elanders GROUP

Quarterly Report

January – June 2017

Q2

WE SUPPLY THE WORLD

CONTENTS

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

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

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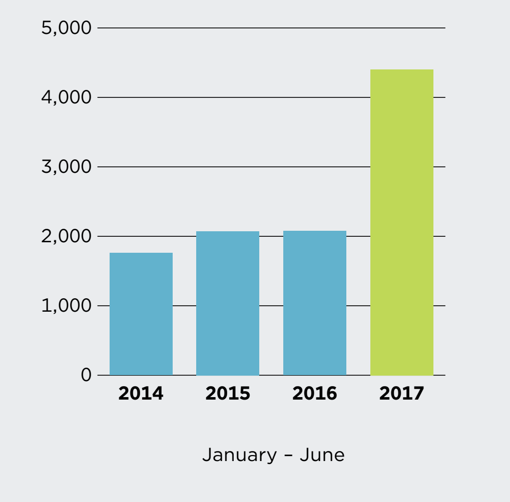
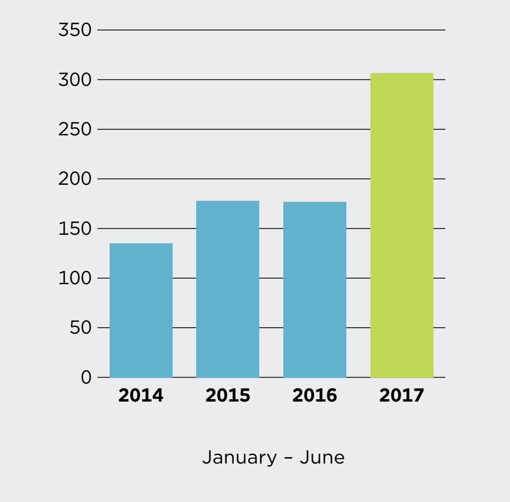
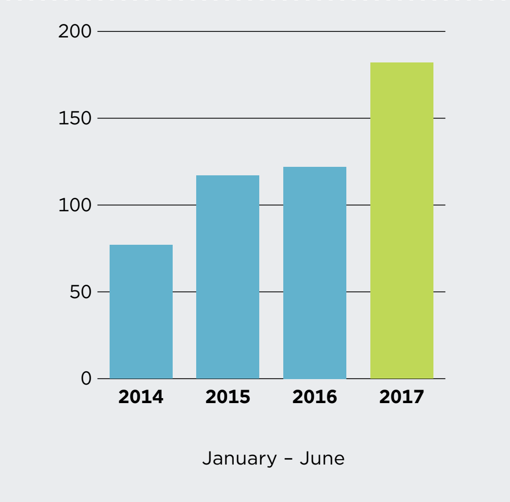
NET SALES, MSEK



EBITDA, MSEK



EBIT, MSEK



FIRST SIX MONTHS

- Net sales increased by 112 percent to MSEK 4,403 (2,077).
- EBITA increased to MSEK 214 (134), which was an improvement in the result by 60 percent.
- The operating result increased to MSEK 182 (122).
- The result before tax increased to MSEK 143 (111).
- The net result increased to MSEK 107 (80) or SEK 3.02 (2.85) per share.
- Operating cash flow amounted to MSEK –113 (68), of which MSEK –262 (0) consisted of increased working capital in the form of accounts receivable due to the settlement of a factoring debt during the first quarter. Cleared of this one-off item and the purchase price of acquisitions, operating cash flow was MSEK 149 (101).
- The increase in net sales and the result is primarily due to the acquisition of LGI, which was consolidated into the Elanders Group at the end of July 2016.

SECOND QUARTER

- Net sales were MSEK 2,264 (1,079), which was an increase of 110 percent.
- EBITA increased to MSEK 108 (72), which was an improvement in the result by 50 percent.
- The operating result increased to MSEK 93 (66).
- The result before tax increased to MSEK 73 (61).
- The net result increased to MSEK 54 (45) or SEK 1.52 (1.59) per share.
- Operating cash flow amounted to MSEK 47 (64).

COMMENTS BY THE CEO

During the second quarter the business developed more or less according to plan. Supply Chain Solutions performed a little better while Print & Packaging Solutions and e-Commerce Solutions did not do as well as expected. Primarily the month of April surprisingly showed a result lower than expected, mainly in our European operations. Some recovery was made in May and June.

We were pleased to see that the positive trend in Supply Chain Solutions continued with a growing demand from both existing and new customers. Growth was primarily generated in the customer segments Automotive, Electronics and Fashion & Lifestyle. The new acquisition LGI, which was consolidated into the Group at the end of July 2016, achieved all of 6 percent organic growth during the first six months. Not including LGI and exchange rate fluctuations the increase in net sales in Supply Chain Solutions was 1 percent. We gained a good deal of new business in the second quarter. One deal, for example, is with one of our big customers that has a well-known brand name in Fashion & Lifestyle. This contract revolves around providing an omni-channel solution, in which we support our customer with order management, warehousing, distribution and product returns, to both consumers and retail chains. We have also secured a number of strategically important projects to new customers in Automotive which will generate initial start-up costs, foremost in the third and fourth quarters, before volumes land at normal levels. In general, we continue to be very active regarding new sales and we are involved in several different requests for proposals held by both existing and new customers.

Sales in Print & Packaging Solutions were poorer than anticipated due to less demand from existing customers and lower new sales. This means net sales are now on last year's level. Price pressure on the market is intense and demand for offset printing steadily diminishes but at the same time we are shifting to more digital print and packaging production. Our multi-site in Stuttgart, with combined print and supply chain management services, is beginning to come together and we expect this facility to help us compensate for the lower volumes in traditional print. We will also continue to streamline and carry out measures to reduce costs.

Our strategic review process of e-Commerce Solutions has been delayed by the negative development in the business area in the first quarter continuing into the second. The drop in sales and the result during the first half-year requires that we now instead focus on ensuring sales and results in the fourth quarter where normally all earning occurs.

It is becoming more and more apparent that the strategic shift Elanders' initiated several years ago was necessary. Elanders has transformed from a graphic group to a global supply chain management company. We can create growth and grow organically within Supply Chain Solutions, a feat much more difficult to achieve in our second largest business area, Print & Packaging Solutions, due to the overcapacity characterizing the market.

Magnus Nilsson
President and Chief Executive Officer

FINANCIAL OVERVIEW

	First six months			Second quarter		
MSEK	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Net sales	4,403	2,077	2,072	2,264	1,079	1,066
Operating expenses	–4,221	–1,955	–1,955	–2,171	–1,013	–1,003
Operating result	**182**	**122**	**117**	**93**	**66**	**63**
Net financial items	–39	–10	–18	–20	–5	–8
Result before tax	**143**	**111**	**99**	**73**	**61**	**55**

GROUP

Our Business

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

Net sales and result

First six months

Net sales for the first six months increased by MSEK 2,326 to MSEK 4,403 (2,077) compared to the same period last year. This increase is primarily due to the new acquisition LGI which has been consolidated into the Elanders Group since the end of July 2016. Cleared of exchange rate fluctuations and the acquisition of LGI, net sales grew by 1% foremost due to Supply Chain Solutions. EBITA, i.e. the operating result adjusted for amortization on assets identified in conjunction with acquisitions, increased to MSEK 214 (134), which corresponded to an EBITA margin of 4.9 (6.5)%. The decrease in the EBITA margin stems primarily from consolidating LGI which historically has had a lower operating margin than Elanders. The reason for this is that in addition to contract logistics LGI also offers transportation and freight services, areas where margins are lower. One-off items that affected EBITA negatively were during the period on the same level as the comparable period, i.e. around MSEK 5.

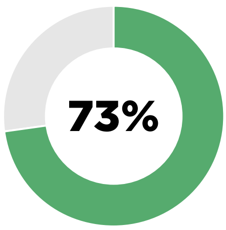
Second quarter

Net sales during the quarter increased by MSEK 1,185 to MSEK 2,264 (1,079) compared to the same period last year. Cleared of exchange rate fluctuations and the acquisition of LGI there was no organic growth in net sales. The organic growth in Supply Chain Solutions, excluding LGI, could not compensate for the decrease in sales in the other two business areas. EBITA, i.e. the operating result adjusted for amortization on assets identified in conjunction with acquisitions, increased to MSEK 108 (72), which corresponded to an EBITA margin of 4.8 (6.7)%. One-off items that affected EBITA negatively were during the period on the same level as the comparable period, i.e. around MSEK 5.

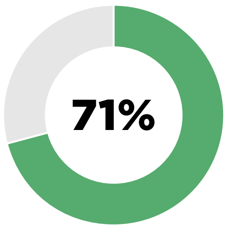
Supply Chain Solutions

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

The positive trend continued in business area Supply Chain Solutions and the business area grew organically by 2% during the second quarter, not including LGI, which was consolidated into the Group at the end of July 2016. LGI also reported organic growth over its comparable period with an increase of 6% during the first half-year and 7% during the second quarter.



Share of net sales (12 months)



Share of EBITA (12 months)

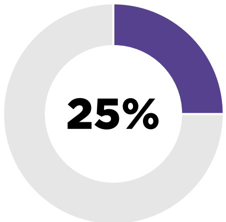
Supply Chain Solutions	First six months 2017	First six months 2016	Second quarter 2017	Second quarter 2016	Last 12 months	Full year 2016
Net sales, MSEK	3,290	981	1,712	521	6,307	3,998
EBITA, MSEK	176	87	96	48	375	283
EBITA-margin, %	5.3	8.9	5.6	9.3	6.0	7.1
Operating result, MSEK	152	83	84	46	327	258
Operating margin, %	4.6	8.4	4.9	8.8	5.2	6.4
Average number of employees	4,904	1,409	4,933	1,413	4,579	2,832

Group

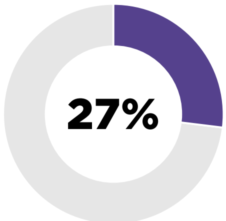
Print & Packaging Solutions

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

The market for Print & Packaging Solutions continues to be characterized by tough price pressure and overcapacity on the market. Using constant exchange rates net sales in the business area contracted in the second quarter by 3%, mainly due to lower sales on the European market. The reduction in Europe was partially compensated by organic growth in the US where conversion of parts of the American operations into combined print and supply chain management facilities is driving growth in sales. Accumulated net sales for the first half-year increased by 2%.



Share of net sales (12 months)



Share of EBITA (12 months)

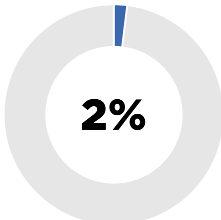
Print & Packaging Solutions	First six months 2017	First six months 2016	Second quarter 2017	Second quarter 2016	Last 12 months	Full year 2016
Net sales, MSEK	1,072	1,047	533	535	2,171	2,146
EBITA, MSEK	64	60	25	32	141	137
EBITA-margin, %	5.9	5.7	4.7	6.0	6.5	6.4
Operating result, MSEK	59	55	23	30	131	127
Operating margin, %	5.5	5.2	4.3	5.7	6.0	5.9
Average number of employees	1,521	1,676	1,520	1,632	1,555	1,632

e-Commerce Solutions

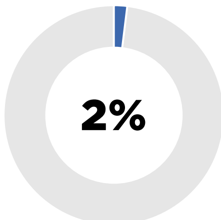
fotokasten, myphotobook and d|o|m are the Group's brands in e-Commerce. Through the technical solutions for e-commerce provided by d|o|m, fotokasten and myphotobook offer a broad range of photo products primarily to consumers.

The business area has substantial seasonal sales variations and the fourth quarter is by far the strongest.

Our strategic review process of e-Commerce Solutions has been delayed by the negative development in the business area in the first quarter continuing into the second. The decline in sales and the result during the first half-year requires that we now instead focus on ensuring sales and results in the fourth quarter where normally all earning occurs.



Share of net sales (12 months)



Share of EBITA (12 months)

e-Commerce Solutions	First six months 2017	First six months 2016	Second quarter 2017	Second quarter 2016	Last 12 months	Full year 2016
Net sales, MSEK	72	84	33	40	216	227
EBITA, MSEK	-10	2	-5	0	13	24
EBITA-margin, %	-13.2	2.0	-14.3	-0.3	6.0	10.5
Operating result, MSEK	-12	-1	-6	-1	8	19
Operating margin, %	-16.2	-0.8	-17.2	-3.2	3.8	8.4
Average number of employees	66	63	69	62	65	63

Important events during the period

As previously reported Elanders' subsidiary in California has been sued by a group of employees that demand indemnification because another employee from the same company installed a hidden camera in a changing room. They claim that the company knew or should have known about the situation. The company has denied any responsibility. Elanders has held negotiations with these employees in January and reached a settlement. Based on the result of the settlement another provision of around MSEK 30 was made, which affected the operating result for the fourth quarter of 2016. This dispute is now over and no further claims are expected.

Investments and depreciation

First six months

Net investments for the period amounted to MSEK 104 (40), of which acquisitions amounted to MSEK 0 (34). Depreciation, amortization and write-downs amounted to MSEK 125 (55).

Second quarter

For the quarter net investments amounted to MSEK 73 (–3) and depreciation and amortization to MSEK 63 (26).

Financial position, cash flow and financing

Group net debt per 30 June 2017 was MSEK 2,580 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 around MSEK 84 during the period.

Operating cash flow for the period amounted to MSEK –113 (68), 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 149 (101). For the second quarter the operating cash flow amounted to MSEK 47 (64).

Personnel

First six months

The average number of employees during the period was 6,502 (3,157), whereof 246 (275) in Sweden. At the end of the period the Group had 6,589 (3,101) employees, whereof 245 (277) in Sweden.

Second quarter

The average number of employees during the quarter was 6,532 (3,117), whereof 246 (274) in Sweden.

PARENT COMPANY

The parent company has provided intragroup services during the period. The average number of employees during the period was 11 (9) and at the end of the period 11 (9).

OTHER INFORMATION

Elanders' offer

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

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

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

Goal and strategy

Elanders' overall goal is to be a leader in global solutions in supply chain management, print & packaging and e-commerce with a world class integrated offer. Our strategy is to work in niches in each business area where the company can attain a leading position in the market. We will achieve this goal by being best at meeting customers' demands for efficiency and delivery. Acquisitions play an important role in our company's development and provide competence, broader product and service offers and enlarge our customer base.

Risks and uncertainties

Elanders divides risks into circumstantial risk (the future of our products/services and business cycle sensitivity), financial risk (currency, interest, financing and credit risks) as well as business risk (customer concentration, operational risks, risks in operating expenses as well as contracts and disputes). These risks, together with a sensitivity analysis, are described in detail in the Annual Report 2016. Circumstances in the world around us since the Annual Report was published are not believed to have caused any significant risks or influenced the way in which the Group works with these compared to the description in the Annual Report 2016.

Seasonal variations

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

Transaction with related parties

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

- One of the members of the Board, Erik Gabrielson, is a partner in the law firm Vinge, which provides the company with legal services.
- Related parties to Peter Sommer, a member of Group Management and Managing Director of Elanders GmbH, own shares in a property where Elanders GmbH runs most of its operations.

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

Events after the balance sheet date

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

Forecast

No forecast is given for 2017.

Review and accounting principles

The company auditors have not reviewed this report. The quarterly report for the Group has been prepared in accordance with the Annual Accounts Act and IAS 34 Interim Financial Reporting and for the parent company in accordance with the Annual Accounts Act. The same accounting principles and calculation methods as those in the last Annual Report have been used.

The primary alternative performance measures that are presented in this report are EBITDA, EBITA, return on capital employed, net debt and operating cash flow. Definitions of these performance measures are found on page 22 along with a reconciliation with financial information in accordance with IFRS on pages 20–21 in this report.

International Accounting Standards Boards (IASB) has issued new and revised standards, such as IFRS 9, IFRS 15, and IFRS 16. IFRS 9 "Financial Instruments" has a mandatory effective date 1 January 2018 and is not expected to have any significant effect on the Group financial reports. IFRS 15 "Revenue from Contracts with Customers" has mandatory effective date 1 January 2018. The current assessment by the company's management is that the standard will not entail any material difference on the Groups´ result. However, net sales and cost of products and services sold may be affected. IFRS 16 "Leases" has a mandatory effective date 1 January 2019. The new standard will affect primarily the accounting for the group's operating leases where there are large commitments in terms of rental contracts for premises and leasing of machinery and equipment, often with agreement period between 3–10 years. The current assessment by the company's management is that the new standard will have a significant effect on the Groups' total assets and liabilities.

Financial calendar

- Q3 2017, 19 October 2017
- Q4 2017, 25 January 2018
- Annual Report 2017, 23 March 2018
- Q1 2018, 27 April 2018
- Annual General Meeting 2018, 27 April 2018

Declaration by the Board

The Board of Directors of Elanders AB (publ) hereby declares that this half-year report gives a true and fair view of the parent company's and Group's operations, financial position and result and describes significant risks and uncertainties that the parent company and companies within the Group are facing.

Mölnlycke, 13 July 2017

Carl Bennet *Chairman*	Johan Stern *Vice chairman*	Pam Fredman
Dan Frohm	Erik Gabrielson	Linus Karlsson
Cecilia Lager	Anne Lenerius	Caroline Sundewall
Marcus Olsson	Eija Persson	Magnus Nilsson *President and CEO*

Consolidated Financial Statements

INCOME STATEMENTS

MSEK	First six months 2017	First six months 2016	Second quarter 2017	Second quarter 2016	Last 12 months	Full year 2016
Net sales	4,403	2,077	2,264	1,079	8,611	6,285
Cost of products and services sold	–3,707	–1,639	–1,909	–857	–7,159	–5,091
Gross profit	**696**	**438**	**355**	**222**	**1,452**	**1,194**
Sales and administrative expenses	–544	–340	–275	–167	–1,085	–882
Other operating income	44	26	21	11	118	100
Other operating expenses	–15	–2	–8	–0	–80	–68
Operating result	**182**	**122**	**93**	**66**	**405**	**344**
Net financial items	–39	–10	–20	–5	–73	–44
Result after financial items	**143**	**111**	**73**	**61**	**332**	**300**
Income tax	–36	–31	–19	–16	–88	–83
Result for the period	**107**	**80**	**54**	**45**	**244**	**217**
Result for the period attributable to:						
– parent company shareholders	107	80	54	45	244	217
Earnings per share, SEK [1] [2] [3]	*3.02*	*2.85*	*1.52*	*1.59*	*7.36*	*7.35*
Average number of shares, in thousands [3]	*35,358*	*28,224*	*35,358*	*28,224*	*33,122*	*29,555*
Outstanding shares at the end of the year, in thousands [3]	*35,358*	*28,224*	*35,358*	*28,224*	*35,358*	*35,358*

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

STATEMENTS OF COMPREHENSIVE INCOME

MSEK	First six months 2017	First six months 2016	Second quarter 2017	Second quarter 2016	Last 12 months	Full year 2016
Result for the period	**107**	**80**	**54**	**45**	**244**	**217**
Items that not will be reclassified to the income statement						
Actuarial gains/losses on defined benefit pensions plans, net after tax	–1	–	–0	–	4	5
Items that will be reclassified to the income statement						
Translation differences, net after tax	–71	0	–53	32	19	90
Cash flow hedges, net after tax	0	–0	0	–0	–1	–1
Hedging of net investment abroad, net after tax	27	2	20	–11	0	–25
Other comprehensive income, net after tax	**–44**	**2**	**–33**	**21**	**23**	**69**
Total comprehensive income for the period	**63**	**83**	**21**	**66**	**267**	**286**
Total comprehensive income attributable to:						
– parent company shareholders	63	83	21	66	267	286

STATEMENTS OF CASH FLOW

MSEK	First six months 2017	First six months 2016	Second quarter 2017	Second quarter 2016	Last 12 months	Full year 2016
Result after financial items	**143**	**111**	**73**	**61**	**332**	**300**
Adjustments for items not included in cash flow	72	32	22	20	188	148
Paid tax	–98	–40	–61	–23	–163	–104
Changes in working capital	–265	–46	5	–25	–232	–13
Cash flow from operating activities	**–148**	**58**	**40**	**33**	**125**	**331**
Net investments in intangible and tangible assets	–104	–7	–73	3	–210	–113
Acquisition of operations	–	–34	–	–	–1,762	–1,796
Payments received regarding long-term holdings	1	1	0	0	2	2
Cash flow from investing activities	**–103**	**–40**	**–73**	**3**	**–1,970**	**–1,907**
Amortization of loans	–53	–53	–26	–28	–692	–692
New loans	262	–	–	–	2,173	1,911
Other changes in long- and short-term borrowing	107	46	55	3	–129	–190
New share issue	–	–	–	–	695	695
Dividend to parent company shareholders	–92	–58	–92	–58	–92	–58
Cash flow from financing activities	**223**	**–65**	**–63**	**–83**	**1,955**	**1,666**
Cash flow for the period	**–28**	**–48**	**–96**	**–47**	**110**	**90**
Liquid funds at the beginning of the period	651	529	713	522	489	529
Translation difference	–22	8	–16	14	2	32
Liquid funds at the end of the period	**601**	**489**	**601**	**489**	**601**	**651**
Net debt at the beginning of the period	**2,224**	**738**	**2,437**	**750**	**785**	**738**
Translation difference in net debt	10	8	18	12	43	40
Net debt in acquired operations	–	–3	–	–	465	462
Change in net debt	346	42	125	23	1,287	983
Net debt at the end of the period	**2,580**	**785**	**2,580**	**785**	**2,580**	**2,224**
Operating cash flow	**–113**	**68**	**47**	**64**	**–1,598**	**–1,428**

Consolidated Financial Statements

STATEMENTS OF FINANCIAL POSITION

MSEK	30 Jun. 2017	30 Jun. 2016	31 Dec. 2016
ASSETS			
Intangible assets	3,051	1,290	3,081
Tangible assets	822	316	806
Other fixed assets	233	199	241
Total fixed assets	**4,106**	**1,805**	**4,128**
Inventories	340	274	295
Accounts receivable	1,693	784	1,396
Other current assets	318	158	312
Cash and cash equivalents	601	489	651
Total current assets	**2,952**	**1,705**	**2,654**
Total assets	**7,058**	**3,510**	**6,782**
EQUITY AND LIABILITIES			
EQUITY	**2,382**	**1,512**	**2,411**
Liabilities			
Non-interest-bearing long-term liabilities	212	86	233
Interest-bearing long-term liabilities	2,563	20	2,646
Total long-term liabilities	**2,775**	**106**	**2,879**
Non-interest-bearing short-term liabilities	1,283	638	1,263
Interest-bearing short-term liabilities	618	1,254	228
Total short-term liabilities	**1,901**	**1,892**	**1,492**
Total equity and liabilities	**7,058**	**3,510**	**6,782**

LGI was acquired in July 2016 which explains most of the increase in all the balance items. At the same time the Group has refinanced resulting in a three-year financing plan with Elanders' main banks. This has led to shift from short-term interest-bearing liabilities to long-term.

STATEMENTS OF CHANGES IN EQUITY

MSEK	Equity attributable to parent company shareholders	Total equity
Opening balance on 1 Jan. 2016	**1,488**	**1,488**
New share issue	695	695
Dividend to parent company shareholders	–58	–58
Total comprehensive income for the period	286	286
Closing balance on 31 Dec. 2016	**2,411**	**2,411**
Opening balance on 1 Jan. 2016	**1,488**	**1,488**
Dividend to parent company shareholders	–58	–58
Total comprehensive income for the period	83	83
Closing balance on 30 Jun. 2016	**1,512**	**1,512**
Opening balance on 1 Jan. 2017	**2,411**	**2,411**
Dividend to parent company shareholders	–92	–92
Total comprehensive income for the period	63	63
Closing balance on 30 Jun. 2017	**2,382**	**2,382**

SEGMENT REPORTING

The three business areas are reported as reportable segments, since this is how the Group is governed and the President has been identified as the highest executive decision-maker. The operations within each reportable segment have similar economic characteristics and resemble each other regarding the nature of their products and services, production processes and customer types. Sales between segments are made on market terms.

NET SALES

	First six months		Second quarter		Last 12	Full year
MSEK	**2017**	**2016**	**2017**	**2016**	**months**	**2016**
Supply Chain Solutions	3,290	981	1,712	521	6,307	3,998
Print & Packaging Solutions	1,072	1,047	533	535	2,171	2,146
e-Commerce Solutions	72	84	33	40	216	227
Group functions	19	16	10	8	30	27
Eliminations	–50	–50	–24	–25	–113	–113
Group net sales	**4,403**	**2,077**	**2,264**	**1,079**	**8,611**	**6,285**

OPERATING RESULT

	First six months		Second quarter		Last 12	Full year
MSEK	**2017**	**2016**	**2017**	**2016**	**months**	**2016**
Supply Chain Solutions	152	83	84	46	327	258
Print & Packaging Solutions	59	55	23	30	131	127
e-Commerce Solutions	–12	–1	–6	–1	8	19
Group functions	–16	–15	–8	–9	–62	–60
Group operating result	**182**	**122**	**93**	**66**	**405**	**344**

During 2016 one-off items amounting to net MSEK 39 attributable to advisory costs in connections to acquisitions, book VAT recognized as revenue and provision for settlement costs for a dispute in the US have been charged to operating result for Group functions.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The financial instruments recognized at fair value in the Group's report on financial position are derivatives identified as hedging instruments. The derivatives consist of forward contracts and are used for hedging purposes. Valuation at fair value of forward contracts is based on published forward rates on an active market. All derivates are therefore included in level 2 in the fair value hierarchy. Since all the financial instruments recognized at fair value are included in level 2 there have been no transfers between valuation levels. Derivative instruments in hedge accounting relationships recognized at fair value is presented under other current assets and non-interest bearing short-term liabilities. These items gross are below MSEK 1 both per 30 June 2017 and the comparison periods.

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

INCOME STATEMENTS

MSEK	First six months 2017	First six months 2016	Second quarter 2017	Second quarter 2016	Last 12 months	Full year 2016
Net sales	17	15	8	8	30	28
Operating expenses	–33	–24	–16	–15	–77	–68
Operating result	**–16**	**–9**	**–8**	**–7**	**–47**	**–40**
Net financial items	117	40	74	26	212	135
Result after financial items	**101**	**31**	**66**	**19**	**165**	**95**
Income tax	–11	1	–8	4	–5	7
Result for the period	**90**	**32**	**58**	**23**	**160**	**101**

STATEMENTS OF COMPREHENSIVE INCOME

MSEK	First six months 2017	First six months 2016	Second quarter 2017	Second quarter 2016	Last 12 months	Full year 2016
Result for the period	**90**	**32**	**58**	**23**	**160**	**101**
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	**90**	**32**	**58**	**23**	**160**	**101**

BALANCE SHEETS

MSEK	30 Jun. 2017	30 Jun. 2016	31 Dec. 2016
ASSETS			
Fixed assets	4,320	2,100	4,046
Current assets	331	159	421
Total assets	**4,651**	**2,259**	**4,467**
EQUITY, PROVISIONS AND LIABILITIES			
Equity	1,638	875	1,640
Provisions	3	3	3
Long-term liabilities	2,290	77	2,362
Short-term liabilities	720	1,304	462
Total equity, provisions and liabilities	**4,651**	**2,259**	**4,467**

STATEMENTS OF CHANGES IN EQUITY

MSEK	Share capital	Statutory reserve	Unrestricted equity	Total equity
Opening balance on 1 Jan. 2016	**265**	**332**	**304**	**902**
New share issue	88	–	606	695
Dividend	–	–	–58	–58
Total comprehensive income for the period	–	–	101	101
Closing balance on 31 Dec. 2016	**354**	**332**	**953**	**1,640**
Opening balance on 1 Jan. 2016	**265**	**332**	**304**	**902**
Dividend	–	–	–58	–58
Total comprehensive income for the period	–	–	32	32
Closing balance on 30 Jun. 2016	**265**	**332**	**278**	**875**
Opening balance on 1 Jan. 2017	**354**	**332**	**953**	**1,640**
Dividend	–	–	–92	–92
Total comprehensive income for the period	–	–	90	90
Closing balance on 30 Jun. 2017	**354**	**332**	**951**	**1,638**

QUARTERLY DATA

MSEK	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
Net sales	2,264	2,139	2,330	1,878	1,079	998	1,124	1,041	1,066
EBITDA	155	152	187	152	92	85	154	95	93
EBITA	108	105	139	112	72	62	116	69	68
EBITA-margin, %	4.8	4.9	6.0	6.0	6.7	6.2	10.3	6.6	6.4
Operating result	93	90	123	100	66	56	111	64	63
Operating margin, %	4.1	4.2	5.3	5.3	6.1	5.6	9.9	6.2	5.9
Result after financial items	73	69	103	86	61	51	105	55	55
Result after tax	54	53	79	58	45	36	73	36	38
Earnings per share, SEK [1) 2)]	1.52	1.49	2.37	2.04	1.59	1.26	2.60	1.27	1.34
Operating cash flow	47	–161	69	–1,565	64	3	237	–24	116
Cash flow per share, SEK [2) 3)]	1.12	–5.31	2.83	6.30	1.16	0.89	8.32	–1.87	3.72
Depreciation and write-downs	63	63	65	52	26	29	43	31	30
Net investments	73	31	79	1,787	–3	43	14	7	19
Goodwill	2,269	2,264	2,272	2,274	1,228	1,211	1,200	1,217	1,209
Total assets	7,058	7,064	6,782	6,713	3,510	3,524	3,560	3,547	3,504
Equity	2,382	2,454	2,411	1,607	1,512	1,505	1,488	1,445	1,409
Equity per share, SEK [2)]	67.38	69.39	71.87	56.93	53.58	53.33	52.72	51.19	49.92
Net debt	2,580	2,437	2,224	2,921	785	750	738	951	882
Capital employed	4,962	4,890	4,635	4,528	2,297	2,255	2,226	2,396	2,291
Return on total assets, % [4)]	5.3	5.2	7.3	7.8	7.5	6.4	12.6	7.3	7.1
Return on equity, % [4)]	8.9	8.7	15.8	14.8	11.8	9.5	20.0	10.0	10.7
Return on capital employed, % [4)]	7.5	7.5	10.7	11.7	11.6	10.0	19.2	10.9	10.8
Debt/equity ratio	1.1	1.0	0.9	1.8	0.5	0.5	0.5	0.7	0.6
Equity ratio, %	33.8	34.7	35.6	23.9	43.1	42.7	42.0	40.7	40.2
Interest coverage ratio [5)]	5.5	6.4	7.8	11.0	16.1	14.3	12.7	10.0	7.2
Number of employees at the end of the period	6,589	6,501	6,444	6,472	3,101	3,173	3,177	3,182	3,166

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

FIVE YEAR OVERVIEW – FIRST SIX MONTHS

	2017	2016	2015	2014	2013
Net sales, MSEK	4,403	2,077	2,072	1,761	1,005
Result after tax, MSEK	107	80	65	31	22
Earnings per share, SEK [1) 2)]	3.02	2.85	2.31	1.22	0.89
Cash flow from operating activities per share, SEK [2)]	–4.19	2.05	3.06	1.20	0.54
Equity per share, SEK [2)]	67.38	53.58	49.92	42.62	39.16
Return on equity, % [3)]	8.8	10.7	9.5	5.6	4.6
Return on capital employed, % [3)]	7.6	10.8	10.3	7.9	6.1
Operating margin, %	4.1	5.9	5.6	4.4	5.1
Average number of shares, in thousands [2)]	35,358	28,224	28,224	25,425	24,900

1) There is no dilution.
2) Historic number of shares and historic key ratios have been adjusted for the bonus issue element in the new share issues in 2014 and 2016. No adjustment of the historic number of shares has been made for the new share issue in 2012 since it did not entail any bonus issue element.
3) Return ratios have been annualized (the result has been recalculated to correspond to the result for a 12 month period).

FIVE YEAR OVERVIEW – SECOND QUARTER

	2017	2016	2015	2014	2013
Net sales, MSEK	2,264	1,079	1,066	910	512
Result after tax, MSEK	54	45	38	15	28
Earnings per share, SEK [1) 2)]	1.52	1.59	1.34	0.57	0.47
Cash flow from operating activities per share, SEK [2)]	1.12	1.16	3.72	2.57	1.64
Equity per share, SEK [2)]	67.38	53.58	49.92	42.62	39.16
Return on equity, % [3)]	8.9	11.8	10.7	5.3	4.9
Return on capital employed, % [3)]	7.5	11.6	10.8	7.4	6.7
Operating margin, %	4.1	6.1	5.9	4.4	5.6
Average number of shares, in thousands [2)]	35,358	28,224	28,224	25,951	24,900

1) There is no dilution.
2) Historic number of shares and historic key ratios have been adjusted for the bonus issue element in the new share issues in 2014 and 2016. No adjustment of the historic number of shares has been made for the new share issue in 2012 since it did not entail any bonus issue element.
3) Return ratios have been annualized (the result has been recalculated to correspond to the result for a 12 month period).

FIVE YEAR OVERVIEW – FULL YEAR

	2016	2015	2014	2013	2012
Net sales, MSEK	6,285	4,236	3,730	2,096	1,924
EBITDA, MSEK	516	428	292	229	209
Operating result, MSEK	344	292	175	131	119
Result after financial items, MSEK	300	259	140	102	93
Result after tax, MSEK	217	175	88	70	45
Earnings per share, SEK [1] [2]	7.35	6.18	3.27	2.81	1.87
Cash flow from operating activities per share, SEK [2]	11.19	9.52	6.03	5.15	9.06
Equity per share, SEK [2]	81.58	52.72	47.75	41.71	38.31
Dividends per share, SEK [2]	2.60	2.07	1.03	0.73	0.54
Operating margin, %	5.5	6.9	4.7	6.2	6.2
Return on total assets, %	6.7	8.2	5.9	5.6	5.6
Return on equity, %	12.4	12.1	7.4	7.0	4.8
Return on capital employed, %	10.0	12.6	8.7	7.7	7.4
Net debt/EBITDA ratio	4.3	1.7	3.1	3.2	3.3
Debt/equity ratio	0.9	0.5	0.7	0.7	0.7
Equity ratio, %	35.6	42.0	37.8	42.2	42.2
Average number of shares, in thousands [2]	29,555	28,224	26,825	24,900	23,712

1) There is no dilution.

2) Historic number of shares and historic key ratios have been adjusted for the bonus issue element in the new share issues in 2014 and 2016. No adjustment of the historic number of shares has been made for the new share issue in 2012 since it did not entail any bonus issue element.

Reconciliation Alternative Performance Measures

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES – QUARTERLY DATA

MSEK	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
Operating result	93	90	123	100	66	56	111	64	63
Depreciation, amortization and write-downs	63	63	65	52	26	29	43	31	30
EBITDA	**155**	**152**	**187**	**152**	**92**	**85**	**154**	**95**	**93**
Operating result	93	90	123	100	66	56	111	64	63
Amortization of assets identified in conjunction with acquisitions	16	15	16	12	6	6	5	5	5
EBITA	**108**	**105**	**139**	**112**	**72**	**62**	**116**	**69**	**68**
Cash flow from operating activities	40	–188	95	178	33	25	235	–53	105
Net financial items	20	22	20	14	5	6	6	9	8
Paid tax	61	37	34	30	24	16	9	27	21
Net investments	–73	–31	–79	–1,787	3	–43	–14	–7	–19
Operating cash flow	**47**	**–161**	**69**	**–1,565**	**64**	**3**	**237**	**–24**	**116**
Average total assets	7,061	6,923	6,748	5,112	3,517	3,542	3,543	3,526	3,567
Average cash and cash equivalents	–657	–682	–639	–558	–505	–526	–451	–389	–403
Average non-interest-bearing liabilities	–1,478	–1,478	–1,527	–1,141	–736	–776	–782	–794	–829
Average capital employed	**4,926**	**4,763**	**4,581**	**3,412**	**2,276**	**2,240**	**2,311**	**2,344**	**2,334**
Annualized operating result	371	359	490	398	263	224	444	256	252
Return on capital employed, %	**7.5**	**7.5**	**10.7**	**11.7**	**11.6**	**10.0**	**19.2**	**10.9**	**10.8**
Interest-bearing long-term liabilities	2,563	2,595	2,647	2,666	20	20	20	23	23
Interest-bearing short-term liabilities	618	555	228	883	1,254	1,252	1,247	1,301	1,264
Cash and cash equivalents	–601	–713	–651	–628	–489	–522	–529	–372	–405
Net debt	**2,580**	**2,437**	**2,224**	**2,921**	**785**	**750**	**738**	**951**	**882**

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES – FIRST SIX MONTHS

MSEK	2017	2016	2015	2014	2013
Average total assets	6,968	3,531	3,537	2,870	2,264
Average cash and cash equivalents	–655	–513	–431	–293	–134
Average non-interest-bearing liabilities	–1,484	–759	–839	–613	–444
Average capital employed	**4,829**	**2,259**	**2,267**	**1,964**	**1,686**
Annualized operating result	365	244	234	154	102
Return on capital employed, %	**7.6**	**10.8**	**10.3**	**7.9**	**6.1**

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES – SECOND QUARTER

MSEK	2017	2016	2015	2014	2013
Average total assets	7,061	3,517	3,567	3,196	2,247
Average cash and cash equivalents	–657	–505	–403	–322	–106
Average non-interest-bearing liabilities	–1,478	–736	–829	–718	–432
Average capital employed	**4,926**	**2,276**	**2,334**	**2,156**	**1,708**
Annualized operating result	371	263	252	159	114
Return on capital employed, %	**7.5**	**11.6**	**10.8**	**7.4**	**6.7**

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES – FULL YEAR

MSEK	2016	2015	2014	2013	2012
Operating result	344	292	175	131	119
Depreciation, amortization and write-downs	172	136	117	98	90
EBITDA	**516**	**428**	**292**	**229**	**209**
Average total assets	5,132	3,559	3,017	2,363	2,133
Average cash and cash equivalents	–573	–418	–336	–192	–125
Average non-interest-bearing liabilities	–1,131	–816	–671	–461	–410
Average capital employed	**3,428**	**2,325**	**2,010**	**1,710**	**1,598**
Operating result	344	292	175	131	119
Return on capital employed, %	**10.0**	**12.6**	**8.7**	**7.7**	**7.4**

FINANCIAL DEFINITIONS

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

Average number of shares
Weighted average number of shares outstanding during the period.

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

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

Earnings per share
Result for the year divided by the average number of shares.

EBIT
Earnings before interest and taxes; operating result.

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.

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

Interest coverage ratio
Operating result plus interest income divided by interest costs.

Net debt
Interest bearing liabilities less liquid funds.

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

Operating margin
Operating result in relation to net sales.

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

Return on equity
Result for the year in relation to average equity.

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

Mentor Media simplifies supply chain management by offering our Mentor Direct Ship service. Goods are gathered at our strategically located hubs near manufacturers, get cleared through customs as a single entry, are shipped across continents and then delivered to either customer distribution centers, multiple retail locations or end customers using Air, Surface and Ocean transportation.