2017 | 2016 |
|---|---|---|
| Result before taxes | 217.1 | 94.6 |
| Tax according to Swedish tax rate of 22% | –47.8 | –20.8 |
| Tax effect of: | | |
| Withholding tax on income from foreign subsidiaries | –1.2 | –0.2 |
| Correction of previous year's current tax expense | – | – |
| Non-taxable dividends from subsidiaries | 32.4 | 33.3 |
| Contribution, representation and association costs | –0.4 | –0.3 |
| Non-deductible costs in relation to acquisitions of operations | –0.6 | –3.8 |
| Other | –0.1 | –1.4 |
| **Total** | **–17.7** | **6.9** |

### DEFERRED TAX RECEIVABLES

| MSEK | 2017 | 2016 |
|---|---|---|
| Tax loss carry forwards | 116.1 | 134.1 |
| Other | 6.5 | 5.0 |
| **Total** | **122.6** | **139.1** |

## 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 | 2017 | 2016 |
|---|---|---|
| Subsidiaries | 3.6 | 5.1 |
| Carl Bennet AB | 0.6 | 0.6 |
| **Total** | **4.2** | **5.7** |

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 2017 liabilites to Carl Bennet AB amounted to MSEK 0.0 (0.2). 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 1.6 (4.4).

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 | 2017 | 2016 |
|---|---|---|
| Retained earnings | 862.0 | 852.5 |
| Net result for the year | 199.4 | 101.5 |
| **Total** | **1,061.5** | **953.9** |

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

| MSEK | 2017 | 2016 |
|---|---|---|
| SEK 2.60 per share is distributed to the shareholders | 91.9 | 91.9 |
| Remaining balance to be carried forward | 969.5 | 862.0 |
| **Total** | **1,061.5** | **953.9** |

## NOTE 9. Shares in subsidiaries

| MSEK | 2017 | 2016 |
|---|---|---|
| Opening book value | 1,632.6 | 1,246.5 |
| Investment | 0.0 | 5.7 |
| Sale of subsidiaries | –64.1 | – |
| Shareholders' contribution | – | 386.1 |
| Repayment of purchase sum | –1.0 | – |
| Repayment of share capital | –37.0 | –5.9 |
| **Closing book value** | **1,530.5** | **1,632.6** |

### 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 | – | 23.0 |
| myphotobook GmbH | HRB94377 | Berlin, Germany | – | – |
| Elanders (Beijing) Printing Company Ltd | 77765103X | Beijing, China | – | 149.5 |
| 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 France SARL | 828035394 | Paris, France | – | 0.0 |
| Elanders GmbH | HRB722349 | Waiblingen, Germany | – | 108.6 |
| Elanders International AB | 556058-0622 | Kungsbacka, Sweden | – | – |
| Mentor Media Ltd | 199302450H | Singapore | – | – |
| Asiapack Limited | 626139 | Chengdu, China | – | – |
| Asia Pack Packing (Shenzhen) Company Limitied | 91440300734155669E | Shenzhen, China | – | – |
| Chengdu Mentor Media Co., Ltd | 510100400032987A | Chengdu, China | – | – |
| Mentor Internet Solution Pte Ltd | 199508226M | Singapore | – | – |
| Mentor Media (Chongqing) Co., Ltd | 915000006939331000 | Chongqing, China | – | – |
| Mentor Media (Kunshan) Co., Ltd | 913205837584821000 | Kunshan, China | – | – |
| Mentor Media (Shenzhen) Co., Ltd | 91440300726187433D | Shenzhen, China | – | – |
| Mentor Media (Songjiang) Co., Ltd | 91310000763042057J | Songjiang, China | – | – |
| Mentor Media (Suzhou) Co., Ltd | 91320508773759422B | Suzhou, China | – | – |
| Mentor Media (USA) Supply Chain Management Inc | C3095841 | Ontario, USA | – | – |
| Mentor Media (Xiamen) Co., Ltd | 91350200612051108M | Xiamen, China | – | – |
| Mentor Media CBZ (Chongqing) Co., Ltd | 915000005814642000 | 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 (Shenzhen) Logistics Ltd | 91440300793899377C | Shenzhen, China | – | – |
| Mentor Printing and Logistics Private Limited | U72900TN2006PTC061596 | Chennai, India | – | – |
| Mentor Shanghai Trading Co., Ltd | 91310115329537946A | Shanghai, China | – | – |
| Shanghai Mentor Media Co., Ltd | 91310115703003515D | 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 | – | – |
| Helix Software + Support GmbH | HRB226056 | Herrenberg, Germany | – | – |
| ITG GmbH Internationale Spedition und Logistik | HRB66157 | 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 | – | – |
| 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 Logisztikal 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 Deutschland GmbH | HRB354685 | Herrenberg, Germany | – | – |
| LGI FreightLog GmbH | HRB761526 | Freiberg am Neckar, Germany | – | – |
| LGI TechLog GmbH | HRB513968 | Herrenberg, 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 | – | – |
| 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 | – | – |
| Spreckley Ltd | 4179929 | Nottingham, 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 | – | 57.6 |
| 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 |
| **Total** | | | | **1,530.5** |

The parent company's ownership amounts to 100% for all group companies except for Asiapack Limited which amounts to 80%. No book value is stated for the companies not directly owned by the parent company.

## NOTE 10. Other provisions

| MSEK | 2017 | 2016 |
|---|---|---|
| Environmental obligations | 1.5 | 1.5 |
| Other | 0.0 | 0.0 |
| **Total** | **1.5** | **1.5** |

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

| | Goodwill | | Other intangible assets | | Total | |
|---|---|---|---|---|---|---|
| MSEK | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Opening acquisition value | 2.0 | 2.0 | 11.9 | 11.4 | 13.9 | 13.3 |
| Acquisitions | – | – | 0.1 | 0.5 | 0.1 | 0.5 |
| Disposals | – | – | –1.0 | – | –1.0 | – |
| **Closing acquisition value** | **2.0** | **2.0** | **11.0** | **11.9** | **13.0** | **13.9** |
| Opening accumulated amortization and write-downs | –1.3 | –1.2 | –11.4 | –11.1 | –12.7 | –12.3 |
| Amortization of the year | –0.1 | –0.1 | – | –0.3 | –0.1 | –0.4 |
| Disposals | – | – | 1.0 | – | 1.0 | – |
| **Closing accumulated amortization and write-downs** | **–1.4** | **–1.3** | **–10.4** | **–11.4** | **–11.8** | **–12.7** |
| **Net residual value** | **0.6** | **0.7** | **0.6** | **0.5** | **1.2** | **1.2** |

Amortization has been charged entirely to administrative expenses.

Other intangible assets refer to software.

## NOTE 12. Tangible fixed assets

| | Equipment, tools, fixtures and fittings | |
|---|---|---|
| MSEK | 2017 | 2016 |
| Opening acquisition value | 2,0 | 2,0 |
| Acquisitions | – | 0,0 |
| **Closing acquisition value** | **2,0** | **2,0** |
| Opening accumulated depreciation | –1,7 | –1,7 |
| Depreciation for the year | 0,0 | 0,0 |
| **Closing accumulated depreciation** | **–1,7** | **–1,7** |
| **Net residual value** | **0,3** | **0,3** |

Depreciation has been charged entirely to administrative expenses.

There has been no financial leasing.

## NOTE 13. Accrued expenses and deferred income

| MSEK | 2017 | 2016 |
|---|---|---|
| Salaries and holiday pay | 3.8 | 8.5 |
| Social security contributions | 6.5 | 7.4 |
| Interest | 0.4 | 0.2 |
| Other accrued expenses and deferred income | 14.6 | 9.4 |
| **Total** | **25.2** | **25.5** |

## 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 matuarity is in July 2019. Elanders AB has loans in USD, EUR, PLN and GBP. The interest rate on the loans per 31 December 2017 was in the interval 2.00–3.99 (2.00–3.73) percent.

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

### CHANGES IN INTEREST-BEARING LIABILITIES

| MSEK | 2017 | 2016 |
|---|---|---|
| Opening liabilities | 2,393.1 | 1,048.9 |
| New loans | 325.8 | 1,910.9 |
| Amortization of loans | –103.7 | –670.1 |
| Other changes in interest-bearing liabilities | 264.9 | 28.0 |
| Translation difference | 8.5 | 75.4 |
| **Closing liabilities** | **2,888.6** | **2,393.1** |

### BANK OVERDRAFT FACILITIES

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

| MSEK | 2017 | 2016 |
|---|---|---|
| Bank overdraft facilities, utilized amount | 2.6 | – |
| Bank overdraft facilities, granted amount | 50.0 | 50.0 |
| **Not utilized overdraft** | **47.4** | **50.0** |

## NOTE 15. Pledged assets and contingent liabilities

### PLEDGED ASSETS

| MSEK | 2017 | 2016 |
|---|---|---|
| Floating charges | 3.3 | 3.3 |
| Other pledged assets | 286.8 | 286.8 |
| **Total** | **290.1** | **290.1** |
| Given to: | | |
| Credit institutions | 290.1 | 290.1 |
| **Total** | **290.1** | **290.1** |

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

### CONTINGENT LIABILITIES

| MSEK | 2017 | 2016 |
|---|---|---|
| Surety and contingent liabilities given for subsidiaries | 244.0 | 217.7 |
| **Total** | **244.0** | **217.7** |

### Exemption rules for subsidiaries

The parent company has issued a guarantee under section 479(C) of the UK Companies Act 2006 for the year ended 31 December 2017 in respect of the subsidiaries Elanders UK Ltd, Elanders McNaugthan's Ltd and Spreckley 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 2017, 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.

The parent company has issued a guarantee to the subsidiary Elanders Holding GmbH, registered in Germany. The parent company guarantees for all obligations of Elanders Holding GmbH existing as of 31 December 2017 until the end of the following financial year. As a consequence of this, Elanders Holding GmbH and its German subsidiaries LGI Logistics Group International GmbH, Helix Software + Support GmbH, LGI Deutschland GmbH, LGI FreightLOG GmbH, ITG GmbH Internationale Spedition und Logistik, Logistik Lernzentrum GmbH and LOGworks GmbH, listed in note 9, apply the exemption rules set out in sec. 264 (3) German Commercial Code (HGB). Those rules exempt from legal audit and publishing and allows preparation reliefs of the financial statements. Furthermore, according to sec. 291 (1) and (2) German Commercial Code (HGB) Elanders Holding GmbH, LGI Logistics Group International GmbH, ITG GmbH Internationale Spedition und Logistik and Elanders GmbH are exempted from the preparation of consolidated financial statements and the management commentary as they are included in the consolidated financial statements of Elanders AB.

## 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 | 2017 | 2016 |
|---|---|---|
| Depreciation, amortization and write-downs of intangible and tangible assets | 0.1 | 0.4 |
| Dividends from subsidiaries | –147.3 | –151.3 |
| Unrealized exchange rates gains and losses | 8.5 | 75.2 |
| Other items | 0.5 | 7.4 |
| **Total** | **–138.2** | **–68.4** |

#### PAID AND RECEIVED INTEREST

| MSEK | 2017 | 2016 |
|---|---|---|
| Paid interest | –65.3 | –35.8 |
| Received interest | 38.2 | 28.1 |
| **Total** | **–27.1** | **–7.7** |

#### DIVIDENDS RECEIVED FROM SUBSIDIARIES

| MSEK | 2017 | 2016 |
|---|---|---|
| Elanders (Beijing) Printing Company Ltd | 20.4 | – |
| Elanders GmbH | 81.8 | 109.6 |
| Elanders Hungary Kft | 14.4 | 32.1 |
| Elanders Ltd | – | 5.9 |
| Elanders Polska Sp.z o.o. | 7.1 | 3.8 |
| d\|o\|m Deutsche Online Medien GmbH | 16.5 | – |
| fotokasten GmbH | 7.1 | – |
| **Total** | **147.3** | **151.4** |

# 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 1,061,455,472 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 969,525,319 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 27 April 2018 for adoption.

Mölnlycke 5 March 2018

Carl Bennet
Chairman of the Board

Johan Stern
Vice Chairman of the Board

Pam Fredman

Dan Frohm

Erik Gabrielson

Linus Karlsson

Cecilia Lager

Anne Lenerius

Caroline Sundewall

Marcus Olsson

Magnus Nilsson
Chief Executive Officer

Our auditor's report was issued on 5 March 2018
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 2017 with the exception of the corporate governance report and the sustainability report on pages 42–57. The annual accounts and consolidated accounts of the company are included on pages 37–103 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 2017 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 2017 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 and sustainability report on pages 42–57. 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.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

#### 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.

## Key audit matters

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

### IMPAIRMENT TESTING OF INTANGIBLE ASSETS

Reference to Note 1 Significant estimates and judgements and Note 13 Intangible assets.

The value of goodwill and trademarks with indefinite useful life was SEK 2 713,8 million at 31 December 2017. 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 goodwill and trademarks with indefinite useful lives of SEK 2 713,8 million, SEK 1 051,8 million is attributable to the operating 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

Some 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. As described in Note 13, if the average growth rate or operating margin would decrease by one percent or if the discount rate would increase by one percent this would indicate potential impairment for segment Printing & Packaging Solutions.

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 have also assessed the correctness in the related disclosures in the Annual Report.

### VALUATION OF DEFERRED TAX ASSETS

Reference to Note 1 Significant estimates and judgements and Note 9 Taxes.

As per year end the group recognizes deferred tax assets of SEK 245,0 million whereof SEK 180,9 million are related to taxable losses. The recognition of deferred tax assets for taxable losses is 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 have 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 life 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.

### 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 1–36 and 108–118. 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_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 2017 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 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 Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. 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 42–47 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 para. points 2–6 of the Annual Accounts Act and Ch. 7 § 31 second para. of the same Act are consistent with the other parts of the annual report and consolidated accounts and comply with the Annual Accounts Act.

### The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 48–57, and that it is prepared in accordance with the Annual Accounts Act. Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that my (our) examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. I (We) believe that the examination has provided us with sufficient basis for our opinion. A statutory sustainability report has been prepared.

PricewaterhouseCoopers AB was appointed auditor of Elanders AB (publ) by the general meeting of the shareholders on the 26 April 2017 and has been the company's auditor since the 21 April 2008.

Mölnlycke, 5 March 2018

PricewaterhouseCoopers AB

Magnus Willfors
*Authorised Public Accountant*

# RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES

| MSEK | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Average total assets | 7,154 | 5,132 | 3,559 | 3,017 | 2,363 |
| Average cash and cash equivalents | –639 | –573 | –418 | –336 | –192 |
| Average non-interest-bearing liabilities | –1,532 | –1,131 | –816 | –671 | –461 |
| **Average capital employed** | **4,983** | **3,428** | **2,325** | **2,010** | **1,710** |
| Operating Result | 308 | 344 | 292 | 175 | 131 |
| **Return on capital employed %** | **6.2** | **10.0** | **12.6** | **8.7** | **7.7** |
| Interest-bearing long-term liabilities | 2,504 | 2,647 | 20 | 25 | 432 |
| Interest-bearing short-term liabilities | 840 | 228 | 1,247 | 1,327 | 522 |
| Cash and cash equivalents | –679 | –651 | –529 | –457 | –215 |
| **Net debt** | **2,665** | **2,224** | **738** | **895** | **739** |
| Operating result | 308 | 344 | 292 | 175 | 131 |
| Depreciation and write-downs | 255 | 172 | 136 | 117 | 98 |
| **EBITDA** | **563** | **516** | **428** | **292** | **229** |
| **Net debt/EBITDA, times** | **4.7** | **4.3** | **1.7** | **3.1** | **3.2** |
| Operating result | 308 | 344 | 292 | 175 | 131 |
| Amortization of assets identified in conjunction with acquisitions | 63 | 40 | 21 | 19 | 8 |
| **EBITA** | **371** | **384** | **313** | **194** | **139** |
| Net sales | 9,342 | 6,284 | 4,236 | 3,730 | 2,096 |
| **EBITA-margin, %** | **4.0** | **6.1** | **7.4** | **5.2** | **6.6** |

| MSEK | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Share price at year-end, SEK [1] | 82 | 106.25 | 64.36 | 36.27 | 23.11 |
| Number of shares as per balance sheet date, in thousands [1] | 35,358 | 35,358 | 28,224 | 28,224 | 24,192 |
| Net debt | 2,665 | 2,224 | 738 | 895 | 739 |
| Equity attributable to non-controlling interests | 6 | – | – | – | – |
| **Enterprise value, MSEK** | **5,570** | **5,981** | **2,555** | **1,919** | **1,298** |
| Total assets | 7,409 | 6,782 | 3,560 | 3,570 | 2,464 |
| Cash and cash equivalents | –679 | –651 | –529 | –457 | –215 |
| Non-interest-bearing liabilities | –1,612 | –1,496 | –805 | –870 | –471 |
| **Capital employed, MSEK** | **5,118** | **4,635** | **2,226** | **2,243** | **1,777** |
| Average share price [1] | 98.82 | 82.78 | 45.79 | 35.78 | 20.25 |
| Dividends per share, SEK [1] | 2.60 [2] | 2.60 | 2.07 | 1.03 | 0.73 |
| **Dividend yield %** | **2.6** | **3.1** | **4.5** | **2.9** | **3.6** |
| Share capital | 2,447 | 2,411 | 1,488 | 1,348 | 1,039 |
| **Share capital per share, SEK [1]** | **69.21** | **68.19** | **52.72** | **47.75** | **42.93** |
| Cash flow from operating activities | –64 | 331 | 269 | 162 | 128 |
| Net financial items | 78 | 44 | 32 | 36 | 29 |
| Paid tax | 134 | 104 | 85 | 61 | 57 |
| Net investments | –262 | –1,907 | –42 | –296 | –164 |
| **Operating cash flow** | **–115** | **–1,428** | **344** | **–38** | **50** |
| Average number of shares, in thousands [1] | 35,358 | 29,555 | 28,224 | 26,825 | 24,900 |
| **Operating cash flow per share, SEK [1]** | **–3.24** | **–48.32** | **12.19** | **–1.42** | **2.01** |
| Volume on the stock market [1] | 8,592 | 13,025 | 5,714 | 7,306 | 2,557 |
| **Turnover rate** | **0.24** | **0.44** | **0.20** | **0.27** | **0.11** |

[1] Historic number of shares and historic key ratios have been adjusted for the bonus issue element int the new share issues in 2014 and 2016.
[2] 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.

**EBITA**
Earnings before interest, taxes and amortization; operating result plus amortization of assets identified in conjunction with acquisitions.

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

**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.

**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.

**Cross-docking**
Unloading materials from incoming transports and loading these directly into outbound transports, with little or no storage in between. This may be done to change the type of package, to sort material intended for different destinations, or to combine material from different origins into transports with the same or similar destinations.

**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.

**Omni-channels**
An integrated way of thinking about people's relationships with organizations. Rather than working in parallel, communication channels are designed to cooperate and build a coherent, evolving, cross-channel experience. The approach includes channels such as physical locations, FAQ webpages, social media, mobile applications and telephone communication. Companies that use omni-channels give their customers the ability to be in contact with a them through multiple avenues at the same time.

**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.

**Return 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 Arjo AB, Holmen AB and L E Lundbergföretagen 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 Kallbadhus 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.

M.Sc. in Engineering.

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).

Previous appointments: Vice-Chancellor Gothenburg University.

Shareholding: 1,609 class B shares.

**DAN FROHM**

Member of the Board.

Born: 1981.

M.Sc. in Industrial Engineering and Management.

Elected in: 2017.

Appointments on the Elanders Board: Member of the remuneration committee.

Other appointments: Member of the board of Carl Bennet AB and Getinge AB.

Previous appointments: Management consultant at Applied Value LLC (New York office).

Shareholding (own and related parties): 23,676 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. Chairman of the board of Eldan Recycling A/S. Member of the board of Carl Bennet AB, Generic Sweden AB and Lifco 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: Global Chief Creative Officer CP+B. Member of the Board of the World Childhood Foundation USA.

Previous appointments: Creative Chairman at McCann Global Brand.

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, Cinnober Financial Technology AB, Clemondo Group AB, Collector AB, Collector Bank AB and Evolution Gaming AB.

Previous appointments: CEO SEB Funds. Marketing Director Alecta. Member of the board of Eniro AB, Intellecta 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.
Acting President e-Commerce Solutions.

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, Mertzig Asset Management and Sintercast.

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: Supervisor.

Shareholding: None.

**MARTIN SCHUBACH**

Deputy employee representative.

Born: 1974.

Upper secondary education.

Elected in: 2015.

Work: Prepare/Automation.

Shareholding: 267 class B shares.

# GROUP MANAGEMENT

**MAGNUS NILSSON**

President & CEO.
Acting President e-Commerce Solutions.

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.

# AUDITORS AND NOMINATION COMMITTEE

**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.

**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.

**Hans Hedström**
Carnegie Funds.

**Göran Espelund**
Lannebo Funds.

**Carl Gustafsson**
Didner & Gerge Funds.

**Sophie Nachemson-Ekwall**
Representative for the smaller shareholders.

Nomination committee questions can be submitted by e-mail or post mail to:

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## Shareholders in Elanders AB (publ) are welcomed to the company's Annual General Meeting Friday 27 April 2018 at 1 p.m., Gothia Towers, Mässans gata 24, Gothenburg, Sweden.

Shareholders who wish to participate in the Annual General Meeting must be inscribed in the share register held by Euroclear Sweden AB no later than Saturday 21 April 2018 (since the record date occurs on a Saturday shareholder must however be recorded in the share register on Friday 20 April 2018). Intent to participate must be reported by Monday 23 April 2018.

Shareholders whose shares are registered with a nominee must re-register the shares in their own name with Euroclear Sweden AB in order to be entitled to attend the Annual General Meeting. Such registration, which can be temporary, is requested with the nominee and must be duly effected on Friday 20 April 2018 (since the record date occurs on a Saturday). This means that shareholders must advise their nominee well in advance of this day.

Intent of participation can be made via the company website www.elanders.com. Alternatively via e-mail 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 2018

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Intent to participate must be reported by Monday 23 April 2018.

## CALENDAR

| | |
|---|---|
| Annual General Meeting | 27 April 2018 |
| Quarterly Report Q1, 2018 | 27 April 2018 |
| Quarterly Report Q2, 2018 | 13 July 2018 |
| Quarterly Report Q3, 2018 | 19 October 2018 |
| Year-end Report 2018 | 29 January 2019 |

## INKJET

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## PRODUCTION FACTS

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## PHOTO

Gothia Towers: page 118.
LGI: pages 21, 23, 25.
Magazino GmbH: page 18.
Mentor Media: page 27.
Mikael Göthage: pages 8, 112–115.
Pratham Sweden: page 55–56.
Shutterstock: pages 24–27.
Unsplash: pages 2–3, 10, 12, 16, 18–19, 20–23, 31, 36.

## 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.

## 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

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.

## 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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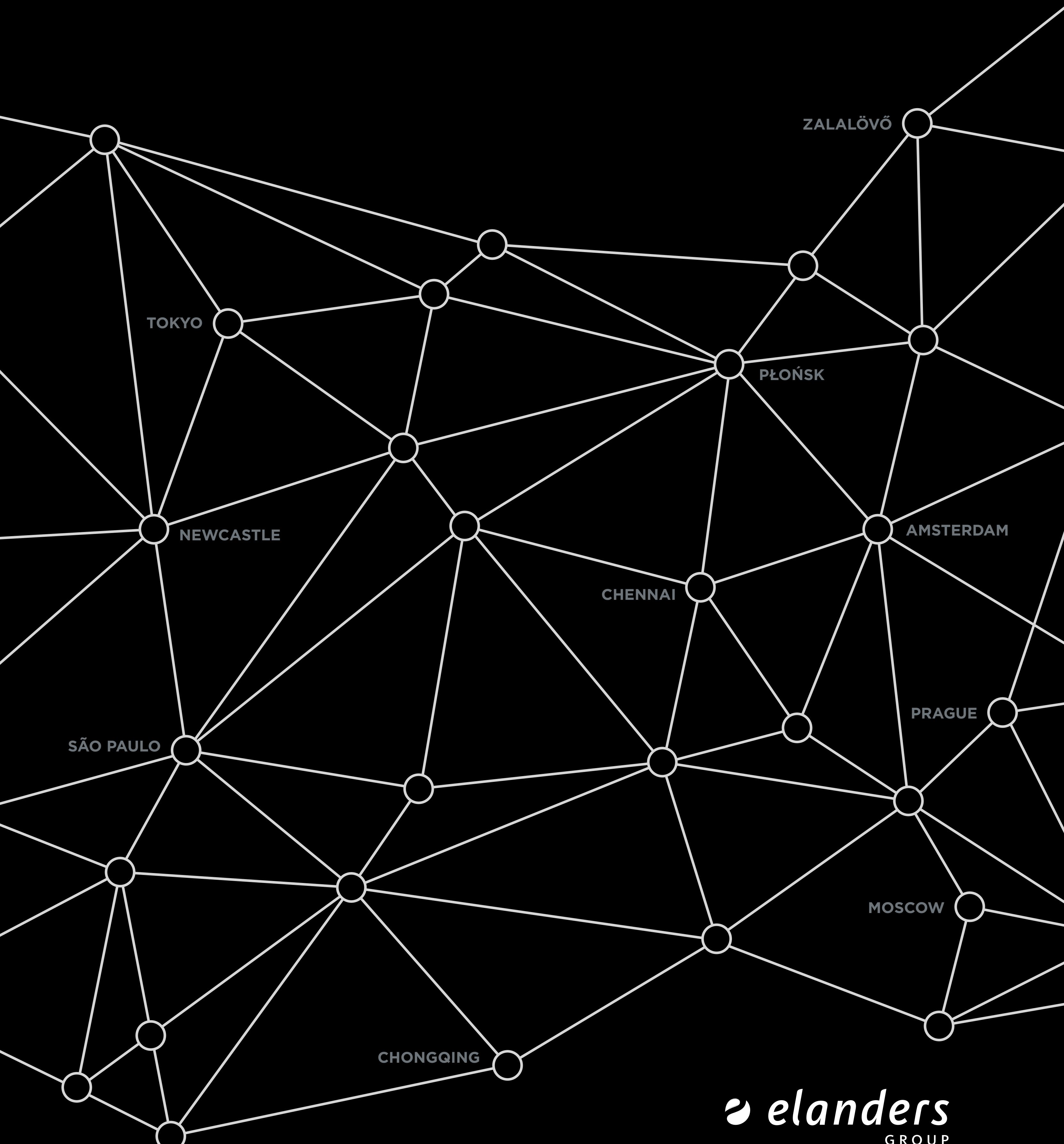


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