Elanders' offer includes handling everything **FROM** taking orders, procurement, purchasing components and warehousing to production logistics, assembly, configuration, quality control and delivery through advanced end-to-**END** solutions. Our business concept is **TO** be a global, strategic and long-term partner to our customers in their work to streamline and develop their business-critical processes. We often take responsibility for the customer's entire supply chain, sometimes it can even include making sure that the products reach the **END** consumer.

Global end-to-end solutions

Elanders is a global logistics company with a broad range of services of integrated solutions in supply chain management. The business is mainly run through two business areas, Supply Chain Solutions and Print & Packaging Solutions.

20
MARTINA WEIHING
Division Manager, Supply Chain Solutions (LGI)

22
KOK KHOON LIM
President, Supply Chain Solutions (Mentor Media)

8
MAGNUS NILSSON
President & CEO, Elanders Group

Contents

The World of Elanders

11,254
Net sales, MSEK

18
Number of countries

6,664
Total number of employees

Sweden
4 locations
152 employees

Poland
3 locations
323 employees

Czech Republic
5 locations
332 employees

Russia
1 location
2 employees

Austria
1 location
43 employees

China
12 locations
648 employees

Hungary
4 locations
336 employees

India
2 locations
200 employees

Taiwan
1 location
5 employees

Italy
1 location
22 employees

Singapore
4 locations
585 employees

Romania
1 location
3 employees

Elanders has almost 7,000 employees and operates in some 20 countries on four continents. Our most important markets are China, Singapore, the United Kingdom, Sweden, Germany and the USA.

Our major customers are active in the areas Automotive, Electronics, Fashion & Lifestyle, Industrial and Health Care & Life Science.

> 1,000,000

Total m² of production and warehouse space

> 90

Total number of locations

2019 in summary

The year was characterized by success for Print & Packaging Solutions and the Asiatic section of Supply Chain Solutions, both of which had one of their best years ever. However, growth began to wan after almost three entire years of strong organic growth. The reduction was due to weaker demand from some customer segments and a conscious prioritization of more profitable business.

Focus going forward is on improving profitability by being more selective and continuing to choosing deals with better margins while phasing out business with poor profitability or low returns. After two years with strong cash flows Elanders can now make smaller or mid-sized acquisitions without any significant effect on our financial position. It is also important to make sure that concepts in the Group with the potential to become good business opportunities in the future receive sufficient resources to develop properly.

5%

Net sales increased by 5% in 2019

THREE YEAR OVERVIEW

	2019	2019 excl. IFRS 16	2018	2017
Net sales, MSEK	11,254	11,254	10,742	9,342
EBITDA, MSEK	1,285	573	725	563
EBITDA adjusted, MSEK	1,435	723	725	563
EBITA, MSEK	413	378	523	371
EBITA adjusted, MSEK	563	527	523	371
Result after financial items, MSEK	216	245	366	230
Result after tax, MSEK	153	175	259	165
Earnings per share, SEK [1]	4.19	4.80	7.18	4.65
Adjusted earnings per share, SEK [1]	7.16	7.77	7.18	4.65
Cash flow from operating activities per share, SEK	37.81	19.60	12.88	–1.81
Equity per share, SEK	78.54	79.15	76.28	69.21
Dividend per share, SEK	2.90 [2]	2.90 [2]	2.90	2.60
EBITA-margin, %	3.7	3.4	4.9	4.0
EBITA-margin adjusted, %	5.0	4.7	4.9	4.0
Return on total assets, %	4.2	4.6	6.6	4.3
Return on equity, %	5.3	6.0	9.8	6.8
Return on capital employed, %	5.0	6.2	8.5	6.2
Net debt/EBITDA ratio, times	3.1	3.7	3.5	4.7
Net debt/EBITDA adjusted ratio, times	2.8	3.0	3.5	4.7
Debt/equity ratio, times	1.4	0.8	0.9	1.1
Equity ratio, %	30.2	37.8	35.0	33.1
Average number of outstanding shares, thousands	35,358	35,358	35,358	35,358

[1] There is no dilution.
[2] Proposed by the board.

Excluding IFRS 16 means that the same accounting principles as 2018 have been used. IFRS 16 is effective from 1 January 2019 and has affected the accounting of the Group's lease agreements. The transition to IFRS 16 has been based on the Modified retrospective approach, which means that the comparison periods have not been adjusted. One-off items have been excluded in the adjusted measures.

For Reconciliation Alternative Performance Measures and Financial definitions, see pages 112–114.

SUPPLY CHAIN SOLUTIONS

Supply Chain Solutions is Elanders' largest business area and makes up three-fourths of the Group. This area has a very high potential for growth in the future. Generally speaking, the market is growing, driven by a worldwide expanding middle-class. New regulations and changes in behavior patterns will most likely have a significant effect on future logistics flows, which puts big demands on actors that want to have a place on the market.

Despite considerable uncertainty regarding what effect the trade war between the USA and China might have on supply chains for major customers, the Asiatic section of the business area had one of its best years ever. It has, however, been more challenging for operations in Europe. As an example, the Purchasing Manager's Index (PMI) was 41.7 for the German manufacturing industry in September, which was the lowest in many years. As is well known, Germany is the Elanders' largest market. PMI indicates how purchasing managers perceive the future and an index under 50 displays a pessimistic view.

During the latter half of the year Bernd Schwenger took over as President of Elanders' subsidiary LGI. A reorganization and restructuring plan was adopted to reduce overhead and improve profitability. The goal was to better clarify result and customer ownership out in the organization.

When the reorganization was implemented accounting errors were discovered in some customer projects for one customer in transportation operations. Correction of these errors had a substantial negative effect on the result for the fourth quarter.

Brands: LGI, Mentor Media and ITG

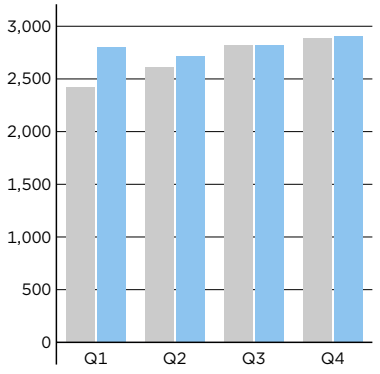
PRINT & PACKAGING SOLUTIONS

The market for business area Print & Packaging Solutions continues, as in previous years, to be characterized by tough price pressure, shrinking total volumes and over-capacity. 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. Despite these conditions Print & Packaging Solutions had one of its best years ever and stable organic growth. In addition, several important customer contracts were renewed during the year. The strategy over recent years to consolidate production capacity and move volume production to countries with lower cost levels for further export to other markets has proven successful. At the same time Elanders is not afraid to invest in new technology such as inkjet for high speed printing of everything from long series to a few copies.

At the end of the year Sven Burkhard became President of the business area.

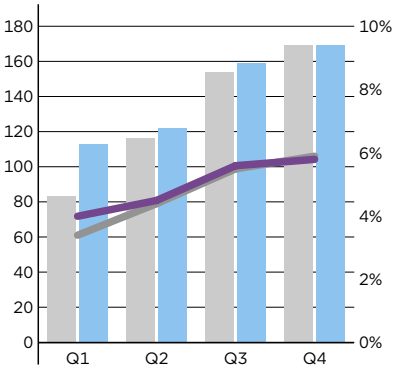
Brands: Elanders, d|o|m, fotokasten and myphotobook

NET SALES PER QUARTER



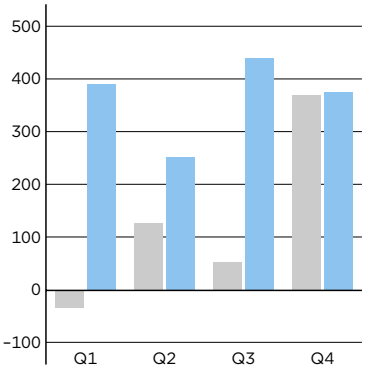
2018 Net sales, MSEK
2019 Net sales, MSEK

ADJUSTED EBITA AND ADJUSTED EBITA-MARGIN



2018 EBITA adjusted, MSEK
2019 EBITA adjusted, MSEK
2018 EBITA-margin adjusted, %
2019 EBITA-margin adjusted, %

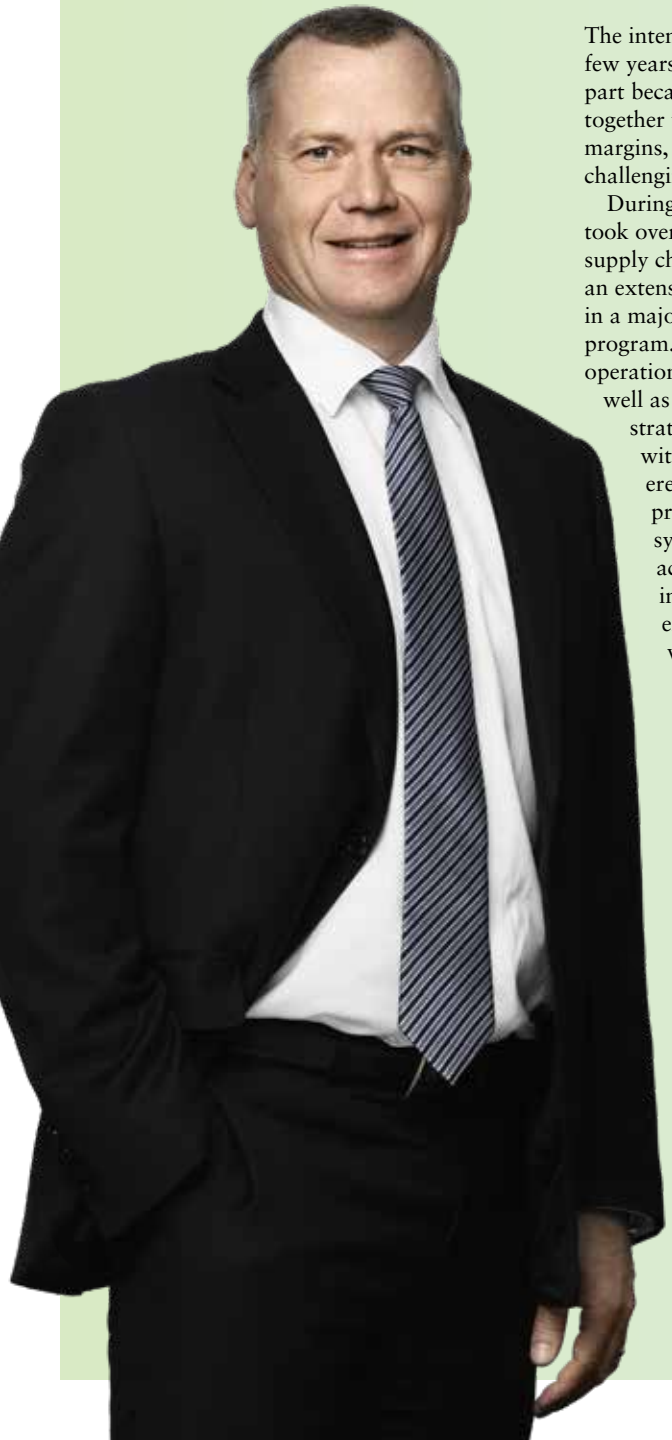
OPERATING CASH FLOW EXCLUDING ACQUISITIONS PER QUARTER



2018 Operating cash flow, MSEK
2019 Operating cash flow, MSEK

A challenging and exciting year

2019 has truly been a challenging yet exciting year. Proof of the fact that our strategy is right can be seen in our improved margins and result, if we set aside the one-off costs incurred during the year. Businesswise we have concentrated on raising the amount of value-added services, which can in time further improve profitability.



The intense organic growth over the past few years has temporarily leveled out, in part because of prioritizing other business together with greater focus on improving margins, and in part because of a more challenging market in Germany.

During the summer Bernd Schwenger took over as president of LGI, our German supply chain operations and we began an extensive reorganization that resulted in a major cost-cutting and streamlining program. The purpose was to concentrate operations and simplify their structure as well as create a better basis for making strategic decisions. In connection with the reorganization we discovered, however, limitations in the prior transportation management system which had resulted in accounting errors for many years in a major customer project. The error was not even identified when we acquired the company.

When the errors were corrected the operating result for 2019 was charged with around MSEK 87, of which MSEK 57 referred to items that affected the result positively from 2014 to 2018. The adjustment will however not have a negative effect on cash flow for the Group. As a consequence of the accounting error we also decided to expand the previously announced cost-cutting and streamlining program in our German operations which meant that the one-off items increased from around MSEK 60 to MSEK 92. With this, annual savings are expected to increase from around MSEK 60 to MSEK 75, beginning in 2020.

Improved result and strong cash flow despite diminishing demand

In particular this year has been more challenging than last year in terms of demand in customer segments Automotive, Industrial and Electronics, and our business has been under some pressure from the growing volatility. It has particularly impacted the German market, mostly in the latest two quarters. For example, the German manufacturing industry's Purchasing Managers Index (PMI) has been under 45 in several measurements for the first time since 2012.

We have also chosen to focus on improving margins over higher net sales and been more selective about the deals we look into. Because of our extensive exposure to the German market and our strategy to prioritize more profitable business growth abated during the year that ended with a negative organic growth quarter.

Despite lower organic growth our underlying result was higher in 2019 compared to 2018. All in all adjusted EBITA, i.e. EBITA excluding amortization of acquisition assets and one-off items, was MSEK 563 compared to MSEK 523 last year and the adjusted EBITA margin was 5.0 compared to 4.9 percent last year. The recorded EBITA and EBITA margin was aided by positive effects from implementation of IFRS 16.

Due to the improved result and less capital tied up the underlying operating cash flow for the year increased as well. The significantly improved cash flow contributed to a dramatic reduction in net debt during the year which puts us in a stronger position to face a possible further decline in the business cycle.

Net sales in business area ***Supply Chain Solutions*** fell, but at the same time profitability rose since we adjusted our priorities and rejected some business with low or negative margins. A good exchange with the customers we acquired in 2018 has contributed positively to our business in 2019. It is mainly in Supply Chain Solutions we see the greatest potential to further improve profitability by optimizing our processes, focusing on the most profitable segments and services as well as taking over more of our customers' value chains. The reorganization in German operations in order to better clarify result and customer ownership is definitely a step in the right direction.

Our Asia-based supply chain operations are showing very good results and have grown considerably during the past few years. We foresee continued stable demand for our services in Asia where our significant investment in Health Care in 2019 will go on into 2020. Among other things, we are building a "clean room" that enables handling sensitive components to, for example, medical equipment and consumables that require a sterile environment.

The organizational change carried out in the Swedish operations in 2018 had a positive effect in 2019. The investment in a new logistics site in Borås for supply chain management services led to winning new customers.

We are happy to note that despite a very tough market, ***Print & Packaging Solutions*** did one of their best years ever and continued to improve results and showed organic growth this year as well. Print & Packaging has gained market shares and we have even achieved a level of profitability noticeably above average for the industry. Hard work consolidating our offset capacity and our ink-jet investment in Germany will contribute to a higher production rate and allow us to offer print-on-demand at truly competitive prices. Certain sections of our US operations have struggled with both lower net sales and results due to the trade war between the USA and China. At the same time the subscription box business in the USA reported strong organic growth. During the year we increased our market share on the shrinking German print market and renewed several important contracts with customers.

End-to-end throughout a customer's entire value-chain

We continue to develop our successful concept of end-to-end solutions, where we take responsibility for our customers' value-chain from beginning to end, in part through innovative collaboration amongst our geographically widespread sites. In 2019 we initiated a new customer project where through our units in Munich and Shanghai we will manage a large part of a fashion company's global supply chain. The project includes value-added services like quality control, modifications and country adaptations, packaging, distribution and return management of their luxury items.

International sales team for synergies

During the year we have invested more resources into building up our global sales organization, focusing on creating group-wide business and identifying new customers, locally and globally. The organization has already launched several interesting discussions with potential customers that we hope and believe will lead to future business.

Sustainable business

A sustainable supply chain is becoming an increasingly crucial part of a company's competitive capacity and we have invested heavily in developing sustainable services within our concept Life Cycle Services. By adding services like quality control, assembly, aftersales, repairs and recycling/reuse our Life Cycle Services concept contributes to ensuring the right quality as well as extending the lifetime of a unit. There is a huge sustainability factor in recycling and renovating equipment and then giving it new life on the secondhand market. Through our Value Recovery Services we reduce our customers' climate impact by taking care of their worn out IT equipment. In 2019 Elanders handled around 70,000 worn out units on our customers' behalf as well as won the business of several new major customers. We will further invest in Life Cycle Services in 2020 by, among other things, expanding the efforts of our international sales team. In addition to developing services that contribute to reducing customers' climate impact we also work continuously to reduce our own consumption of energy and water along with greenhouse gas emissions throughout the Group.

Partnership and acquisitions for development

We see great opportunities to develop our business and offers to our customers with competitive services through partnership. In 2019 the Taiwanese logistics company Dimerco acquired 25 percent of the shares in our air and sea freight forwarding business. Dimerco has 160 sites in 16 countries. Elanders and Dimerco intend to increase our current collaboration and we believe there is great potential in our complementary strengths. Together we can offer our customers even better solutions in air and sea freight.

Due to a stronger balance sheet and lower net debt we are in a position to once again look for small to mid-sized strategic acquisitions. We want to complement our offer with these in new areas that contribute to improving our margins and allow us to provide our customers with even better end-to-end solutions.

Focus ahead in 2020

Our focus going forward is to continue on our current road with a good cash flow, reduced net debt and a clear focus on sustainability. We have honed our German supply chain business, we are consolidating production, maximizing capacity utilization and working to improve margins step by step. In 2020 we will put a great deal of energy into developing our business with a greater amount of value-added services and by taking on more of our existing customers' value chain.

Today we are above all a service company. Our employees are key to our continued success and therefore I want to thank them profusely. I also want to thank our customers for the faith they have shown in Elanders during the year, with all the expanded and new business. Together with our employees and customers I really look forward to continuing the work of developing and establishing Elanders as one of the world's leading supply chain management companies.

MAGNUS NILSSON
President and CEO

Global strategic partner

Elanders' overarching goal is to be a leader in global solutions within supply chain management with a particular focus on advanced logistic solutions. Together with our customers Elanders develops their business and strengthens their competitive power. Operations are primarily run in two business areas, Supply Chain Solutions and Print & Packaging Solutions.

Business concept
Elanders is a global and strategic partner to our customers in their business critical processes. Through integrated and customized solutions for managing all or parts of customers' supply chains Elanders helps customers optimize their business critical processes, both locally and globally. Our goal is to be a leader in global total solutions in supply chain management and best at meeting customers' demands on efficiency and delivery, with focus on sustainability. The strategy is to operate within niches in each market area where the Group can take a market-leading position. In order to achieve our long-range financial goals and sustainably deliver an increase in value and higher return to our shareholders year after year, Elanders continually develops its offer to customers. New and improved services, integrated total solutions and the implementation of innovative technology creates a good platform for continued growth and development as well as greater value for shareholders.

Develop local customers into global customers
Elanders expands and develops with our customers. Our global business often evolves through building up solid relationships when local needs are met and optimized through good solutions that are then implemented globally with our customers. In order to increase the sales of these solutions, Elanders works systematically on developing our existing customer base in each segment and spotting local customers with global needs. In some cases, customers may also have local needs in other countries that Elanders can cater to, and in this way cooperation with customers can be extended and the relationship deepened.

Optimizing operations
Elanders has operations in many parts of the world. It is an important success factor in being able to meet our customers' needs in the best possible way. Capacity utilization in the Group's various units is optimized by regularly measuring available capacity in the Group. In order to ensure that an optimal allocation of business and production is made actual outcomes is continuously followed up and, if necessary, organizational adjustments are made.

Acquisitions that lead to expansion
In addition to developing the existing business Elanders will continue to acquire new businesses that have the potential to increase sales, broaden the customer base and complement the integrated offer. Acquisitions are particularly prioritized in business area Supply Chain Solutions to broaden or supplement the range and, if possible, provide Elanders with further niche expertise in, among others, Life Cycle Services where Elanders can contribute to a better and more sustainable society. Acquisitions that provide access to new geographic markets or customer segments are also interesting.

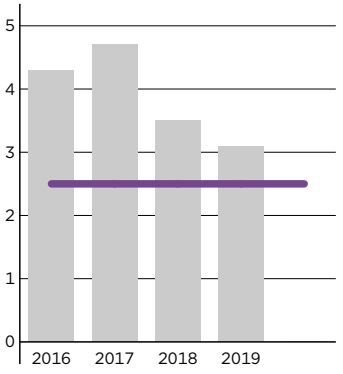
ACQUISITIONS

Any acquisitions should meet one or more of the following criteria:
- Adds new customer segments and/or supplements the customer base with valuable, unique customers.
- Complements and strengthens existing business and/or accesses new geographic markets.
- Adds new products and/or services.
- Is a good deal in the long-term on its own or generates material synergies.
- Increases profit per share pro forma.

Financial goals

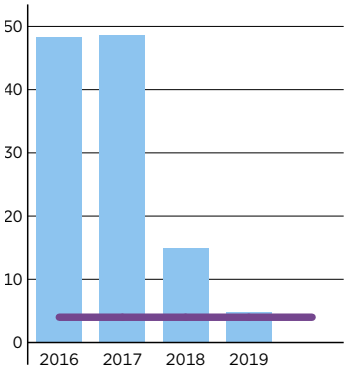
At year-end 2019/20 Elanders established new long-range financial goals because the implementation of IFRS 16 affected the calculation of the previous goals. The new goals are as follows:

NET DEBT/EBITDA



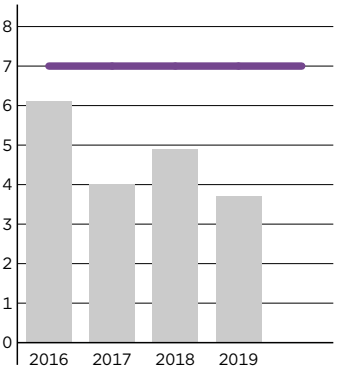
The ratio should be under <2.5

NET SALES GROWTH, %



3–5 percent annually over a business cycle

EBITA MARGIN, %



> 7 percent

The new goals should be able to reach within a few years.

Goal achieved · Goal not achieved · Goal

An ever-changing industry

Sustainability

The challenges of creating a sustainable society are enormous, particularly regarding the ever-growing global flow of goods. Demands for reduced emissions, lower energy consumption and recycling will severely challenge existing structures and future supply flows must fundamentally change to be sustainable. This greatly increases the complexity in supply chain management, putting even higher demands on intelligent IT solutions, automation and control.

What Elanders does

Sustainability aspects permeate the work on all levels within the Group and essentially Elanders' operations are all about optimizing customers' material and component flows to minimize costs and at the same time reduce the customers' climate impact. Another important part of the sustainability work is Value Recovery Services for IT equipment. Instead of scrapping cell phones, computers, computer screens and printers, Elanders can, on behalf of the customers, refurbish and resell the equipment on the second-hand market. By doing so the lifetime of the products can be extended significantly. This is one good example among many of how Elanders contributes to a more sustainable society.

Globalization and urbanization

Greater globalization causes new trends to spread quickly all over the world and increases the demand for international products. As cities get bigger their financial importance and commerce can be affected by transportation limiting laws, regulations and fees. At the same time urbanization contributes to more efficient deliveries as more people are gathered in one location. These developments also increase the need for efficient freight forwarding. The trend in national and regional shipping is shifting towards network solutions with big logistics terminals and consolidated repacking warehouses with automated goods management.

What Elanders does

Elanders' strong position in Europe, Asia and the Americas provides a good base for meeting greater global demand and competition as well as customers' needs for global solutions. Elanders follows customers out into the world when they need help in a new location and continuously increases geographic presence through acquisitions, expanded networks, new forms of collaboration and opening up new facilities. Through unique logistics solutions with networks and consolidation points for products, Elanders is able to reduce heavy traffic in city centers and streamline distribution.

Global megatrends impact the world around us and our business. By understanding them Elanders can develop its offer and create a platform to keep and strengthen the leading position that the company has on selected markets, and thereby generate sustainable, profitable growth.

Automation and digitalization

Customers are increasingly demanding that supply chain management solutions are sustainable, automated and provide information in real time in order to reduce environmental impact and costs, shorten delivery times and raise quality. This puts high demands on third party suppliers when it comes to technology and development, which is often a collaboration with customers. Automation also requires deep integration into customers' systems and operations. With new blockchain solutions it is easier to trace components, products and goods as well as guarantee safe transactions and transparency concerning sustainability aspects at every stage. The advent of the fourth industrial revolution has automatized production and warehousing, resulting in shorter set-up and lead times, fewer mistakes, greater flexibility and fewer monotone jobs.

What Elanders does

In the past few years Elanders has made major investments in automated flows and facilities, among them advanced automated warehousing systems. Virtual warehouses are created for customers' entire supply chain that handles products in every stage, from subcontractors to both end customers and retailers. Elanders is continuously increasing integration into customers' business systems in order to be a stronger partner that takes total responsibility for streamlining flows and ensuring transactions and transparency throughout customers' entire supply chain.

More outsourcing

By outsourcing parts of, or the entire supply chain management, companies enhance their delivery reliability while reducing overhead in plants, personnel and systems. Shifting investments and risks over to their logistics partner gives them strength to fully concentrate on their core business. Demand for more supply chain management services has been growing as more and more companies choose to outsource even operations that are close to their core business like by inviting the supplier into their own facilities to reduce overhead and replace it with variable costs for greater flexibility.

What Elanders does

The need for more outsourcing creates a demand for efficient supply chain management services. By using multi-sites where several customers and similar operations are combined, Elanders can even out fluctuations in volumes and create scale advantages. The Group also has expertise in contract logistics and offers advanced end-to-end solutions where the product is taken care of directly from the customer's supplier, value-added services is performed and the product is delivered to its final destination.

How we create value

ELANDERS

Elanders is a global logistics company with a broad range of services of integrated solutions in supply chain management. The business is mainly run through two business areas, Supply Chain Solutions and Print & Packaging Solutions.

The Group has almost 7,000 employees and operates in some 20 countries on four continents. Our most important markets are China, Singapore, the United Kingdom, Sweden, Germany and the USA.

Strategies

Elanders should be a leader in global and sustainable total solutions in supply chain management and be best at meeting customer demands on efficiency and deliveries focusing on sustainability.

The strategy is built on:
- continuously developing our offer,
- integrated total solutions,
- implementation of innovative technology,
- continuous growth, partly through organic growth, partly through acquisitions.

6,664

employees in some 20 countries

OUR RESOURCES

Human capital
- Almost 7,000 employees in some 20 countries

Manufactured capital
- > 90 sites with more than 1,000,000 m² production and warehouse space
- Existing machinery

Financial capital
- Equity of SEK 2.8 SEK bn
- Total assets of SEK 9.2 SEK bn

Relational capital
- Thousands of customers with strong local and global brands
- Long-term investors / owners
- Multi-cultural operations

TRENDS

We have identified some of the global megatrends and current issues we believe could impact our business in the future. By understanding them we can develop our offer and create a platform to keep and strengthen the leading position that Elanders has on selected markets and thereby generates long-term, profitable growth.

Sustainability

Globalization

Automation

Outsourcing

By continuously developing our offer to customers, streamlining supply chains and expanding into new markets and segments through organic growth and acquisitions, we create value for all our stakeholders.

BUSINESS MODEL

Elanders manages and optimizes the flow of raw materials, components, final products, money and information through every step of production – from suppliers and manufacturers to end consumers. We provide our customers with comprehensive solutions for the entire supply chain through a single contact.

VALUE CREATION

Employees
- Paid salaries of SEK 2.3 SEK bn
- Safe and sustainable workplaces
- Ongoing training and education

Customers
- > 1 million deliveries to end customers
- Considerable savings through sustainable and efficient material and component flows
- Innovative supply chain management solutions.

Investors and financiers
- Operating result of MSEK 359
- Paid dividends of MSEK 103, corresponding to 3.4% in dividend yield
- Paid interest of MSEK 135

Society and the environment
- Lower environmental impact through more efficient logistical flows
- Paid income tax and social security contributions of around MSEK 520

Global partner for international business

Elanders is a leading company in global total solutions for the entire supply chain and is currently established on four continents. Whether it's a matter of a single service or a customized total solution, Elanders contributes to increasing customers' productivity, profitability and sustainability.

Efficient supply chain management creates a competitive edge and is critical to the survival of all producing companies, particularly in a global economy. Growing demands for a sustainable society are creating an increasing need for more efficient external supply chain management solutions that conserve resources in transportation, production and warehousing.

Elanders manages and optimizes the flow of raw materials, components, final products, money and information on behalf of customers through every step of a product's lifecycle – from suppliers and manufacturers to end consumers. We provide our customers with total solutions for the entire supply chain through a single contact. Our offer includes handling everything from taking orders, procurement, purchasing components and warehousing to production logistics, manufacturing, configuration, quality control and delivery. The Group also handles payment flows, synchronizing purchasing and warehousing with demand and after sales service, as well as managing returned or worn out products destined to be recycled or resold.

Value-added services

Elanders also offers value-added services connected to supply chain management that are tailored to individual customers' needs and desires. These can entail installations upon delivery, tests, repairs and certification of electronical equipment, unloading, reloading and repacking products at cross-docking centrals and empties management.

111

Number of years since Elanders was founded

Complex supply chain management requires specialists

Each industry has its own norms and regulations that need to be complied with when handling and shipping products, often while juggling tight timeframes. More and more stringent environmental demands increase the complexity of supply chain management and thereby the need for specialist expertise. Because Elanders has developed advanced and adjustable IT systems we can offer individualized customer solutions. The systems are integrated with our customer's business system and can connect them to e-commerce platforms to efficiently manage orders, customer service and after sales service.

Multi-sites for greater flexibility

A key factor in why Elanders' customers choose to outsource operations is to avoid tying up capital in plants, personnel and different kinds of service obligations along with turning overhead costs into variable costs for greater flexibility and cost-efficiency. Elanders has multi-sites in Europe, Asia and the USA where several customers' operations are managed under one roof in order to achieve synergies in greater capacity utilization and flexibility.

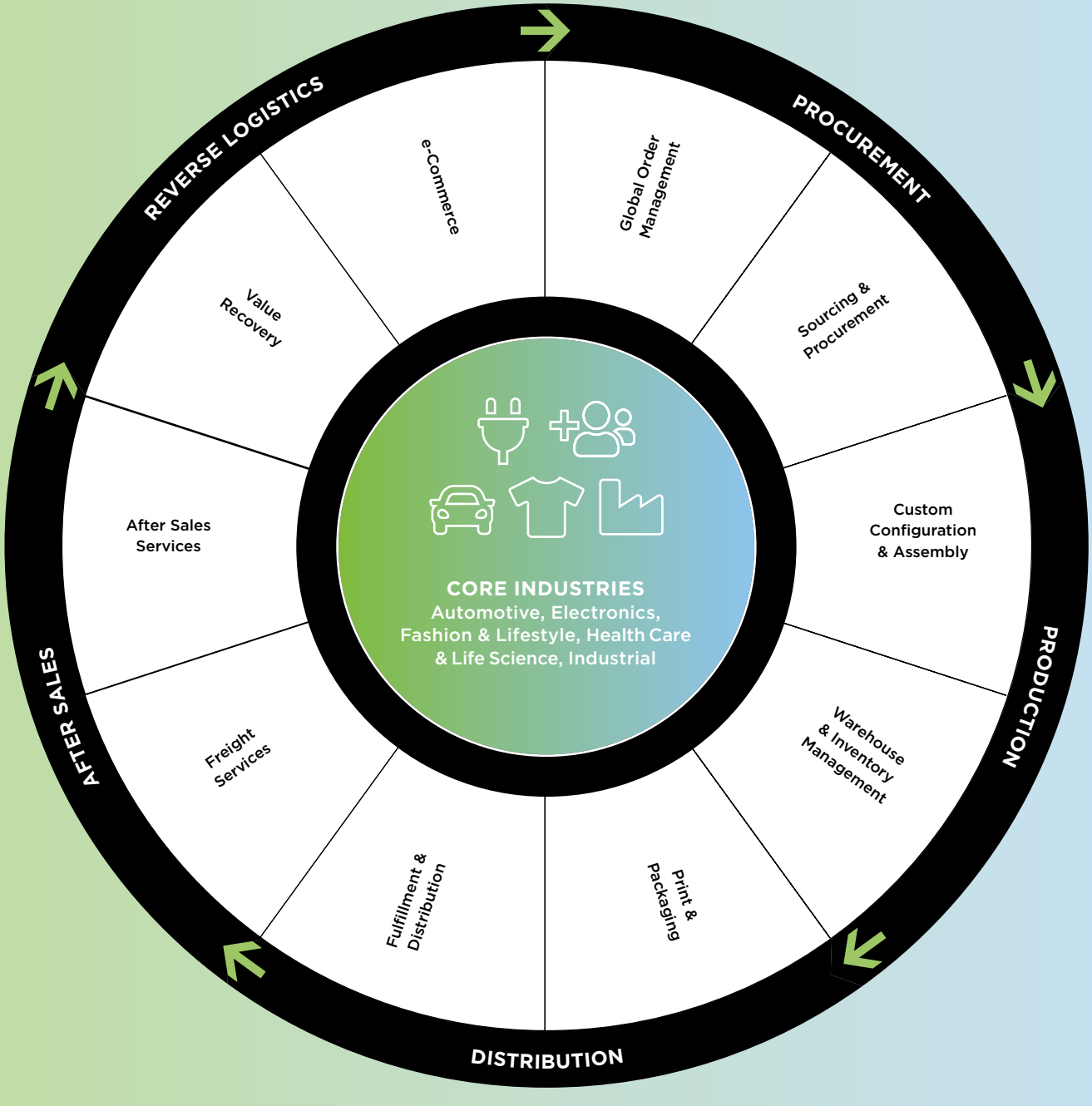
When we combine customers from diverse industries that have different volume patterns in one facility we can better manage seasonal variations and other peaks by moving employees and resources from one customer's needs to another's on a daily basis depending on the workload. Elanders also invests in systems for automated warehouses to reduce manual labor and raise efficiency. Flexible solutions and smart investments make our facilities more efficient while allowing the customer to focus on their core business.

Innovative printing services

An important part of our integrated offer consists of graphic services such as printing manuals, labels and packaging for customers' products and components. Elanders has over 100 years of experience in the graphic industry and we currently offer concentrated, cost-efficient and innovative solutions that fulfill customers' needs, locally and globally.

We have 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, for example manual kits, to customers. In the past few years the Group has invested in competitive digital printing technology in order to meet customer demand for flexible print production in shorter and smaller series with high quality at competitive prices. Today Elanders is one of the few companies that can offer global total solutions that include everything from printed matter and packaging to other related services such as kitting and packing for just-in-time or sequence deliveries.

Comprehensive solutions for global customers



Long-term growth in prioritized customer segments

Elanders offers services and total solutions to customers in primarily five prioritized customer segments that show long-term growth: Automotive, Electronics, Fashion & Lifestyle, Health Care & Life Science and Industrial.

Automotive
The automotive industry continues to face significant challenges in the future. The shift to electric cars, self-driving technology and demand for climate neutral vehicles will have a fundamental effect on automated production, and the industry will have to make major strategic decisions in order to be successful in the next decennium.

Elanders has a good position in the industry thanks to the fact that most of our customers are premium brands that invest considerable resources into handling the industry's transformation and development, as in electric cars. With our extensive expertise in production logistics Elanders can help manufacturers to focus on their core business without having to skimp on quality or safety.

Electronics
Consumption of electronics is on the rise because of a growing middle class and the fact that prices for home electronics have dropped in the last few years. Handling returns, recycling and the reuse of products are becoming increasingly important in supply chain management. An EU decision in 2019 stipulated more stringent requirements on the availability of spare parts for quick deliveries for appliances and electronics, among other things. In addition, it must be possible to dismantle important components so that they can be recycled. The new demands on resource conservation is a significant step towards a more circular and sustainable economy.

Electronics is one of the Group's largest customer segments. We have continually developed our offer in recent years to include services like quality control, assembly, installation, after-sales market, repairs and recycling/reuse of electronics in, for instance, our Value Recovery Services.

Fashion & Lifestyle
Fashion & Lifestyle, which covers fashion and sports clothes products, works with some of the largest and best known brands in the world. The explosion of digital, social and mobile technologies have in very short time changed consumer habits and the drop in traditional sales of fast-moving consumer goods is compensated by the enormous growth in digital channels. Customers are usually looking for a partner that takes responsibility for everything from quality control in production and the entire supply chain to deliveries to retailers or end-consumers.

Elanders offers purchasing, distribution through omni-channels, virtual warehouses and return management as well as automated warehouses with services such as quality control, laundering, mending, production and labeling. Customers are primarily major brands that want a reliable partner deeply integrated into their e-commerce and other business. There is still great potential for growth in this customer segment, in particular due to the growing level of outsourcing in the industry.

Health Care & Life Science
An aging population, lifestyle diseases, population growth and current technological developments are all expected to contribute to 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 in processes and management in sectors where there is no room for error.

Health Care & Life Science is currently a relatively small customer segment for Elanders, but despite this the Group has a strong, quality-ensured offer that includes everything from delivering consumables as needed to installation, maintenance and repair of medical equipment. The increasing number of elderly in the world is generating a rapidly growing demand in welfare, which means there are plenty of opportunities to broaden our customer base and healthcare offer going forward.

Industrial
Demands for low manufacturing costs, high product quality, short lead times and high delivery precision requires more and more from industrial manufacturers. Control and efficiency at every stage is a prerequisite for businesses to be competitive and profitable.

Elanders has a good position in the customer segment Industrial and currently handles everything from small products to large, logistically complex constructions and solutions. Our offer includes managing production and factory logistics as well as logistics for the after-sales market. There is potential in Industrial to develop our existing customer base as well as attract new customers.

Elanders is well positioned within Automotive, thanks to customers being primarily premium brands.

Approximate shares of Group net sales per major customer segments

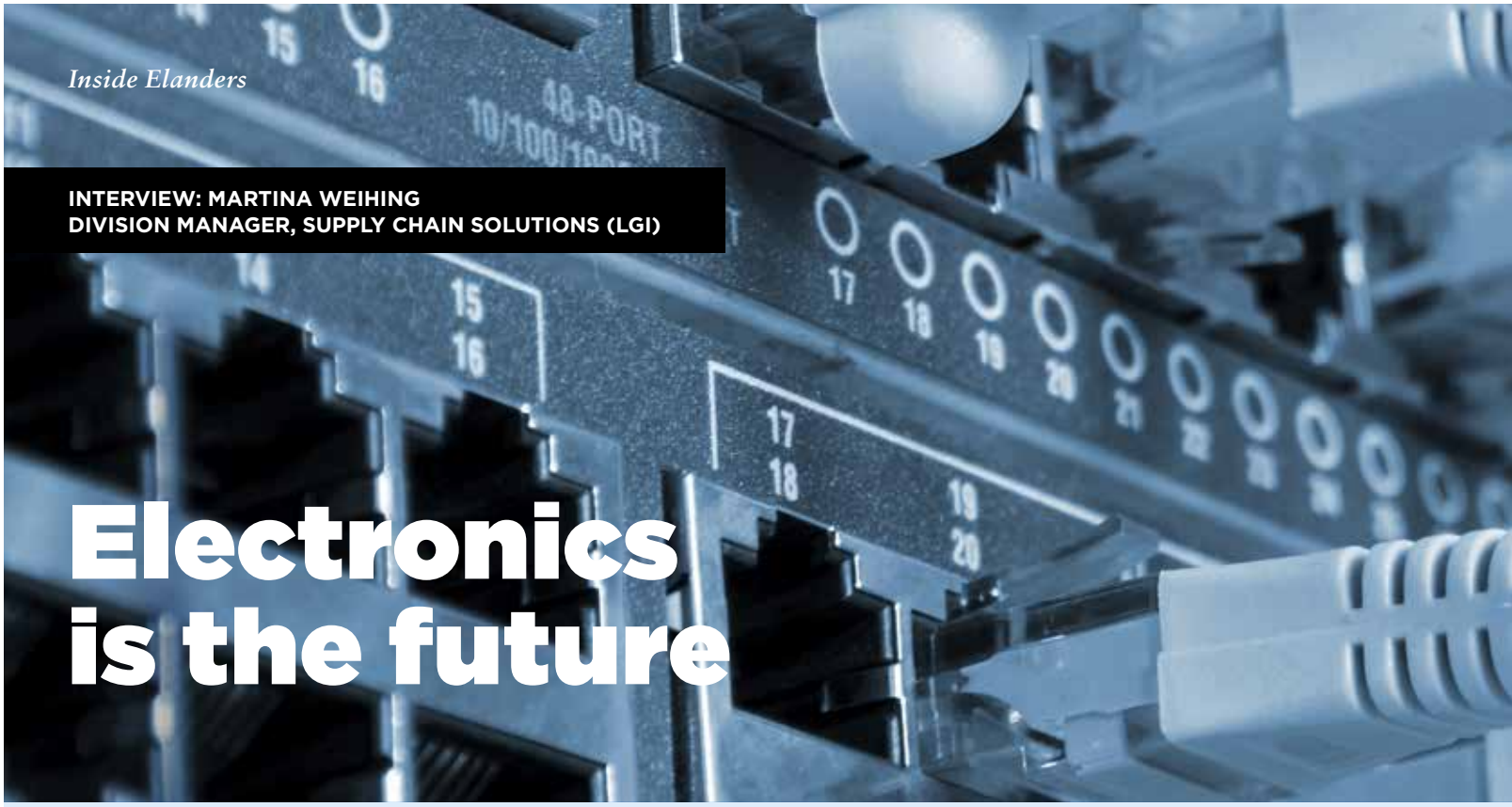
25 %
Automotive

35 %
Electronics

15 %
Fashion & Lifestyle

5 %
Health Care & Life Science

15 %
Industrial



INTERVIEW: MARTINA WEIHING
DIVISION MANAGER, SUPPLY CHAIN SOLUTIONS (LGI)

Electronics is the future

Since 2019, Martina Weihing is responsible for Electronics in Elanders' subsidiary LGI. She started working at the company 22 years ago as a salesperson and a couple of years later she managed her first supply chain for a customer. Martina believes that the corporate culture within the company is strong, open and very equal. She believes that even if you are a woman or have children, there are good opportunities to develop and and advance in your career.

Electronics is the largest customer segment in Elanders and it works with the multifaceted and booming electronics industry that has both huge, well-known brands and small, cutting-edge businesses.
"There is enormous potential to develop and apply different kinds of solutions with value-added services for both existing and new customers in this industry," explains Martina Weihing.

An example of the value-added services Elanders has developed for a specific customer are the quick and safe warranty returns of computers from end customers.
"A fantastic end-to-end solution like this one is what puts our service and quality for our customer's end customer in a class of its own. With this unique supply chain our customers can create their own competitive edge with end customers!"

Network optimization for the best solution
Elanders helps our customers, usually electronics companies, with the vital area of network optimization. We create an optimal structure for enabling the import and distribution of their products all over Europe, aiding them throughout their entire value chain.
"Through advanced IT systems we simulate parameters like customs, transportation, placement of hubs and warehouses, utilization levels in trucks, cross-docking solutions and more. This way we can generate the most optimal solution with the best balance between price and service."

Martina explains that the business is quite complex since every country has different regulations, laws and infrastructure, which is why LGI works with a number of different network partners all over Europe.
"The bottom line is that customers want to have one contact, one invoice and one report and they don't want to deal with everything themselves. By identifying the most efficient way to ship each delivery in a complex reality we also make the delivery chain more sustainable. Green logistics are gaining traction and something that the customers appreciate since they contribute to reducing the customer's climate impact. We have seen a significant shift in just the last year."

Data is an essential key
"Digitalization is essential to our current operations. Data is the new gold. We have carried out several pilot projects through our service Business Intelligence that have turned out really well. Among other

There are substantial opportunities in Electronics to develop and customize the unique and full end-to-end solutions that our customers ask for.

things, we have developed a virtual dashboard that makes it possible for customers to be able to follow everything that happens in their supply chain in real time and at the same time they also receive necessary information and important key performance indicators. The big advantage is that management and decision-makers have constant access to easily understood and correct data without having to compile and process information into a specific format.", says Martina and adds "Some of our customers say they get better data from our systems than from their own!"

Work that would otherwise be performed manually by office workers has been automated through RPA, Robotic Process Automation, technology. We have also tested different kinds of robots in the warehouse that teach themselves how to do the work through machine learning. "Many of our customers appreciate our innovative spirit and interest in testing new things. New, interesting areas are e-mobility and 5G where we see great opportunities to create new businesses."

What do you think the future holds for Electronics?
"Above all I see demand chain solutions uniquely customized to meet each customer's special needs. We currently have warehouses in many places in Europe, from very large locations with more than 60,000 m^2 to smaller ones. And, our plan is to further develop our network. In addition, we recently created an international sales team dedicated to putting together major international deals."

How do you like working at Elanders?
"I really like it here. The company culture is strong, open and equality reigns. Even if you're a woman or have children you still have a lot of good opportunities to develop and advance in the company. We are experiencing a really exciting period right now in Electronics that allows us to be innovative and design solutions for our customers every day."

INTERVIEW: KOK KHOON LIM
PRESIDENT, SUPPLY CHAIN SOLUTIONS (MENTOR MEDIA)

Health Care – a customer segment with great potential for Elanders

Kok Khoon Lim has held leading positions for major international companies in the electronics industry for many years. For over ten years Kok Khoon Lim has been responsible for Mentor Media, which was acquired by Elanders in 2014. Under his leadership the company has developed into a global actor in supply chain management. Mentor Media is currently an important part of the Supply Chain Solutions business area and is headquartered in Singapore.

"We are particularly specialized in value-added services for the electronic industry, i.e. the customer segment Elanders calls Electronics. There are two areas we invest in primarily so that we can offer effective and innovative services – information technology and motivated employees. Our employees are a crucial part of our operations and key to our success," says Kok Khoon Lim, President of Mentor Media.

Generally speaking, electronics is the industry that has come the farthest in developing its supply chain, along with the automotive industry and some areas of manufacturing. "Suppliers to these industries possess a great deal of knowledge and experience," Kok Khoon Lim points out. "Their expertise could be used more effectively in other businesses instead of vertically integrating their logistic solutions in their own companies."

"In the past year we have increasingly focused on Health Care, a growing industry with companies that are making higher and higher demands on their supply chains and which need a reliable partner in supply chain management. This is an interesting segment for us in several aspects. It's a fragmented industry with a high level of innovation and good margins in general. Progressively ageing populations worldwide mean that the demand for health-related products and services is going to explode in the coming years. Globally, the market for medical devices is expected to have an annual growth of over five percent. With this kind of growth curve companies in this market are taking an increasing interest in outsourcing their supply chain management to external actors as part of their stated strategy."

Elanders currently has a number of customers in healthcare such as hospitals and companies that offer medical equipment and the accompanying consumables. Elanders has added to its hub in Germany with one in Singapore that offers sterile handling of products in so-called clean rooms. In addition to this, it offers services such as receiving/handling orders, picking, configuring, checking, barcode marking/GR code marking, RFID tagging, packing and distribution.

Our customers can start up anywhere in the world and grow with our global platform without having to create or manage the complex chain between production and end customer.

"Customers in Health Care often demand a very high level of quality and a partner that can handle both global distribution and sensitive products. We see excellent opportunities for growth in this segment in the coming years."

During the year we have also focused on developing other value-added services such as ones dedicated to cross-border commerce. By facilitating our customers and making new markets accessible Elanders helps companies to grow in new and more regions.
"Our service for cross-border commerce makes it possible for even mid-sized companies to establish themselves on new markets without taking a major financial risk."

What market trends do you see?
"We've noticed that the demand for different kinds of customization is growing. Customers are prepared to pay for personalization and therefore these products have higher margins than generic products. Speedy delivery is also becoming more important and we are working on being able to offer various turnaround timetables. However, having more choices makes supply chain management very complex and companies need a reliable and flexible partner that can handle this level of complexity."

What do you see happening in the future?
"I see us continuing down a very exciting road. Costs are a deciding factor for every business, and outsourcing supply chain management will become crucial when demands for greater cost-efficiency accelerate in order to improve their services and reach new markets."

How has the Elanders Group benefitted from the various acquisitions made over the years, one of them being Mentor Media?
"The various parts of the Group complement each other well and we have been able to take advantage of being on different markets and industries as well as having a broad range of experience and expertise. Working together we have been able to approach the market and customers from a stronger position as well as offer complete end-to-end-solutions."

INTERVIEW: BERND SCHWENGER
PRESIDENT, SUPPLY CHAIN SOLUTIONS (LGI)

We are going from a supply chain to a demand chain

Bernd Schwenger grew up in a logistics family. He studied logistics, can drive a truck, has lead Amazon Logistics in Germany and loves forklifts. He has been President of LGI, which is part of Elanders' business area Supply Chain Solutions, since 2019.

"Logistics is an honest trade marked by hard work. Behind every digital click is a bunch of people making sure the right package gets to the right place at the right time. It's also a trade that will never become obsolete, no matter what develops in technology."

Bernd Schwenger believes more and more businesses will have to hire supply chain management companies in the future in order to meet the customers' demand for example regarding sustainability, service level and laws and regulations.
"This doesn't necessarily mean that at Elanders we will do everything ourselves but we will have an overarching responsibility for the strategic solutions and management of customers' supply chains.

We are putting a lot of energy into being able to offer solutions for most of a product's entire supply chain in so-called green logistics, thereby reducing the climate impact of the product."
"In the past year we have seen an unmistakable trend that customers are willing to pay more for greener services. Businesses understand that sustainability costs and it has become a serious competitive edge, which is a good thing."

What market trends do you see?
"A lot of companies are still way too focused on manufacturing and don't care enough about what end customers actually want, especially when it comes to deliveries. We call it demand chain, and it requires a completely new way of thinking. Long delivery times will just not be acceptable, unless you're talking about a very special product," says Bernd and provides a good illustration.
"Your dishwasher breaks down and you find a model you like but delivery takes two weeks. You can get another model tomorrow, with installation. Which one do you choose?

Nowadays companies that sell to consumers generally provide better service than companies that only sell to other companies.
"This is where demands from business customers are going to grow fast, which is why we need to be one step ahead and offer solutions for all kinds of end customer needs. We always have to consider end customers as if they were our customers, and that is a fundamental change for supply chain management suppliers and the industry on the whole."

Bernd Schwenger believes the future lies in expanding Elanders' offer with more services.
"We should be a platform for all kinds of supply chains and lots of small businesses. We take care of their products right out of the factory – we store them, add on services like sewing, washing, assembling or repairing, we are linked to their order system or run their entire webshop, we package according to specification and manage payments from end customers. Sometimes we actually have to remind our customers that we can also handle transportation!"

Currently these value-added services are not very big but they are growing quickly.
"We will of course maintain the strong pillars, in the form of stable global customers, that our company rests on but we also have to invest in developing and offering our demand chain solutions to new companies, and build platforms that suit them as well. They are going to be our future and I want to strategically guide Elanders in this direction."

Do you need to change how companies perceive Elanders?
"Yes and it's no small task that begins with ourselves. Most of our income currently comes from business that only made up 17 percent of the company's revenue seven years ago, which is worth considering. And the world isn't going to stop changing and developing."

You started working for Elanders in 2018 and became responsible for LGI in 2019. What made you choose Elanders?
"I like the company culture characterized by open communication, interest in new ideas and an entrepreneurial spirit. It's constantly changing. Elanders is also the right size – small enough to be flexible and work on an individual level without obstructive hierarchy, rules and standards. At the same time the company is big enough to win major contracts from global customers."

"The world is increasingly moving away from a push-system where manufacturers' products are proffered to the market, to a pull-system where whoever wants the product plays a much more significant role. We call it demand chain.

INTERVIEW: SVEN BURKHARD
PRESIDENT, PRINT & PACKAGING SOLUTIONS

The market is ready for true print-on-demand

Sven Burkhard is relatively new in his role as President of business area Print & Packaging Solutions. He has a solid background in the graphic industry, including his previous position as MD of the subsidiary Schmid Druck.

"All the companies in Elanders' Print & Packaging Solutions are important building blocks," says Sven Burkhard. "For example, the business in the USA has been very successful and grown immensely in supply chain management solutions. Our three units in the UK guarantee our presence there after Brexit, and we have had a production site for southern Europe in Italy for years. When it comes to large volumes of sheet-fed and web-offset products our units in Hungary and Poland produce them and so on."

Sven Burkhard's goal is to tie all of Elanders' production units in Print & Packaging Solutions closer together digitally in order to take maximum advantage of synergy effects.
"In this era of climate concerns, producing as close to our customers as possible rather than shipping massive amounts of paper products long distances is another plus."

Digital print is somewhat of a revolution for the entire industry. What role will it play at Elanders in the future?
"In just a short time we have integrated four inkjet presses into our production and they are all running at top capacity. My goal is to have inkjet solutions at even more manufacturing sites in Print & Packaging Solutions. This will contribute to a higher production rate and allow us to offer true print-on-demand at competitive prices."

Sven Burkhard believes editions will be smaller and there will be more personalization in the future, which he thinks will open the door for completely new production opportunities in print-on-demand without any significant added cost to customers.
"Nowadays we can combine mass production and personalization in the same solution. At the same time we can reduce our customers' storage costs and help make printed products more flexible and current than ever before through print-on-demand. The market is ready for true print-on-demand and we can provide it. Print-on-demand is going to continue to grow in the future, and to some extent replace traditional production, and all I can say is: We are ready!"

What do you think Print & Packaging Solution's future role should be in Elanders?
"Just working with printing isn't enough - we've known that for a long time. We have to be partners and colleagues with our customers in order for our services to fully contribute to their operations. Our close cooperation with most of our customers is a key factor behind our good profitability. It's also something we need to increase, digitalize and above all automate in the future."
The closer we come to our customers'

We have to be partners and colleagues with our customers in order for our services to fully contribute to their operations.

business systems the more successfully we can customize our services to their production line. We have to further develop our concepts in order to be able to adjust more quickly and be even more flexible in the future. In supply chain management solutions I see Print & Packaging Solutions as a guarantee for printed communication – no matter who it is for or to, or where in the world it takes place."

Sven Burkhard thinks being part of the Swedish-owned company Elanders will be positive in the future as well: "I value openness to new ideas in both management and employees. My colleagues are unconventional, quick and pretty demanding but that is exactly what attracts and drives me – the speed at which new ideas are implemented and the courage to always choose new ways forward!"

INTERVIEW: FANNY ROSIN
DIRECTOR, BUSINESS DEVELOPMENT

Price transparency with a unique service on the market for used IT devices

Fanny Rosin is a business developer at Elanders AB and works together with a global team to develop Elanders' offer in Life Cycle Services. She feels like on paper Elanders might sometimes be seen as a fairly large company, but in fact it is run more like an entrepreneurial company with quick decision-making channels, which creates a good working climate. As a business developer, she gets to participate in, and drive, new exciting projects, locally and globally.

> *We can quickly connect new customers to our Value Recovery Service that offers customers a simple, secure and profitable opportunity to reduce the company's climate impact.*

ROLLBACK PROCESS

PICK-UP
Elanders picks up the IT devices from the collection points and securely transports them to our refurbishment centers.

QUALITY ASSESSMENT AND GRADING
The collected IT devices undergo a series of tests and evaluations. If required the units are subjected to reparation/ refurbishment and then graded.

DATA WIPING
All data from IT devices with hard drives are wiped using the industry standard wiping software.

REPORTS & WIPING CERTIFICATES
Wiping certificates generated will be transferred back to the customer together with a quality assessment report.

ASSET VALUATION
Each IT device is subjected to a trans-parent valuation to estimate the current market value using Elanders' asset valuation algorithm.

RE-SELLING
Eligible IT devices are re-sold to our certified network of buyers through an auction to maximize the final sales price.

INVOICING PROCESS
Customer invoices us the total sales amount minus fees agreed upon in the contract between Elanders and the customer.

The demand for used IT devices has increased considerably and the market is expected to continue to grow and amount to MEUR 26 in the year 2026, double what it is today. Elanders has identified this as an important area where helping the climate can be combined with expanding our operations on a growing market.

An example of this is how Elanders' Value Recovery Service can include picking up worn out IT devices from business customers, where the equipment is usually placed in a safe onsite. After that every unit is sorted, cleaned and wiped clear of all personal and sensitive data. Parts that cannot be reused are sent to material recycling. Wiped, renovated and restored devices are packaged and categorized. They are then sold via a network of approved retailers. In 2019 Elanders handled around 70,000 such units like computers, monitors, printers and other com-puter accessories.

"More and more companies want to take a global responsibility for their IT devices and we can help them on all the markets they operate in. Knowing that their devices are taken care of by a serious actor gives them security," says Fanny Rosin.

Unique offer
In order to increase understanding of the used market Elanders has produced a platform that in real time generates the market value of all of the customer's units.
"It helps our customers understand the true value of the equipment on the secondhand market. Elanders' offer is unique in that we offer our customers full transparency regarding the value of the units by taking on the role of a broker instead of a buyer."

Electronics is the category of waste growing the most right now and therefore reuse and recycling is cru-cial. Extending or even doubling the lifetime of a unit has a tremendously positive effect on the environment.

What further environmental advantages can the service contribute?
"We ensure that whatever cannot be reused is properly recycled with the least environmental impact," explains Fanny Rosin. "A lot of used electronic devices currently end up in landfills in countries with cheap labor where they are left laying or get burnt. This pollutes the air, land and water when dangerous chemicals leach out."

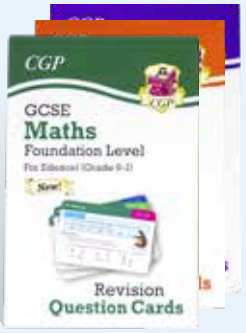
Security is an essential parameter
Another reason for why companies want to take control over their used IT devices is a higher security awareness, where the new regulations regarding personal data like GDPR are an important factor. Fees for electronic waste are also a consider-ation.

"Information security is an issue. There should be a system for collect-ing old computers and telephones from employees and wiping them clear from personal data, which reduces the risk of sensitive informa-tion leaking out. This also has an effect on the credibility of a com-pany – it's important that computers and telephones with a company's logo don't become a part of e-smuggling and are found in a dump in another country."

Your customers are often multi-national companies. Can you really offer this solution globally?
"The service is run by a team located in several different countries, and through our worldwide logistic hubs we can help customers take control over their IT equipment on every market. We even have solutions for picking up and shipping units, in sealed boxes, from different markets, which ensures that no unauthorized person can access sensitive data in a unit. We can even handle any import and export customs declarations on all markets that might be necessary to move the equipment from one country to another."

CASE: CGP

CGP Innovative Revision Flash Cards



The UK's Leading Educational Publisher CGP has launched an extensive and innovative range of Educational Revision Flash Cards to the UK market.

The products have been incredibly well received with excellent sales volumes to date of the four formats. The range includes 64, 96, 80 and 190 piece double sided card packs that are fully produced by Elanders, at its North Tyneside print production operation.

The flash cards are digitally printed on both sides using a HP Indigo 12000 on site. They are then collated, the corners are ram punched and then the cards are inserted into litho printed, laminated die-cut and glue folded cartons with a tuck closure. CGP have plans to further extend the range of high-quality educational products to the UK market.

CASE: LOCH LOMOND

Loch Lomond – Premium Whisky Drinks Cartons

A full range of premium drinks cartons produced entirely in-house by Elanders' packaging plant located in Bellshill, Scotland.

The cartons are printed onto a specified high-quality metallic substrate to create the desired luxury look and feel using the new Manroland B1 5C UV press recently installed on site. The full range of quality embellishments such as embossing, foiling, die cutting and glue folding were also manufactured at the packaging production site. The range of products produced for the premium Scottish whisky brand Loch Lomond cover drinks cartons and gift sets.

CASE: PAYMENT TERMINALS

Managing the smart payment terminals supply chain in China

Elanders has seized the opportunities in current trends and provides innovative reverse supply chain services, including after-sales collection, recycling, refurbishment and replacement of smart payment terminals.

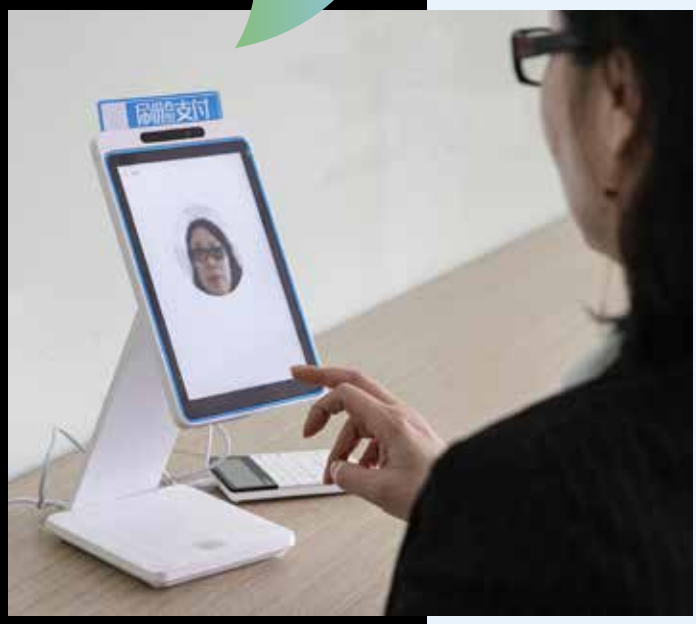
The progress of advanced technology continues to drive the transformation of every industry. Smart payment terminals in China are also undergoing continuous upgrades and enhancements and the scope of their application is constantly expanding – from payments made in big shopping malls to ones made in farmer's markets. Shortly there will be more than 20 million paying stations covering 25 out of 31 provinces throughout China.

In this period of rapid development and change, Elanders has seized the opportunity to provide one of China's leading e-commerce companies with supply chain services that cover their entire range of smart payment terminals, including the face recognition terminal.

Elanders delivers an innovative one-stop B2B/B2C reverse supply chain solution, creating a new concept in supply chain services. After-sales services encompass collection, recycling, refurbishment and replacement of terminals to retailers, achieving optimum inventory management and efficient replacement turnover.

The wide acceptance of smart payments by consumers enables enterprises to rapidly digitalize which reduces price pressure while enhancing the user experience. The ultimate goal of this new supply chain solution is to help our customers better manage their inventory, focusing on efficient smart payment terminal replacement to increase their market shares and customer satisfaction.

Electronic payment by facial scanning. This is the latest electronic payment method in China.



Scan 2D code with mobile phone to complete electronic payment. This is the most popular electronic payment method in China.

Several years of growth

The past decennium has been very eventful with a number of major acquisitions that have led to a transformation of Elanders and enabled considerable growth. Now it is important to find new and more cornerstones for the future to further expand the existing platform.

Strong underlying result

2019

Print & Packaging Solutions and the Asiatic section of Supply Chain Solutions had one of their best years ever. This was overshadowed by that fact that a restructuring plan was needed in the European section of Supply Chain Solutions and accounting errors in transportation operations were discovered. After two years with strong cash flow resulting in a robust financial position Elanders is now seriously ready to make new acquisitions that can complement our existing offer.

Elanders Group had the best result ever, excluding one-off items, with an adjusted EBITA of MSEK 563 (523).

Q4 best quarter ever

2018

The year 2018 was also characterized by strong organic growth, nine percent, and Group net sales reached over 10 billion Swedish krona for the first time. The customer projects that had created problems during the second half of 2017 continued to be a challenge in the beginning of 2018 but after measures to make them more efficient and raising our prices to customers they were set right. During the year the majority of shares in LOGworks, Elanders' staffing operations in Germany, were sold to Adecco. As part of the production consolidation process in Print & Packaging Solutions the operations in Beijing, China were divested while the offset operations in Sweden were shut down and 70 employees were made redundant. The year ended with Elanders' best quarter ever.

Strong organic growth

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.

Acquisition of LGI

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 an operating result of MSEK 383, excluding one-off items.

Acquisition of Schmid Druck

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.

The 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).

INCOME STATEMENTS – SUMMARY

MSEK	2019	2019 excl. IFRS 16	2018	2017	2016	2015
Net sales	11,254	11,254	10,742	9,342	6,285	4,236
Operating expenses	–10,895	–10,931	–10,283	–9,034	–5,941	–3,944
EBIT	359	323	459	308	344	292
Financial items	–143	–78	–93	–78	–44	–33
Result after financial items	216	245	366	230	300	259
Result for the year	153	175	259	165	217	175
EBITDA	1,285	573	725	563	516	428
EBITA	413	378	523	371	384	313
EBITDA adjusted	1,435	723	725	563	516	428
EBITA adjusted	563	527	523	371	384	313

CASH FLOW – SUMMARY

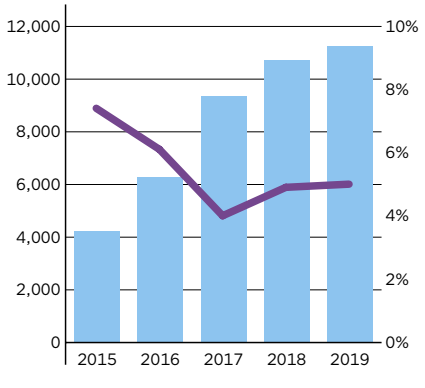
MSEK	2019	2019 excl. IFRS 16	2018	2017	2016	2015
Cash flow from operating activities	1,337	693	455	–64	331	269
Paid taxes	–114	–114	–127	–134	–104	–85
Investments	–140	–140	–137	–262	–1,907	–42
Operating cash flow	1,454	746	538	–115	–1,428	344
Change in net debt	–714	–445	–288	438	983	–198

BALANCE SHEETS – SUMMARY

MSEK	2019	2019 excl. IFRS 16	2018	2017	2016	2015
Goodwill	2,480	2,480	2,439	2,337	2,273	1,200
Other fixed assets	3,546	1,750	1,835	1,874	1,855	602
Inventory	335	335	468	390	295	266
Accounts receivable	1,740	1,740	1,762	1,571	1,396	825
Other current assets	448	443	511	557	312	139
Cash and cash equivalents	655	655	722	679	651	529
Equity	2,777	2,799	2,707	2,453	2,411	1,488
Interest-bearing liabilities	4,616	2,798	3,261	3,344	2,875	1,267
Non-interest-bearing liabilities	1,811	1,808	1,768	1,612	1,496	805
Total assets	9,205	7,404	7,737	7,409	6,782	3,560

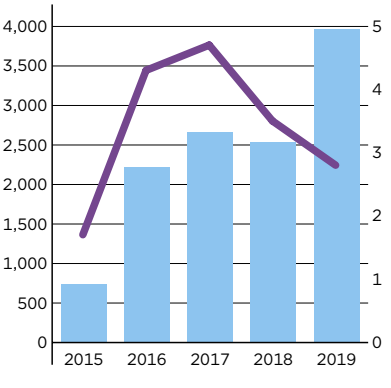
Excluding IFRS 16 means that the same accounting principles as 2018 have been used. IFRS 16 is effective from 1 January 2019 and has affected the accounting of the Group's lease agreements. The transition to IFRS 16 has been based on the Modified retrospective approach, which means that the comparison periods have not been adjusted. One-off items have been excluded in the adjusted measures.

EBITA



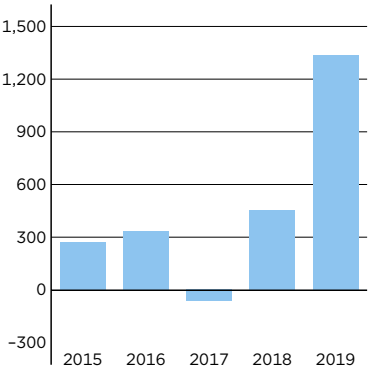
● Net sales, MSEK
● EBITA margin adjusted, %

NET DEBT



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

CASH FLOW



● Cash flow from operating activities, MSEK

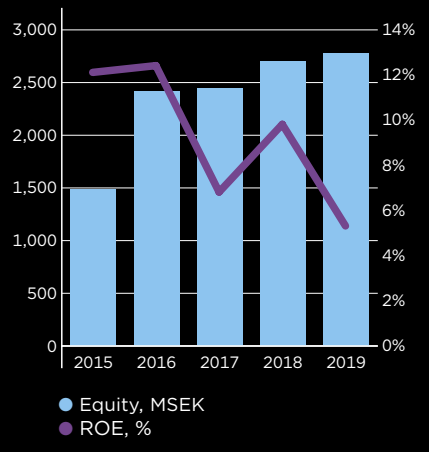
KEY RATIOS

	2019	2019 excl. IFRS 16	2018	2017	2016	2015
EBITA-margin, %	3.7	3.4	4.9	4.0	6.1	7.4
EBITA-margin adjusted, %	5.0	4.7	4.9	4.0	6.1	7.4
Operating margin, %	3.2	2.9	4.3	3.3	5.5	6.9
Profit margin, %	1.9	2.2	3.4	2.5	4.8	6.1
Equity ratio, %	30.2	37.8	35.0	33.1	35.6	42.0
Risk capital ratio, %	32.2	40.3	37.5	35.7	38.7	44.1
Interest coverage ratio, times	2.7	4.6	5.3	4.1	7.8	12.7
Debt/equity ratio, times	1.4	0.7	0.9	1.1	0.9	0.5
Return on equity, %	5.3	6.0	9.8	6.8	12.4	12.1
Return on capital employed, %	5.0	6.2	8.5	6.2	10.0	12.6
Return on total assets, %	4.2	4.6	6.6	4.3	6.7	8.2
Average number of employees	6,696	6,696	7,153	6,658	4,536	3,182
Number of employees at the end of the year	6,664	6,664	6,652	6,997	6,444	3,177
Net debt/EBITDA, times	3.1	3.7	3.5	4.7	4.3	1.7
Net debt/EBITDA adjusted ratio, times	2.8	3.0	3.5	4.7	4.3	1.7
Enterprise Value, MSEK	7,044	5,225	5,633	5,570	5,981	2,555
Risk capital, MSEK	2,962	2,984	2,898	2,645	2,625	1,568
Capital employed, MSEK	6,738	4,941	5,246	5,118	4,635	2,226
Net debt, MSEK	3,961	2,142	2,539	2,665	2,224	738

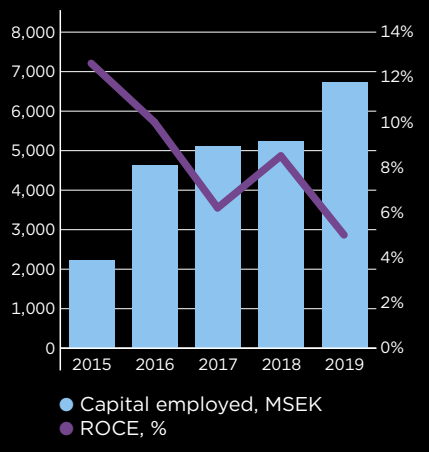
Excluding IFRS 16 means that the same accounting principles as 2018 have been used. IFRS 16 is effective from 1 January 2019 and has affected the accounting of the Group's lease agreements. The transition to IFRS 16 has been based on the Modified retrospective approach, which means that the comparison periods have not been adjusted. One-off items have been excluded in the adjusted measures.

For Reconciliation Alternative Performance Measures and Financial definitions, see pages 112–114.

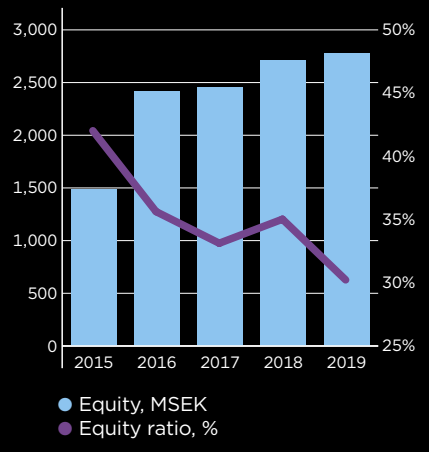
RETURN ON EQUITY

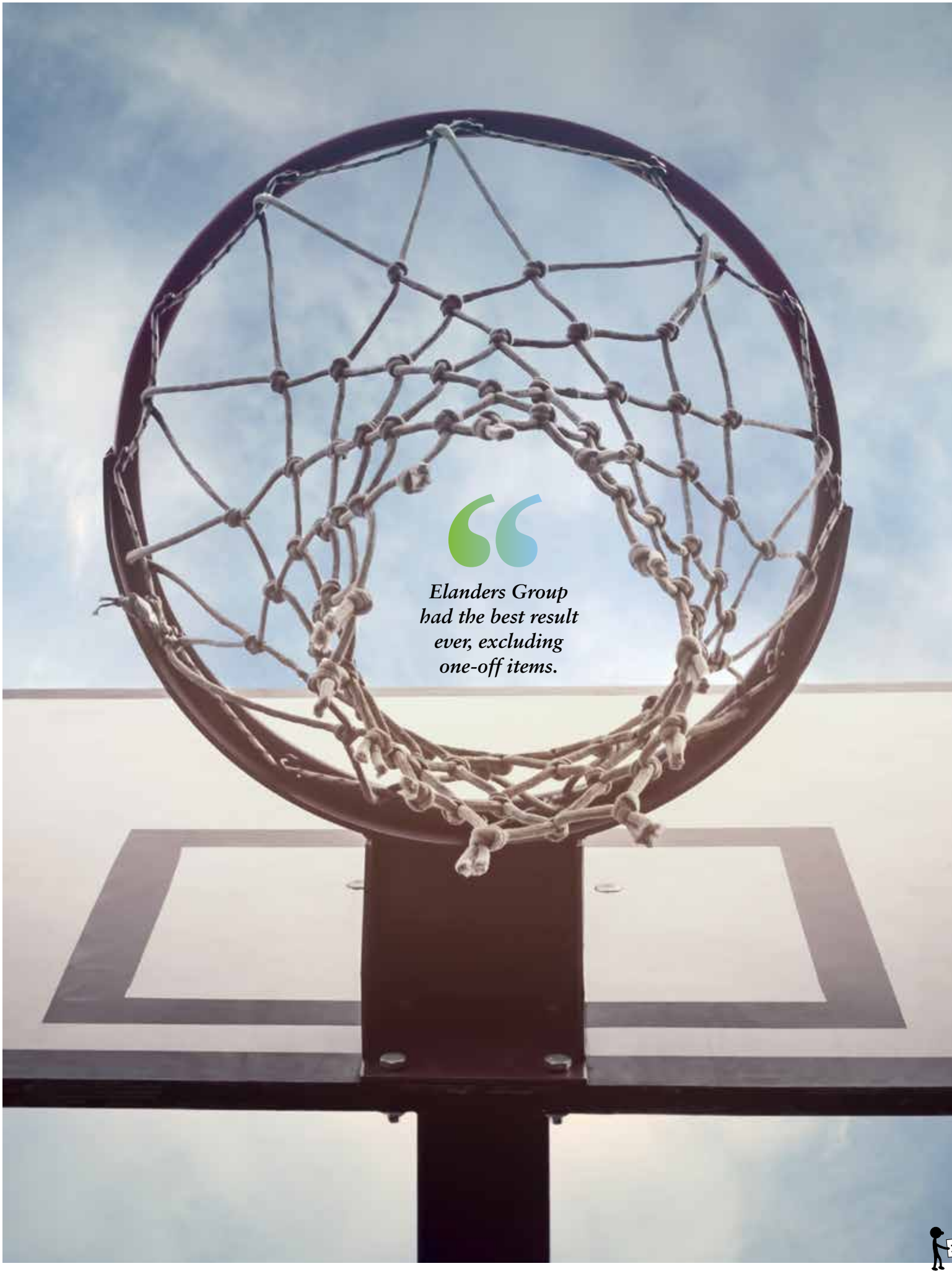


RETURN ON CAPITAL EMPLOYED



EQUITY RATIO





Elanders Group had the best result ever, excluding one-off items.

Stable share price

The share price had a negative development during the first half of the year, but recovered during the second half of the year. Svolder came in as a new major shareholder during the year.

History
Elanders' B shares were first listed on the Stockholm Stock Exchange on 9 January 1989. On 31 December 2019 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 was unchanged during 2019 while the Stockholm Stock Exchange index OMX Stockholm PI rose by 30 (–8) percent during the same period. During 2019 a total of 5,823,964 (3,829,346) Elanders shares were traded, which is equivalent to an average trading rate of approximately 0.16 (0.11) times.

The lowest share price during 2019 was SEK 73.20 on 10 October and the highest was SEK 95.40 on 11 February. The final share price in 2019 was SEK 87.20 (87.20), which means that Elanders' stock market value at year-end was approximately MSEK 3,083 (3,083).

Share capital, class of shares and liquidity guarantee
At the end of 2019 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 ABG Sundal Collier is the guarantor.

Share allocation
There were 3,061 (3,008) Elanders shareholders at year-end. The share of foreign shareholders amounted to 7 (9) percent of the capital. The allocation between shareholder type and share of capital is 8 (8) percent private owners and 33 (32) 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

DATA PER SHARE

	2019	2019 excl. IFRS 16	2018	2017	2016	2015
Net result, SEK	4.19	4.80	7.18	4.65	7.35	6.18
Net result adjusted, SEK	7.16	7.77	7.18	4.65	7.35	6.18
Share price at year-end, SEK	87.20	87.20	87.20	82.00	106.25	64.36
P/E ratio	20.8	18.2	12.1	17.6	14.5	10.4
Adjusted P/E ratio	12.2	11.2	12.1	17.6	14.5	10.4
P/S ratio, times	0.3	0.3	0.3	0.3	0.5	0.4
Dividend, SEK	2.90 [1)]	2.90 [1)]	2.90	2.60	2.60	2.07
Dividend yield, %	3.4	3.4	3.6	2.6	3.1	4.5
Share price/equity, times	1.1	1.1	1.1	1.2	1.6	1.2
Equity, SEK	78.54	79.15	76.28	69.21	68.19	52.72
Risk capital, SEK	83.78	84.39	81.96	74.80	74.24	55.57
EBITDA, SEK	36.35	16.21	20.50	15.92	17.47	15.16
EBITDA adjusted, SEK	40.58	20.44	20.50	15.92	17.47	15.16
Operating cash flow, SEK	41.14	21.10	15.22	–3.24	–48.32	12.19
Cash flow from operating activities, SEK	37.81	19.60	12.88	–1.81	11.19	9.52
Average number of outstanding shares, in thousands	35,358	35,358	35,358	35,358	29,555	28,224
Turnover rate	0.16	0.16	0.11	0.24	0.44	0.20

[1)] Proposed by the Board.

Excluding IFRS 16 means that the same accounting principles as 2018 have been used. IFRS 16 is effective from 1 January 2019 and has affected the accounting of the Group's lease agreements. The transition to IFRS 16 has been based on the Modified retrospective approach, which means that the comparison periods have not been adjusted. One-off items have been excluded in the adjusted measures.

Historic number of shares and historic key ratios have been adjusted for the bonus issue element in the new share issue in 2016.

For Reconciliation Alternative Performance Measures and Financial definitions, see pages 112–114.

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 07 50, our website or through the above e-mail address.

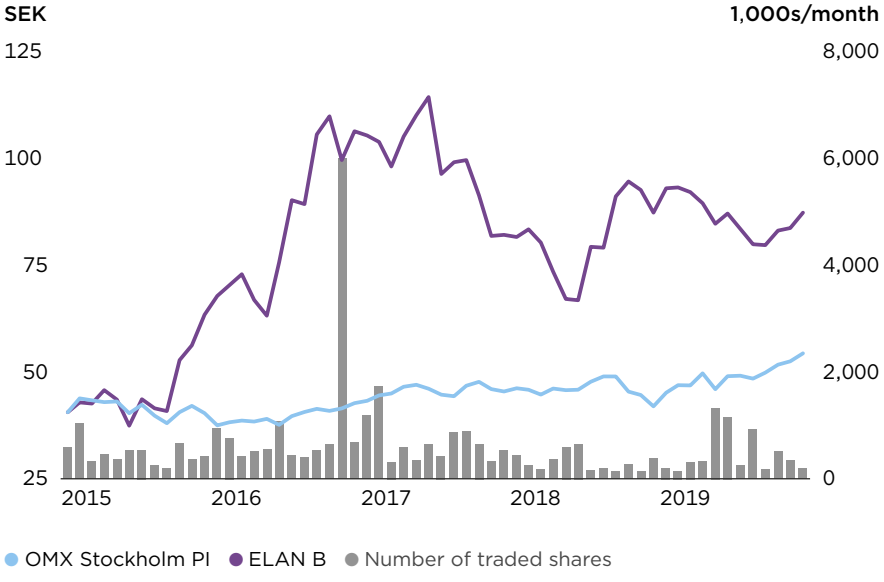
We are also happy to provide information about Elanders at events that are arranged by shareholder organizations, Swedish and foreign stockbrokers and banks.

Nordea and ABG Sundal Collier continuously monitor our development and regularly publishes analyses of Elanders.

30

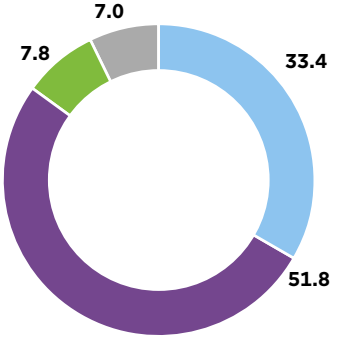
Number of years since Elanders were listed on the Stockholm Stock Exchange

DEVELOPMENT OF THE ELANDERS SHARE

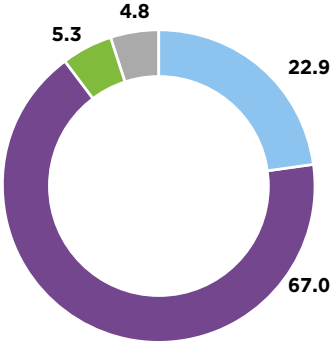


SHAREHOLDER CATEGORIES 31 DECEMBER 2019

PERCENT OF SHARE CAPITAL



PERCENT OF VOTES



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

Source: Euroclear Sweden AB.

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 2019	**1,814,813**	**33,542,438**	**35,357,751**	**353,577,510**

MAJOR SHAREHOLDERS 31 DECEMBER 2019

	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	–	3,042,600	5.9	8.6
Didner & Gerge Funds	–	2,771,915	5.4	7.8
Svolder AB	–	1,915,568	3.7	5.4
Fourth Swedish National Pension Fund	–	1,541,137	3.0	4.4
Lannebo Funds	–	704,555	1.4	2.0
Protector Forsikring ASA	–	669,553	1.3	1.9
Third Swedish National Pension Fund	–	417,817	0.8	1.2
The Bank of New York Mellon SA/NV	–	399,610	0.8	1.1
HSBS Bank PLC	–	307,365	0.6	0.9
Other Shareholders	–	5,869,222	11.4	16.6
Total	**1,814,813**	**33,542,938**	**100.0**	**100.0**

Source: Euroclear Sweden AB.

SHAREHOLDER STATISTICS 31 DECEMBER 2019

Number of shares	Number of shareholders	Number of A shares	Number of B shares	Percent of share capital	Percent of votes
1–500	2,198	–	305,260	0.9	0.6
501–5,000	714	–	1,075,487	3.0	2.1
5,001–50,000	113	–	1,525,732	4.3	3.0
50,001–500,000	27	–	4,087,535	11.6	7.9
500,001–	9	1,814,813	26,548,924	80.2	86.5
Total	**3,061**	**1,814,813**	**33,542,938**	**100.0**	**100.0**

Source: Euroclear Sweden AB.

Board of Directors' Report

The Board of Directors and the President and Chief Executive Officer of Elanders AB (publ), corporate identity no 556008-1621, herewith present their annual report and the consolidated financial statements for 2019.

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

Elanders is a global logistics company with a broad range of services of integrated solutions in supply chain management. The business is mainly run through two business areas, Supply Chain Solutions and Print & Packaging Solutions. The Group has almost 7,000 employees and operates in some 20 countries on four continents. Our most important markets are China, Singapore, the United Kingdom, Sweden, Germany and the USA. Our major customers are active in the areas Automotive, Electronics, Fashion & Lifestyle, Industrial and Health Care & Life Science.

Our offer

Elanders helps its customers to more efficiently manage their entire supply chain, everything from raw materials to the end product. By optimizing customers' material and component flows, Elanders actively helps its customers to reduce their environmental impact and thus contributes to a more sustainable society. Elanders can take a global total responsibility for the entire supply chain, including procurement, warehousing, configuration, production and distribution. Our offer also includes order management, payment solutions and after sales services for our customers.

Our services are provided by business-oriented employees. They use their expertise and our advanced 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 increased by

MSEK 512

Net sales and result

Net sales increased by five percent to MSEK 11,254 (10,742) compared to the same period last year. Cleared of exchange rate fluctuations and effects of acquisitions and divestures of operations, net sales grew organically by 0.3 percentage points. The organic growth was generated solely by business area Print & Packaging Solutions where organic growth was around ten percent.

Adjusted EBITA, i.e. the operating result adjusted for amortization on assets identified in conjunction with acquisitions along with one-off items, increased to MSEK 563 (523), which corresponded to an EBITA margin of 5.0 (4.9) percent. The result improvement over last year was largely due to the fact that Print & Packaging and the Asian operations in Supply Chain Solutions had one of their best years ever. Implementation of IFRS 16 also had a positive effect on the operating result, where around MSEK 35 stems from the interest component of rent and leasing costs now recorded in net financial items instead of as previously in the operating result.

The one-off items amounted to around MSEK 150, primarily referring to the above-mentioned costs for the expanded restructuring plan as well as the historical accounting errors in customer projects. Including one-off costs EBITA was MSEK 413 (523).

Supply Chain Solutions

The year began well for the Group's largest business area, Supply Chain Solutions, but summing up the entire year organic growth was negative. This was in part due to lower demand in customer segments Automotive and Industrial, and in part because of a conscious prioritization of more profitable business.

While the Asia-based section of Supply Chain Solutions had its best year ever 2019 was more challenging for operations in Europe, especially at the end of the year. A weaker demand in customer segments Automotive and Industrial led to a lower margin in those operations and therefore, in connection with a change in leadership, a reorganization was adopted in the third quarter and structural measures in the fourth. The aim of the reorganization and restructuring was to better clarify result and customer ownership and reduce overhead.

When implementing the reorganization, accounting errors were discovered in certain customer projects. The projects were connected to one customer in transportation operations and the errors were due to deficiencies in a business management system. An investigation showed that an adjustment of around MSEK 87 had to charge operating results for the fourth quarter to rectify the excessively high operating results reported in prior periods. The erroneous accounting had been going on for several years.

A very rough estimation of the result effect on prior quarters in 2019 indicated that about MSEK 30 had been incorrectly reported but it is impossible to verify the exact effect since historical data cannot be replicated in the system.

Focus going forward is on improving profitability in the business area by, among other things, being more selective and choosing deals with better margins while phasing out business with poor profitability or low returns.

In September 2019 Elanders signed a contract with the Taiwan-based logistics company Dimerco Express Group for the sales of 25 percent of the shares in Elanders' subsidiary, ITG Air & Sea GmbH. Operations in the subsidiary stem from Elanders' subsidiary ITG's air and sea freight forwarding business with net sales of around MEUR 75. Elanders hopes the collaboration with Dimerco will increase the Group's opportunities to grow and gain more market shares on the Asiatic market. Combining purchasing volumes also increases negotiating might with suppliers.

This deal was completed on 1 January 2020 when the purchase price was paid. Dimerco has an option to increase its stake to 49 percent after two years.

Print & Packaging Solutions

In terms of the result the year 2019 was one of the best ever for business area Print & Packaging Solutions. This was the outcome of hard work, strict cost awareness, optimizing investments and successful investments in new technology.

In general the market continues, as in previous years, to be characterized by tough price pressure, shrinking total volumes and overcapacity. Total print volumes are down on nearly every market and there is a clear shift towards digital print and more personalized products instead of traditional offset print in large volumes.

The service area in the USA that handles subscription boxes that combine print, freight and packing services into a comprehensive service is the primary source of growth in the business area. This business has skyrocketed from zero to nearly MUSD 55 in annual net sales over recent years. Even excluding this section from the business area, organic net sales grew by around five percent in 2019, mainly due to the German market which brought in new deals and increased its market share.

As a consequence of decreasing total volumes and the resulting price pressure, the Group's consolidation of production capacity, mainly in traditional print, continues. Work is also underway to transform some of our existing print operations so that they can also offer supply chain management services, which has proven successful in Brazil, Sweden and the USA.

Investments and depreciation

During the year net investments amounted to MSEK 140 (137), of which acquisitions and divestments amounted to MSEK 5 (–24). Investments has mainly been made in production equipment. Depreciation and amortization amounted to MSEK 927 (266). Excluding the effects from IFRS 16, depreciation, amortization and write-downs amounted MSEK 250 (266).

Financial position, cash flow and equity ratio

Net debt increased to MSEK 3,961 compared to MSEK 2,539 at the beginning of the year. The change in net debt includes an increase of MSEK 2,043 attributable to the implementation of IFRS 16 and refers to adjustment of the opening balance. In addition to this, debt has increased by MSEK 93 due to changes in exchange rates since a large part of loans and leasing liabilities are in euros and a lesser amount in US dollars, which have both strengthened against the Swedish krona. Excluding the effects of IFRS 16, net debt contracted during 2019 from MSEK 2,539 at the beginning of the year to MSEK 2,142. The change in net debt includes an increase of MSEK 49 attributable to changed exchange rates. Leverage, i.e. net debt / adjusted EBITDA for a rolling 12-month period, excluding IFRS 16 effects, is now down to 3.0 (3.5). Including effects from IFRS 16 net debt / adjusted EBITDA is under 3.0.

Since the fourth quarter 2018 Elanders is using factoring, i.e. sales of our accounts receivable, as part of our long-term financing. Working together with one of the Group's principle banks factoring is applied without recourse and comprises some of our business in Germany. Since most of the Group's larger customers have very good credit rating the financial terms for factoring are better than the rest of our financing. At year end MEUR 20 (8) was utilized out of the total facility amounting to MEUR 50.

The operating cash flow increased to MSEK 1,454 (538) of which the effects of IFRS 16 were MSEK 708. The effect of IFRS 16 on operating cash flow refers primarily to the amortized portion of leasing fees that were previously included in the operating cash flow. This amortization is now included in the financing activities in cash flow. Excluding IFRS 16 effects, operating cash flow increased to MSEK 721 (523). The improvement was foremost related to decreased working capital.

Significant events during the year

Cost-cutting and streamlining program in Germany

A press release, dated 15 November 2019, presented the cost-cutting and streamlining program Elanders initiated in the German operations of the subsidiary LGI. The program would entail one-off costs of around MSEK 60 and was a natural progression of the reorganization of LGI the new management started in the third quarter. The aim of the program was to cut overhead costs and increase efficiency. This would mainly be achieved through measures that reduced indirect costs such as those for support functions like administration and too many management levels. In January 2020 Elanders announced that this cost-cutting and streamlining program would be expanded by around MSEK 30.

Historical accounting errors in customer projects

In a press release, dated 13 January 2020, the market was informed that Elanders had identified historical accounting errors in customer projects. This was discovered in connection with carrying out the cost-cutting and streamlining program and reorganization in Elanders' subsidiary LGI. The accounting errors stemmed from deficiencies in the prior transportation management system that resulted in accounting errors for a specific major customer during several years. When the new transportation management system came into use errors were noticed in previous calculations of the accruals and deferrals that the transportation management system accounting had been based on. Because of limitations in the prior transportation management system it has not been possible to recreate calculations for earlier periods and therefore we cannot with any kind of exactness pinpoint when the errors arose nor in which periods they were made.

The errors in the balance sheet items were corrected in connection with closing the fourth quarter 2019. Based on the investigation and analysis performed, it is estimated that the negative effect of these errors on operating profit is about MSEK 87, most of which was generated in previous years since the system deficiencies and errors have existed for many years. Based on a very rough estimate around MSEK 30 is believed to relate to 2019.

Changes in Group Management
In November Sven Burkhard became President for business area Print & Packing Solutions. He took over after Peter Sommer. Sven Burkhard is 34 and lives in Germany. He has been active in the Group since 2017 and has previously worked for, among other places, the German company Flyeralarm.

Financial goals
Elanders applies IFRS 16 Leases from January 1, 2019. The implementation of IFRS 16 had a major effect on Elanders' balance sheets and income statements. As a result Elanders has now reviewed prior financial goals and established new ones. The new financial goals are as follows:

- Average net sales growth should be 3–5 percent annually
- EBITA margin of at least 7 percent
- Net debt / EBITDA ratio no higher than 2.5

EBITA here refers to the operating result adjusted for amortization on assets identified upon acquisition. The goal of the ratio for net debt / EBITDA of 2.5 may be exceeded temporarily in connection with major acquisitions.

The application of IFRS 16 Leases
The application of IFRS 16 Leases has significantly affected some of Elanders' financial measures, such as total assets, operating cash flow, net debt, depreciations, etc. For further information regarding the effects of the adoption of IFRS 16, see note 1, page 70 to the consolidated financial statements.

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 6,696 (7,153), of which 152 (180) were in Sweden. The decrease in the number of employees is mainly attributable to employees in the operations divested in 2018. At the end of the period the Group had 6,664 (6,652) employees, of which 152 (153) in Sweden. Further information concerning the number of employees, as well as salaries, remuneration and terms of employment is given in note 5 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 3 (1). The average number of employees during the year was 11 (11) and the number at year-end amounted to 11 (10). Other information concerning the number of employees, salaries, remuneration and conditions of employment is given in note 5 to the consolidated financial statements.

Information concerning company shares
On 31 December 2019 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 2019 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 29 April 2019. The Board proposes that the Annual General Meeting 2020 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 guidelines' promotion of the company's business strategy, long-term interests and sustainability
Elanders shall be a global, and strategic partner to the customers in their business critical processes. By offering integrated and customized solutions for handling all or part of the customers' supply chain, the business critical processes may be optimized. The overriding goal is to be a leader in global and sustainable overall solutions within supply chain management and to best serve the customers' requirements on efficiency and delivery, prioritizing sustainability. The strategy is to act within niche areas in each marketing area where the group may achieve a market-leading position. In order to fulfil the long-term financial goals, and to achieve value growth and increase shareholder return over time, Elanders continually develops the company's offer to the customers. With new and improved services, total integrated solutions and implementation of innovative technology, a good platform for continuous growth and development as well as greater value for shareholders is created.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end it is necessary

that the company offers competitive total remuneration, enabled by these guidelines. Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

The remuneration shall be on market terms and may consist of the following components: fixed cash salary (basic wage), variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may irrespective of these guidelines resolve on, among other things, share-related or share price-related remuneration.

For the CEO and the CFO, variable cash remuneration may amount to, at most, 60 respectively 50 percent of the basic wage. For other executives, variable cash remuneration may amount to, at most, 40 percent of the basic wage. Additional variable cash remuneration, however not more than 100 percent of the basic wage, may exceptionally be awarded after resolution by the board of directors, for the purpose of recruiting or retaining executives in light of local market conditions.

For the CEO, pension benefits, including health insurance (Sw. sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to, at most, 35 percent of the fixed annual cash salary.

For other executives, pension benefits, including health insurance, shall be premium defined unless the individual concerned is subject to defined benefit pension under mandatory collective agreement provisions. Variable cash remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions. The pension premiums for premium defined pension shall amount to, at most, 35 percent of the fixed annual cash salary.

Other benefits may include, for example, company cars and industrial health services (Sw. företagshälsovård). Such benefits may, in total, amount to a minor proportion of the total remuneration.

Termination of employment

The notice period may not exceed 18 months if notice of termination of employment is made by the company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the cash salary for 18 months as regards the CEO and 12 months for other executives. The period of notice may not exceed six months, without any right to severance pay, when termination is made by the executive.

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualized, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development. To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated when the measurement period has ended (normally calendar year). The remuneration committee is responsible for the evaluation so far it concerns variable cash remuneration to the CEO. For variable cash remuneration to other executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

Salary and employment conditions for employees

In the preparation of the board of directors' proposal to these remuneration guidelines, salary and employment conditions for all employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration as well as increase and growth rate over time. This information has then formed a basis for the remuneration committee's and the board of directors' evaluation of whether these guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The board of directors has established a remuneration committee. The committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the annual general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration to the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The board of directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the remuneration committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines. In 2019, the board of directors approved that variable remuneration to an executive resident abroad could exceed stipulated 40 percent of the basic wage. The reason is that the board of directors has deemed such derogation to be necessary in order to offer the executive competitive total remuneration in light of local market conditions.

Outlook

Elanders continues to have a strong position among the global customers 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 in tune with the times.

Events after the balance sheet date

Divestiture of parts of operations in ITG Air & Sea

In a press release, dated 3 September 2019, Elanders communicated that the Taiwan-based logistics company Dimerco Express Group had acquired a 25 percent stake in Elanders' newly founded subsidiary, ITG Air & Sea GmbH. The business in the new subsidiary mainly stems from Elanders' subsidiary ITG's air and sea

freight forwarding business with net sales of around MEUR 75. Dimerco also has an option to increase its stake to 49 percent after two years. With this joint venture Elanders hopes to expand growth opportunities and gain more market shares on the Asiatic market. This also increases our negotiating might with suppliers.

This deal was subject to the approval of the responsible anti-trust authorities. It has now been approved and the purchase price was paid in the beginning of January 2020.

Dimerco is a public company listed on the Taipei Exchange (TPEx) since 2001. Dimerco is a leading global transportation and logistics firm that has been providing professional services nearly 50 years through strategic alliances with various airlines and ocean liners with which they skillfully integrate, manage and streamline customers' supply chain management through smooth logistics solutions. The company has a global network with extensive marketing and sales outlets in China and Asia Pacific along with complementary operations in Europe and North America. In total the network has 160 business locations in 16 countries and Dimerco generated net sales of more than MUSD 600 in 2018.

No other major events have taken place between the balance sheet date and the date this report was signed.

Appropriation of profits

The Board of Directors and Chief Executive Officer propose that the profit and other unreserved funds of SEK 1,030,731,115 in the parent company at the disposition of the Annual General Meeting should be dealt with accordingly:

• SEK 2.90 per share is distributed to the shareholders	SEK 102,537,478
• the remaining balance is to be carried forward	SEK 928,193,637

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.

The year began well for the Group's largest business area, Supply Chain Solutions, but summing up the entire year organic growth was negative. In terms of the result the year 2019 was one of the best ever for business area Print & Packaging Solutions.

Risks and Uncertainty Factors

Elanders divides risks into business risks (customer concentration, operational risk, risks in operating expenses, contracts and disputes), financial risks (currency, interest, financing/liquidity and credit risk) as well as circumstantial risks (business cycle sensitivity and the future of the services/products). For more detailed information than given below, as well as a sensitivity analysis, please see note 21 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

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 58 (56) percent of net sales in 2019. Sales to the Group's largest customer represent 16 (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.

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.

Risks in operating expenses
Elanders' main operating costs are personnel costs and cost for goods for resale and other production material. These two categories represent 49 (49) percent of total operating costs in 2019.

Contracts and disputes
In business daily operations can give rise to disputes.

What Elanders does

Customer concentration
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
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
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
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.

Financial risk

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

Risks and uncertainty factors

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).

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.

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.

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.

What Elanders does

Currency risk
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 and USD 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
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
The Group currently has a three year credit agreement with two Swedish banks regarding operational financing that expires in January 2022.

Credit risk
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.

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

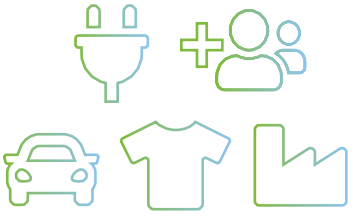
Business cycle sensitivity
The most tangible business cycle sensitivity is in group operations that supply our customers in the manufacturing industry, particularly in automotive and consumer electronics. Sales to customers in food stuffs, cosmetics, pharmaceuticals and the public sector as well as to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

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.

What Elanders does

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



CORE INDUSTRIES
Automotive, Electronics, Fashion & Lifestyle, Health Care & Life Science, Industrial

Corporate Governance Report

This Corporate Governance Report, a part of the Board of Directors' 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.

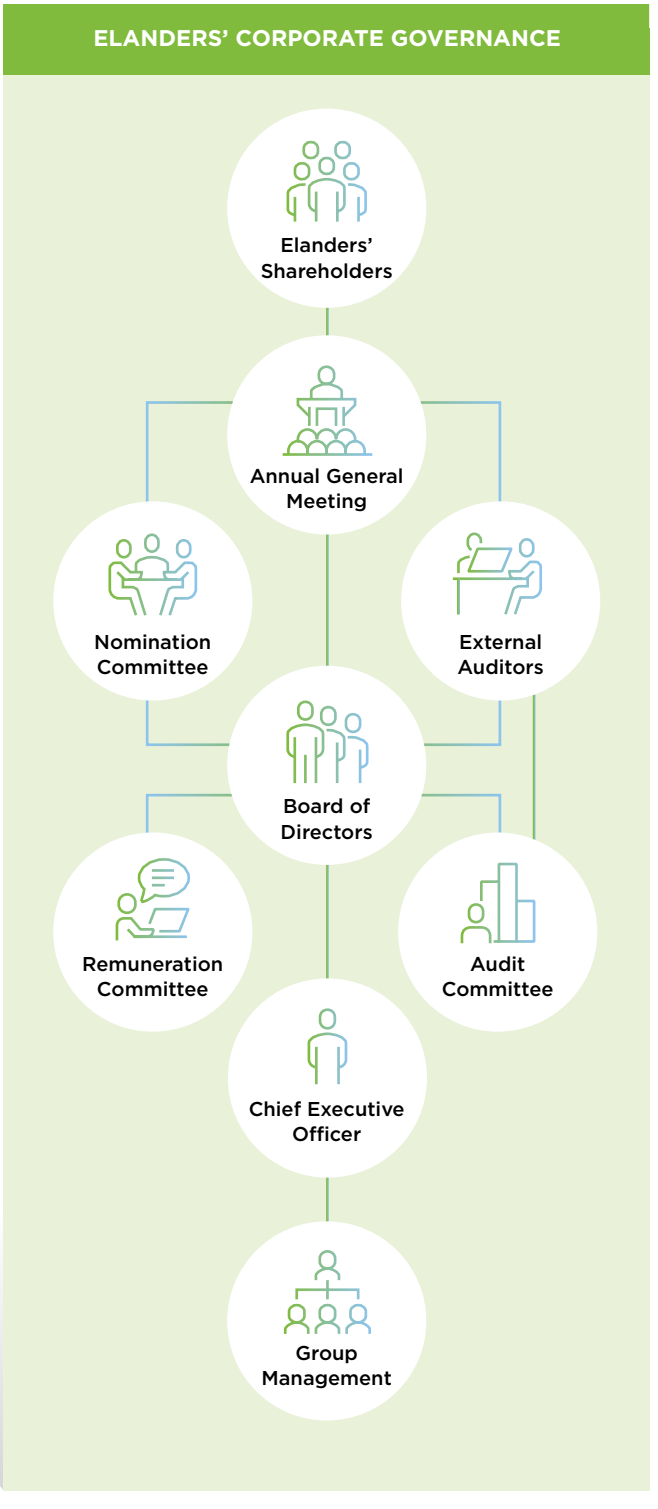
Corporate governance in Elanders – a brief overview
Corporate governance in Elanders is based on legal requirements (primarily the Companies Act), accounting regulations, the articles of association, NASDAQ OMX Stockholm's issuer rules, internal regulations, policies and the Code.

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 2019 there were 3,061 (3,008) shareholders. The foreign ownership in Elanders was 7 (9) percent of shares and 5(6) percent of votes.

The only direct or indirect shareholding exceeding a tenth of the votes in the company per 31 December 2019 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 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 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 2019

The Annual General Meeting 29 April 2019 decided:

- to adopt the Annual Report for 2018,
- to distribute a dividend of SEK 2.90 per share for the financial year 2018,
- to discharge the members of the Board of Directors and the Chief Executive Officer from liability for 2018,
- to grant according to a proposal in the summons the Board and committee remuneration for a total of SEK 4,204,000 to be divided within the Board,
- to appoint the following Board Members:
  – Carl Bennet (re-elected)
  – Pam Fredman (re-elected)
  – Dan Frohm (re-elected)
  – 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 2020,
- to adopt regulations for the nomination committee work etc. as stated in the summons to the Annual General Meeting,
- to approve the amendments to the articles of association regarding the company's registered office and location for General Meeting,
- to approve the Board's suggestion in the summons for remuneration to leading senior officers.

Annual General Meeting 2020

The next Annual General Meeting for shareholders in Elanders will take place at Gothia Towers, Mässans gata 24 in Gothenburg Tuesday 28 April 2020. 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), Fredrik Carlsson (Svolder), 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 119 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 2019

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 re-election 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. During the year 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 Martin Schubach with Martin Afzelius as deputy. 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, Anne Lenerius and Caroline Sundewall are indepen-

dent 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 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.

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

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

The Board followed the meeting plan for the year. The Board also met on two occasions relating to organizational changes.

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 2019 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 can be found on pages 116–117.

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. 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

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	710 + 74	1,814,813 A 15,903,596 B	No, owner
Johan Stern, Vice Chairman	9 (9)	1 (1)	2 (3)	92	355 + 144 + 37	110,000 B	No, owner
Pam Fredman	8 (9)	1 (1)	Not member	90	355 + 37	1,609 B	Yes
Dan Frohm	9 (9)	Not member	3 (3)	100	355 + 72	23,676 B	No, owner
Erik Gabrielson	9 (9)	1 (1)	Not member	100	355 + 37	–	No, owner
Linus Karlsson	9 (9)	1 (1)	Not member	100	355 + 37	–	Yes
Cecilia Lager	9 (9)	Not member	3 (3)	100	355 + 72	37,521 B	Yes
Anne Lenerius	9 (9)	Not member	3 (3)	100	355 + 72	6,892 B	Yes
Magnus Nilsson, CEO	9 (9)	Not member	Not member	100	Employee	82,577 B	No, company
Caroline Sundewall	9 (9)	Not member	3 (3)	100	355 + 72	8,000 B	Yes
Employee representatives							
Martin Schubach	8 (9)	Not member	Not member	89	Employee	267 B	No, company
Total				**97**	**4,204**		

[1] Shareholding as of December 31, 2019.

superior, also known as the "grandfather principle". During the year the remuneration committee held one meeting during which they adopted their work plan and prepared a proposal for remuneration. During the year the remuneration committee consisted of Carl Bennet, Chairman, Pam Fredman, Erik Gabrielson, Linus Karlsson and Johan Stern. The guidelines for remuneration to leading officers adopted at the Annual General Meeting 2019 can be found in note 5 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 2019 and the Board of Director's proposal for guidelines for 2020 can be found on page 41 in the Annual Report 2019. 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 three times a year and as needed. The external auditors normally participate in committee meetings. The committee met three times in 2019. The auditors reported on the audit of the nine-month report and the year-end report, the company's situation with the Code of Corporate Governance and internal control were discussed. The members of the audit committee were Johan Stern, Chairman, Dan Frohm, 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 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 acquisitions 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 since November 2019 of:

- Magnus Nilsson, President and CEO
- Andréas Wikner, CFO
- Bernd Schwenger, responsible for Supply Chain Solutions (LGI)
- Eckhard Busch, representative for Supply Chain Solutions (LGI)
- Kok Khoon Lim, responsible for Supply Chain Solutions (Mentor Media)
- Sven Burkhard, responsible for Print & Packaging Solutions
- Kevin Rogers, responsible for Global Sales

Further information about Group Management and the members can be found on pages 116–117.

The Board's report on internal control over financial reporting

The purpose of internal control over financial reporting is to ensure 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.

Number of shareholders

3,061

Members of the Board, attendance 2019

97 %

Control environment

The control environment at Elanders is characterized by the proximity between Group Management and the operating units. The majority of the members in 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

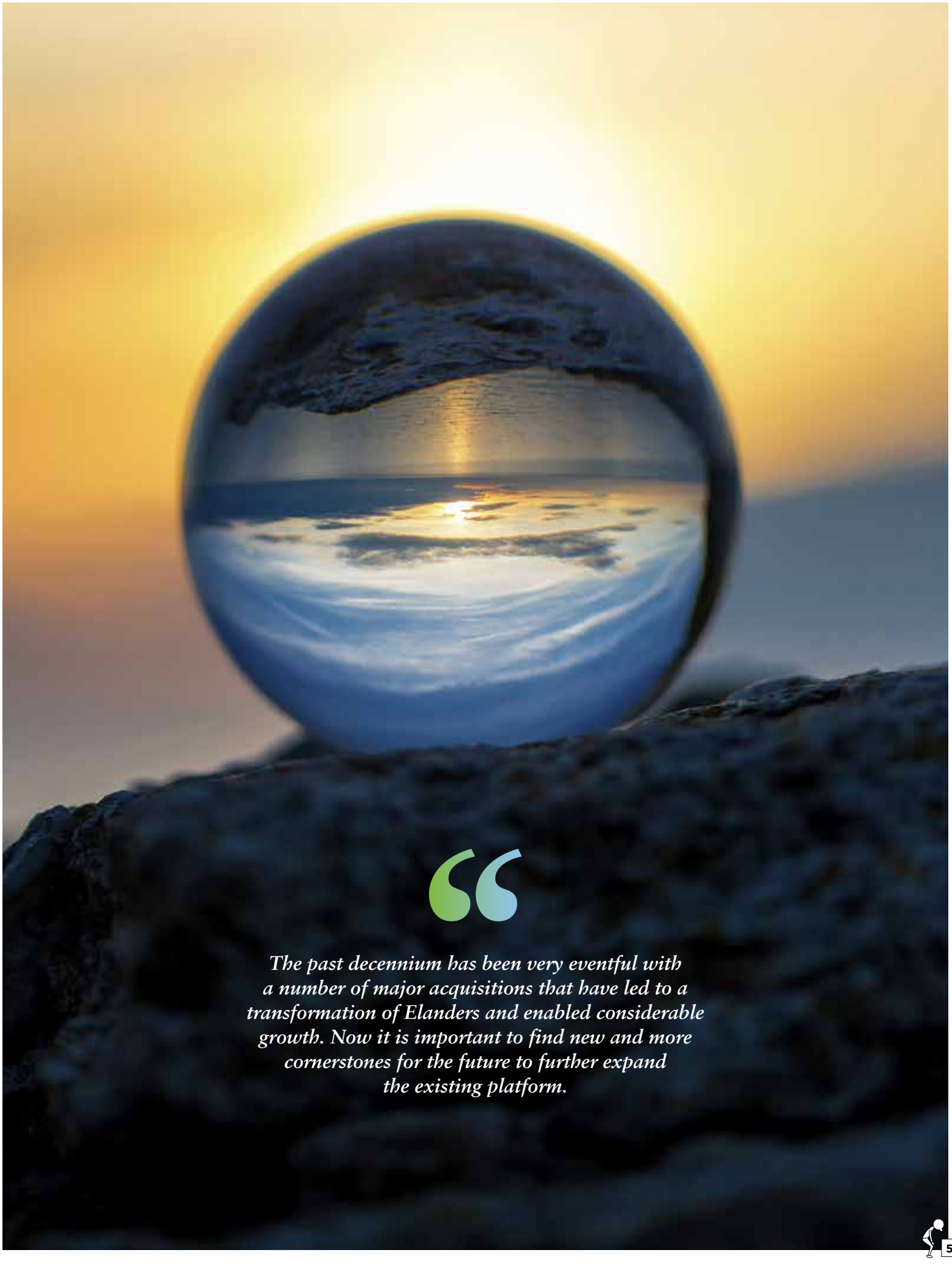
In order to make Elanders employees aware of the Group's policies and manuals the information is communicated yearly, and when changes are made, to all affected employees within the Group. To ensure that information communicated externally is correct and complete the Board has adopted an Information 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 2019 chose the authorized public accounting company PricewaterhouseCoopers AB until the next Annual General Meeting. Head auditor is the authorized public accountant Magnus Willfors with the authorized public accountant Tomas Hilmarsson as co-auditor. 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.



The past decennium has been very eventful with a number of major acquisitions that have led to a transformation of Elanders and enabled considerable growth. Now it is important to find new and more cornerstones for the future to further expand the existing platform.

Sustainability Report

Sustainability is an integrated part of Elanders' business and strategy. Sustainability work is based on the UN global goals and focus areas Environment and climate, Employees, Social conditions and human rights and Ethics and anticorruption. Elanders considers sustainability work a responsibility and a business opportunity that provides great opportunities to create value and improve profitability. Elanders' Code of Conduct and Anti-Corruption Policy were updated in 2019 as part of the Group's continuous work on improvement.

Sustainability and opportunities
Since Elanders' listing on the stock market in 1989 the Group has been slowly transforming from a purely graphic company with operations primarily in Sweden into a global service supplier with operations on four continents. Elanders has always strived to follow current trends like digitalization and globalization, current issues like climate change and shrinking natural resources as well as 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 and we are 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 then making sure they are being followed. Elanders sees opportunities in working actively with sustainability to create value and at the same time improve profitability through, for instance, greater resource efficiency and reducing costs like those for raw materials, energy and transportation.

The demands regarding CSR made on major, multinational companies are just as high for their partners. Elanders' sustainability work is largely governed by the very high demands made by customers who in their own environmental and quality documentation stipulate requirements that suppliers must meet as well.

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

Integrated sustainability
Elanders' sustainability work covers the Group's entire business model and permeates the company at every level. Sustainability matters are an integrated part of our operations and decision-making in order to reduce the Group's negative impact on the environment, contribute to positive social development and be a responsible and respectful employer.

About the Sustainability Report
This Sustainability Report refers to the financial year 2019 and Elanders as the Group appeared at the end of 2019. No acquisitions have occurred during the year that affect the scope of the Sustainability Report.

The report covers the sustainability areas considered material to Elanders and its stakeholders within financial, environmental and social aspects. The objective of the Sustainability Report is to present a fair image of the sustainability work being done in the Group. The Sustainability Report is published once a year and integrated into the Annual Report but is not externally revised.

3

quick questions to Andréas Wikner, CFO, Elanders Group

What does sustainability mean to you?
We think that a sustainable company has found the optimal balance between building up a successful company and taking responsibility for social, ethical and environmental issues.

How do you work strategically with sustainability?
Elanders' sustainability work is steered in part by high demands from our customers but we also see great opportunities to create value and profitability through innovative, sustainable services.

What is Elanders' most important resource?
Our engaged co-workers!

Elanders believes the success of a company should be measured in more than just numbers and we are truly engaged in creating a good balance between building up a successful company and taking responsibility for social, ethical and environmental issues.

Business model linked to sustainability

CUSTOMERS IN CORE INDUSTRIES

- Automotive
- Electronics
- Fashion & Lifestyle
- Health Care & Life Science
- Industrial

OPERATIONS

- Procurement
- Production
- Distribution
- After-Sales
- Reverse Logistics

SERVICES – INTEGRATED SOLUTIONS

- SUPPLY CHAIN
- PRINT & PACKAGING
- E-COMMERCE
- BUSINESS INNOVATION

- Environment and climate
- Employees
- Social conditions and human rights
- Ethics and anti-corruption

Stakeholder dialogue and materiality analysis

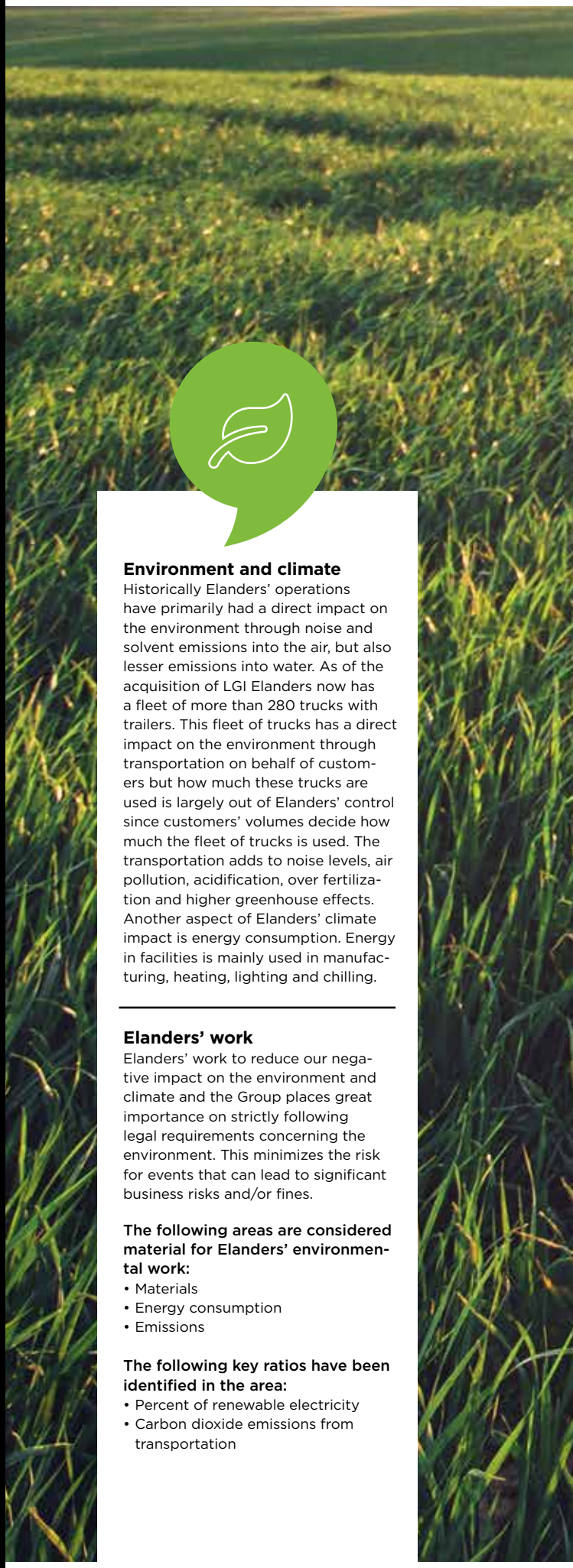
Stakeholder dialogue

Elanders maintains a continuous dialogue with stakeholders in order to ensure that prioritizations in the business are relevant over time. The five overriding stakeholder groups shown below have been identified as valuable for continuous development and improving Elanders' sustainability work. The continuous dialogue is also a basis for the Sustainability Report.

Materiality analysis

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

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



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 lesser emissions into water. As of the acquisition of LGI Elanders now has a fleet of more than 280 trucks with trailers. This fleet of trucks has a direct impact on the environment through transportation on behalf of customers but how much these trucks are used is largely out of Elanders' control since customers' volumes decide how much the fleet of trucks is used. The transportation adds to noise levels, air pollution, acidification, over fertilization and higher greenhouse effects. Another aspect of Elanders' climate impact is energy consumption. Energy in facilities is mainly used in manufacturing, heating, lighting and chilling.

Elanders' work

Elanders' work to reduce our negative impact on the environment and climate and 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.

The following areas are considered material for Elanders' environmental work:

- Materials
- Energy consumption
- Emissions

The following key ratios have been identified in the area:

- Percent of renewable electricity
- Carbon dioxide emissions from transportation

Employees

The Elanders Group has 6,664 employees in some 20 countries. Actively working with human resources is essential since employees that are healthy and motivated contributes to Group development and success on every level.

Elanders' work

Work concerning employees is governed by the Group's Code of Conduct. Each company is responsible for creating their own procedures and guidelines to ensure conformance with the code.

The following areas are considered material for Elanders' work concerning employees:

- Common values
- Health and safety
- Equality, equal opportunity and diversity

The following key ratios have been identified in the area:

- Personnel turnover
- Absence due to illness
- Gender 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 focus and follow-up is a necessity. As a globally active and influential group, Elanders intends to be one of the best regarding CSR and engagement in every area the company is involved in.

Elanders' work

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 CSR and engagement and all our companies are encouraged to support and get involved in projects where they believe their contributions can make a difference.

The following areas are considered material for Elanders' work concerning social conditions and human rights:

- CSR
- 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' work

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.

The following areas are considered material for Elanders' work concerning ethics and anti-corruption:

- Policies and education

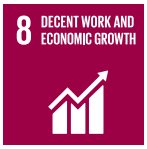
Elanders has zero tolerance for any type of corruption or bribe, which means the number of incidents concerning corruption are an important key ratio to monitor and the target number is 0.

UN's sustainable development goals

Agenda 2030, the UN's 17 Sustainable Development Goals were adopted by most of the world leaders in 2015 to promote socially, economically and environmentally sustainable development. Elanders contributes to the goals in varying degrees. Our ambition is that our sustainability work creates value for all our stakeholders and thereby also contributes to these goals. The following seven goals have been identified as the most material for Elanders' sustainability work:

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Elanders supports a number of projects that promote raising knowledge levels through education. For example, Elanders works together with around ten other Swedish companies with the organization Pratham Education Foundation that strives to improve the quality of education in India.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Fair working conditions for all employees through a clear Code of Conduct and continuously monitoring the work environment and workers' rights.

Achieve gender equality and empower all women and girls.

Reduce income inequality within and among countries.

Elanders believes all people are equal independent of age, gender, ethnicity, sexual orientation, religious beliefs etcetera. The Code of Conduct contains the strict prohibition of any kind of harassment or discrimination.

Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.

Ensure sustainable consumption and production patterns.

Solutions for streamlining and consolidating material flows and deliveries contribute significantly to reducing our customers' environmental impact. An important part of our offer is Life Cycle Services where we help our customers in every phase of a product's life cycle. For instance, we handle returns of worn out IT-equipment when delivering new products to the customer, recycling computers, monitors and printers and restoring products for reuse on behalf of our customers in a sustainable way.

Constant appraisals to reduce our environmental impact from emissions of volatile organic compounds (VOC) in print operations without negatively affecting quality, e.g., more efficient methods that reduce consumption or switching to less volatile solvents.

Take urgent action to combat climate change and its impacts.

Reducing energy consumption is fundamental when Elanders makes new investments.

As far as possible the company uses renewable energy on the markets where it is available. Continuously upgrading the transportation fleet, efficient motors, well-developed GPS systems, continuously training drivers and awarding the most fuel efficient drivers contribute to reducing fuel consumption.

Elanders' Code of Conduct

Elanders' updated the Code of Conduct and Anti-Corruption Policy during the year as a step in our continuous improvement work. Elanders' Code of Conduct stipulates that both Elanders and our 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 on Elanders' behalf. Elanders' Code of Conduct also comprises suppliers and business partners to ensure that the code has an impact throughout the entire value chain.

At the end of the year the Code of Conduct and Anti-Corruption Policy was communicated to every company in the Group. There is an annual follow-up to ensure that the Code of Conduct and Anti-Corruption Policy have been 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 overriding environmental goal is to reduce the Group's environmental impact in every company without lowering quality. Almost all companies 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 performed according to ISO 14001 and in the investigations involved in acquisitions.

During the year we continued to work on reducing our environmental impact, 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. A previous example that demonstrates good results from this work, and which is still being evaluated, comes from LGI. Together with our customer Porsche, Elanders invested in a completely new electrical truck that daily transports components from our warehouse in Freiberg, Germany to Porsche's production plant. Changing to an electrical truck reduces emissions by more than 30 tons annually and is a milestone on the road to more environmentally friendly logistics at Elanders.

Material

The connection between quality-assured 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.

Paper is a comprehensive part of the material used in production in the business area Print & Packaging Solutions and the Group works on monitoring, analyzing, reducing and actively dealing with paper waste. When possible Elanders produces print-on-demand, which reduces 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® Forest Stewardship Council, Carbon Footprint and Climate Neutral Company.

Energy consumption

Reducing energy consumption and improved energy efficiency is an important focus area at Elanders and part of our continuous improvement work to save energy in our operations. Elanders' goal is to reduce energy consumption and use as much renewable electricity as possible on the markets where it is available. Energy consumption and costs for energy are regularly monitored to ensure the goal is met and that measures are always being taken to save energy.

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 in the Group's warehouses and printing plants are electric.

Percentage of renewable electricity	2019	2018
All operations	40.3	41.1

The percentage of electricity consumed by the Group that comes from renewable sources has declined compared to last year, primarily because the amount of renewable electricity from a supplier in Poland decreased temporarily in 2019 but it is expected to increase again in 2020. During the year the work to save energy has continued, among other things, through the installation of LED lighting in production space and offices.

ELANDERS' CODE OF CONDUCT AND ANTI-CORRUPTION POLICY

Elanders' Code of Conduct and anticorruption policy comprises all our employees and contains guidelines and regulations for the way Elanders employees should relate to customers, suppliers and society in general. All business in Elanders is conducted with social responsibility and ethically. Taking social responsibility includes promoting human rights and fair working conditions as well as counteracting corruption.

Elanders' Code of Conduct also comprises suppliers and business partners to ensure the Code of Conduct permeates every part of the value chain.

The Code of Conduct is based on international principles such as the UN Universal Declaration of Human Rights, the UN Global Compact, ILO Declaration on Fundamental Principles and Rights in Working Life and the OECD guidelines for multinational companies.

Emissions

Transportation is an absolute necessity to our current indisputable 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 transportation.

Progress is continually being made in different areas to reduce the negative effects of transportation in Elanders, particularly in business area Supply Chain Solutions with its fleet of around 280 trucks. Utilization of this fleet is to a large extent steered by customer volumes and the kind of transportation a customer need. However, Elanders can influence how efficiently the trucks are used and fuel consumption per driven kilometer. As a result of continuously upgrading the fleet, Elanders has drastically lowered carbon dioxide emissions. In 2019, 99 percent (99 percent) of our 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 also works continuously to streamline transportation, thereby reducing environmental impact. Efficient motors, well-developed GPS systems, driver training and awarding the most fuel efficient drivers are all activities that contribute to reducing fuel consumption.

Elanders uses different types of solvent in producing printed matter – mostly vegetable solvents, 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 in use is routinely monitored.

According to the Environmental Code 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. Local companies 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' long-term goal is to reduce direct and indirect emissions of greenhouse gases. The Group's greatest impact comes from carbon dioxide emissions from our transportation fleet.

LOWER CARBON DIOXIDE EMISSIONS

As a result of continuously upgrading the fleet, Elanders has drastically lowered carbon dioxide emissions.

Emissions	2019	2018
Average carbon dioxide emissions per truck, tons	67	74
Average fuel consumption per 100 km, liters	32.55	33.91

Average carbon dioxide emission levels from our transportation fleet dropped in 2019 due to the fact that operations in Hungary and Poland upgraded their fleets last year with new trucks that emit less carbon dioxide as well as better and more exact measurement methods through real time information from each truck.

Fuel consumption per 100 km in 2019 dropped compared to 2018. Measures to reduce fuel consumption were taken in 2019 such as gradual replacement of batteries, individual follow-up and driver training as well as implementing bonus programs connected to fuel consumption. Measures will continue in 2020.

Matter with the Environmental Authority

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

Life Cycle Services

In Life Cycle Services Elanders has taken the initiative to create more climate friendly services. There is a huge sustainability factor in extending the life of, and reusing, equipment before it is finally recycled. In service area Value Recovery Services for IT equipment Elanders annually handles around 70,000 obsolete units like computers, monitors, printers and other computer accessories. Old equipment is picked up from our customers and each unit is sorted, cleaned and wiped. Then the products are sold through an authorized auction house. Equipment and parts that cannot be reused are recycled. By giving equipment a new life carbon dioxide emissions can be reduced by up to 25,000 tons.

By using Elanders' services customers can reduce their climate impact and thereby contribute to a more circular economy while receiving a correct valuation of their equipment. Customers are also offered full transparency throughout the entire process, which is greatly appreciated.

Employees

Through a number of acquisitions around the world, the number of employees has more than quadrupled in recent years. The majority of the increase in employees came through the acquisitions of Mentor Media in 2014 and LGI in 2016. Elanders companies are to a large degree autonomous and follow the valid laws and regulations in their respective countries and regions. Nonetheless it is important to have a set of common values within the Group in order to achieve a stable value foundation. These values are communicated to the employees through our Code of Conduct, which was updated in 2019. At the end of the year 6,664 people were employed in some 20 countries on four continents.

Personnel turnover %	2019	2018
All employees	24.1	39.8

The rate of personnel turnover has gone down compared to the previous year but temporary and seasonal staff contribute to a relatively high rate of turnover. The figures for personnel turnover in 2018 also include the staffing operations in our previous subsidiary LOGworks GmbH, which was divested at the end of 2018 and contributed to higher personnel turnover.

Health and safety

Employees are Elanders' greatest asset and health and safety have the highest priority. A healthy and secure work environment leads to healthy employees that work safely, are more productive and contribute to society at large. Elanders has a zero vision concerning injuries at the workplace and we work continuously on reducing risks that can lead to serious injuries. Elanders' policy concerning the work environment is found in the Group's Code of Conduct where guidelines concerning the identification, management and prevention of potential safety risks and emergencies are described in order to promote a good working environment and reduce the risk of injuries and illness. It is the responsibility of each company's management that these rules are followed by formulating and communicating guidelines and policies suited to their specific work environment.

An important indication of how the work environment functions is absence due to illness and Elanders continuously strives to create conditions for as little absence due to illness as possible. In addition to following the guidelines in the Code of Conduct, Elanders continuously identifies improvement measures for personnel in the work environment such as automation in production and ergonomic workplaces. Most injuries occur in production and the most common workplace injuries at Elanders are minor cuts or wounds from falling.

There are many good examples in Elanders of how the work environment has been prioritized. Midland Information Resources in the USA, which is part of Print & Packaging Solutions, has for an impressive 19th time in a row been awarded in the *"Best Workplace in the Americas (BWA)"* awards competition. The jury judges companies based on criteria such as the work environment, health programs, safety instructions, and how well employees can create a good balance between work and leisure.

In Germany, where most of Elanders' employees are, the majority of employees have a common company employee policy and all employees are offered risk insurance, Benefit Card with a tax subsidy and annual health checks, among other things.

Absence due to illness %	2019	2018
All employees	6.2	5.6
Short-term absence	5.2	4.9
Long-term absence	1.0	0.7

The comparable year has been adjusted for comparability between years. Elanders monitors the key ratio regularly in order to set relevant goals for absence due to illness.

Equality, equal opportunity and diversity

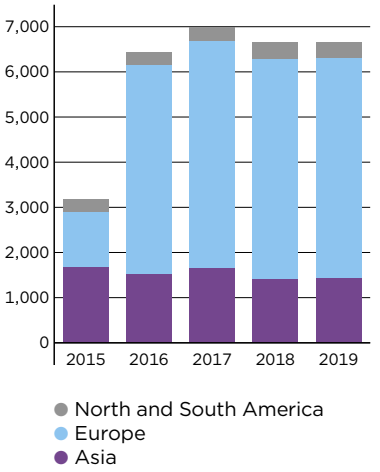
Because of the development Elanders has gone through in the past few years, partly through major acquisitions, the Group's composition of employees has changed and it is now significantly more spread out geographically. This has not, however, changed Elanders' basic premise that long lasting profitability 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. The work on reviewing Elanders' material goals in this area is in progress and the results and advancements from this review will be presented and followed-up in future Sustainability Reports.

Gender division, %	2019 Men/women	2018 Men/women
All employees	66/34	66/34
Middle management	74/26	71/29
Group Management	100/0	100/0
Board of Directors	60/40	60/40

NUMBER OF EMPLOYEES

Elanders has 6,664 employees in 18 countries.

NUMBER OF EMPLOYEES PER REGION



Social conditions and human rights

CSR

As an active global group, Elanders wants to be among the best regarding CSR and corporate commitment everywhere the company is involved. There are a number of different projects concerning social responsibility and aid going on in the Group. Each company decides themselves which projects they want to be involved in and support through, for instance, donations to organizations and support to schools and orphanages. One example is how Elanders in the US 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. In 2019, as in previous years, we sponsored a campaign where for a week Elanders employees focused on contributing as much as possible to the organization through diverse activities, events and collections. Another example is support for the program *Rede Cultural Beija-Flor* for vulnerable children in Brazil through financial aid, printed material and internships to give children a better start and reduce the number of street kids in the area.

Pratham for better education

Together with around ten other Swedish companies Elanders initiated a collaboration with the organization *Pratham Education Foundation* in 2017. The innovative education organization was started in 1995 to improve the quality of education in India. Pratham has become one of the largest charitable organizations in the world today. Its founding principle is to help as many children as possible to achieve higher levels of knowledge through education programs that take into consideration the gaps in the Indian educational system. Pratham's educational methods, which are based on the student's actual level of knowledge, have been formed and developed together with researchers Esther Duflo, Ahijit Banerjee and Michael Kremer who have carried out several field studies on Pratham's work. They were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2019 for their work in this area.

The project has proceeded according to plan in 2019 developing positively and the goals that were established concerning how many children the program would reach have been met. Currently 41,800 children have participated in the project and the plan for the coming years is to expand the program to even more villages in India.

CSR initiatives

One acclaimed initiative in Sweden is *Win Win Gothenburg Sustainability Award* (previously *The Gothenburg Award for Sustainable Development*) where Elanders is one of thirteen organizations 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 2019 it was awarded to Arash Derambarsh who has worked for, and succeeded in, making the French government pass a law prohibiting French supermarkets and restaurants from throwing away edible food. Instead of the food being discarded, it is now collected by charity organizations and given to the poor. The new law promotes circular food sales and prevents wasting resources by saving usable food that would otherwise have been thrown out.

Fair conditions

Elanders' values regarding fair conditions are established in the Code of Conduct which stipulates that Elanders works to protect international human rights. The Code of Conduct strictly prohibits any kind of forced labor, human trafficking and child labor. It is self-evident for Elanders to work for childrens' right to education and to protect children from economic exploitation and dangerous or harmful jobs. Elanders' work is based on the UN Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.

Elanders' Code of Conduct also contains prohibition of any kind of harassment or discrimination. Everyone is offered the

Pratham takes care of children who are falling behind in school. With the help of methods developed together with the Nobel Laureates in Economy 2019, they ensure that the children receive the right level of education.

same opportunities and is treated with respect. Elanders actively supports freedom of speech, freedom of movement and religious freedom within the framework of applicable legislation and the Group does not tolerate human rights violations. In addition to this, Elanders provides fair working conditions at the same time as national and local laws are respected in the countries where operations are run. All Elanders employees have the right to a written employment contract.

Elanders' Code of Conduct also comprises suppliers and business partners to ensure the Code of Conduct permeates every part of the value chain. Elanders has therefore produced a "Suppliers Code of Conduct" which is communicated to suppliers and business partners. Each company is currently responsible for making sure that suppliers also comply with the Code of Conduct where considered relevant. In the same way Elanders controls its suppliers, Elanders is often reviewed by customers to make sure fair conditions are used in production.

Elanders has not found a relevant, quantitative key ratio for its work on fair conditions. For the time being Elanders will focus on making sure the Code of Conduct is communicated to all employees as well as suppliers and business partners.

Ethics and anti-corruption

Elanders' reputation, ethical behavior and trustworthiness is highly valued by the Group and its customers and any kind of corruption could impact the Group's image very negatively. Elanders follows applicable laws and regulations locally and internationally regarding both ethical rules and corruption. The Group's Anti-Corruption Policy *"Anti-Corruption, Anti-Fraud and Anti-Money Laundering Policy"*, was updated in 2019. The policy, which contains guidelines for handling corruption, fraud and money laundering, describes the way Group employees should relate to customers, suppliers and society in general. It clearly states that Elanders has absolutely zero tolerance for 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 position in the company. The policy also states that all employees are obliged to comport themselves with integrity and ensure that they understand and follow Group guidelines. The policy also contains instructions on how to report any irregularities or deviations from the policy.

The updated Anti-Corruption Policy was communicated at the end of 2019 together with a course via e-learning for Group employees. Work on implementing courses via e-learning as well as in a classroom will continue in 2020. There will be annual follow-ups to ensure that all employees in the Group have completed the anti-corruption course. Quantitative key ratios concerning anti-corruption courses will be presented in the Annual Report 2020.

No incidents of fraud, corruption, bribes or money laundering have been reported in 2019.

The EU General Data Protection Regulation (GDPR)

GDPR became law in 2018 and is intended to protect individuals' basic rights, which is a human right. At the end of the year Elanders therefore produced a course to ensure that employees are knowledgeable about, and act in accordance with, the stipulations of GDPR. Courses will continue in 2020 and there will be annual follow-ups to ensure that all employees have been trained in GDPR.

Quantitative key ratios concerning GDPR courses will be presented in the Annual Report 2020.

The updated Anti-Corruption Policy was communicated at the end of 2019 together with a course via e-learning for Group employees. Work on implementing courses via e-learning as well as in a classroom will continue in 2020. There will be annual follow-ups to ensure that all employees in the Group have completed the anti-corruption course. Quantitative key ratios concerning anti-corruption courses will be presented in the Annual Report 2020.

Income Statements

MSEK	Note	2019	2018
Net sales	2, 3	11,254.1	10,741.7
Cost of products and services sold		–9,779.9	–9,330.2
Gross profit		**1,474.2**	**1,411.5**
Selling expenses		–350.4	–355.8
Administrative expenses		–794.3	–677.9
Other operating income	4	63.2	111.4
Other operating expenses	4	–34.1	–30.4
Operating result	5, 6, 7, 8, 28	**358.7**	**458.8**
Financial income	9	31.3	52.9
Financial expenses	9	–174.4	–145.4
Result after financial items		**215.6**	**366.3**
Taxes	10	-62.7	–107.7
Result for the year		**152.9**	**258.6**
Result for the year attributable to			
– parent company shareholders		148.2	253.9
– non-controlling interests		4.7	4.7
Earning per share, SEK [1)]	11	4.19	7.18

[1)] There have been no dilution effects.

Statements of Comprehensive Income

MSEK	2019	2018
Result for the year	**152.9**	**258.6**
Items that not will be reclassified to the income statement		
Actuarial gains/losses on defined benefit pensions plans	–14.5	1.2
Tax effect on actuarial gains/losses on defined benefit pensions plans	4.4	–0.2
Items that will be reclassified to the income statement		
Translation differences	66.7	120.8
Change in value of cash-flow hedges, net	0.0	–0.1
Tax effect on change in value of cash-flow hedges, net	0.0	0.0
Change in fair value of the hedge of the net investment abroad	–13.7	–42.0
Tax effect on the change in fair value of the hedge of net investments abroad	2.8	8.7
Other comprehensive income	**45.7**	**88.4**
Total comprehensive income for the year	**198.6**	**347.0**
Total comprehensive income attributable to		
– parent company shareholders	194.1	342.0
– non-controlling interests	4.5	5.0

Statements of Cash Flow

MSEK	Note	2019	2018
Operating activities			
Result after financial items		215.6	366.3
Adjustments for items not included in cash flow	13	1,131.0	213.2
Paid taxes	10	–114.2	–127.5
Cash flow from operating activities before changes in working capital		**1,232.5**	**452.0**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in inventory		150.7	–56.6
Increase (–)/decrease (+) in operating receivables		116.5	–70.8
Increase (+)/decrease (–) in operating payables		–163.0	130.9
Cash flow from operating activities		**1,336.7**	**455.5**
Investing activities			
Investments in intangible and tangible assets	14, 15	–142.8	–177.1
Divestment of tangible assets	15	9.9	16.0
Acquired and divested operations	29	–5.0	24.0
Change in long-term receivables		–1.6	–0.5
Cash flow from investing activities		**–139.5**	**–137.5**
Financing activities			
Amortization of borrowing debts	23	–139.0	–114.8
Amortization of lease liabilities	23	–680.6	–44.6
Other changes in interest-bearing liabilities	13, 23	–332.9	–65.6
Dividend to shareholders		–104.0	–92.7
Transactions with shareholders with non-controlling interest		–25.0	–
Cash flow from financing activities		**–1,281.5**	**-317.8**
Cash flow for the year		**–84.4**	**0.2**
Cash and cash equivalents at the beginning of the year		722.4	679.4
Translation difference in cash and cash equivalents		17.2	42.8
Cash and cash equivalents at year-end	20	**655.2**	**722.4**
Change in net debt			
Net debt at the beginning of the year		2,538.7	2,664.7
Effect of applying IFRS 16 at the beginning of the period		2,043.0	–
Translation difference		93.0	120.5
Acquired and divested operations		–	41.0
Changes with cash effect		–1,062.0	–268.0
Changes with no cash effect		347.8	–19.5
Net debt at year-end		**3,960.5**	**2,538.7**
Operating cash flow			
Cash flow from operating activities excl. financial items and paid tax		1,594.0	675.5
Net investments		–139.6	–137.5
Operating cash flow	12	**1,454.4**	**538.0**

Statements of Financial Position

MSEK	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets	14	3,229.0	3,218.2
Tangible assets	15, 27	621.1	789.2
Right-of-use assets	16	1,864.7	–
Investments in associated companies	17	3.9	6.0
Deferred tax assets	10	294.9	249.9
Other financial assets		12.5	10.7
Total fixed assets		**6,026.1**	**4,274.0**
Current assets			
Inventory	18	335.3	467.6
Accounts receivable	21	1,740.4	1,761.9
Current tax receivables	10	88.4	64.9
Other receivables		111.2	135.5
Prepaid expenses and accrued income	19	248.8	310.8
Cash and cash equivalents	20	655.2	722.4
Total current assets		**3,179.3**	**3,463.1**
Total assets		**9,205.4**	**7,737.1**
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to parent company shareholders	22	2,777.0	2,697.0
Equity attributable to non-controlling interests		–	10.4
Total equity		**2,777.0**	**2,707.4**
LIABILITIES			
Long-term liabilities			
Lease liabilities	21, 23	1,258.8	78.9
Other interest-bearing liabilities	20, 22, 26	2,214.2	2,270.9
Provisions for post-employment benefits	24	105.8	92.5
Other provisions	25	29.3	8.8
Deferred tax liabilities	10	185.3	190.3
Total long-term liabilities		**3,793.4**	**2,641.5**
Short-term liabilities			
Lease liabilities	21, 23	639.3	67.8
Other interest-bearing liabilities	21, 23, 27	397.7	750.9
Accounts payable	21	677.5	795.3
Current tax liabilities	10	51.1	30.3
Other liabilities		121.3	101.0
Accrued expenses and deferred income	26	591.1	567.8
Other provisions	25	157.0	75.0
Total short-term liabilities		**2,635.0**	**2,388.1**
Total equity and liabilities		**9,205.4**	**7,737.1**

Statements of Changes in Equity

MSEK	Equity attributable to parent company shareholders				Equity of non-controlling interest	Total equity
	Share capital	Other contributed capital	Retained earnings	Total		
Opening balance on 1 Jan. 2018	**353.6**	**1,275.6**	**817.8**	**2,447.0**	**6.2**	**2,453.2**
Dividend to shareholders	–	–	–91.9	–91.9	–0.8	–92.7
Result for the year	–	–	253.9	253.9	4.7	258.6
Other comprehensive income	–	–	88.1	88.1	0.3	88.4
Closing balance on 31 Dec. 2018	**353.6**	**1,275.6**	**1,067.8**	**2,697.0**	**10.4**	**2,707.4**
Dividend to shareholders	–	–	–102.5	–102.5	–1.4	–104.0
Transactions with shareholders with non-controlling interest	–	–	–11.9	–11.9	–13.0	–25.0
Result for the year	–	–	148.2	148.2	4.7	152.9
Other comprehensive income	–	–	46.0	46.0	–0.2	45.7
Closing balance on 31 Dec. 2019	**353.6**	**1,275.6**	**1,147.7**	**2,777.0**	**–**	**2,777.0**

Retained earnings include other reserves amounting to MSEK 267.9 (213.4).

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 Mölndal. Elanders is listed on NASDAQ OMX Stockholm, Mid Cap. 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 2019 were approved by the Board and will be presented to the Annual General Meeting on 28 April 2020 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 2019. 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 krona. All amounts are given in millions of Swedish krona, 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.

Associated companies

Associated companies are companies in which the group has a significant influence, normally when the holding equal at least 20 percent but less than 50 percent of the votes. Holdings in associated companies are recognized in accordance with the equity method.

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

In 2018, leasing agreements were reported in accordance with IAS 17, which is described below in this paragraph. From 2019, leasing agreements are reported in accordance with IFRS 16. For information regarding IFRS 16 and how this has affected the Group's accounting, see New standards, amendments and interpretations of existing standards on pages 69–70.

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 krona, 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 krona with balance sheet date rates while income statements are translated to the average exchange rates for the period.

NOTE 1 Accounting Principles (cont.)

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 krona are reported as assets and liabilities in the acquired unit's currency and translated to balance sheet date rates.

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 are initially recognized at the amount of consideration that is unconditional. Accounts receivable are amounts due from customers for services performed in the ordinary course of business or goods sold. They are generally due for settlement within 30–120 days and therefore are all classified as current. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost. The group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles and historical credit losses experienced within this period. Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. The Group uses factoring, which means that certain accounts receivable are transferred to a factoring company in exchange for cash. With the transfer to the factoring company, the credit risk also transitions and the Group is therefore not reporting the transferred assets in the balance sheet.

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

NOTE 1 Accounting Principles (cont.)

subsidiaries are recorded in the same way as cash flow hedges, with the exception that any effects from the hedge is recorded in the translation reserve.

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

Other financial liabilities
Liabilities to credit institutions are categorized as Other financial liabilities which means they are reported at amortized cost and directly related expenses such as arrangement fees are distributed throughout the period of the loan with the help of the compound interest method. 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 two 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.

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 112–114.

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 and provisions.

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 14.

Valuation of tax loss carry forwards
Deferred tax assets concerning tax loss carry forwards reported by the Group amount to MSEK 171 (169) per 31 December 2019. 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.

New standards, amendments and interpretations of existing standards

Standards, amendments and interpretations of existing standards that came into effect during 2019

IFRS 16
Elanders applies IFRS 16 Leases from January 1, 2019. The transition to IFRS 16 is based on the Modified retrospective approach and accordingly comparative figures has not been restated. Instead, the right-of-use asset and lease liability have initially been valued at the present value of remaining lease payments. The new accounting principle regarding leases mean that all leases, regardless of it is of operational or financial nature, are recognized as right-of-use assets with a corresponding lease liability in the balance sheet when the lease asset is available to use by Elanders.

Elanders leases mainly comprise of right-of-use assets for premises, machinery and equipment and vehicles. Short-term leases and leases for which the underlying asses is of low value are exempted and is expensed on a straight-line basis in the income statement. Leases of low value mainly include IT-equipment and office equipment.

Lease liabilities are recognized as the present value of future lease payments. Each payment is divided between amortization of the lease liability and a financial cost. The financial cost is allocated over the lease term so that each

NOTE 1 Accounting Principles (cont.)

reporting period is charged with an amount corresponding to a fixed interest rate for the liability recognized during each period. Lease payments are discounted with the interest rate implicit in the lease, if this rate can easily be determined. Otherwise, the Group's incremental borrowing rate is applied based on currency and maturity of lease contracts.

The right-of-use assets are recognized at cost and include initial present value of the lease liability. Restoration costs are included in the asset if a corresponding provision for restoration costs exists. The right-of-use asset is depreciated on a straight-line basis over the assets useful life and the lease term, whichever is the shortest.

The lease term is determined as the non-cancellable period of the lease, together with periods covered by an option to extend or terminate the lease if it is reasonably certain that the option will be exercised. Evaluation of the certainty that the option will be exercised is made by management who consider all available information such as costs for termination and the importance of the asset for the business.

Effect of applying IFRS 16

IFRS 16 "Leases" is effective from 1 January 2019 and affect the accounting of the Group's lease agreements where there are large commitments in terms of rental contracts for premises and leasing of machinery and equipment. The transition to IFRS 16 is based on the Modified retrospective approach. The standard has a significant effect on the Group's total assets and liabilities and the effects on opening balances 1 January 2019, income statement and a reconciliation of reported operating lease obligations are presented below.

MSEK	Closing balance 31 December 2018	Effect IFRS 16	Opening balance 1 January 2019
Fixed assets	4,274.0	2,043.0	6,317.0
Current assets	3,463.1	–	3,463.1
Total assets	**7,737.1**	**2,043.0**	**9,780.1**
Equity	**2,707.4**	**–**	**2,707.4**
Long-term liabilities	2,641.5	1,444.0	4,085.5
Short-term liabilities	2,388.1	599.0	2,987.1
Total equity and liabilities	**7,737.1**	**2,043.0**	**9,780.1**

MSEK	Reconciliation leases from IAS 17 to IFRS 16
Operating lease obligations as of 31 December 2018	2,046.0
Discounting effect to net present value	–190.1
Short term and assets of low value exceptions	–80.9
Effect from extension options	268.0
Effect on the lease liability as of 1 January 2019	2,043.0
Finance leases per 31 December 2018	146.7
Lease liability according to IFRS 16 as of 1 January 2019	2,189.9

The Group's average discount rate used for transition is 3.1 percent. The discount rate for the various agreements is in the range of 2.5 to 7.35 percent and is dependent on the currency, jurisdiction and the contract length.

MSEK	Full year 2019	Effect IFRS 16	Full year 2019 excl. effect IFRS 16	Full year 2018
Net sales	11,254.1	–	11,254.1	10,741.7
EBITDA	1,285.3	–712.0	573.3	724.8
Operating result	358.9	–35.3	323.5	458.8
Result after financial items	215.6	–29.5	245.1	366.3
Result for the period	**152.9**	**–22.0**	**174.9**	**258.6**

Further information regarding right-of-use assets can be found in note 16 and regarding lease liabilities in note 23.

NOTE 1 Accounting Principles (cont.)

Standards, amendments and interpretations of existing standards that have not yet come into effect
No new or amended standards that have not yet come into effect are expected to have a material impact on Elanders' financial reports.

NOTE 2 Segment Reporting

The two business areas are reported as reportable operating 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 operating 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.

Until 31 December 2018 Elanders had three business areas, Supply Chain Solutions, Print & Packaging Solutions and e-Commerce Solutions. As of 1 January 2019, e-Commerce Solutions was integrated into Print & Packaging Solutions and the Swedish operations that was earlier included in Print & Packaging Solutions is now included in Supply Chain Solutions. In 2018, the Swedish operations had net sales of MSEK 398.

In connection with this change has goodwill been reallocated to the new business areas. The comparison period has been adjusted to reflect the current segments.

REPORTING BY SEGMENT

	Supply Chain Solutions		Print & Packaging Solutions	
MSEK	2019	2018	2019	2018
Net sales	8,774.8	8,525.1	2,563.9	2,243.2
Operating expenses	–8,555.9	–8,178.4	–2,390.1	–2,110.5
Operating result	**218.8**	**346.7**	**173.8**	**132.7**
Net financial items	–	–	–	–
Result before tax	**218.8**	**346.7**	**173.8**	**132.7**
Investments	449.2	128.5	119.5	47.5
Depreciation and amortization	–770.1	–194.1	–154.9	–72.2
Goodwill	1,450.2	1,430.4	1,030.0	1,008.2
Trademarks with indefinite useful life	399.3	393.3	–	–

	Group functions		Eliminations		The Group	
MSEK	2019	2018	2019	2018	2019	2018
Net sales	37.7	46.4	–122.4	–137.6	11,254.1	10,741.7
Operating expenses	–71.6	–66.9	122.4	137.6	–10,895.3	–10,282.9
Operating result	**–33.9**	**–20.5**	**–**	**–**	**358.7**	**458.8**
Net financial items	–143.1	–92.5	–	–	–143.1	–92.5
Result before tax	**–177.1**	**–113.1**	**–**	**–**	**215.6**	**366.3**
Investments	3.0	1.1	–	–	571.7	177.1
Depreciation and amortization	–1.6	–0.2	–	–	–926.6	–266.4
Goodwill	-	–	–	–	2,480.2	2,438.6
Trademarks with indefinite useful life	-	–	–	–	399.3	393.3

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

NOTE 2 Segment Reporting (cont.)

FIXED ASSETS BY GEOGRAPHIC AREA

MSEK	2019	2018
Germany	2,203.3	849.2
Sweden	217.3	173.9
Singapore	161.9	23.8
USA	151.2	74.9
Poland	94.5	76.3
United Kingdom	89.5	55.4
China	48.0	31.1
Hungary	39.2	36.2
India	37.8	30.6
Czech Republic	24.2	63.3
Other countries	63.1	10.8
Total	**3,130.1**	**1,425.5**

Fixed assets above include other intangible assets, tangible fixed assets, right-of-use assets as well as deferred tax assets. Goodwill and trademarks with indefinite useful life of MSEK 2,880 (2,832) have not been divided geographically since they are based on segments. The significant change compared with the previous year is mainly due to the introduction of IFRS 16, where all operating leases are regarded as rights-of-use assets and are recognized in the balance sheet. Please see Note 1 for further information.

SALES BY GEOGRAPHIC AREA

MSEK	2019	2018
Germany	4,947.0	4,835.3
Singapore	1,849.9	1,613.9
USA	1,213.8	979.9
China	682.7	736.4
United Kingdom	396.2	427.2
Sweden	371.2	439.2
Hungary	280.1	309.3
Switzerland	241.7	226.9
Netherlands	182.6	136.5
Poland	169.0	156.0
Other countries	919.9	881.1
Total	**11,254.1**	**10,741.7**

Information concerning the Group's largest customers
In 2019 sales to the Group's largest customer represent 16 (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 58 (56) percent of total net sales.

NOTE 3 Disaggregation of Revenue

Revenue has been divided into geographic markets, main revenue streams and customer segments since these are the categories the Group uses to present and analyze revenue in other contexts. Income for each category is presented per reportable segment. The Group's customer contracts are easy to identify and products and services in a contract are largely connected and dependent on each other, and therefore part of an integrated offer.

Main revenue streams are presented based on the internal names used in the Group. Sourcing & Procurement services refer to the purchase and procurement of products for customers as well as handling the flows connected to these products. Freight and transportation services refer to revenue from freight and transportation with our own trucks as well as pure freight forwarding. Other supply chain services such as fulfillment, kitting, warehousing, assembly and after sales services are presented under Other contract logistics services. Other work/services refer to pure print services and other services that do not fit into any of the first three categories.

NOTE 3 Disaggregation of Revenue (cont.)

DISAGGREGATION OF REVENUE

	Supply Chain Solutions		Print & Packaging Solutions		Total	
MSEK	2019	2018	2019	2018	2019	2018
Total net sales	8,774.8	8,525.1	2,563.9	2,243.2	11,338.7	10,768.3
Less: net sales to group companies	–26.0	–17.3	–58.6	–9.3	–84.7	–26.6
Net sales	**8,748.8**	**8,507.8**	**2,505.3**	**2,233.9**	**11,254.1**	**10,741.7**

	Supply Chain Solutions		Print & Packaging Solutions		Group	
MSEK	2019	2018	2019	2018	2019	2018
Customer segments						
Automotive	2,080.9	2,115.2	395.6	333.4	2,476.5	2,448.6
Electronics	3,715.0	3,454.7	49.6	65.5	3,764.6	3,520.2
Fashion & Lifestyle	1,261.3	1,271.2	750.7	554.8	2,012.0	1,826.0
Health Care & Life Science	244.0	211.9	54.7	52.6	298.7	264.5
Industrial	995.4	1,010.2	681.5	652.0	1,677.0	1,662.2
Other	452.1	444.6	573.2	575.6	1,025.3	1,020.2
Net sales	**8,748.8**	**8,507.8**	**2,505.3**	**2,233.9**	**11,254.1**	**10,741.7**
Main revenue streams						
Sourcing and procurement services	2,679.3	2,391.1	–	19.8	2,679.3	2,410.9
Freight and transportation services	2,388.4	2,670.2	419.6	293.9	2,808.0	2,964.1
Other contract logistics services	3,400.7	2,778.5	360.6	332.6	3,761.3	3,111.1
Other work/services	280.4	668.0	1,725.1	1,587.6	2,005.5	2,255.6
Net sales	**8,748.8**	**8,507.8**	**2,505.3**	**2,233.9**	**11,254.1**	**10,741.7**
Geographic markets						
Europe						
Germany	4,104.1	4,118.9	842.9	716.4	4,947.0	4,835.3
Sweden	360.8	426.6	10.4	12.6	371.2	439.2
United Kingdom	86.1	96.6	310.1	330.6	396.2	427.2
Hungary	249.5	278.1	30.6	31.2	280.1	309.3
Switzerland	172.1	159.1	69.6	67.8	241.7	226.9
Poland	30.1	28.7	138.9	127.3	169.0	156.0
Netherlands	163.5	118.7	19.1	17.8	182.6	136.5
Other countries	249.3	240.1	220.4	186.1	469.7	426.2
Europe total	**5,415.4**	**5,466.8**	**1,642.1**	**1,489.8**	**7,057.4**	**6,956.6**
Asia						
Singapore	1,849.3	1,613.4	0.6	0.5	1,849.9	1,613.9
China	679.6	686.3	3.1	50.1	682.7	736.4
India	113.0	128.7	0.6	0.7	113.7	129.4
Other countries	244.3	185.3	7.4	8.5	251.8	193.8
Asia total	**2,886.3**	**2,613.7**	**11.8**	**59.8**	**2,898.0**	**2,673.5**
North and South America						
USA	377.7	334.2	836.1	645.7	1,213.8	979.9
Other countries	60.8	40.2	8.8	2.1	69.6	42.3
North and South America total	**438.5**	**374.4**	**844.9**	**647.8**	**1,283.4**	**1,022.2**
Other	**8.6**	**52.9**	**6.6**	**36.5**	**15.2**	**89.4**
Net sales	**8,748.8**	**8,507.8**	**2,505.3**	**2,233.9**	**11,254.1**	**10,741.7**

NOTE 4 Other Operating Income and Other Operating Expenses

OTHER OPERATING INCOME

MSEK	2019	2018
Exchange rate gains	12.3	20.9
Gains on divestment of Group companies	–	6.9
Gains from the sales of fixed assets	1.9	6.9
Insurance compensations	12.3	7.1
Income from sales of coupons	3.6	4.3
Other	33.2	65.3
Total	**63.2**	**111.4**

OTHER OPERATING EXPENSES

MSEK	2019	2018
Result from investments in associated companies	–3.0	–
Exchange rate losses	–9.8	–20.5
Losses on divestment of Group companies	–	–4.9
Losses from the sales of fixed assets	–8.1	–2.1
Other	–13.1	–2.9
Total	**–34.1**	**–30.4**

NOTE 5 Personnel

AVERAGE NUMBER OF EMPLOYEES

	Women		Men		Total	
	2019	2018	2019	2018	2019	2018
Parent company						
Sweden	5	5	6	5	11	10
Subsidiaries						
Germany	887	986	2,532	2,803	3,419	3,789
China	481	589	181	268	661	857
Singapore	254	221	329	254	583	476
Poland	60	60	272	276	332	336
Hungary	123	116	204	184	327	300
Czech Republic	138	136	188	193	326	329
USA	155	134	148	136	303	270
India	25	29	183	189	208	218
United Kingdom	48	55	152	163	199	217
Sweden	42	48	99	121	141	169
Brazil	24	24	25	25	49	49
Netherlands	5	4	42	42	46	46
Austria	12	11	32	31	44	42
Italy	11	11	9	9	20	20
Mexico	10	12	9	7	19	19
Taiwan	4	2	1	3	5	5
Russia	–	–	2	2	2	2
Romania	1	–	–	–	1	–
France	–	–	–	1	–	1
Total	**2,284**	**2,441**	**4,412**	**4,711**	**6,696**	**7,153**

NOTE 5 Personnel (cont.)

SALARIES AND OTHER REMUNERATION

	Board and CEO					
	Basic wage incl. other benefits		Variable remuneration		Other employees	
MSEK	2019	2018	2019	2018	2019	2018
Parent company	13.3	12.7	1.5	3.5	11.3	11.5
Subsidiaries	32.2	33.9	14.9	12.2	2,253.6	2,146.5
Total	**45.5**	**46.6**	**16.4**	**15.6**	**2,264.8**	**2,158.0**

	Salaries and remuneration		Social security contributions		Pension contributions	
MSEK	2019	2018	2019	2018	2019	2018
Parent company	26.1	27.7	9.8	10.5	6.7	6.5
Subsidiaries	2,300.6	2,192.6	404.3	393.2	32.8	35.2
Total	**2,326.7**	**2,220.3**	**414.1**	**403.7**	**39.5**	**41.7**

GENDER DISTRIBUTION IN MANAGEMENT

	Women		Men		Total	
	2019	2018	2019	2018	2019	2018
Board members	4	4	6	6	10	10
Group Management	–	–	7	7	7	7
Supervisors	77	88	219	254	296	342

The Board also includes one employee representative.

REMUNERATION TO THE BOARD, CHIEF EXECUTIVE OFFICER AND OTHER SENIOR OFFICERS 2019

SEK '000s	Basic wage/ Board remuneration	Variable remuneration	Other benefits	Pension contributions	Total
Chairman of the Board	784	–	–	–	**784**
Board members (8 persons)	3,420	–	–	–	**3,420**
Chief Executive Officer	8,996	1,470	117	3,120	**13,703**
Other senior officers (6 persons)	32,670	12,333	1,047	1,342	**47,392**
Total remuneration to the Board, CEO and senior officers	**45,870**	**13,803**	**1,164**	**4,462**	**65,299**

For allocation of the remuneration to the board members see page 48.

REMUNERATION TO THE BOARD, CHIEF EXECUTIVE OFFICER AND OTHER SENIOR OFFICERS 2018

SEK '000s	Basic wage/ Board remuneration	Variable remuneration	Other benefits	Pension contributions	Total
Chairman of the Board	762	–	–	–	**762**
Board members (8 persons)	3,290	–	–	–	**3,290**
Chief Executive Officer	8,568	3,488	97	2,989	**15,142**
Other senior officers (6 persons)	29,117	13,652	1,394	1,557	**45,720**
Total remuneration to the Board, CEO and senior officers	**41,737**	**17,140**	**1,491**	**4,546**	**64,914**

Other senior officers only include compensation for 9 months for one of the persons in Group management since the company he was employed in was divested.

NOTE 5 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. 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 2019.

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 2019 and is normally paid out in 2020.

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 2019 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 2019 based on the remuneration committee's proposals. The Chief Executive Officer has determined the remuneration for other senior officers after consultation with the chairman of the remuneration committee.

Members of the remuneration committee during the year were Carl Bennet, Chairman, Pam Fredman, Erik Gabrielson, Linus Karlsson and Johan Stern. The remuneration committee meets when necessary but at least once a year to prepare proposals for the remuneration of the Chief Executive Officer and agree or disagree to his proposal for remuneration and conditions for senior officers who report directly to him. In addition, the remuneration committee draws up principles for salary levels and employment terms for Group Management. The remuneration committee proposes remuneration, terms and principles to the Board that then decides on these matters. The remuneration committee has met once in 2019. The committee has been supported by external expertise in matters concerning compensation levels and structures.

NOTE 6 Fees to the Auditors

MSEK	2019	2018
PwC		
Audit assignment	5.4	5.4
Audit-related services	0.4	0.0
Tax advisory services	0.1	0.1
Other services	–	–
Other		
Audit assignment	1.1	0.7
Audit-related services	0.0	0.2
Tax advisory services	0.7	1.0
Other services	0.4	1.3
Total	**8.1**	**8.6**

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 total fee to PwC and its network is MSEK 5.9 (5.5). During the financial year 2019 MSEK 1.9 (1.9) was paid in remuneration to the audit firm PricewaterhouseCoopers AB for the audit assignment and MSEK 0.0 (0.1) for other services.

NOTE 7 Costs Classified by Nature

MSEK	2019	2018
Personnel costs	2,888.3	2,769.3
Goods for resale and other production material	2,435.5	2,303.1
Freight costs	2,113.6	2,013.3
Other production costs	1,317.3	1,790.5
Paper costs	457.5	432.5
Cost of sub-contracted work	418.8	459.4
Depreciation and write-downs	926.6	266.0
Cost for advertising and marketing	82.9	99.5
Other costs	284.2	230.3
Total	**10,924.6**	**10,363.9**

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

NOTE 8 Operating Lease Agreements

	Annual cost	
MSEK	2019	2018
Computer equipment	–	20.7
Machinery and other equipment	–	162.1
Rental contracts, premises	–	577.6
Total	**–**	**760.4**

	Future lease payments and rental costs	
MSEK	2019	2018
Within 1 year	–	710.8
Between 1 and 5 years	–	1,292.2
More than 5 years	–	43.0
Total	**–**	**2,046.0**

The Group has lease agreements for premises, production equipment and vehicles that were previously considered operating leases. As of 1 January 2019, the Group applies IFRS 16, which means that lease agreements are reported as rights-of-use and corresponding lease liabilities in the balance sheet. Short-term leases and leases for which the underlying asset has a low value are expensed on a straight-line basis in the income statement, see note 16 for information regarding amounts reported in the income statement.

NOTE 9 Financial Income and Expenses

FINANCIAL INCOME

MSEK	2019	2018
Interest income	4.6	2.0
Exchange rate gains	26.4	50.7
Other	0.3	0.1
Total	**31.3**	**52.9**

FINANCIAL EXPENSES

MSEK	2019	2018
Interest expenses leasing liabilities	–66.7	–3.3
Interest expenses other liabilities	–68.6	–83.3
Exchange rate losses	–30.6	–52.2
Other	–8.5	–6.7
Total	**–174.4**	**–145.4**

NOTE 10 Taxes

RECORDED TAX

MSEK	2019	2018
Current tax on the result for the year	–96.7	–112.6
Withholding tax on dividends and other taxes	–11.9	–11.4
Correction of previous years' current tax expense	–2.7	4.9
Deferred tax	48.6	11.4
Recorded tax	**–62.7**	**–107.7**

RECONCILIATION OF RECORDED TAX

MSEK	2019	2018
Result before taxes	215.6	366.3
Tax according to Swedish tax rate of 21.4 (22.0)%	–46.1	–80.6
Tax effect of:		
Differences in tax rates for foreign subsidiaries	8.1	–6.3
Effect from changes in tax rates	–	–11.5
Non-deductible costs	–7.0	–7.1
Revaluation of deferred taxes	–1.3	2.9
Correction of previous years' tax expense	–2.7	1.5
Withholding tax on dividends and other taxes	–11.9	–11.4
Other	–1.6	4.7
Recorded tax	**–62.7**	**–107.7**

DEFERRED TAX ASSETS AND LIABILITIES BY NATURE, NET

MSEK	2019	2018
Tax loss carryforwards	198.7	175.8
Fixed assets	–161.6	–157.4
Other items	100.0	48.3
	137.1	**66.7**
Less:		
Tax losses carried forward not valued	–27.5	–7.1
Closing value, net	**109.6**	**59.6**

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 69.

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

MSEK	2019	2018
Deferred tax assets	294.9	249.9
Deferred tax liabilities	–185.3	–190.3
Closing value, net	**109.6**	**59.6**

CHANGE IN DEFERRED TAX

MSEK	2019	2018
Opening value, net	59.6	46.3
Recorded deferred tax on the result for the year	48.6	11.4
Tax items charged directly against other comprehensive income	7.2	8.5
Translation differences	–5.8	–6.6
Closing value, net	**109.6**	**59.6**

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	2019	2018
Due within one year	0.3	0.8
Due within 2–5 years	–	7.0
Due after 10 years	13.3	–
No due date	157.6	161.0
Closing value	**171.2**	**168.7**

NOTE 11 Earnings per Share

	2019	2018
Result for the year attributable to parent company shareholders, MSEK	148.1	253.9
Average number of outstanding shares, in thousands	35,358	35,358
Earnings per share, SEK	**4.19**	**7.18**

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. There is no dilution.

NOTE 12 Operating Cash Flow

MSEK	2019	2018
Cash flow from operating activities	1,336.7	455.5
Financial items	143.1	92.5
Paid taxes	114.2	127.5
Acquired and divested operations	–5.0	24.0
Other items included in cash flow from investing activities	–134.5	–161.5
Operating cash flow	**1,454.4**	**538.0**

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

NOTE 13 Supplementary Information to Cash Flow Statements

ADJUSTMENT FOR ITEMS NOT INCLUDED IN CASH FLOW

MSEK	2019	2018
Depreciation, amortization and write-downs of intangible and tangible assets	926.6	266.0
Changes in provisions that affect cash flow	104.5	–3.0
Historical errors in customer projects	86.9	–
Result from disposal of tangible assets	6.3	–7.8
Unrealized exchange rate gains and losses	–8.2	–26.2
Other changes	14.9	–15.8
Total	**1,131.0**	**213.2**

PAID AND RECEIVED INTEREST

MSEK	2019	2018
Paid interest	–135.8	–86.4
Received interest	4.6	2.0
Total	**–131.2**	**–84.4**

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.

NOTE 14 Intangible Assets

MSEK	Goodwill 2019	Goodwill 2018	Trademarks [1] 2019	Trademarks [1] 2018
Opening acquisition value	2,439.3	2,337.5	393.3	377.0
Investments	–	–	–	–
Acquired and divested operations	–	–	–	–
Disposals	–	–	–	–
Reclassification	–	–	–	–
Translation difference	41.6	101.8	6.1	16.3
Closing acquisition value	**2,480.9**	**2,439.3**	**399.4**	**393.3**
Opening accumulated amortization and write-downs	–0.7	–0.7	–	–
Acquired and divested operations	–	–	–	–
Amortization for the year	–	–	–	–
Disposals	–	–	–	–
Reclassification	–	–	–	–
Translation difference	–	–	–	–
Closing accumulated amortization and write-downs	**–0.7**	**–0.7**	**–**	**–**
Net residual value	**2,480.2**	**2,438.6**	**399.4**	**393.3**

MSEK	Other intangible assets [2] 2019	Other intangible assets [2] 2018	Total 2019	Total 2018
Opening acquisition value	769.6	724.5	3,602.2	3,439.0
Investments	21.5	16.1	21.5	16.1
Acquired and divested operations	–	–2.1	–	–2.1
Disposals	–6.4	–17.1	–6.4	–17.1
Reclassification	5.0	7.2	5.0	7.2
Translation difference	14.5	41.0	62.2	159.1
Closing acquisition value	**804.2**	**769.6**	**3,684.5**	**3,602.2**
Opening accumulated amortization and write-downs	–383.4	–302.5	–384.0	–303.1
Acquired and divested operations	–	1.9	–	1.9
Amortization for the year	–70.2	–75.3	–70.2	–75.3
Disposals	5.6	13.8	5.6	13.8
Reclassification	–	–0.4	–	–0.4
Translation difference	–6.9	–20.9	–6.9	–20.9
Closing accumulated amortization and write-downs	**–454.9**	**–383.4**	**–455.5**	**–384.0**
Net residual value	**349.4**	**386.3**	**3,229.0**	**3,218.2**

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

AMORTIZATION SPECIFIED PER FUNCTION IN THE INCOME STATEMENT

MSEK	2019	2018
Cost of products and services sold	–54.8	–47.5
Selling expenses	–10.2	–21.3
Administrative expenses	–5.2	–6.5
Total	**–70.2**	**–75.3**

NOTE 14 Intangible Assets (cont.)

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 an inflation of 2.0 (2.0) percent is assumed and business area Supply Chain Solutions is assumed to have a growth rate of 2.0 (2.0) percent and for the business area Print & Packaging Solutions zero growth has been assumed for the period after the initial three years, which is below the company's expectations. 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 8.3 (8.9) percent. The change in the cost of capital is attributable to effects on the company's debt as a result of the implementation of IFRS 16.

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE DIVIDED BY CASH GENERATING UNIT

MSEK	2019	2018
Supply Chain Solutions	1,849.5	1,823.6
Print & Packaging Solutions	1,030.0	1,008.2
Total	**2,879.5**	**2,831.8**

Sensitivity analysis

A number of sensitivity analyses have been made to evaluate whether or not feasible unfavorable changes could lead to need for write-downs. The analyses have focused on 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 analyses have not shown any need for impairment and the recoverable value exceeds the book value for both business area Print & Packaging Solutions and Supply Chain Solutions.

NOTE 15 Tangible Assets

MSEK	Buildings and land [1] 2019	Buildings and land [1] 2018	Plant and machinery 2019	Plant and machinery 2018	Equipment, tools, fixtures and fittings 2019	Equipment, tools, fixtures and fittings 2018
Opening acquisition value	349.0	329.0	924.8	1,007.8	1,025.8	1,038.7
Reclassification to right-of-use assets [3]	–	–	–11.9	–	–260.2	–
Investments	7.9	3.4	24.2	34.1	55.0	53.6
Acquired and divested operations	–	–	–	–96.6	–	–7.7
Disposals	–3.2	–0.5	–76.3	–62.7	–87.3	–85.4
Reclassification	1.3	2.9	59.8	–0.8	10.3	–16.9
Translation difference	8.2	14.2	26.1	42.9	15.2	43.5
Closing acquisition value	**363.2**	**349.0**	**946.7**	**924.8**	**758.8**	**1,025.8**
Opening accumulated depreciation and write-downs	–182.0	–159.5	–701.6	–777.4	–678.2	–621.4
Reclassification to right-of-use assets [3]	–	–	8.8	–	121.6	–
Acquired and divested operations	–	–	–	81.0	–	6.5
Depreciation for the year	–16.4	–14.8	–57.4	–60.7	–70.3	–115.2
Disposals	2.2	0.2	73.3	61.0	76.1	69.0
Reclassification	0.0	0.0	–0.2	27.3	0.1	10.8
Translation difference	-4.1	–7.8	–19.3	–32.8	–10.8	–27.8
Closing accumulated depreciation and write-downs	**–200.3**	**–182.0**	**–696.5**	**–701.6**	**–561.5**	**–678.2**
Net residual value	**162.9**	**167.0**	**250.1**	**223.1**	**197.3**	**347.6**

MSEK	Fixed assets under construction [2] 2019	Fixed assets under construction [2] 2018	Total 2019	Total 2018
Opening acquisition value	51.4	11.2	2,351.0	2,386.6
Reclassification to right-of-use assets [3]	–	–	–272.1	–
Investments	34.2	70.0	121.3	161.0
Acquired and divested operations	–	–	–	–104.3
Disposals	–	–	–166.8	–148.6
Reclassification	–76.4	–30.2	–5.0	–45.0
Translation difference	1.4	0.5	51.0	101.2
Closing acquisition value	**10.6**	**51.4**	**2,079.3**	**2,351.0**
Opening accumulated depreciation and write-downs	–	–	–1,561.8	–1,558.3
Reclassification to right-of-use assets [3]	–	–	130.4	–
Acquired and divested operations	–	–	–	87.5
Depreciation for the year	–	–	–144.1	–190.7
Disposals	–	–	151.6	130.1
Reclassification	–	–	–0.1	38.1
Translation difference	–	–	–34.2	–68.4
Closing accumulated depreciation and write-downs	**–**	**–**	**–1,458.2**	**–1,561.8**
Net residual value	**10.6**	**51.4**	**621.1**	**789.2**

[1] Buildings and land include land with a book value of MSEK 18.1 (17.5).
[2] Fixed assets under construction include advances related to tangible assets of MSEK 10.4 (50.2).
[3] Lease agreements are reported as rights of use in the balance sheet from 2019 when IFRS 16 came into force, see note 16.

There were no significant investment obligations per 31 December 2019 or 2018.

NOTE 15 Tangible Assets (cont.)

DEPRECIATION SPECIFIED BY FUNCTION

MSEK	2019	2018
Cost of products and services sold	–116.6	–162.1
Selling expenses	–1.5	–1.8
Administrative expenses	–26.0	–26.8
Total	**–144.1**	**–190.7**

Finance lease agreements
Lease agreements are reported as right-of-use assets in the balance sheet from 2019 when IFRS 16 came into force, see note 16.

FUTURE MINIMUM LEASE PAYMENTS FOR FINANCE LEASES

MSEK	2019	2018
Within 1 year	–	67.8
Between 1 and 5 years	–	82.7
More than 5 years	–	–
Total	**–**	**150.5**
Future interest expenses for finance leases	–	–8.8
Current finance lease liability	**–**	**141.7**

NOTE 16 Right-of-use assets

Elanders applies IFRS 16 Leases from January 1, 2019. The transition to IFRS 16 is based on the Modified retrospective approach and accordingly comparative figures has not been restated. Instead, the right-of-use asset and lease liability have initially been valued at the present value of remaining lease payments. The new accounting principle regarding leases mean that all leases, regardless of it is of operational or financial nature, are recognized as right-of-use assets with a corresponding lease liability in the balance sheet when the lease asset is available to use by Elanders. For further information regarding leasing liabilities see note 23.

MSEK	Buildings and land	Plant and machinery	Equipment, tools, fixtures and fittings	Total
	2019			
Acquisition value as of 1 Janaury 2019	**1,740.1**	**151.8**	**423.2**	**2,315.1**
whereof reclassification from tangible assets [1]	–	11.9	260.2	272.1
Investments	301.7	45.7	72.9	420.3
Disposals	–50.0	–7.6	–102.3	–160.0
Translation difference	29.4	6.7	3.3	39.4
Closing acquisition value	**2,021.2**	**196.6**	**397.1**	**2,614.8**
Accumulated depreciation and write-downs as of 1 January 2019	**–**	**–8.8**	**–121.6**	**–130.4**
whereof reclassification from tangible assets [1]	–	–8.8	–121.6	–130.4
Depreciation for the year	–545.2	–63.8	–103.3	–712.3
Disposals	11.0	7.6	67.0	85.6
Translation difference	7.9	0.3	–1.2	7.0
Closing accumlated depreciations and write-downs	**–526.3**	**–64.7**	**–159.1**	**–750.1**
Net residual value	**1,494.9**	**131.9**	**237.9**	**1,864.7**

[1] Leases previously classified as finance leases have been reclassified to right-of-use asset from 1 January 2019 when IFRS 16 became effective.

DEPRECIATION SPECIFIED BY FUNCTION

MSEK	2019
Cost of products and services sold	–694.0
Selling expenses	–6.0
Administrative expenses	–12.3
Total	**–712.3**

EXPENSES RECOGNIZED IN THE INCOME STATEMENT

MSEK	2019
Depreciation right-of-use assets	–712.3
Interest expenses lease liability	–77.7
Expenses related to short-term leases and leases with low value	–103.4
Expenses related to variable leasing fees that is not included in the valuation of the lease liability	–8.2
Total	**–901.6**

The total cash flow for leasing contracts in 2019 amounted to MSEK 870.

NOTE 17 Shares in Associated Companies

On 31 December 2018, 51% of the shares were sold in the subsidiary LOGworks. The company's turnover and earnings have been consolidated in full in 2018. The original valuation of the holding was based on the market valuation made in connection with the divestment. Subsequently, the holding has been reported in accordance with the equity method.

Shares in associated companies	Percentage holding	Carrying value, MSEK
LOGworks GmbH	49	3.9

The table below shows summarized income statement and balance sheet for the Group's associated companies.

MSEK	2019
Net sales	124.4
Operating result	–5.7
Result for the year	–5.6

MSEK	2019	2018
Fixed assets	0.1	0.3
Current assets	18.6	21.6
Total assets	**18.7**	**21.8**
Equity	–5.0	0.5
Short-term liabilities	23.7	21.3
Total equity and liabilities	**18.7**	**21.8**

NOTE 18 Inventory

MSEK	2019	2018
Raw materials and consumables	176.0	258.8
Work in process	33.8	27.3
Finished goods	125.5	181.6
Total	**335.3**	**467.6**

Costs relating to obsolescence expensed during the year amounted to MSEK 8.4 (8.6) and at year-end the obsolescence reserve was MSEK 11.8 (10.8).

NOTE 19 Prepaid Expenses and Accrued Income

MSEK	2019	2018
Machine rent paid in advance	3.7	3.8
Premise rent paid in advance	4.5	2.8
Other prepaid expenses	47.7	35.6
Services performed, not invoiced	139.5	221.2
Other accrued income	53.4	47.4
Total	**248.8**	**310.8**

NOTE 20 Cash and Cash Equivalents

MSEK	2019	2018
Cash and bank	655.2	722.4
Cash and cash equivalents	**655.2**	**722.4**

Translation differences in cash and cash equivalents for the year were MSEK 17.2 (42.8).

NOTE 21 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 has the goal of net debt in relation to EBITDA as a maximum of 2.5 times. In 2019 this quota was 3.1 (3.5) 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 2019 amounted to MSEK 0.2 (0.1) and will be returned to the income statements in 2020.

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 2019:

	Estimated effect from changes in exchange rates by 10%		
MSEK	**Net sales**	**Operating result**	**Result before tax**
EUR	+/– 660	+/– 7	–/+ 1
USD	+/– 390	+/– 27	+/– 24
EUR & USD	+/– 1,050	+/– 34	+/– 23

In regards to net assets in foreign subsidiaries the exposure is primarily in EUR and USD. Hedging of the net investments made in foreign subsidiaries has partly been made regarding the operations in Germany and Singapore through loans in EUR and USD. If the exchange rates in EUR and USD changed by 10 percent it would affect equity by MSEK 173 (166), including the above described hedging.

Currency hedges
The table below shows a compilation over the Group's outstanding forward exchange contracts per 31 December 2019. All the contracts are due within a year. The nominal amount refers to hedged currency translated to SEK.

Currencies	**Nominal amount MSEK**	**Average hedging rate**
EUR/SEK	163.9	10.45
EUR/PLN	23.7	4.32
SEK/GBP	43.5	12.24
USD/PLN	5.1	3.9

NOTE 21 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 21 (20). 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	–	1,784.7
Cash and bank	655.2	–
Long-term liabilities	–3,578.8	–
Current liabilities	–1,037.0	–719.8
Total	**–3,960.6**	**1,064.9**

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 January 2022. Related to the Group's interest bearing liabilities there are covenants from the credit institutions regarding debt/equity ratio and net debt in relation to EBITDA. As of 31 December 2019 all covenants were fulfilled. See page 88 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 2019 total exposure regarding financial credit risks was MSEK 700 (790). 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 1,740 (1,762) per 31 December 2019.

In 2019 credit losses amounted to MSEK 2 (1), of which MSEK 1 (1) were previously reserved.

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 +/– 46
- Personnel cost +/– 23
- Cost of material +/– 17

NOTE 21 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 agreement with the Group's main banks expires in January 2022.

MSEK	Jan.–Mar. 2020	Apr.–Dec. 2020	2021–2024	2025–
Borrowing debts	334.6	63.1	2,214.2	–
Finance lease liabilities	184.7	471.4	1,177.3	45.2
Accounts payable	677.5	–	–	–
Other financial liabilities	42.3	–	-	–
Interest	28.5	73.9	133.3	2.2
Total	**1,267.6**	**608.3**	**3,524.8**	**47.4**

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	2019	2018
1–30 days overdue	253.7	255.9
31–60 days overdue	32.7	53.9
61–90 days overdue	22.3	19.7
91–120 days overdue	17.3	13.4
More than 120 days overdue	27.4	53.1
Total	**353.4**	**396.0**

Only accounts receivables are included in the table above. No other overdue receivables existed as of 31 December 2019 or 2018. Accounts receivable amounting to MSEK 45 (66) are overdue with more than 90 days without any identified need for write-down. The receivables refers to customers without any history of payment difficulties.

CHANGE IN PROVISION FOR DOUBTFUL RECEIVABLES

MSEK	2019	2018
Opening provision for doubtful receivables	–11.9	–22.2
Provision in acquired and divested operations	–	0.1
Reversal of provision from previous year	7.9	11.4
Utilized provisions for confirmed losses	0.2	0.8
Provisions during the year	–9.8	–1.2
Reclassification	–10.6	–
Translation difference	0.0	–0.8
Closing provision for doubtful receivables	**–24.2**	**–11.9**

INTEREST INCOME AND EXPENSES STEMMING FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

MSEK	2019	2018
Interest income from financial assets	4.6	2.0
Interest expenses due to financial liabilities	–133.5	–84.8
Total	**–128.9**	**–82.8**

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.

NOTE 21 Financial Instruments and Financial Risk Management (cont.)

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	2019	2018
Loans and receivables	64.2	154.0
Other financial liabilities	–65.5	–155.7
Total	**–1.3**	**–1.7**

Financial assets and liabilities measured at fair value

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

MSEK	2019	2018
Other current assets – Derivative instruments in hedge accounting relationships	0.2	0.2

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

Hedge accounting

Financial instruments used to hedge currency risks in contracted cash flows as well as net investments abroad have been recorded at market value in the balance sheet. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. For hedges of foreign currency, the group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness.

CATEGORIZATION OF FINANCIAL INSTRUMENTS

The categorization of financial assets and liabilities and their book value in the balance sheets for 2019 and 2018 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.

FINANCIAL ASSETS AT AMORTIZED COST

MSEK	2019	2018
Accounts receivable	1,740.2	1,761.9
Other financial assets	44.5	68.1
Cash and cash equivalents	655.2	722.4
Total	**2,439.9**	**2,552.4**

LIABILITIES AT AMORTIZED COST

MSEK	2019	2018
Trade payables and other financial liabilities	719.8	827.8
Borrowings	4,510.0	3,168.5
Total	**5,229.8**	**3,996.3**

NOTE 22 Share Capital

Number of registered shares in the parent company	2019	2018
Issued per 1 January	35,357,751	35,357,751
Issued per 31 December	**35,357,751**	**35,357,751**

2019	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
Total	**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 23 Interest-Bearing Liabilities

The Group had a total of MSEK 3,508 (3,852) per 31 December 2019 in credit facilities including factoring of which MSEK 692 (599) 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 3.0 (2.9) percent. A fee is charged for granted credit facilities, this is recognized within other financial expenses.

CHANGES IN INTEREST-BEARING LIABILITIES

MSEK	2019	2018
Opening liabilities	3,168.5	3,253.9
Effect of applying IFRS 16 at the beginning of the period	2,043.0	–
Reported liabilities relating to lease agreements entered into during the year	423.8	–
Amortization of lease liabilities	–680.6	-44.6
Other changes in lease liabilities	–82.0	–
Amortization of borrowing debts	–139.0	–114.8
Other changes in borrowing debts	–332.9	–86.8
Translation difference	109.2	160.8
Closing liabilities	**4,510.0**	**3,168.5**

Pledged assets

See note 27 for information on pledged assets.

NOTE 24 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 24.4 (23.4) as of 31 December 2019 and the present value of the pension obligations amounted to MSEK 130.2 (115.9). 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	2019	2018
Discount rate [1]	0.95	1.80
Expected return on plan assets	0.95	1.60

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

NOTE 24 Provisions for Post-Employment Benefits (cont.)

PROVISION FOR POST-EMPLOYMENT OBLIGATIONS

MSEK	Funded plans	Unfunded plans	Total
Present value of post-employment obligations	112.8	17.4	130.2
The fair value of plan assets	–24.4	–	–24.4
Total	**88.4**	**17.4**	**105.8**

CHANGE IN CURRENT VALUE OF THE POST-EMPLOYMENT OBLIGATIONS

MSEK	2019	2018
Opening balance	115.9	113.3
Interest expense	1.7	1.8
Actuarial gains(-)/losses(+), net	13.8	–1.4
Current year service cost	0.3	0.5
Pensions paid out	–2.7	–2.4
Translation difference	1.2	4.1
Closing balance	**130.2**	**115.9**

CHANGE IN PLAN ASSETS FAIR VALUE

MSEK	2019	2018
Opening balance	23.4	23.1
Interest income	0.4	0.3
Actuarial gains(-)/losses(+), net	0.4	–1.0
Translation difference	0.2	1.0
Closing balance	**24.4**	**23.4**

NET EXPENSE RECOGNIZED IN THE INCOME STATEMENT REGARDING DEFINED BENEFIT PLANS

MSEK	2019	2018
Current year service cost	0.3	0.5
Interest expense	1.7	1.8
Interest income	–0.4	–0.3
Pension costs for defined benefit plans	**1.6**	**2.0**

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 40.8 (42.4).

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 2019 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 2019 for pension insurance from Alecta totaled MSEK 2.2 (2,7). For 2020 no significant changes are expected regarding the total costs for pension insurance from Alecta.

NOTE 25 Other Provisions

MSEK	2019	Translation difference	Provided for during the year	Utilized during the year	Reversal of unutilized amounts	2018
Restructuring measures	85.8	0.5	85.1	–2.8	–	3.0
Guarantee commitments	51.8	–0.7	37.7	–9.7	–4.4	28.9
Restoration costs	29.3	–0.5	23.6	–5.2	–9.6	21.0
Additional purchase sums	–	0.3	–	–5.0	–	4.7
Other	19.4	0.2	8.0	–14.5	–0.5	26.2
Total	**186.3**	**–0.2**	**154.4**	**–37.2**	**–14.5**	**83.8**
Of which current	157.0					75.0

The provisions provided for during the year largely relate to the cost-cutting and streamlining program in Germany.

NOTE 26 Accrued Expenses and Deferred Income

MSEK	2019	2018
Holiday pay liability	54.0	61.7
Social security contributions	38.2	48.4
Accrued salaries and remuneration	111.3	130.2
Accrued expenses for services and goods received	275.3	220.5
Other accrued expenses and deferred income	112.3	107.1
Total	**591.1**	**567.8**

NOTE 27 Pledged Assets and Contingent Liabilities

PLEDGED ASSETS

MSEK	2019	2018
Floating charges	119.3	119.3
Other pledged assets	254.3	547.1
Total	**373.6**	**666.4**
Pledged to:		
Credit institutions	373.6	666.4

Other pledged assets refer primarily to collateral in the form of shares in subsidiaries. The item also includes leased assets held under a retention of title clause.

CONTINGENT LIABILITIES

MSEK	2019	2018
Other contingent liabilities	0.1	0.1
Total	**0.1**	**0.1**

NOTE 28 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 4,773 (4,738). 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 2019 and 2018 there have not been any sales of products and services to related parties.

Purchase of products and Services
Related parties to Peter Sommer, previously a 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 14.5 (13.1) 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 1.2 (1.5).

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 5.

NOTE 29 Acquired and Divested Operations

Acquisition of operations in 2019

In January 2019, the acquisition of Spreckley Ltd was finalized, with an additional purchase price of MSEK 5 being paid. The purchase price was previously reserved for.

In December 2019, the remaining 20 percent of the shares in Asiapack Ltd. were acquired. The purchase price amounted to MSEK 25 and has been reported as a transaction with shareholders non-controlling interests.

Divestiture of operations in 2018

Elanders (Beijing) Printing Company Ltd

In October 2018 Elanders signed a contract with the Edelmann Group to transfer its Beijing, China operations in Print & Packaging Solutions to Edelmann. This unit had nearly 170 employees and annual net sales of around MSEK 80. The deal was concluded in the fourth quarter and had a positive effect on cash flow of about MSEK 23 and a minor negative effect on the operating result.

LOGworks GmbH

In November 2018 Elanders' subsidiary LGI signed a contract with Adecco for the divestiture of 51% of the shares in LOGworks, Elanders' staffing services in Germany that employs around 500 people. The sales had a positive effect on cash flow of MSEK 1 and a minor positive effect on the result, and the deal was concluded in the fourth quarter.

ASSETS AND LIABILITIES IN DIVESTED OPERATIONS 2018

MSEK	Book value in the Group
Intangible assets	–0.2
Tangible assets	–16.6
Inventory	–5.9
Accounts receivable	–33.0
Other current assets	–6.3
Cash and cash equivalents	–40.9
Accounts payable	14.7
Other non-interest bearing liabilities	24.4
Total	**–63.8**
Cash and cash equivalents received	65.0
Effect on cash and cash eqivalents for the group	**24.1**

NOTE 30 Events after the Balance Sheet Date

Divestiture of parts of operations in ITG Air & Sea

In a press release on September 3, 2019 Elanders communicated that the Taiwan-based logistics company Dimerco Express Group had acquired a 25 percent stake in Elanders' newly founded subsidiary, ITG Air & Sea GmbH. The business in the new subsidiary mainly stems from Elanders' subsidiary ITG's air and sea freight forwarding business with net sales of around MEUR 75. Dimerco also has an option to increase its stake to 49 percent after two years. With this joint venture Elanders hopes to expand growth opportunities and gain more market shares on the Asiatic market. This also increases our negotiating might with suppliers.

This deal was subject to the approval of the responsible anti-trust authorities. It has now been approved and the purchase price was paid in the beginning of January 2020.

Dimerco is a public company listed on the Taipei Exchange (TPEx) since 2001. Dimerco is a leading global transportation and logistics firm that has been providing professional services nearly 50 years through strategic alliances with various airlines and ocean liners with which they skillfully integrate, manage and streamline customers' supply chain management through smooth logistics solutions. The company has a global network with extensive marketing and sales outlets in China and Asia Pacific along with complementary operations in Europe and North America. In total the network has 160 business locations in 16 countries and Dimerco generated net sales of more than MUSD 600 in 2018.

No other major events have taken place between the balance sheet date and the date this report was signed.

Income Statements

MSEK	Note	2019	2018
Net sales		37.7	41.5
Selling expenses		–11.6	–10.9
Administrative expenses	2	–66.8	–53.6
Other operating income	3	5.2	4.3
Operating result	4, 7	**–35.5**	**–18.7**
Result from shares in subsidiaries		162.1	10.1
Interest income		132.7	136.5
Other financial income		59.0	138.3
Interest expenses		–64.0	–77.8
Other financial expenses		–78.3	–188.7
Result after financial items	5	**176.0**	**–0.3**
Taxes	6	–5.0	–6.5
Result for the year		**171.0**	**–6.8**

Statements of Comprehensive Income

MSEK	2019	2018
Result for the year	**171.0**	**–6.8**
Other comprehensive income	–	–
Total comprehensive income for the year	**171.0**	**–6.8**

Cash Flow Statements

MSEK	Note	2019	2018
Operating activities			
Result after financial items		175.9	-0.3
Adjustments for items not included in cash flow from operating activitites	15	–175.1	83.4
Paid taxes		–1.5	–0.9
Cash flow from operating activities before changes in working capital		**–0.7**	**82.2**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in operating receivables		14.0	1.4
Increase (+)/decrease (–) in operating liabilities		–3.9	2.3
Cash flow from operating activities		**9.3**	**85.9**
Investing activities			
Acquisition of tangible assets and intangible assets	10, 11	–2.8	–1.1
Divestment of subsidiaries	9	–	59.1
Received dividends from subsidiaries	15	162.1	103.3
Lending to and from subsidiaries		98.1	97.9
Cash flow from investing activities		**257.5**	**259.1**
Financing activities			
Amortization of loans	13	–133.5	–109.5
Other changes in interest-bearing liabilities	13	–177.6	–65.5
Dividend to parent company shareholders		–102.5	–91.9
Cash flow from financing activities		**–413.6**	**–266.9**
Cash flow for the year		**–146.8**	**78.1**
Cash and cash equivalents at the beginning of the year		219.0	140.9
Cash and cash equivalents at year-end		**72.3**	**219.0**

Balance Sheets

MSEK	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets	10	3.6	1.0
Tangible fixed assets	11	1.0	1.3
Shares in subsidiaries	9	1,377.6	1,377.6
Receivables from group companies		2,954.2	2,925.7
Deferred tax assets	6	113.5	117.0
Total fixed assets		**4,449.9**	**4,422.7**
Current assets			
Receivables from group companies		111.2	275.2
Other receivables		0.6	4.1
Prepaid expenses and accrued income		13.7	9.2
Cash and bank balances		72.3	219.0
Total current assets		**197.8**	**507.6**
Total assets		**4,647.8**	**4,930.2**

Balance Sheets (cont.)

MSEK	Note	2019	2018
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		860.1	969.5
Result for the year		171.0	–6.8
Total unrestricted equity	**8**	**1,031.1**	**962.7**
Total equity		**1,717.1**	**1,648.6**
PROVISIONS			
Provisions for pensions and similar obligations		1.4	1.4
Other provisions		7.0	1.5
Total provisions		**8.4**	**2.9**
LIABILITIES			
Long-term liabilities			
Liabilities to credit institutions	13, 14	2,213.5	2,120.2
Liabilities to group companies		6.7	66.2
Other liabilities		0.1	0.1
Total long-term liabilities		**2,220.3**	**2,186.5**
Current liabilities			
Liabilities to credit institutions	13, 14	397.6	740.5
Accounts payable		2.3	3.1
Liabilities to group companies		275.8	319.8
Current tax liabilities		0.5	0.3
Other liabilities		1.3	0.7
Accrued expenses and deferred income	12	24.4	27.8
Total current liabilities		**701.9**	**1,092.2**
Equity, provisions and liabilities		**4,647.8**	**4,930.2**

Statements of Changes in Equity

MSEK	Share capital	Statutory reserve	Unrestricted equity	Total
Opening balance on 1 Jan. 2018	**353.6**	**332.4**	**953.9**	**1,747.4**
Dividend	–	–	–91.9	–91.9
Result for the year	–	–	–6.8	–6.8
Other comprehensive income	–	–	–	–
Closing balance on 31 Dec. 2018	**353.6**	**332.4**	**962.7**	**1,648.6**
Dividend	–	–	–102.5	–102.5
Result for the year	–	–	171.0	171.0
Other comprehensive income	–	–	–	–
Closing balance on 31 Dec. 2019	**353.6**	**332.4**	**1,031.1**	**1,717.1**

NOTE 1 Accounting Principles

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

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

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

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

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 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.

Lease agreements
IFRS 16 Leases are not applied in the parent company as exemption is allowed for application in legal entities. This means that the leasing fees are expensed on a straight-line basis in the income statement.

Standards, amendments and interpretations of existing standards that have taken effect in 2019
No new standards, amendments or interpretations that have had significant effect on the company's financial reports have come into effect during 2019.

NOTE 2 Fees to the Auditors

MSEK	2019	2018
PwC		
Audit assignment	1.4	1.2
Audit-related services	–	0.1
Tax advisory services	–	–
Other services	–	–
Total	**1.4**	**1.3**

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

MSEK	2019	2018
Exchange rate gains	0.0	0.6
Other	5.2	3.7
Total	**5.2**	**4.3**

NOTE 4 Personnel

Please see note 5 to the consolidated financial statements for personnel related information.

NOTE 5 Result from Financial Items

RESULT FROM SHARES IN SUBSIDIARIES

MSEK	2019	2018
Dividends from subsidiaries	162.1	103.3
Result from divestment of subsidiaries	–	–93.2
Total	**162.1**	**10.1**

INTEREST INCOME

MSEK	2019	2018
Interest income, external	0.8	0.6
Interest income, subsidiaries	131.9	135.9
Total	**132.7**	**136.5**

OTHER FINANCIAL INCOME

MSEK	2019	2018
Exchange rate gains	59.0	138.3
Total	**59.0**	**138.3**

INTEREST EXPENSES

MSEK	2019	2018
Interest expenses, external	–63.7	–77.6
Interest expenses, subsidiaries	–0.3	–0.2
Total	**–64.0**	**–77.8**

OTHER FINANCIAL EXPENSES

MSEK	2019	2018
Exchange rate losses	–70.3	–182.4
Other financial expenses	–8.0	–6.3
Total	**–78.3**	**–188.7**

NOTE 6 Taxes

TAX ON THE RESULT FOR THE YEAR

MSEK	2019	2018
Withholding tax on income from foreign subsidiaries	–1.5	–0.8
Deferred tax	–3.5	–5.7
Total	**–5.0**	**–6.5**

RECONCILIATION OF RECORDED TAX

MSEK	2019	2018
Result before taxes	175.9	–0.3
Tax according to Swedish tax rate of 21.4 (22.0)%	–37.7	0.1
Tax effect of:		
Non-taxable dividends from subsidiaries	34.7	22.7
Divestment of subsidiaries	–	–20.5
Effect from change in tax rate	0.1	–8.0
Withholding tax on income from foreign subsidiaries	–1.5	–0.8
Correction of previous year's tax expense	–	0.3
Contribution, representation and association costs	–0.2	–0.2
Other	–0.4	–0.1
Total	**–5.0**	**–6.5**

DEFERRED TAX RECEIVABLES

MSEK	2019	2018
Tax loss carry forwards	104.5	110.0
Other	9.0	7.0
Total	**113.5**	**117.0**

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
During the year, the Parent Company purchased services from subsidiaries for MSEK 4,5 (3,5).

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 1.2 (1.5).

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 5 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	2019	2018
Retained earnings	860.1	969.5
Net result for the year	171.0	–6.8
Total	**1,031.1**	**962.7**

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

MSEK	2019	2018
SEK 2.90 (2.90) per share is distributed to the shareholders	102.5	102.5
Remaining balance to be carried forward	928.6	860.1
Total	**1,031.1**	**962.7**

NOTE 9 Shares in Subsidiaries

MSEK	2019	2018
Opening book value	1,377.6	1,530.5
Divestments	–	–152.8
Closing book value	**1,377.6**	**1,377.6**

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 do Brasil Representações Ltda	08.789.936/0001-55	São Paulo, Brazil	–	12.2
Mentor Gerenciamento de Supply Chain (Brasil) Ltda	51.959.310/0001-79	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	Hong Kong, China	–	–
Asiapack (Shenzhen) Co., Ltd	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 (Chongqing) Co., Ltd – Wuhan Branch	91420100MA4KYTDK3K	Wuhan, China	–	–
Mentor Media (Kunshan) Co., Ltd	913205837584821000	Kunshan, China	–	–
Mentor Media Ltd, Taiwan Branch	70777068	Taoyuan, Taiwan	–	–
Mentor Media (Shenzhen) Co., Ltd	91440300726187433D	Shenzhen, China	–	–
Mentor Media (USA) Supply Chain Management Inc	C3095841	Eastvale, USA	–	–
Mentor Media (Xiamen) Co., Ltd	91350200612051108M	Xiamen, China	–	–
Mentor Media CBZ (Chongqing) Co., Ltd	915000005814642000	Chongqing, China	–	–
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	–	–
Mentor Supply Chain (Chongqing-CBZ) Co., Ltd	91500106MA5YR1XH62	Chongqing, China	–	–
Mentor Supply Chain (Netherlands) BV	858777265	Rotterdam, Netherlands	–	–
Mentor Media Czech s.r.o.	CZ27742270	Brno, Czech Republic	–	–
Mentor Supply Chain Mexico S.A. de C.V.	MSC191028QH1	Juárez, Mexico	–	–
Mentor Supply Chain Services (Singapore) Pte. Ltd.	201900380C	Singapore	–	–
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 Air & Sea GmbH	HRB250422	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	OGRN 1127746350720	Moscow, Russia	–	–
LGI Austria GmbH	FN 349601 w	Laxenburg, Austria	–	–
LGI Espana s.l.	B19274901	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 07251732	Milton Keynes, UK	–	–
LGI Polska Sp. z o.o.	KRS 0000246814	Wroclaw, Poland	–	–
LGI Romania s.r.l.	J02/1032/2019	Arad, Romania	–	–
LGI Czechia s.r.o.	CZ25204581	Zákupy, Czech Republic	–	–
LGI Deutschland GmbH	HRB354685	Herrenberg, Germany	–	–
LGI FreightLog GmbH	HRB761526	Freiberg am Neckar, Germany	–	–
LGI Logistics Solution GmbH	HRB32410	Duisburg, Germany	–	–
LGI TechLog GmbH	HRB513968	Herrenberg, Germany	–	–
Logistics Worksolution Sp. z o.o.	KRS 0000735255	Starachowice, Poland	–	–
Logistik Lernzentrum GmbH	HRB246072	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	Newcastle, UK	–	–
Elanders Polska Sp. z o.o.	KRS 0000101815	Płońsk, Poland	–	89.9
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				**1,377.6**

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

NOTE 10 Intangible Assets

	Goodwill		Other intangible assets		Total	
MSEK	2019	2018	2019	2018	2019	2018
Opening acquisition value	2.0	2.0	3.4	11.0	5.4	13.0
Acquisitions	–	–	2.7	–	2.7	0.0
Disposals	–	–	–	–7.6	0.0	–7.6
Closing acquisition value	**2.0**	**2.0**	**6.2**	**3.4**	**8.1**	**5.4**
Opening accumulated amortization and write-downs	–1.5	–1.4	–2.9	–10.4	–4.4	–11.8
Amortization of the year	–0.1	–0.1	–0.1	–0.1	–0.2	–0.2
Disposals	–	–	–	7.6	–	7.6
Closing accumulated amortization and write-downs	**–1.6**	**–1.5**	**–3.0**	**–2.9**	**–4.6**	**–4.4**
Net residual value	**0.4**	**0.5**	**3.2**	**0.6**	**3.6**	**1.0**

Amortization has been charged entirely to administrative expenses.

Other intangible assets refer to software.

NOTE 11 Tangible Fixed Assets

	Equipment, tools, fixtures and fittings	
MSEK	2019	2018
Opening acquisition value	1.4	2.0
Acquisitions	0.0	1.1
Disposals	–0.2	–1.7
Closing acquisition value	**1.2**	**1.4**
Opening accumulated depreciation	–0.1	–1.7
Depreciation for the year	–0.2	–0.1
Depreciation for the year	0.0	1.7
Closing accumulated depreciation	**–0.3**	**–0.1**
Net residual value	**1.0**	**1.3**

Depreciation has been charged entirely to administrative expenses.

There has been no financial leasing.

NOTE 12 Accrued Expenses and Deferred Income

MSEK	2019	2018
Salaries and holiday pay	3.6	8.2
Social security contributions	8.6	8.7
Interest	0,1	0.6
Other accrued expenses and deferred income	12.0	10.3
Total	**24.4**	**27.8**

NOTE 13 Liabilities to Credit Institutions

All liabilities to credit institutions are borrowing debts. Loans from Elanders' main banks follows the terms in the credit agreement and maturity is in January 2022. Elanders AB has loans in USD, EUR and PLN. The interest rate on the loans per 31 December 2019 was in the interval 2.00–4.00 (2.00–4.69) percent.

Please see note 21 to the consolidated financial statements for information regarding financial risk management.

CHANGES IN INTEREST-BEARING LIABILITIES

MSEK	2019	2018
Opening liabilities	2,860.7	2,888.6
Amortization of loans	–133.5	–109.5
Other changes in interest-bearing liabilities	–177.6	–65.5
Translation difference	61.4	147.1
Closing liabilities	**2,611.0**	**2,860.7**

BANK OVERDRAFT FACILITIES

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

MSEK	2019	2018
Bank overdraft facilities, utilized amount	–	–
Bank overdraft facilities, granted amount	70.0	50.0
Not utilized overdraft	**70.0**	**50.0**

NOTE 14 Pledged Assets and Contingent Liabilities

PLEDGED ASSETS

MSEK	2019	2018
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	2019	2018
Surety and contingent liabilities given for subsidiaries	101.6	338.8
Total	**101.6**	**338.8**

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 2019 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 2019, 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 subsidiaries Schmid Druck + Medien GmbH, Elanders GmbH and Elanders Holding GmbH, all registered in Germany. The parent company guarantees for all obligations of Schmid Druck + Medien GmbH, Elanders GmbH and Elanders Holding GmbH existing as of 31 December 2019 until the end of the following financial year. As a consequence of this, Schmid Druck + Medien GmbH, Elanders GmbH and Elanders Holding GmbH including its German subsidiaries LGI Logistics Group International GmbH, LGI Deutschland GmbH, LGI FreightLOG GmbH, LGI TechLog GmbH, Helix Software + Support GmbH, Logistik Lernzentrum GmbH, LGI Logistics Solution GmbH, ITG GmbH Internationale Spedition und Logistik and ITG Air & Sea 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, ITG Air & Sea GmbH 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 15 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	2019	2018
Depreciation, amortization and write-downs of intangible and tangible assets	0.4	0.3
Result from divestment of subsidiaries	–	93.2
Dividends from subsidiaries	–162.1	–103.3
Unrealized exchange rates gains and losses	–20.1	93.3
Other items	6.7	–0.1
Total	**–175.1**	**83.4**

PAID AND RECEIVED INTEREST

MSEK	2019	2018
Paid interest	–63.8	–77.1
Received interest	132.6	132.2
Total	**68.8**	**55.1**

DIVIDENDS RECEIVED FROM SUBSIDIARIES

MSEK	2019	2018
Elanders GmbH	83.5	72.4
Elanders Hungary Kft	21.3	20.8
Elanders Polska Sp.z o.o.	10.8	10.1
Midland Information Resources Company	46.6	–
Total	**162.1**	**103.3**

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 1,030,731,115 in the parent company at the disposition of the Annual General Meeting should be dealt with accordingly:

- SEK 2.90 per share, a total of SEK 102,537,478 is distributed to the shareholders
- the remaining balance of SEK 928,193,637 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 28 April 2020 for adoption.

Mölndal 2 March 2020

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

Martin Schubach

Magnus Nilsson
Chief Executive Officer

Our auditor's report was issued on 2 March 2020
PricewaterhouseCoopers AB

Magnus Willfors
Authorized Public Accountant
Auditor in Charge

Tomas Hilmarsson
Authorized Public Accountant

Auditor's Report

Unofficial translation

To the general meeting of the shareholders of Elanders AB (publ), corporate identity number 556008-1621

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Elanders AB (publ) for the year 2019 except for the corporate governance report and the statutory sustainability report on pages 46–51 and 52–61 respectively. The annual accounts and consolidated accounts of the company are included on pages 39–107 in 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 and the group as of 31 December 2019 and 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 of 31 December 2019 and their 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 the statutory sustainability report on pages 46–51 and 52–61 respectively. 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 adopts the income statement and statements of financial position for the parent company and the group.

Our opinions in this report on 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 International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. 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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that 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 consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering 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 consolidated 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated 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 of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in our audit
IMPAIRMENT TESTING OF INTANGIBLE ASSETS	
Reference to Note 1 and Note 14. Goodwill and other intangible assets with an indefinite useful life represents a significant part of the statements of financial position of Elanders. The Company performs an impairment assessment of the assets based on a calculation of the discounted cash flow for the cash generating units in which goodwill and other intangible assets are reported. This impairment test is based on a high level of judgements and assumptions regarding future cash flows. Information is provided in Notes 1 and 14 as to how the Company's management has undertaken its assessments, and also provides information on important assumptions and sensitivity analyses. Key variables in the test are growth rate, profit margins and discount factor (cost of capital). It is presented that no impairment requirement has been identified based on the assumptions undertaken.	In our audit, we have evaluated the calculation model applied by management. We have reconciled and critically tested essential variables against budget and strategic plan for the Company. We have analyzed the accuracy on how previous years assumptions have been met and assessed any adjustments to assumptions compared to previous year, as a result from changes in the business and external factors. We have tested the sensitivity analysis for key variables in order to assess the risk of need for impairment. We have also assessed the correctness of the disclosures included in the financial statements.
VALUATION OF DEFERRED TAX ASSETS	
Reference to Note 1 and Note 10. As per year end the group recognizes deferred tax assets of SEK 294,9 million whereof SEK 171,2 million are related to taxable losses. The recognition of deferred tax assets for taxable losses are only allowed under the circumstances that it is more likely than not that they will be offset against future taxable profits. The taxable losses that stand as a base for the deferred tax assets are mainly related to the Swedish business. The assessment of the probability that future taxable profits will occur in the Swedish business to be offset against the taxable losses is highly based on management's estimates and judgements on future budgets and forecasts. In our audit we have focused on the risk that the valuation of deferred tax assets is overstated and could consequently be subject to impairment requirements.	We have challenged management's estimates and audited the supporting documentation that form the basis for the assessment. Analysis has been made of the taxable profits that has been generated during the year and compared these to future profits needed to offset recognized taxable losses. In accordance with Swedish tax law there is currently no definite useful live of taxable losses. We have involved our tax specialists in these assessments. In addition to this we have assessed the completeness and accuracy in the disclosure described in Notes 1 and 10.

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 1–38 and 112–123. The Board of Directors and the Chief Executive Officer are responsible for this other information.

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 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 has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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 level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. 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 Director's and the Chief Executive Officer of Elanders AB (publ) for the year 2019 and the proposed appropriations 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 Director's 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 Auditor's Responsibilities section. 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 that 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 appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization 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 fulfill 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 about 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 Managing Director 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 concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level 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 appropriations of the company's profit or loss are 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 examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 46–51 has been prepared in accordance with the Annual Accounts Act. Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement 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. We believe that the examination has provided us with sufficient basis for our opinions. A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act/ the Annual Accounts Act for Credit Institutions and Securities Companies/ the Annual Accounts Act for Insurance Companies.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 52–61, 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 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. 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 29 April 2019 and has been the company's auditor since the 21 April 2008.

Mölndal, 2 March 2020

PricewaterhouseCoopers AB

Magnus Willfors
Authorized Public Accountant
Auditor in charge

Tomas Hilmarsson
Authorized Public Accountant

Reconciliation Alternative Performance Measures

MSEK	2019	2018	2017	2016	2015
Average total assets	9,677	7,792	7,154	5,132	3,559
Average cash and cash equivalents	–749	–595	–639	–573	–418
Average non-interest-bearing liabilities	–1,808	–1,799	–1,532	–1,131	–816
Average capital employed	**7,120**	**5,398**	**4,983**	**3,428**	**2,325**
Operating result	359	459	308	344	292
Return on capital employed %	**5.0**	**8.5**	**6.2**	**10.0**	**12.6**
Interest-bearing long-term liabilities	3,579	2,442	2,504	2,647	20
Interest-bearing short-term liabilities	1,037	819	840	228	1,247
Cash and cash equivalents	–655	–722	–679	–651	–529
Net debt	**3,961**	**2,539**	**2,665**	**2,224**	**738**
Operating result	359	459	308	344	292
Depreciation and write-downs	927	266	255	172	136
EBITDA	**1,286**	**725**	**563**	**516**	**428**
Adjustments for one-off items	150	–	–	–	–
EBITDA adjusted	**1,436**	**725**	**563**	**516**	**428**
Net debt/EBITDA, times	**3.1**	**3.5**	**4.7**	**4.3**	**1.7**
Net debt / EBITDA adjusted, ratio	**2.8**	**3.5**	**4.7**	**4.3**	**1.7**
Operating result	359	459	308	344	292
Amortization of assets identified in conjunction with acquisitions	54	64	63	40	21
EBITA	**413**	**523**	**371**	**384**	**313**
Adjustments for one-off items	150	–	–	–	–
EBITA adjusted	**563**	**523**	**371**	**384**	**313**
Net sales	11,254	10,742	9,342	6,284	4,236
EBITA-margin, %	**3.7**	**4.9**	**4.0**	**6.1**	**7.4**
EBITA-margin adjusted, %	**5.0**	**4.9**	**4.0**	**6.1**	**7.4**

MSEK	2019	2018	2017	2016	2015
Share price at year-end, SEK [1]	87.20	87.20	82.00	106.25	64.36
Number of shares as per balance sheet date, in thousands [1]	35,358	35,358	35,358	35,358	28,224
Net debt	3,961	2,539	2,665	2,224	738
Equity attributable to non-controlling interests	–	10	6	–	–
Enterprise value, MSEK	**7,044**	**5,633**	**5,570**	**5,981**	**2,555**
Total assets	9,205	7,737	7,409	6,782	3,560
Cash and cash equivalents	–655	–722	–679	–651	–529
Non-interest-bearing liabilities	–1,812	–1,769	–1,612	–1,496	–805
Capital employed, MSEK	**6,738**	**5,246**	**5,118**	**4,635**	**2,226**
Average share price [1]	84.45	80.82	98.82	82.78	45.79
Dividends per share, SEK [1]	2.90 [2]	2.90	2.60	2.60	2.07
Dividend yield %	**3.4**	**3.6**	**2.6**	**3.1**	**4.5**
Share capital	2,777	2,697	2,447	2,411	1,488
Share capital per share, SEK [1]	**78.54**	**76.28**	**69.21**	**68.19**	**52.72**
Cash flow from operating activities	1,337	455	–64	331	269
Net financial items	143	93	78	44	32
Paid tax	114	127	134	104	85
Net investments	–140	–138	–262	–1,907	–42
Operating cash flow	**1,454**	**538**	**–115**	**–1,428**	**344**
Average number of shares, in thousands [1]	35,358	35,358	35,358	29,555	28,224
Operating cash flow per share, SEK [1]	**41.12**	**15.22**	**–3.24**	**–48.32**	**12.19**
Volume on the stock market, in thousands [1]	5,824	3,829	8,592	13,025	5,714
Turnover rate	**0.16**	**0.11**	**0.24**	**0.44**	**0.20**

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

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.

Blockchain solutions
A blockchain is a growing list of records, called blocks, which are linked using cryptography. Each block contains a cryptographic hash of the previous block, a timestamp and transaction data. By design, a blockchain is resistant to modification of the data. It is "an open, distributed ledger that can record transactions between two parties efficiently and in a verifiable and permanent way". By using blockchain technology the user can ascertain that the product is genuine, as the whole supply chain for the product can be verified.

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-time (JIT)
Delivery precision – delivery exactly when the need arises. The concept also entails that customers do not need to store their products.

Life Cycle Services
Services that are carried out during the whole or parts of a product's life cycle, from when the product is manufactured to it is recycled. Examples of services are delivery, installation, training, maintenance, wiping of data, upgrade of software, refurbishment and reselling or recycling. The service aims to maximize the product's life and optimize logistics flow in order to reduce the environmental impact.

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 web pages, social media, mobile applications and telephone communication. Companies that use omni-channels give their customers the ability to be in contact with 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.

Reverse logistics
Normally, logistics deal with events that bring the product towards the customer. In the case of reverse logistics, the product goes back in the supply chain. For instance, goods move from the customer back to the distributor or to the manufacturer. The reverse logistics process includes the management of surplus equipment, returns as well as defective products including testing, dismantling, repairing, recycling or disposing the product.

Supply chain
The movement and storage of goods and or information from point of origin to end-users. Supply chain management can be defined as the design, planning, execution, control and monitoring of activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand and measuring performance globally.

Value Recovery
The process of maximizing the value of unused or end-of-life assets through effective reuse, recycling or divestment.

Board of Directors

CARL BENNET

Chairman of the Board.

Born: 1951.

B.Sc. (Econ.), Ph.D. h.c. (Med.), Ph.D. h.c. (Tech.)

Elected in: 1997.

Appointments on the Elanders Board: Chairman of the nomination committee and remuneration committee.

Other appointments: Chairman and CEO of Carl Bennet AB. Chairman of the board of Lifco AB. Deputy Chairman of the board of Arjo AB and Getinge AB. Member of the board of 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 and Estea AB.

Previous appointments: Active within SEB's operations in Sweden and the USA.

Shareholding: 110,000 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 audit committee.

Other appointments: Member of the board of Carl Bennet AB, Getinge AB and Swedish-American Chamber of Commerce, Inc.

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 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: Strategic/creative advisor. Member of the board of the World Childhood Foundation USA. Member of Facebook Creative Council.

Previous appointments: Creative Chairman at McCann Global brands.

Shareholding: None.

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: Member of the board and CEO of Arado AB.

Previous appointments: Chief Financial Officer of Carl Bennet AB. Group Controller at Ernström Holding AB. Finance Manager at JMS/Q Systemhydraulik AB. Chairman of the Board of Entercircle Konfektion AB.

Shareholding: 6,892 class B shares.

PAM FREDMAN

Member of the Board.

Born: 1950.

M.Sc. in Engineering. PhD., professor emerita.

Elected in: 2016.

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

Other appointments: President International Association of Universities (IAU). Member of the board of Knut and Alice Wallenberg Foundation. Chairman of the board of the Swedish Higher Education Appeals Board. Chairman/member of miscellaneous research networks.

Previous appointments: State investigator. Vice-Chancellor Gothenburg University. 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).

Shareholding (own and related parties): 1,609 class B shares.

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, Clemondo Group AB, Evolution Gaming AB and Greengold Group AB and Sveab Holding AB.

Previous appointments: CEO SEB Funds. Marketing Director Alecta. Member of the board of Cinnober Financial Technology AB, Collector AB, Collector Bank AB, Eniro AB, Intellecta AB, Knowit AB, Oniva Online Group AB and Vardia Insurance Group ASA.

Shareholding: 37,521 class B shares.

MAGNUS NILSSON

Member of the Board.

President and Chief Executive Officer of Elanders AB.

Born: 1966.

Education in Graphic Technology, Design, Business Administration and Marketing.

Elected in: 2010.

Employed in Elanders since 1999.

Shareholding: 82,577 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: Member of the board and CEO of Caroline Sundewall AB. Member of the board of BSÖ Holding AB, Hemfosa, Mertzig Asset Management and SinterCast. Chairman of the board of the Streber Cup Foundation. Member of the board of the Tillväxt Helsingborg Foundation.

Previous appointments in selection: Chairman of the board of Cloetta and Svolder. Member of the Board of Cramo (Finland), TeliaSonera, Electrolux, Lifco, Haldex, Pågen, Ahlsell and Södra Skogsägarna.

Shareholding: 8,000 class B shares.

MARTIN SCHUBACH

Employee representative.

Born: 1974.

Upper secondary education.

Elected in: 2015.

Work: Prepare/Automation.

Shareholding: 267 class B shares.

MARTIN AFZELIUS

Deputy employee representative.

Born: 1969.

Community College and University education.

Elected in: 2019.

Work: Machine operator graphic sector.

Shareholding: None.

Group Management

MAGNUS NILSSON

President & CEO.

Born: 1966.

Employed since 1999. Education in Graphic Technology, Design, Business Administration and Marketing. Active within the graphic industry since 1987. Head of production Elanders in Hungary 2002. MD Elanders Berlings Skogs 2003–2005 and Elanders in China 2005–2009.

Shareholding: 82,577 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.

BERND SCHWENGER

Supply Chain Solutions (LGI), President.

Born: 1972.

Employed since 2018. Diploma in Transport Economics and Logistics. Almost 20 years of experience within Supply Chain Management and Transportation Logistics, including 11 years as Manager at HP and 7 years as Director Transportation and Managing Director at Amazon Logistics in Germany.

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.

SVEN BURKHARD

Print & Packaging Solutions, President.

Born: 1985.

Employed since 2017 and prior to that was employed at, among other places, the German company Flyeralarm. Education in Graphic Technology, Design and Business Administration. More than 15 years' experience in printing technologies, E-commerce, Product Management and Business Development.

Shareholding: None.

KEVIN ROGERS

President Global Sales.

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 and Nomination Committee

AUDITORS

PricewaterhouseCoopers AB with the authorized public accountants:

Magnus Willfors

Born: 1963.

Company Auditor in Charge since 2015.

Other appointments:
Carl Bennet AB, Arjo AB, Arise AB and Haldex AB.

Tomas Hilmarsson

Born: 1981.

Company Auditor since 2018.

Other appointments:
Lifco AB and BE Group AB.

THE NOMINATION COMMITTEE

Carl Bennet
Chairman and contact, represents Carl Bennet AB.

Hans Hedström
Carnegie Funds.

Carl Gustafsson
Didner & Gerge Funds.

Fredrik Carlsson
Svolder.

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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Elanders AB
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Contact Elanders

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Annual General Meeting and Calendar

Shareholders in Elanders AB (publ) are welcomed to the company's Annual General Meeting Tuesday 28 April 2020 at 3 p.m., Gothia Towers, Mässans gata 24, Gothenburg, Sweden.

Shareholders who wish to participate in the Annual General Meeting must be inscribed in the share register held by Euroclear Sweden AB on Wednesday 22 April 2020. Intent to participate must be reported by Wednesday 22 April 2020.

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 Wednesday 22 April 2020. 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, Flöjelbergsgatan 1 C, 431 35 Mölndal, 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 2020

Web: www.elanders.com

E-mail: arsstamma@elanders.com

In writing:
Elanders AB (publ)
Annual General Meeting
Flöjelbergsgatan 1 C, 431 35 Mölndal, Sweden

Telephone: +46 31 750 07 21

Intent to participate must be reported by Wednesday 22 April 2020.

CALENDAR

Annual General Meeting	28 April 2020
Quarterly Report Q1, 2020	28 April 2020
Quarterly Report Q2, 2020	15 July 2020
Quarterly Report Q3, 2020	22 October 2020
Year-end Report 2020	28 January 2021

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Globalgoals.org: page 56.
Elanders: pages 3, 27, 30, 119.
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Mikael Göthage: pages 2–3, 8, 23, 28, 52, 116–119.
Pratham: page 60.
Shutterstock: pages 10, 12–15, 20–21, 23–24, 26–28, 35, 44–45, 51, 54–56, 122–123.

DISTRIBUTION POLICY

Elanders' Annual Report is distributed to those shareholders who have actively ordered a printed version, certain customers and other interested parties.

It is 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.

FSC© LABELED 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.

TRANSLATION

Elanders and Camille Forslund. This document is essentially a translation of the Swedish language version. In the event of any discrepancies between this translation and the original Swedish document, the latter shall be deemed correct.

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