

Samhall
welcomed 7,550
new employees
during the year



samhall
ANNUAL AND SUSTAINABILITY REPORT
2016



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The audited annual report for Samhall AB (publ) 556448-1397 consists of the Administration report and accompanying financial statements on pages 6-19 and 38-72. The summary reviewed sustainability report consists of pages 6-7, 12-13, 22-47 and 76. The annual and sustainability report is published in Swedish and English. The Swedish version is the original.

Sustainability reporting
Administration report and
Financial statements

SAMHALL - SWEDEN'S MOST IMPORTANT COMPANY

Samhall is wholly owned by the Swedish state and assigned to create meaningful work that furthers the development of people with functional impairment.

We have
24,333
 employees at
4,865
 clients in
622
 areas in Sweden

We are Sweden's largest service provider and have an annual income of SEK 7.5 billion. 59% of our income is compensation from the state intended to cover the additional costs Samhall has as a consequence of its labour market policy assignment.

We want to contribute to a Sweden where everyone is considered an asset to the labour market.



Samhall operates in competition with other companies and offers services at market conditions to clients including:

- ICA
- IKEA
- AXFOOD
- PERMOBIL
- SWEDBANK
- VOLVO CARS
- SWEDISH DEFENCE MATERIEL ADMINISTRATION
- MAX HAMBURGERRESTAURANGER

We are also hired by many municipalities: from Malmö and Lomma in the south, to Luleå and Kiruna in the north.

Samhall offers a unique combination of employee benefit, client benefit and society benefit. We call it the Samhall benefit. It means:

- **For employees:** We develop working capacity and employability for people with functional impairment.
- **For clients:** We offer high-quality services and give our clients the opportunity of contributing to a more sustainable society.
- **For society:** By creating paths from exclusion to a working community, we combat social isolation and contribute to a better Sweden.

SAMHALL WAS FOUNDED IN 1980 AS AN INDUSTRIAL GROUP. Today, operations are based on providing services in the form of subcontract work or manning solutions. We offer everything from property management, logistics and manufacturing to cleaning, laundry, retail and care services. Samhall operates throughout the entire country and has its headquarters in Stockholm.

We focus on the abilities and possibilities of our employees.

THE YEAR IN BRIEF



IN TOTAL, 7 550 PEOPLE GOT A NEW JOB or traineeship at Samhall in 2016. In addition, 1,179 employees left their jobs at Samhall for employment with another employer, which meant the government's target of at least 1,100 transitions for 2016 was surpassed.

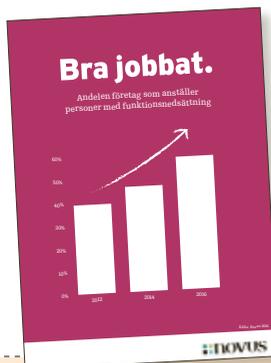


SAMHALL'S ANNUAL GENERAL MEETING TOOK PLACE ON THE 26 APRIL.

In conjunction a well-attended seminar was organised on the theme "What happens in a world full of academics?" where the supply of skills in tomorrow's labour market was discussed.



IN 2016, SAMHALL SUCCESSFULLY EXPANDED THE GOVERNMENT'S ASSIGNMENT REGARDING DEVELOPMENT POSITIONS: – adapted positions for people with functional impairment who have been out of work for a long time, prioritising young adults: from 1,000 to 2,000 persons. Positive results for this group have led to Samhall being entrusted to again expand the assignment to an additional 1,100 persons in 2017.



A SURVEY COMMISSIONED BY SAMHALL SHOWS THAT MORE COMPANIES ARE EMPLOYING PEOPLE WITH FUNCTIONAL IMPAIRMENT. The proportion of employers who state they have employed people with functional impairment has risen by 12 percentage points (from 46% to 58%) between 2014 and 2016.



IN 2016, SAMHALL AND THE SWEDISH DEFENCE MATERIAL ADMINISTRATION SIGNED A FOUR-YEAR CONTRACT FOR SERVICE MANAGEMENT. It was one of the year's largest service deals in Sweden and means almost 500 Samhall employees will work with the Administration's operations.



800 NEW CLIENT AGREEMENTS SIGNED IN 2016. Major contracts include store cleaning and logistics assignments within the Axfood and ICA groups. Samhall also signed a contract with Åhléns to clean all but one of the retail chain's department stores.



DURING ALMEDALEN WEEK, SAMHALL ARRANGED series of activities including a roundtable discussion about tomorrow's skills supply. Representatives from Samhall also participated in a number of panel discussions and seminars.



SAMHALL WAS INVITED TO GIVE TWO PRESENTATIONS AT WORKABILITY INTERNATIONAL'S GLOBAL CONFERENCE in Auckland, New Zealand. A representative from Samhall was also elected to the Board of Workability International, a global association of organisations that offers work to more than 3 million people with functional impairment.



"PUT THE RIGHT PERSON IN THE RIGHT PLACE" WAS THE THEME OF THIS YEAR'S PATHFINDER PRIZE CEREMONY. At a sold out Rival theatre in Stockholm, the audience experienced a thrilling gala, where Micasa fastigheter and Kristofer Sandström were the award-winning employer and individual. Both prizes were presented by the Minister of Employment Ylva Johansson and Glada Hudik Theatre's Mats Melin in front of an audience of more than 800 people. Among the many participants in the gala were Leif Östling (Chairman, The Confederation of Swedish Enterprise), Caroline Berg (Chairman, Axel Johnson Group) and Lars-Johan Jarnheimer (Chairman, IKEA Group).



SAMHALL'S TRAINING OPERATIONS GROW. During the year, 2,300 courses were conducted for a total 20,300 training places, which is approx. 5,000 more than 2015.

Key performance indicator	2016	2015	2014	2013	2012
Wage hours, thousands	29,548	29,539	29,442	29,490	29,573
Transitions, number ¹⁾	1,179	1,059	1,122	912	987
Prioritised recruitment, %	57	46	44	43	43
Employees with functional impairment ²⁾	19,259	18,528	19,660	18,321	19,148
Employees with 75% sickness benefit ²⁾	357	351	321	259	228
Development positions ²⁾	2,015	1,027	1,043	846	1,158

Income and financial results

Sales, SEK M	2,507	2,453	2,498	2,550	2,412
State compensation for additional costs, SEK M	4,405	4,405	4,405	4,405	4,405
Profit for the year, SEK M	-175	-63	81	15	47

1) From 2014 inclusively, transitions are counted as a total number and also include transitions from development positions. Figures from previous years have not been recalculated. 2) Number at year-end.



CEO'S STATEMENT

YET ANOTHER STRONG YEAR

THE PATH TO A SUSTAINABLE SOCIETY goes through the labour market. When more people are given the opportunity to move from social exclusion to a community at work, then this creates conditions for a stronger society too. Samhall plays a vital role in this work.

Every day, Samhall creates work opportunities for thousands of people. It makes me very proud, yet also humble ahead of the challenges we face. Sweden is one of the countries with the lowest level of low-qualified work in the OECD. Fundamentally, it is good that we have a labour market based on knowledge and innovation, instead of unqualified labour and low wages. But for those, who for various reasons are struggling to find a place in the labour market, it can also mean significant obstacles. Particularly for those who may be eligible to work at Samhall.

IN 2016, AN ENTIRE 7,550 PERSONS GOT JOBS or traineeships with Samhall. Furthermore, 1,179 employees left Samhall for work with another employer. By never giving up and seeing abilities where others see obstacles, Samhall has successfully found opportunities for employees who previously were left out of the labour market. That makes us not only Sweden's most attractive labour market initiative, but also the country's most important company.

It has been a good year in terms of reaching the targets our owner established for Samhall in 2016: not only have we met, but surpassed many targets. We have delivered more wage

hours than stipulated by the owner and the proportion of new recruits from prioritised groups, in other words people with particularly severe or multiple functional impairments, was an entire 57%, far in excess of the 40% target.

ONE OF SAMHALL'S MOST IMPORTANT TARGETS is that at least 1 100 employees each year should leave us for new work with other employers. In 2016, a grand total of 1,179 employees found new jobs outside Samhall, which is the highest figure in 14 years. That's fantastic! It is worth noting that 343 of these, almost a third, come directly from the government's assignment to help young adults who have been unemployed for a long time, in what are called development positions. It is an extremely good result; one based on a structured work process with great focus, good follow-up and fine leadership. And not least, motivated employees.

I both believe and hope that Samhall can play an even greater and more important role when it comes to recruitment and supplying skills to the Swedish labour market. Since 1980, we have developed our way of working and our knowledge regarding what it takes to find and keep a position in the labour market. On this basis, we have created occupational roles in which employees can develop their skills and improve their employability. In 2017, we will further develop our recruitment tools and establish Samhall, in a clearer manner, as a secure and successful recruitment partner for Swedish businesses and the public sector.

IN 2016, WE CONTINUED TO MAINTAIN A GOOD EQUITY RATIO, but failed to meet the owner's target regarding return on average equity. Despite good business growth, significant cuts and rationalisations, the result for 2016 was a financial loss. This is mostly a consequence of the state compensation for additional costs, which is supposed to cover the added expenses Samhall faces due to its labour market policy assignment; but the amount

has remained unchanged for eight years, despite a rise in assignment-related costs of almost SEK 1.7 billion.

The unchanged compensation for additional costs poses challenges for Samhall. At the same time, it forces us to be on our toes and continually review our work and effectiveness. It is crucial to our assignment that we remain hungry and constantly evolve our business, so that Samhall can offer all employees tasks that further their development every day, throughout Sweden.

A CONSIDERABLE FOCUS ON GROWTH and strong work on sales this year lead to around 800 new client contracts and almost 1,000 new jobs being created among our clients. That figure shows the success of our sales work in many areas. However, what many companies would consider a sales success, such as growth of nearly 10% in the prioritised service area, is simply not enough for Samhall if we are to achieve full employment. Therefore in 2016, we established an updated growth plan for 2017–2020 intended to secure development through work for all employees.

In order to better serve the needs of the labour market, Samhall regularly surveys employers about their attitudes to employing people with functional impairment. From this year's survey, we see a change in position that is far more positive than before.

A growing number of employers are choosing to recruit persons with functional impairment; furthermore, attitudes all along the line have improved. This is fantastic! More businesses are seeing the benefits of their workplaces reflecting society as a whole, which makes for a better and stronger labour market. But above all, it gives more people the opportunity to move from exclusion to a community at work.

I dare say that Samhall has played a crucial role in this transformation. Much purposeful work has gone into highlighting competence instead of hindrance, so that many more see the potential of employees with functional impairment. Naturally, it benefits our entire society, as well as Samhall, which can be a partner for many employers looking to improve their social responsibility.

INTERNATIONAL INTEREST IN SAMHALL'S OPERATIONS and work processes has been great. An increasing number of foreign governments, companies and organisations turn to Samhall for advice and inspiration about the challenges of combating social exclusion and teaching skills. This year Samhall shared its experiences and way of working with visitors

I am proud to live in a country that not only takes great responsibility for its citizens, but does so in an effective manner.

and interested parties from Japan, South Korea, USA, Turkey, Germany, France, Belarus and Macedonia.

I was invited to speak at Workability International's annual global conference for organisations and companies working to improve the employment situation for functionally impaired people. At the conference, a representative from Samhall was chosen to join the global executive of Workability International, which gathers together and finds work for more than 3 million people with a variety of functional impairments throughout the world.

Such great international interest shows that Sweden in general and Samhall in particular has come a long way in terms of strategies for an inclusive working life. I am proud to live in a country that not only takes great responsibility for its citizens, but does so in an effective manner. I think too few people understand how exemplary Sweden is in these issues. Even though the challenges look the same in many ways throughout the world, the solutions can be vastly different. When other countries seek solutions, it often involves quotas of functionally impaired people in the labour market. I am glad that Sweden has not gone in this direction. Even if there are times when we think very little is happening in the labour market, integration occurs in Sweden for the right reason: because society and employers want it.

SAMHALL'S ASSIGNMENT IS JUST AS COMPLEX as the societal challenges we all face. It is about constantly making difficult trade-offs and finding oneself in a state of continual change. Working at Samhall is not easy, and nor should it be. On the contrary, great demands are placed on our employees. But with one foot in the business side and the other in the societal solutions we are asked to implement, we are constantly making strides towards a society where more people with functional impairment have a job to go to.

I wish to especially thank all employees, colleagues and clients for what was, in so many ways, a successful 2016. Together we have been dedicated in our work, dependable to our clients and attentive to the challenges we faced. I look forward to continuing to evolve Samhall and the Swedish labour market together with all of you.

Stockholm 22 February 2017



Monica Lingegård,
CEO

INFO ABOUT THE CEO

Monica Lingegård has been Samhall's CEO since 2011. She has more than 25 years of management experience in the private sector including CEO of G4S Secure Solutions AB and senior management positions in Cap Gemini and Spray Razorfish.

VISION, BUSINESS CONCEPT AND TARGETS

WHAT WE WANT TO ACHIEVE FOR SWEDEN

Our vision is to contribute to a Sweden where everyone is considered an asset to the labour market.

WHAT WE WANT TO ACHIEVE FOR OUR EMPLOYEES

Our mission is to develop and demonstrate the employability of our employees with functional impairment. Through work in our client assignments, we want to combat social exclusion and contribute to a sustainable Sweden.

HOW WE DO IT

Our business concept is that through a unique way of working and the method of matching, Samhall gives people with functional impairment the opportunity to develop through work and therefore provides a vital benefit to society and sustainable services to Swedish businesses and the public sector.

ECONOMIC TARGETS

A return on average equity of

7%

over a business cycle

RESULT PAST 10 YEARS:
3%

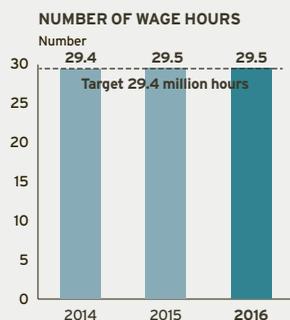
Equity ratio of at least

30%

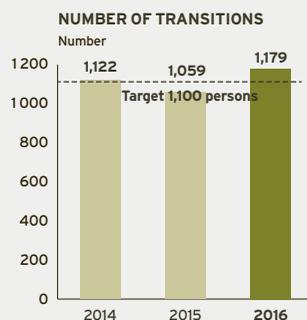
RESULT 2016:
42%

SOCIAL TARGETS

THE NUMBER OF EMPLOYEES with functional impairment in Samhall's core assignment must be equivalent to at least 29.4 million wage hours.



EACH YEAR at least 1 100 Samhall employees should leave the company for a position with another employer.



AT LEAST 40% of new recruits should come from groups prioritised by the Public Employment Service and Samhall.

PROPORTION OF SAMHALL'S NEW RECRUITS



PRIORITISED STRATEGIES

AREA	STRATEGY	ACTIVITIES
Development through work	The basis of all Samhall operations is to develop employee working capacity and skills by offering work at market conditions in competition with other companies.	<ul style="list-style-type: none"> • Constantly seeking new business opportunities • Continually conducting matching meetings • Training for occupational roles that are in demand
Profitable operations	We must utilise all resources in an effective and responsible way and make the most of our employees' full capabilities.	<ul style="list-style-type: none"> • Planning for optimal matching • Ensure relevant key performance indicators are followed up • Follow up and monitor resources and calculations • Reduce consumption of fossil fuels
Client at the centre	Samhall's clients are important not only because we do business together, but because they enable employee development. Therefore the client's perspective must always be central.	<ul style="list-style-type: none"> • Be well informed and responsive to the client's needs • Secure the right competencies and experience for client assignments • Active client dialogues with continuous follow-up meetings
Successful culture	Our common values are the basis for everything we do. A successful culture must support employee development and sales.	<ul style="list-style-type: none"> • Offer a clear introduction for new recruits • Share good examples of our operations • Be dedicated, dependable and attentive
Good leadership	Samhall's leaders must be visible, brave and clear. At Samhall it is extremely important to be encouraging and give employees the tools they need to succeed.	<ul style="list-style-type: none"> • Ensure compliance with Samhall's leadership ideals • Plan and follow up targets and results • Ensure good communication in the workplace

SUSTAINABILITY TARGETS

THROUGH OUR FIVE SUSTAINABILITY TARGETS we measure how we create value. Read more on page 26.



AN IMPORTANT PART OF THE SWEDISH LABOUR MARKET

With its large number of employees and geographical distribution, Samhall is an important part of the Swedish labour market.

People with functional impairment and reduced working capacity face particular difficulty in the labour market. In total, there are more than 600,000 people in the age range 16–64 with functional impairment causing reduced working capacity in Sweden. Of these, about half were without employment in 2016.

One in every four jobseekers at the Public Employment Service has a functional impairment causing reduced working capacity. Among these persons, 10% claim they did not get a job they were sufficiently qualified for because of their functional impairment.

EMPLOYED BY SAMHALL

Since Samhall was founded in 1980, major changes have been made to the composition of the labour market policy initiatives for our target group. Today, there are many more types of support measures available than before. This has meant that fewer people now work at Samhall than, for example, in the 80s; but that more people with functional impairment are participating in initiatives.

Of the total number of people at the end of 2016 who took part in specific initiatives for people with functional impairment and reduced working capacity, 20% were employed at Samhall.

LARGE SOCIO-ECONOMIC EFFECTS

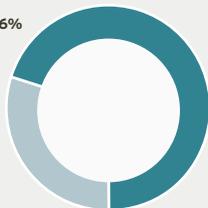
When people previously far removed from the labour market are given the opportunity to move from social exclusion to employment, huge socio-economic effects are created. At the same time as welfare expenses decrease, so too new opportunities are created for the individual employee in the form of improved self-esteem, better working capacity, social interaction and a market-level wage.

THE PUBLIC EMPLOYMENT SERVICE DETERMINES WHO GETS TO WORK FOR US

The Public Employment Service allocates all vacant positions in Samhall and determines who gets employment with us. The geographical distribution of Samhall's operations is also determined in consultation with the Public Employment Service. According to the state's directives

Employment
Swedish population (16-64)

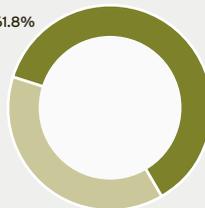
77.6%



77.6% of the Swedish population (16–64 years of age) were employed in 2015 (Statistics Sweden).

Employment
People with functional impairment (16-64)

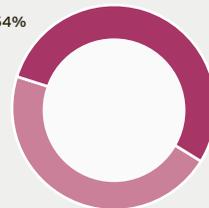
61.8%



61.8% of people with functional impairment (16–64 years of age) were employed in 2015 (Statistics Sweden).

Employment
People with functional impairment and reduced working capacity (16-64)

54%



54% of people with functional impairment and reduced working capacity (16–64 years of age) were employed in 2015 (Statistics Sweden).

The proportion of people with functional impairment with a job is vastly different from the rest of the population.

as owner, Samhall should avoid retrenchment of employees in the core assignment due to a shortage of work. Samhall should also, where possible, take into consideration regional political concerns regarding any restructuring and avoid the closure of operations in areas with vulnerable labour markets.

ATTITUDES AND PREJUDICES

Negative attitudes and prejudices about people with functional impairment can be obstacles for Samhall winning new business that enables employees to develop their abilities and employability. Therefore Samhall conducts extensive efforts to influence attitudes in society and combat prejudices about people with

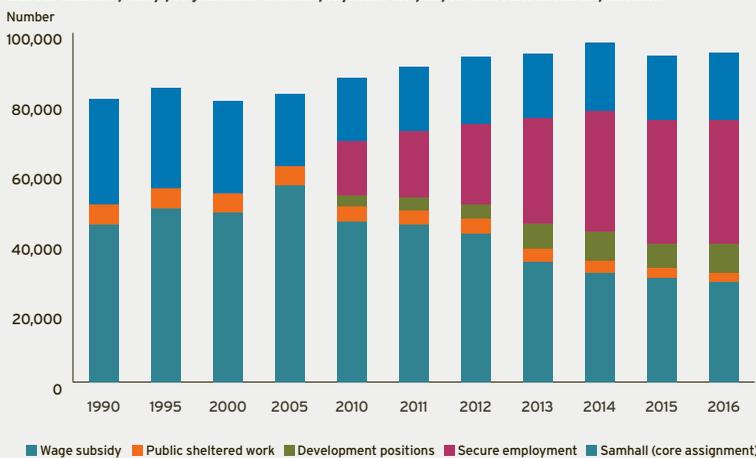
functional impairment. Samhall tries to be a permanent presence in the public debate on these issues and organises regular seminars and events to highlight the positive aspects of greater diversity among employees.

Samhall participates annually in Almedalen Week and holds the Pathfinder Prize ceremony, a celebration of those people who have done the most in opening up the labour market for people with functional impairment.



LABOUR MARKET POLICY INITIATIVES

Labour market policy programmes with employment for people with functional impairment



Source: Arbetsförmedlingens veckostatistik 52/53

Compared to 1990, there are more types of support initiatives for people with functional impairment. In 1990, 38% of those participating in specific initiatives for people with functional impairment and reduced working capacity were employed by Samhall. In 2016, it was 20%.

Samhall

Employment in Samhall's core assignment; matching ensures appropriate assignments with clients. The Public Employment Service decides who gets a position with Samhall.

Wage subsidy

The employer receives a wage subsidy for recruiting an employee with functional impairment. The position must be on the same terms as others in the workplace.

Public sheltered work

Same as a wage subsidy, but in the public sector.

Secure employment

A position that means someone who might otherwise only work at Samhall under secure forms can be employed by other companies and organisations.

Development positions

Through a development position, a person can both work and participate in other developmental activities simultaneously, e.g. training, find-a-job activities and instruction. Work is planned based on the circumstances of the person. A development position lasts one year at most. Samhall also offers development positions, see page 33.



More employers want to recruit personnel with functional impairments

Every second year, Samhall commissions the Novus consultancy to survey Swedish employers on their thoughts about employing people with functional impairments.

The 2016 survey shows a positive trend. The survey interviewed 500 persons responsible for recruitment at companies with 10 or more employees.



STATE THEY HAVE employed people with functional impairments. Comparable figures are 46% in 2014 and 39% in 2012.



OF THOSE surveyed without an employee with functional impairment, claim they lack sufficient knowledge to venture such a recruitment.



BELIEVE THEIR customers value that they take social responsibility in employing people with functional impairment.



SAY THAT diversity in the workplace creates a better environment at work.

Seeing opportunities



INGRAM

Anna got employed at Ingram

High tempo and constant motion. Anna Johansson loves it. Having worked for Samhall at Ingram Micro Mobility in Borås for three years, she got employed directly by the company, which is one of Sweden's largest telecom distributors.

"They say I do a really good job, but it's hard to accept praise. However, I pushed all the time to get employed," she says.

Patrik Karlsson, operation manager at Ingram, who initiated the collaboration with Samhall a couple of years ago, is pleased. "Everyone should feel happy working at Ingram and know they are needed."

**AT INGRAM EVERYONE
IS TREATED THE SAME**

40

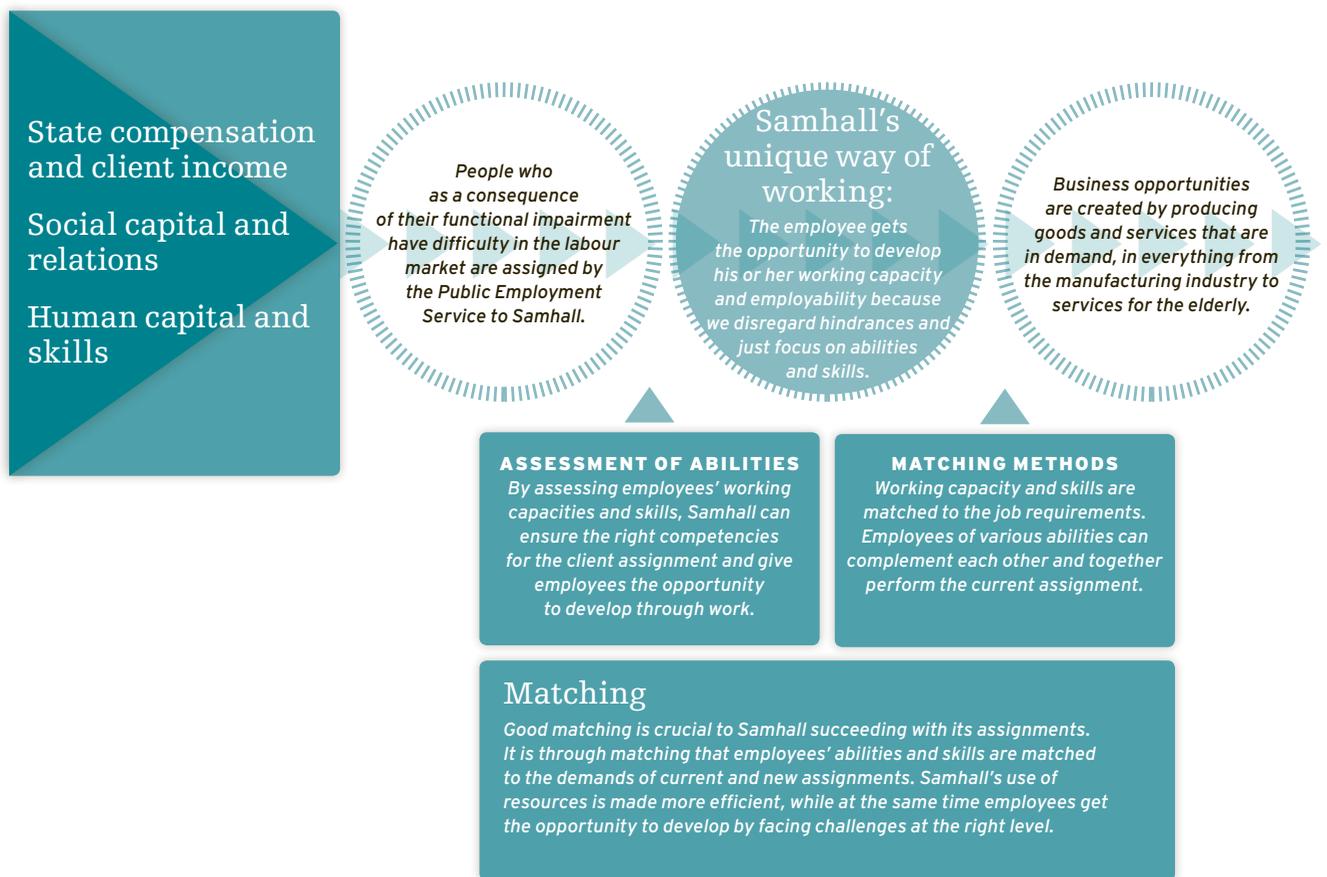
employees from Samhall work at Ingram's premises along with others in a personnel pool.

Ingram wanted to make a contribution to society by hiring Samhall.

"Creating a sense of belonging and ignoring limitations, as well as allowing a little more time for learning, gives employees confidence and they do the work just as well as everyone else."

OUR BUSINESS MODEL

Our business model and strategy aim to create value for our employees, for our clients and for society as a whole. Based on the prerequisites we have in the form of human capital, financial capital and social capital, we create meaningful work that furthers the development of people with functional impairment and provides services for our clients.



UNDERSTANDING THE WORLD AROUND and a dialogue with our stakeholders help us make priorities through the entire value chain so we can increase positive value and diminish negative impact.

Our vision is to contribute to a Sweden where everyone is considered an asset to the labour market.

Employee benefit:

In 2016, **7,550** employees received work or traineeships which gave better skills and often better self-confidence. **1,179** got jobs with other employers after working at Samhall.

Client benefit:

More than **4,800** clients benefited from our employees work and, in addition, were given the opportunity to take social responsibility.

Society benefit:

- Increased self-financing
- Increased diversity in the labour market
- Increased confidence in Samhall as a safe and stable partner

Samhall benefit
– of course

Our business focus



Clear focus on clients and business

- Specialisation and high industry knowledge
- Business growth
- Increased client satisfaction



Focus on employees in work and developing competitiveness

- Effective matching and manning
- Better utilisation of our greatest asset: our employees
- Increased throughput of employees



Clear roles, skill requirements and profit responsibility

- Clear profit responsibility
- Effective governance and follow-up
- Right skills connected to the right assignment



Our business areas

MANNING SOLUTIONS

THE WORK IS INTEGRATED WITH the client's operations. Samhall is always responsible for personnel and often also for the supervision.

Proportion of employees



EXAMPLES INCLUDE warehousing and logistics, manufacturing/production, care services, retail and janitorial services.

SERVICES

SAMHALL TAKES RESPONSIBILITY FOR supervision and execution including choice of method, materials and equipment.

Proportion of employees



EXAMPLES INCLUDE cleaning, laundry, janitorial services and facility management.

INDUSTRIAL PRODUCTION PACKING AND ASSEMBLY

SAMHALL RUNS industrial production, packing and assembly operations on behalf of clients in its own premises or at the client's.

Proportion of employees



EXAMPLES INCLUDE assembly of towing cables, packing medical products, electronics assembly, coating and fixing of circuit boards and assembling Permobil power wheelchairs for global distribution.

History

Samhall's operations have successively undergone a complete transformation from an industrial group with its own production facilities to a services company. This evolution has been a necessity in order to keep up with the times.



1980s

SAMHALL FOUNDED AS AN INDUSTRIAL GROUP

Samhall, formerly Samhällsföretag, was established as a state-owned group in 1980 and took over 375 workshops that provided sheltered employment previously managed by county councils, municipalities and other authorities. The aim was to co-ordinate and streamline what was a very fragmented operation. Throughout the 80s, Samhall was an industrial group using only its own production facilities. The company produced subcontract work and a significant production of its own products, such as furniture, wooden clogs and work clothes. The administration took place through foundations: 24 county foundations and one central foundation.



1990s

SAMHALL BECOMES A LIMITED LIABILITY COMPANY AND STARTS PROVIDING SERVICES

In 1992 the company was reorganised into a group of limited companies with wholly state owned Samhall AB as the parent company with regional subsidiaries. Over time, the number of regional companies decreased through mergers. In the early 90s, when Samhall was a significant sub-contractor to the telecom sector, initiatives began to develop new service operations. The background included changes in current business affairs, with ever more production moving abroad.



2000s

MANNING SOLUTIONS DEVELOPED

Since 2002, all operations have been within the framework of one company. Samhall operates only in the Swedish market. In the 2000s an increasing proportion of Samhall's operations takes place at clients in the form of subcontract work and manning solutions. Today, more than 90% of Samhall's employees work in the client's workplace and operations.

Samhall's restructuring continues in order to create the greatest possible society benefit; away from Industry and Packing, towards Services and Manning Solutions.

A lot has happened since Samhällsföretagen took over 375 sheltered workshops in 1980. In the past decade, industrial production and packing/assembly in our own premises has decreased from around 50% to 7% of Samhall's operations. Today, more than 90% of employees work in our clients' workplaces.

SAMHALL'S OFFERING TO EMPLOYEES

Our objective is that every employee develops their working capacity and ultimately finds work outside Samhall. This occurs through matching and development in clear occupation roles.



TARGET GROUP

The target group for Samhall's labour market policy assignments is people with functional impairment causing reduced working capacity, who are in need of work that "cannot be fulfilled through other measures". However, the person needs to be able to develop their skills at Samhall, in order to make employment in the company meaningful.

In the workplace, Samhall strives to mix groups of employees with various working capacities, skills

and ages. Employees in the groups complement each other and can manage a complete undertaking together, whereas each one might have struggled alone.

INDIVIDUALLY CUSTOMISED TASKS

To increase the opportunity to develop their skills, Samhall employees are offered individually customised tasks and work rates. The development work is conducted with goals focusing on the employee's occupational development and opportuni-

ties for a future transition to a position with another employer. The aim is for all employees to develop their skills based on individual abilities and conditions.

A VARIETY OF TASKS

Samhall's broad and wide range of services covering Cleaning & Laundry, Warehousing & Logistics, Workplace & Property Services, Care Services, Retail and Industry & Manufacturing create a variety of tasks and development opportunities for employees.



The breadth and the fact that employers in various sectors recruit new employees through Samhall create a unique opportunity for persons who previously were struggling in the labour market. Through Samhall, they make new work contacts and get the opportunity to demonstrate their skills and eventually gain another position outside Samhall.

SAMHALL SCHOOL

Samhall's training operation is called the Samhall school. It provides training that supports an employee's entire journey through Samhall: from introduction to training for a

new job with another employer. This year, the Samhall school offered around 2,300 courses connected to the company's 24 occupational roles, as well as courses for professional employees.

In total, more than 22,000 training places were offered and taken in 2016, which is 5,000 more than 2015. Major training collaborations with clients, such as Axfood Academy, have also begun. Samhall also trains other employers in how to set aside hindrances and open their workplaces to people with functional impairment. Not least by influencing attitudes and developing leadership.

DEVELOPMENTAL WORK PROCESS

A crucial part of Samhall's employee process is the target and development dialogue between employee and manager, which sets concrete goals for the position. Together, the employee and manager agree on the activities and follow-up required for this development to proceed in the right direction.

Employee process



SAMHALL'S OFFERING TO CLIENTS

WITH THE CLIENT IN FOCUS

As a supplier in Sweden to businesses and the public sector, Samhall has the skills in a large range of labour-intensive services and production of goods. Samhall conducts these assignments as a sub-contractor or through manning solutions or via our own production facilities with operations nationwide.

VALUE IS CREATED NOT ONLY BY WHAT IS DONE, BUT BY WHO DOES IT

Offering competitive services, performed by people who otherwise

have had difficulty in finding their role in the labour market, adds value to clients' operations. By turning to Samhall, they have the opportunity to contribute to a more sustainable society.

CLIENTS

Samhall has more than 4,800 clients, where the primary target group is large- and medium-sized companies and municipalities. In smaller communities, however, small enterprises often play a very important role in employee development.

RECRUITING SKILLED WORKERS

Samhall can offer clients the opportunity to recruit skilled personnel. Through work for which there is a demand, Samhall's employees develop their skills to become attractive and competitive employees at other companies.

RECRUITMENT COLLABORATION

In 2016, significant work was conducted in developing long-term recruitment collaborations and successful work processes. Collaboration has been established with



CLEANING & LAUNDRY IS SAMHALL'S SINGLE LARGEST PRODUCT

Samhall is a major company in the cleaning and laundry sector. We clean offices, shopping centres, stores, schools, stairways and also offer bulk and specialist services for work clothes and textiles, for offices, industries, hospitals, hotels and other clients. We follow the INSTA 800 quality system, as well as ISO 9001 and ISO 14001 and our services are compliant with the Nordic Ecolabel standard.

In 2016, new contracts included Åhléns, Swedish Defence Materiel Administration and ICA Gruppen. Current clients include Axfood, SF Bio, Max Hamburgerrestauranger, Ikea, Bauhaus, Swedish Police and Swedbank.



WAREHOUSING & LOGISTICS: INCOMING ORDERS, SORTING, PICKING, PACKING AND DISTRIBUTION

Besides the practical warehousing work, Samhall has also developed strategic competencies in third-party logistics, e-trading, retail logistics, recycling logistics and consumer packing.

Samhall conducts full third-party logistics for Crossroads in Uddevalla and pick and pack ink cartridges for InkClub in Uppsala. Samhall builds and packs store displays for DHL, Santa Maria and Aditro among others.



WORKPLACE & PROPERTY SERVICES BOTH INDOOR AND OUTDOOR

Assignments vary from complex systems to looking after gardens, keeping things tidy and clearing snow. Samhall also offers additional services such as plant arrangement, packing and delivering fruit baskets and working in the reception and janitor's office.

Major clients in the sector include Svenska Förpacknings- & Tidningsinsamlingen and PEAB.

more than 10 companies in sectors needing to recruit serving staff, care assistants, property caretakers and cleaners.

In 2016, around 60 employees received employment with employers collaborating with Samhall over recruitment. The aim is for a rising proportion of employees leaving Samhall to do so through the long-term recruitment collaboration with major companies.

LABOUR MARKET SERVICES THAT COMBAT SOCIAL EXCLUSION

Samhall makes available to the Public Employment Service places for work training and other kinds of labour market services in our many workplaces. Unemployed people, via the Public Employment Service, can participate in reinforced work training programmes, receive in-depth assessment and other help, conducted by Samhall.

Since 2012, Samhall has provided the service “Investigative assignment for the assessment of working capacity” on the behalf of the Public Employment Service.



CARE SERVICES TO PUBLIC AND PRIVATE OPERATORS

Samhall’s employees offer care providers the opportunity to raise the quality of care and improve working conditions for their own staff. Samhall relieves the burden on professional care staff and frees up their time by performing any number of services and certain care tasks. For example, Samhall can do the laundry, ironing, making the beds, filling cupboards, providing transportation about the care home, offering pleasant companionship, running errands and in some workplaces also providing language support for the foreign-born.

Samhall currently works with a large number of municipalities, county councils and private companies.



RETAIL: PICKING ITEMS AND OTHER SERVICES

Samhall offers services in retailing. It involves everything from picking ordered items in the store to other associated services. With Samhall providing the services, the client can instead spend time focusing on their core tasks while taking social responsibility.

Samhall’s major retail clients include Axfood, ICA, Coop and Mat.se.



VARIOUS PRODUCTION SOLUTIONS IN INDUSTRY & MANUFACTURING

Samhall offers production solutions in assembly, mechanics, cables, logistics and packing. This can occur in the client’s workplace or in Samhall’s own premises. The broad range of manufacturing competencies enables Samhall to meet the needs of clients in various sectors. Among other things, we make ventilation equipment and towing cables for auto industry.

Our many clients include International Automotive Components, Plastal, Roxtec, Volvo Cars and Dentsply.

CHAIRMAN'S STATEMENT

WE ENTERED 2016 with an enormous sense of commitment and great ambition. Having been chosen as Europe's most sustainable company the year before was recognition of our hard work and dedication; but it also spurred us on to be even better. For even though we have managed a successful sustainability programme for a long time, there is always more we can do.

THE WORK IN SECURING THE CONTINUED PROGRESS of a large, complex company like Samhall rests on a firm acceptance of responsibility, a strong set of core values and the courage to make necessary changes. These three things make Samhall stronger and ensure, on a daily basis, that we add value to our clients, our employees and to society in general.

WE TAKE AN ACTIVE RESPONSIBILITY in the assignments entrusted to us and work constantly to limit any possible negative impact on our surrounding world. The resources at our disposal are employed as responsibly and effectively as possible, including long-term sustainability, no matter if we are talking about people, energy or money. But it is also about respect for our stakeholders and partners. Through close collaboration with Samhall's owner and employee organisations, we have, over the years, achieved all our operative targets for employee development.

THIS SUCCESSFUL WORK is based on a strong, positive company culture where we only see opportunities and where people can grow. Such a culture is also a precondition to enable large, complex decisions to be made. Samhall's assignment is largely the

same today as when the company was founded in 1980; yet we are a completely different company. We have gone from being a significant industrial firm to today being one of Sweden's leading service providers. It is a transformation without equal in Swedish business and has created great value for employees, as well as for Samhall's clients and the labour market in general. It would not have been possible without the enormous commitment of employees and a strong company culture.

ONE OF SAMHALL'S MOST IMPORTANT TARGETS is that at least 1 100 employees every year must leave us for a new job outside Samhall. When we closed the books for 2016, not only had we achieved that target, but attained the highest figure in 14 years! An entire 1 179 employees made the next step to another employer during the year. This is the result of much dedicated work throughout the country; but also by prioritising the work with recruitment collaborations that has taken place this year. 2016 saw a new sustainability target take form aiming to establish and strengthen the collaboration with long-term recruitment partners. During the year, this work grew dramatically and led to a large number of employees finding employment at one of our national recruitment partners, such as Humana, Espresso House, Inspira, Burger King and Gröna Lund.

AN IMPORTANT PART OF SAMHALL'S SUSTAINABILITY PROGRAMME is that the development we offer our employees occurs with as little environmental impact as possible. As a consequence of the vital transition from industrial production to



services that has taken place over the past two decades, Samhall has decreased both its CO₂ emissions and energy consumption. However, the company's large fleet of vehicles still accounts for a significant amount of CO₂ emissions. To better promote progress, where we both diminish the use of fossil fuels and improve the utilisation of our vehicles, we established for 2016 sustainability targets with a stronger connection to this commitment, while at the same time not inhibiting business growth. This dedicated work has brought results! In total, CO₂ emissions from our fleet of vehicles decreased by 285 tonnes (9%) in 2016.

I AM PROUD to represent a company where vital sustainability work is not an isolated process but part of the core operations and the company's DNA. In 2016, significant sustainability activities were conducted in all Samhall business and market areas. It lays the foundation for 2017, where we can take yet another step towards even better resource use in creating long-term value for society, our clients and Samhall employees.

A handwritten signature in dark ink that reads "Erik Strand". The signature is written in a cursive, slightly slanted style.

Erik Strand
Chairman

Seeing opportunities



ROXTEC

Roxtec in Karlskrona has worked with Samhall for 25 years

At Roxtec, a company that manufactures and sells cable- and pipe-sealing solutions, there is a large number of employees from Samhall.

"I hope Samhall knows how important it is to us, that we have chosen to work with Samhall for business reasons, not for charity. Our standards are just as high for Samhall as other suppliers and I think it gives them pride when we renew our trust in them," says Mikael Helmerson, CEO at Roxtec. "Furthermore, other values are met when we create employment for people."

Kamilla Möller has worked with Roxtec's products for three years. "I really enjoy the industrial work and would love to carry on, especially for Roxtec because their products are so good. Roxtec chooses to work with us, and we willingly work even harder so they remain working with us. Their satisfaction is our satisfaction."

**ROXTEC SEES
THE LONG TERM**

300

employees from Samhall work at Roxtec with module production, janitor work, service and cleaning.

Roxtec needed a good production solution and also wanted to help people find work.

"Today Samhall is an important part of Roxtec's value chain and contributes high-quality work."

OUR CORE VALUES - WE MAKE A DIFFERENCE

Samhall contributes to a more sustainable society through our operations and our employees. As a company, we wish to be perceived as a long-term, responsible partner and employer. We must utilise our resources in an effective and responsible way and make balanced trade-offs in all decisions to maximise the “Samhall benefit”, i.e. the benefit to our employees, clients and society as a whole.

Our company is based on three fundamental values:

- Belief in the equal value of all people
- Faith in the ability of every individual
- The value of work in the development of individuals and society

Framework

Everything comes from our vision, our business concept and our assignment: to create meaningful work that furthers the personal development of people with functional impairment. By following the employees in work metric (E.I.W.) we can measure how successful we have been in creating employee development and simultaneously measure our economic sustainability.

The framework for our sustainability work is our policy, our targets and our integrated work process.

POLICY The Board has established the Sustainability policy and Employee policy as the basis of the sustainability work. Samhall's requirements on suppliers and sub-contractors are given in specific codes of conduct.

SUSTAINABILITY TARGETS Sustainability targets are set annually by the Board after stakeholder dialogue and materiality analysis.

SUSTAINABILITY WORK Sustainability issues are completely integrated into Samhall's operational processes, where action plans and target follow-up are included in the responsibilities of the process managers. The tasks are delegated according to the established order of delegation. In overall risk management, sustainability issues are a separate area of focus.

Samhall follows legislative requirements and collective agreements, as well as the International Labour Organisation's core conventions and the OECD's guidelines for multinational companies. As a wholly owned state company, we also wish to act as a role model in terms of transparency and clarity.

Samhall and the UN's 17 goals for sustainable development

Three of the UN's Sustainable Development Goals (SDGs) established in 2015, are directly relevant to Samhall's core operations.

Samhall wants to contribute to Agenda 2030 and the SDGs. Our primary focus is on goals 4, 8 and 10. Through our environmental targets we also contribute to goal 7.

GOAL 4: Ensure inclusive and quality education for all and promote lifelong learning

Sub-goal 4.4 and 4.5 Ensure equal access to all levels of education and occupational training for the vulnerable, including persons with functional impairment. Substantially increase the number of youth and adults who have relevant skills, for employment and decent jobs.

GOAL 8: Decent work for all and productive employment

Sub-goal 8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with functional impairment, and equal pay for work of equal value.



GOAL 10: Reduce inequality

Sub-goal 10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, functional impairment, race, ethnicity, origin, religion or economic or other status.

GOAL 7: Sustainable energy for all

Sub-goal 7.3 and 7.4 Increase substantially the share of renewable energy in the global energy mix and double the global rate of improvement in energy efficiency.

Samhall's employee and sustainability policy

EMPLOYEE POLICY

The objective is for all employees, based on their role and position, to have the opportunity to develop, learn new things and contribute to the company fulfilling its targets.

Leadership is based on our fundamental values and must be active, clear and present.

Our objective is a safe workplace environment where employees can develop their skills, which is accessible and adapted to employees' needs and prerequisites.

Conditions of employment and working conditions must support dedicated employees who contribute to the company fulfilling all its targets. Employees should interact with mutual respect. This also applies to co-operation with trade unions, who are important stakeholders and partners.

ECONOMIC SUSTAINABILITY

We demand a high level of business and company ethics in order to prevent corrup-

tion and contribute to the development of a good society. The assignment from the state must be conducted by constantly developing businesslike ways, professionalism and effectiveness.

COMPETITIVE NEUTRALITY

We compete against other companies on equal terms and at market prices.

TRANSPARENCY

We must ensure that all business transactions are reported fully and correctly.

The state's compensation for additional costs is used for initiatives that permanently raise participation in the workforce for people with functional impairment. We need to demonstrate that the money is used effectively and there are no grounds for unfair competition.

QUALITY CONTROL

Our aim is that the goods and services we produce meet clients' expectations. All areas of the company must be quality-minded to ensure satisfied clients and that Samhall fulfils its obligations. We take a holistic approach to employee development and business and we follow up important client requirements in order to continually evolve the company. Operations are certified according to ISO 9001.

ENVIRONMENT

We follow the precautionary principle in developing operations to diminish the negative impact on the environment and society as far as technically and economically possible and in accordance with the company's commitments. We strive to reduce the consumption of non-renewable resources and the amount of waste. Operations are certified according to ISO 14001.

Our core values

Our core values - dependable, attentive and dedicated - define how we should behave towards our clients and each other:



DEPENDABLE

Being dependable is to take responsibility. To keep promises made to clients and colleagues. Samhall must be trustworthy and so too everyone who works at Samhall.



ATTENTIVE

Being attentive is to see everything a little clearer. Receiving attention is to be seen and recognised. At Samhall, we must be the best at seeing things others don't. We always try harder to be attentive to individual talent and the needs of the client.



DEDICATED

Being dedicated is to be present, mentally and physically, and always caring that little bit extra about the client and the work; it also includes how you and your colleagues are feeling. A strong sense of dedication easily transfers itself to others and makes life and work better and more enjoyable.

STAKEHOLDERS

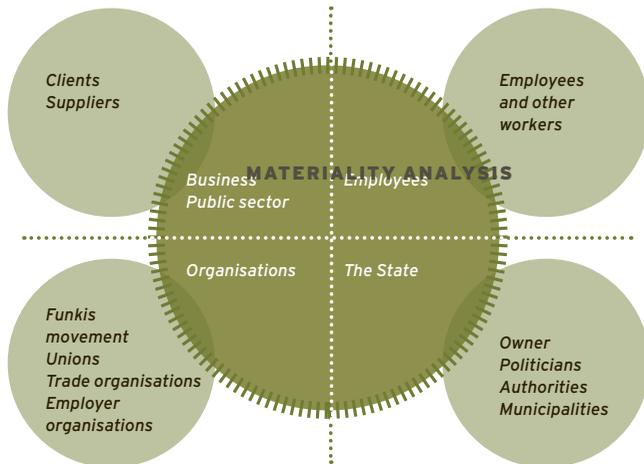
Stakeholder dialogue and materiality analysis

Our aim is to continually evolve in order to optimise the “Samhall benefit”, i.e. create benefit for employees, clients and society as a whole. The expectations of stakeholders is captured through stakeholder dialogues that take place continually, both in formal and informal forums and in surveys of employees, clients and brand metrics.

Working to maximise the Samhall benefit requires balanced trade-offs, as our stakeholders value results and activities differently. Ultimately, it is the Board and management who decide how to balance the various priorities.

STAKEHOLDERS

Stakeholder groups have been identified and defined: partly based on the various components of the state’s assignment, partly from general conditions applicable to a service company.



MATERIALITY ANALYSIS

Identify	The most important stakeholders and consulting forums are identified. Important sustainability areas, challenges and opportunities are identified.
Prioritise	Stakeholder dialogue and internal dialogue. Analysis.
Validate	Validation of the analysis against the identified areas made by the Board and turned into focus areas in the sustainability report. Reporting and information capture secured.

STAKEHOLDER DIALOGUE

Our materiality analysis for 2016 is still based on the survey conducted in late 2015. It has been updated partly through regular contact with trade and industry, politicians, parties in the labour market, the Public Employment Service and internal management forums.

Stakeholder dialogue shows unambiguously that Samhall’s most important contribution to sustainable development is in the areas of employee benefit and society benefit. In addition, expectations are very high that the company acts as a role model in areas where unmannerly behaviour must be avoided, e.g. harassment and corruption.

During the year, there has been public discussion regarding Samhall’s target group (unemployed people with functional impairment and reduced working capacity registered at the Public Employment Service). In 2017, commissioned by the Ministry of Employment, the Swedish Agency for Public Management will analyse the Public Employment Service’s referral process and Samhall’s conditions for “employment with sheltered work at Samhall AB”.



STAKEHOLDER	KEY ISSUES	ACTIVITIES
Employees	<ul style="list-style-type: none"> • Employment and earning a living • Good workplace environment, work adaptation • Good leadership • Moving on to work outside Samhall • Individual focus with personal development plans • Employee development with focus on occupational skills and raised employability 	<ul style="list-style-type: none"> • Workplace environment follow-up • Internal communication • Introduction, training, skills development • Wage surveys and wage reviews • Employee survey • Target and follow-up dialogue, individually • Co-operation with the trade unions at all levels
Clients	<ul style="list-style-type: none"> • Business ethics • Combat social exclusion for the functionally impaired in the labour market • Trustworthiness of the Samhall brand • Competitively neutral pricing • Quality, capacity and client handling • Environmental issues as part of the purchasing process 	<ul style="list-style-type: none"> • Client and sales meetings • Client surveys • Opinion-building to reduce social exclusion in the labour market • Follow-up meetings and regular contact
Owner/authorities (primarily the Public Employment Service)	<ul style="list-style-type: none"> • Business ethics • Combat social exclusion for the functionally impaired in the labour market • Socio-economic benefit • Long-term economic sustainability • Geographical distribution • Competitively neutral pricing • Employee development with focus on occupational skills and raised employability 	<ul style="list-style-type: none"> • Dialogue and meetings with politicians in parliament, county councils, municipalities • Collaboration with the Public Employment Service • Dialogue with the owner through the Ministry of Enterprise and Innovation • Checks with the Ministry of Employment
Suppliers	<ul style="list-style-type: none"> • Business ethics • Trustworthiness of the Samhall brand • Quality, capacity and client handling • Transparency and openness • Environmental considerations 	<ul style="list-style-type: none"> • Dialogue with suppliers in conjunction with purchasing negotiations • Internal operations advisory - sustainability requirements on suppliers • Supplier follow-up and evaluation
Organisations	<ul style="list-style-type: none"> • Combat social exclusion for the functionally impaired in the labour market, employment and earning a living • Trustworthiness of the Samhall brand • Employee development with focus on occupational skills and raised employability • Environmental considerations 	<ul style="list-style-type: none"> • Dialogue with <ul style="list-style-type: none"> - main trade unions - Funkis movement - representatives for socially work-integrated business • Opinion-building to reduce social exclusion in the labour market • Dialogue forum for handling the ethical and commercial matters related to labour market initiatives for people with functional impairment in Almega
Common basics for sustainable enterprise	<ul style="list-style-type: none"> • Responsibility for the entire value chain • Dialogue • Equality and diversity • Environmental considerations • Anti-corruption • Transparency and openness 	<ul style="list-style-type: none"> • National and international framework for sustainable enterprise • State ownership policy

Areas of significance

The sustainability report, which is based on materiality analysis, has three main areas (pages 28-37):

SOCIAL SUSTAINABILITY

Employee benefit:

- Development through work
- Health and workplace environment
- Development positions

ECONOMIC SUSTAINABILITY

Society benefit - Sustainable enterprise, with sections:

- Balanced finances
- Samhall's additional costs
- Geographical distribution
- Business ethics

ENVIRONMENTAL SUSTAINABILITY

- Resource efficiency

Throughout, the report covers all Samhall with a boundary regarding the influence on Samhall's own operations.



Sustainability targets

Samhall's Board sets the overall sustainability targets based on the interlinked demands for social sustainability, economic sustainability and environmental sustainability.

MORE EMPLOYEES IN WORK

Our objective is that all employees, regardless of work capacity, can contribute to our client assignments. This is measured by the key performance indicator E.I.W. (employees in work) where we put the sector's average income per hour in relation to Samhall's gross profit per hour. The figure demonstrates how many more hours Samhall needs to secure a delivery of service compared to competitors and includes all employees, even those temporarily underemployed.

The aim is to improve abilities in matching employees to the right tasks, raise occupational skills for roles in demand and increase competitive work through business growth.

Target 2016: E.I.W. factor 3.2.

Result 2016:



COMMENTS:

E.I.W. was affected by lower than planned growth in gross profit, while at the same time the number of employees (wage hours) increased.

DEDICATED EMPLOYEES

Dedication brings pride in one's own efforts and in working at Samhall. Dedicated employees take greater responsibility for their own development and have greater focus on the client. Dedicated and skilled employees are the starting point in matching the right competencies to clients and recruitment to positions outside Samhall.

Target 2016: Increase employee survey sub-index "Dedication".

Result 2016:



COMMENTS:

Annual employee surveys are conducted, alternating each year between all personnel and only professional employees. The survey for 2016 covered only professional employees and results compared to 2014. The response rate, as for previous years, was high and totalled 89%.

SUSTAINABLE CLIENT OFFERING - RECRUITMENT COLLABORATION WITH SAMHALL

Through recruitment collaboration with Samhall, companies and organisations can meet their recruitment needs throughout the country and show the way in a labour market that gives everyone the chance to contribute.

Target 2016: Establish new long-term collaboration with companies wanting to recruit employees from Samhall.

Result 2016:



COMMENTS:

Several pilot groups have begun. Recruitment collaborations led to 60 transitions in 2016.

SUSTAINABILITY TARGET	AREAS OF SIGNIFICANCE, ACCORDING TO GRI	HOW WE WORK	GOVERNANCE	RESPONSIBILITY
More employees in work	Non-GRI	<ul style="list-style-type: none"> • Business growth • Matching to assignments • Employee development • Skills training and development 	<ul style="list-style-type: none"> • Quality agreement with the Public Employment Service • Employee policy • Employee process • State assignment • Operative plan 	<ul style="list-style-type: none"> • Market areas down to first-line managers • Director of Human Resources, overall • Business area directors
Dedicated employees	Conditions of employment and workplace environment	<ul style="list-style-type: none"> • Introduction • Leadership development • Employee survey • Target and development dialogue • Development of occupational roles 	<ul style="list-style-type: none"> • Employee policy • Employee process 	<ul style="list-style-type: none"> • Market areas down to first-line managers • Director of Human Resources, overall
Sustainable offering - recruitment collaboration	Non-GRI	<ul style="list-style-type: none"> • Client relations for long-term recruitment collaboration • Prepared employees • Matching employees • Ensure follow-up 	<ul style="list-style-type: none"> • Employee process 	<ul style="list-style-type: none"> • Project 2015-16 • Director of Human Resources, overall
Increased degree of self-financing	Financial support from the public	<ul style="list-style-type: none"> • Business growth • Economic governance and economic follow-up • Purchasing facility 	<ul style="list-style-type: none"> • Finance policy • Sustainability policy • ISO 9001 • Management process • State assignment 	<ul style="list-style-type: none"> • Profitability depends on Market and Business areas • CFO, overall
Environmental target - reduced CO₂ emissions	Energy consumption Emissions	<ul style="list-style-type: none"> • Part of training in all occupational roles 	<ul style="list-style-type: none"> • Sustainability policy • ISO 14001 • Environmental process • Cleaning holds a Nordic Ecolabel licence 	<ul style="list-style-type: none"> • Profitability depends on Market areas • Sustainability manager, overall co-ordination • Quality and environmental management, operative co-ordination

Results are monitored regularly through monthly reports, including key performance indicators, which are supplemented with targeted follow-up.

INCREASED DEGREE OF SELF-FINANCING - RAISED INCOME FROM BUSINESS OPERATIONS

The target is to increase the share of income coming from client assignments. The degree of self-financing is measured by comparing income from all business operations to the total costs. The aim is to increase business growth, streamline resource use and raise productivity.

Target 2016: increase self-financing to 32%.

Result 2016:



COMMENTS:

The year's growth in gross profit of 5% was not enough to cover the rise in wage costs in the labour market policy assignments. Wage costs were affected by an increase in the number of development positions of another 1 000 persons.

ENVIRONMENTAL TARGET - REDUCED CO₂ EMISSIONS

The largest cause of environmental impact from operations is CO₂ emissions from our fleet of vehicles and premises. The target aims to influence the source of emissions during daily operations. The objective is to reduce emissions and use vehicles more efficiently. This implies a connection to business utility, without counteracting necessary business growth.

Target 2016: to reduce the use of fossil fuels in relation to revenues (SEK thousands).

Result 2016:



COMMENTS:

The target was achieved through more efficient use of vehicles, renewal of the fleet and use of environmentally friendly fuels.



SOCIAL SUSTAINABILITY

Employee benefit

Our assignment is to further the personal development of employees with functional impairment through work in our client assignments and, in such a way, combat social exclusion and contribute to a sustainable Sweden.

Employee benefit is the very core of Samhall's operations

The state's targets are expressed in terms of the number of employees, recruitment from prioritised groups and transitions to employment with another employer. These assignment-related targets are complemented by the Board's sustainability targets. Based on materiality analysis, stakeholders demand most of all:

- Employee development: strategies to increase throughput and receive more employees.
- Health and workplace environment: strategies to prevent and diminish negative effects.





NUMBER OF EMPLOYEES

At year-end, Samhall had 21,631 employees in labour market policy assignments for people with functional impairment and reduced working capacity, of which the core assignment is the largest. Included here are development positions for people who have been unemployed for a long time (read more on page 33) as well as positions including persons with 75% sickness benefit.

Samhall had 1,206 professional employees. All Samhall employees have collective agreements.

GENDER AND AGE DISTRIBUTION

Samhall has a relatively even gender distribution: 45% women and 55% men. The average age for all is 47. In

total, 29% of women work part-time and 14% of men.

ORGANISATION AND RESPONSIBILITY

The centralised Human Resources facility has overall responsibility for the strategic work regarding employee

development and the employee process.

The operative responsibility rests with the market areas down to the first-line managers. Collaboration with the Public Employment Service is important, both in recruitment to Samhall and when employees begin new jobs outside Samhall.

SAMHALL EMPLOYEES 31 DEC 2016

	Total	Women, %	Men, %	Average age, years
Management				
Board	11 (11)	45 (45)	55 (55)	55 (56)
Executive group	10 (10)	40 (40)	60 (60)	53 (52)
Employees				
Core assignment	19,259 (18,528)	45 (46)	55 (54)	49 (49)
Development positions	2,015 (1,027)	33 (38)	67 (62)	29 (32)
75% sickness benefit	357 (351)	69 (69)	31 (31)	51 (50)
Professional employees	1,206 (1,252)	52 (52)	48 (48)	48 (48)
Total	22,837 (21,158)	45 (47)	55 (53)	47 (49)

Development through work

Samhall's assignment is to further the development of employees through work. Dedicated and skilled employees are the starting point in matching the right competencies to clients and recruitment assignments. The journey is different for many employees, but the work process is the same.

The aim is for every employee to develop his or her work skills and raise their employability while at Samhall. The target and development dialogue clarifies the employee's development goals in the short and long term and the client assignments provide the framework for occupational roles that the employee can work on and develop their skills.

We have identified two areas of development needed to reinforce employee development and highlight long-term sustainability effects:

Areas of development 2016

1) Leadership development aiming to clarify the assignment. In 2016, a leadership programme was conducted for all district and business managers. It complements the ongoing programme for all first-line managers. The aim is to strengthen leadership to improve target fulfilment and ensure more employees have work. In the autumn, a project commenced that will develop a company-wide introduction and training programme for managers. The aim is to secure that new managers are knowledgeable about areas central to Samhall and the right requirements for succeeding in their assignment.

2) Further work in developing the employee process. During the year, we have developed a way of working with long-term recruitment collaborations with major companies to reinforce the work of developing employee skills and improving support on the way to a new job.

The throughput of employees in 2016 hit a record high. Transitions totalled 1,179, which is the highest figure in 14 years. It has also been a year when Samhall employed more than 5,000 people with functional impairment to the core assignment or development positions. In addition, nearly 2,500 people with functional impairment received work training or skills assessment by Labour Market Services.

PRIORITISED RECRUITMENT

Recruitment from prioritised groups at year-end, according to figures from the Public Employment Service, was 57% (46%) of new recruitment to the core assignment. This group consisted of 37% (38%) women and had an average age of 42 (40).



OCCUPATIONAL ROLES - CLARIFYING COMPETENCIES

Samhall's occupational roles support goals for skills learning and clarify which competencies Samhall can offer clients both as a supplier and recruitment partner.

At year-end 2016, 81% of all employees had documented skills in one or more occupational roles. For example, approx. 10,100 were occupationally skilled for the role of cleaner, 3,700 as assembler and 3,500 as stockroom worker. Developing and following up occupational roles also gives information enabling proactive work in matching employees to current and new client assignments.

TRAINING AND DEVELOPMENT IN VARIOUS OCCUPATIONAL ROLES

The daily work provides employees with opportunities to meet clients, perform tasks, collaborate with colleagues and receive support and feedback. Included in "development through work" are traineeships outside Samhall that help develop

practical occupational skills. Training for various occupational roles is also important and provides the right basis for the work.

Training is available to support the entire journey within Samhall: from introduction to preparation for a new job with another employer. There is basic training for all occupational roles. This year, support tools were developed that make an inventory of training needs and analyse gaps at district and individual level. Launched in autumn 2016 was a work process for the annual planning of training that covers all occupational roles. Good basic planning is an important prerequisite for the structured work of employee development and to satisfy the demands of clients.

Over the year, 2,300 courses were taught with an attendance of 20,300 places. Major training areas have been cleaning, leadership, diversity, property management and care services.



24 defined occupational roles

Administrator	Care attendant	Driver	Instructor	Laundry worker	Property care-taker - outdoor	Shop assistant	Team leader
Assembler	Cleaner	Forester	Internal teacher	Machinist	Receptionist	Stockroom worker	Waiter/waitress
Attendant	Customer-service clerk	Garbage collector	Janitor	Property care-taker - indoor	Service attendant	Superintendent	Window cleaner

Window cleaner



BODEN MUNICIPALITY

Many hands improve care service work

Samhall's service assignment for Boden municipality creates job satisfaction for Samhall's proud employees at eight homes for the elderly. The collaboration has contributed to less stress and fewer sick days for the trained care staff.

Iris Christoffersson is one of Samhall's employees working at the elderly homes in Boden. Cleaning the residents' rooms, doing the laundry, fetching meals and checking the temperature of food, cleaning the fridge and kitchen surfaces are just some of her daily tasks. A special assignment, based on her own particular interest and knowledge, is mending residents' clothing, such as sewing on a button or mending a broken seam.

"The work here varies and I feel good because I know I'm appreciated. As soon as I've been away, I feel missed; feeling important means a great deal," says Iris.

BODEN MUNICIPALITY
A FORERUNNER

25

25 persons from Samhall provide services that are important to operations.

Care personnel can focus on what they are trained to do, which creates a better utilization of skills and workplace environment.

11,886

In total fewer hours lost to illness by care personnel one year after Samhall began providing services.

Additionally, residents receive better care and increased security.

High throughput of employees

NUMBER GIVEN A POSITION IN 2016

Number of new employees recruited January–December 2016	5,053
Job and development guarantee, New arrivals	2,497
Total employees and trainees IN	7,550

NUMBER OF EMPLOYEES 31 DEC 2016

Core assignment	19,259
Employees with 75% sickness benefit	357
Development positions 2015–2018	2,015
Total number employees	21,631
Job and development guarantee, trainees	1,496

TRANSITIONS TO ANOTHER COMPANY IN 2016

Core assignment	837
Development positions	342
Other departures	4,415
Total number of employees and trainees OUT	5,594

TRANSITIONS

Transitions are part of Samhall's assignment and included as an operative target set by the state. The assignment involves giving employees the proper conditions to leave Samhall for a position with another employer. At the same time, it provides Samhall with room to employ new recruits who are struggling in the labour market. The number of transitions was 1,179 (1,059) of which 342 (251) were from development positions. The proportion of women

in all transitions was 34% (34%). The average age of transitions was 41 (41).

RETURNS

Permanent employees who make a transition are entitled to return to Samhall within one year. Known as "returns", this entitlement is included in the state's directives and regulated in the collective agreements for employees in the core assignment. In 2016, the number of returns was 419 (465). The number of women returning was 136 (151). Most returns were

due to the temporary employment ending or the new employer's downsizing of operations.

Project Recruitment ran during the year, aiming to establish long-term recruitment collaboration with large companies looking to recruit employees from Samhall. Also during the year, Samhall developed methods of working that clarify and support our transition assignment with a strong focus on professional recruitment work.

Health and workplace environment

Samhall's objective is a safe workplace environment where employees can develop their skills, which is accessible and adapted to employees' needs and prerequisites. Good workplace environment and health contribute to the attainment of operative targets. Leadership development and a values-based company culture have great importance in creating a healthy workplace environment where employees thrive, develop and feel well.

OCCUPATIONAL ACCIDENTS AND ABSENCES DUE TO ILLNESS

Occupational accidents decreased somewhat from the previous year. Samhall conducts annual follow-up of the workplace environment programme, where results are handled company-wide and at scheduled improvement days, as well as in local workplace environment committees. Suggestions for improvement and action plans are based on the circumstances of the local organisation. Initiatives continue that encourage increased reporting of incidents as a means of developing preventive measures.

Absences due to illness are measured as a percentage of time from the employment contract. Absences due to illness have increased during the year for employees in the core assignment totalling 16.2% (15.8%). The increase follows the wider trend in the labour market, however the trend of rising absences due to illness has stagnated. Long-term absences (>59 days) account for the rise. Absences due to illness for professional employees rose to 4.7% (4.0%).

Various health initiatives have been implemented during the year aiming to decrease absences due to illness. Common health activities are organised and daily exercise is encouraged.

ZERO TOLERANCE OF DISCRIMINATION

According to the Employee policy, zero tolerance is shown regarding discrimination, offensive acts and sexual harassment, as well as wage differences based on gender. These are important areas for Samhall, and our stakeholders have high expectations. Such issues are discussed at introductory training and regularly within the organisation as part of the systematic workplace programme.

A wage survey takes place in conjunction with the wage review. In 2016, no relevant wage difference by gender was noted.

OCCUPATIONAL ACCIDENTS AND ABSENCES DUE TO ILLNESS

	2016	2015	2014
Total no. accidents at work	784	829	789
- of which women	367	390	381
- of which men	417	439	408
Accidents per 1000 employees	34	39	36
Absences due to illness (total for all), % of contracted time	15	15	14
- of which women	18	18	17
- of which men	13	13	12

Development positions

Through development positions we can, on a yearly basis, offer a large number of people with functional impairment a big step forward in working life.

IN 2016, SAMHALL WAS ASSIGNED TO OFFER AT LEAST 2,000 development positions to people with functional impairment who have been out of work for a long time. The target group prioritises young adults under 30. The period of employment is one year, which may be extended a further 12 months in exceptional cases.

OVER THE YEAR, 2,312 PEOPLE had development positions of which 73% were under 30 years of age. 342 people with development positions then found work outside Samhall and of these 68% were under 30.

THE ONE-YEAR PERIOD OF EMPLOYMENT COMBINES DEVELOPMENT AND WORK in a structured process with tighter follow-up. Not least, it is important to introduce and motivate young adults without previous work experience to become accustomed to their working lives and to prosper.

ABOUT 25% OF TIME AT WORK is spent on various development activities: e.g. introduction to working life, learning new tasks, taking on greater responsibility, increasing working

hours, switching client assignments, traineeships with another employer, basic and occupational training at the Samhall school, etc. The individual development activities give the employee the possibility to achieve better insight into their own abilities, strengths and sustainable working range. It also provides new skills and documented experience and references from various workplaces and tasks. This documented competence is in demand, as is reflected by a large number of development employees being recruited by other employers.

Collaboration with the Public Employment Service is crucial at all stages:

- Prior to employment, so the individual gets the right picture regarding conditions and goals.
- Regular three-party checks during employment.
- Support at the termination of employment or upon gaining a position outside Samhall where the new employer may require various initiatives from the Public Employment Service.

2,312
development
positions

73%
<30 years
of age

342
gained employ-
ment outside
Samhall

EMPLOYEE DEVELOPMENT IN LABOUR MARKET POLICY ASSIGNMENTS

	Women	Men
Target and development dialogue %	78	77
Development time and transition traineeship, core assignment (hours/employee)	18	23
Development time and transition traineeship, development positions (hours/employee)	134	157
Transitions, core assignment	305	532
Transitions, development positions	93	249





ECONOMIC SUSTAINABILITY

Society benefit

Through our client assignments, we combat social exclusion and contribute to a sustainable Sweden. Samhall's strategy for long-term economic strength is business growth on market terms, as well as reinforcing the Samhall brand's trustworthiness.

SAMHALL'S BUSINESS LOGIC

somewhat the opposite of other companies. Samhall needs to create work for a set number of employees, not employ staff on a commercial basis according to a given amount of business. For Samhall it is the number of employees mandated in the state's ownership directives that governs the need for business volumes and costs driven by the volume of employees in the various labour market policy assignments.

To maintain and create new jobs, Samhall needs to adapt operations to the structural changes in the economy. Over the past decade, Industry and Packing/Assembly has decreased from 45% to 7% at year-end 2016.

Based on the materiality analysis, this section pays particular attention to

- Balanced finances
- Samhall's additional costs
- Geographical distribution
- Business ethics, especially anti-corruption and competitive neutrality

Reporting is limited to factors that have an effect within Samhall, i.e. neither upwards nor downwards in the value chain.

Balanced finances

Balanced finances are crucial if Samhall is to conduct its assignments in a sustainable way with the financing it receives. It needs to balance "Society benefit" against various targets and stakeholders. A certain financial surplus is required to generate new jobs in the future. Samhall's articles of association also prevent a dividend, meaning any profits are applied to Samhall's continued development.

The historical development of Samhall's economic sustainability target, "the degree of self-financing" has been pursued and realised partly through restructuring from an industrial to a services company in the past decade. Productivity has risen and costs have fallen.

COMPENSATION FOR ADDITIONAL COSTS UNCHANGED FOR EIGHT YEARS

As Samhall has approx. three times as many employees per assignment compared to other companies in the same sectors, there is a limit to how quickly and by how much the degree of self-financing can increase.

Through rising sales we can compensate for cost increases for the same number of employees as competitors, but for the personnel costs for other employees requires additional cost coverage. In recent years, Samhall has become increasingly under-financed as compensation for additional costs from the state fails to cover the actual additional costs of the assignment. It is particularly tangible during periods when the number of employees rises according to the state's directives.

2016 is the second year in a row of financial losses. At the same time, it is the eighth year straight of unchanged compensation for additional costs. Fast-rising personnel costs in the company's labour market policy assignment can no longer be compensated for through productivity gains and increased growth. That means the focus and priority now rests on bringing the company back to a situation of balanced finances without, to an unacceptably high degree, affecting the company's fulfilment of labour market policy objectives.

OPERATIONAL BRANCH IN THE CORE ASSIGNMENT

	% women	% men	TOTAL
Services	46	54	11,996
Manning Solutions	43	57	5,998
Industry and Packing/Assembly	47	53	1,264

Samhall's additional costs

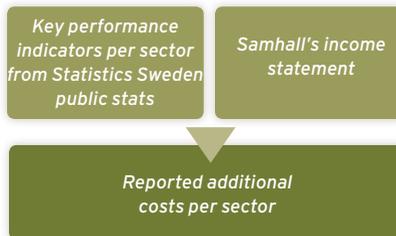
SAMHALL RECEIVES COMPENSATION from the state for the additional costs attributed to its labour market policy assignment. There is no other state compensation for the core assignment.

Samhall's additional costs related to its assignment are based on regulations in legislation, the articles of association and directives from the owner, and this means the company must:

- Run production using employees with functional impairment causing reduced working capacity.
- Conduct operations throughout the entire country and take into consideration regional political concerns regarding any restructuring and avoid the closure of operations in areas with vulnerable labour markets.
- Avoid the retrenchment of employees due to a shortage of work.
- Offer a broad spectrum of work to satisfy the needs of its employees.
- New recruits should come from specified groups that have particular difficulty in the labour market.
- Provide support, rehabilitation and training to employees.

- Take measures to prepare employees for a position in the regular workforce, with the possibility to return to Samhall within a year after making a transition to another employer outside Samhall.

Samhall has developed a new model this year to show the compensation for additional costs. The state determines the amount of compensation for additional costs, the aim of the model being to ensure that Samhall is not overly compensated according to the regulations for state support. The model is described in summary by the illustration below:



Basis for the model:

- Transparency based on public, annually updated figures from Statistics Sweden and financial figures reported in Samhall's audited annual accounts.
- Comparison by sector of the proportion of personnel costs to sales. This shows Samhall's personnel costs to be several times higher than the average for the sector. Samhall's wage hours are used for sectoral allocation as the number of employees is primarily governed by the requirement for wage hours, not by the market demand through the client assignment.

Samhall's additional costs, according to the model, reached a total in 2016 of SEK 5,084 million, which should be compared to the received compensation of SEK 4,405 million.

A complaint by Almega Service Contractors submitted in 2014 to the European Commission about the state's compensation for additional costs to Samhall is not closed. The case is being handled by the Government Offices of Sweden.

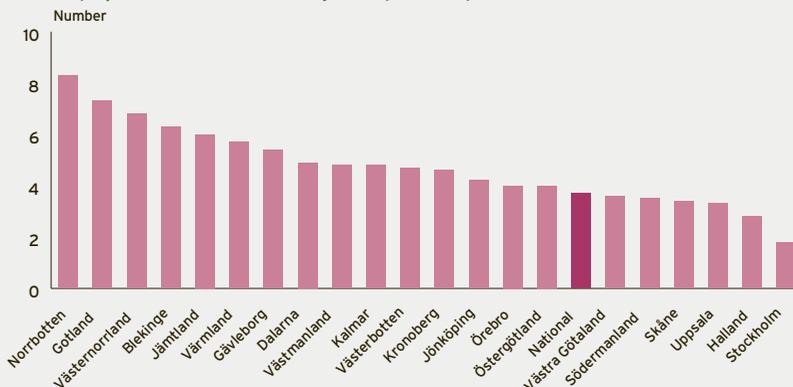
Geographical distribution

Samhall must be present nationwide, where the need exists. The allocation is agreed annually with the Public Employment Service that assesses the need. The county distribution in the workforce in 2016 is shown in the diagram below.

Since permanent positions are the main form of employment in the core assignment it is not possible to make major changes in the short term. The distribution has been relatively stable over time, which reflects conditions in the labour market of the 80s and 90s. Since

2015, there is a long-term plan for less redistribution between counties, based on current needs. The reallocation is agreed with the Public Employment Service and based only on approaching retirements.

Employees in Samhall's core assignment per 1 000 persons in the workforce



Seeing opportunities

Micasa shows the way

Micasa looks after a number of the City of Stockholm's care facilities, including homes for the retired and elderly. Micasa employees work at 11 properties, creating a social meeting place and arranging meaningful activities for the aged. Every workday, employees are on site and offering activities such as bingo, reading aloud, sitting workouts and cosy Fridays. They bake buns and also help with everyday activities, such as booking the laundry room or showing the way to the guest apartment.

"This is definitely one of the most enjoyable and most appreciated jobs I have had – a real give-and-take job. I feel that I really contribute and receive something in return. Imagine how much I can learn from the elderly, who have so much experience to share," says Paula Vasquez.



Business ethics

An ethical approach is fundamental to Samhall's operations. Trustworthiness is essential in winning new clients and receiving support from stakeholders, which is reinforced by a strong brand. Therefore transparency regarding operations, competitive neutrality and business ethics are of great importance to Samhall.

ANTI-CORRUPTION

Business ethics and anti-corruption are important components of Samhall's sustainability policy. This policy is supplemented with specific directives about bribes and other improper benefits. Core values and rules on business ethics and corruption are part of company introduction and the leadership development programme.

Corruption is part of the internal auditor's basic area of investigation. There is a whistle-blower function allowing employees or members of the public to anonymously report suspected irregularities.

COMPETITIVELY NEUTRAL PRICING

Just like other companies, growth is important to Samhall. The company is exposed to the same competitive pricing pressures as other companies, but competitively neutral pricing is even more important because of the state's compensation for additional costs.

Samhall's pricing complies with Swedish and EU legislation on fair competition. Our clients pay for the actual work done, while the state's compensation for additional costs cannot be used to compete on price. Pricing is regulated by guidelines, including that the sales price of a good or service cannot be less than the current market price taking into

account all relevant circumstances and terms of sale affecting price.

Samhall's methods and tools to ensure that quoted prices are professional and competitively neutral include:

- Competitor analysis of quoted prices and allocation decisions from all public tenders involving Samhall.
- Price calculations are made by a centralised specialist function.
- Use of a market-established pricing calculation tool.
- Norm calculations are based on the normal costs of competing companies. Not included are the additional personnel costs that are covered by the compensation for additional costs.

In 2016, two cases concerning Samhall were registered with the Swedish Competition Authority. Both cases were concluded without the Competition Authority finding cause to investigate further the circumstances around the complaints.



ENVIRONMENTAL SUSTAINABILITY

Resource efficiency and the development of sustainable services

Samhall's strategy is to integrate environmental considerations into its services and client offerings, which enables work with these issues to become part of daily operations. Training in all occupational roles includes the environment, e.g. environmental cleaning methods and the correct use of chemical products.

ENVIRONMENT AND QUALITY CONTROL

Product development incorporates environmental factors from a life-cycle perspective, which is increasingly demanded by various stakeholders.

Environmental and quality control, as well as the Nordic Ecolabel, cover continual improvements regarding emissions, chemical use, energy and fuel consumption and waste management. Guidance is provided by the precautionary principle. Upon risk or suspicion of negative impact, materials and working procedures are selected to ensure that characteristics are as good as possible.

SAMHALL'S ENVIRONMENTAL RESPONSIBILITY

Samhall's operations are organised into the Services and Manning Solutions business areas, as well as a small Industry area. From an environmental perspective, Services and Industry account for the company's effects on the environment. For Manning Solutions, the client is responsible for the environment and the environmental consequences.

Results are monitored regularly through quarterly reports measuring targets and key performance indicators. Internal sources and suppliers provide the data, e.g. energy consumption and waste.

LARGEST ENVIRONMENTAL IMPACT

Based overall on the principle of materiality, energy consumption and CO₂ emissions, have the largest impact on the environment and climate. Throughout stakeholder dialogue, all groups consistently rank Samhall's contributions to employee benefit and society benefit higher than environmental issues. However, in negotiating agreements with clients, there is an interest in diminishing environmental impact. Environmental and climate effects are also included in demands that state-owned companies act as a model in the environmental field.

REDUCED CO₂ EMISSIONS

In 2016, total CO₂ emissions decreased by approx. 10%. To maintain low emissions, Samhall only purchases certified environmental electricity. Emissions amounted to 5,357 (5,984) tonnes.

Because CO₂ emissions from Samhall's fleet of vehicles is its largest environmental effect, the sustainability target has focused on diminishing emissions from production vehicles.

Total energy consumption fell by approx. 16% over the year, mostly due to a reduction in premises. About 32% of the total energy was renewable energy.

CO₂ EMISSIONS

Tonnes	Direct emissions EN15	Indirect emissions EN16	Other indirect emissions EN17	Total
Vehicles	2,963		815	3,778
Premises	243	164	747	1,154
Other			485	485
Total CO₂ emissions	3,206	164	2,047	5,417

ENERGY CONSUMPTION

MWh	2016	2015	2014	2013
Renewable energy, EN3	1,921	2,391	3,255	5,077
Renewable energy, EN4	12,180	14,725	18,458	20,484
Non-renewable energy, EN3	12,149	13,508	14,222	16,706
Non-renewable energy, EN4	17,637	21,379	28,797	34,136
Total energy consumption	43,887	52,003	64,732	76,403

CORPORATE GOVERNANCE

Samhall is a Swedish public limited liability company registered in Stockholm. The framework of governance consists of the Swedish Companies Act, Annual Accounts Act, Swedish Corporate Governance Code (the Code) and laws and regulations applicable to the company.

DEVIATIONS FROM THE CODE

Where appropriate the Code is to be applied, in accordance with the state's ownership policy. The following points list Samhall's deviations from the Code during the 2016 fiscal year:

- Information about the owner's right of initiative is not applied because the company is wholly owned by the Swedish state (point 1.1).

- The Code's regulations on the initiation of the election of Board members and nominations of members and external auditors, as well as proposing a chairman at the annual general meeting, are replaced in state-owned companies by a structured procedure of Board nominations according to state ownership policy (chapter 2 and point 1.3).
- The independence of Board members in relation to the state as a majority owner is not reported. The regulation aims to protect minority owners at companies with diverse ownership. There is no reason for wholly state-owned companies to report this sort of independence (point 2.6 and 10.2).

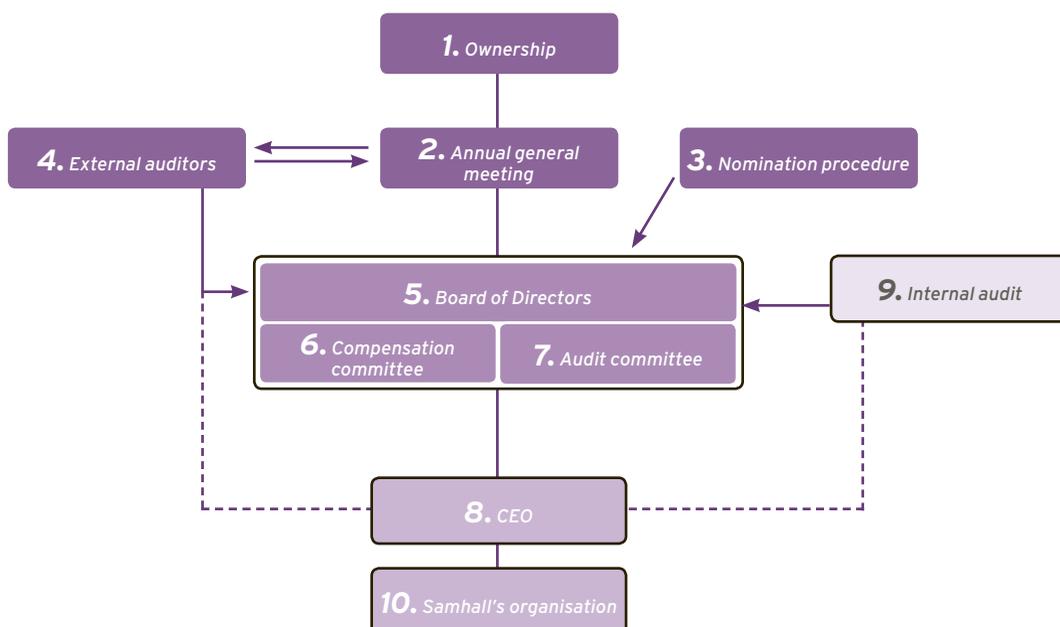
DIVISION OF RESPONSIBILITY

Responsibility for Samhall's management and control procedures is divided between the owner, the Board and the CEO.

1 OWNERSHIP

Samhall AB is wholly owned by the Swedish state. Ownership is administered by the Ministry of Enterprise and Innovation.

The owner's directives, set at the annual general meeting, contain among other things, labour market policy objectives and the financial targets, financing of the additional costs incurred by Samhall in fulfilling its assignment, as well as



certain reporting requirements that supplement the general reporting regulations.

In addition to specific instructions from the owner to Samhall AB, the state's ownership policies apply regarding exemplary action in the areas of sustainable enterprise.

2 ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is the company's highest decision-making body. Members of parliament have the right to be present and ask questions at the AGM, which is also open to the public. An annual seminar takes place, in conjunction with the AGM, with external delegates on a topic relevant to Samhall's operations.

The 2016 AGM took place on the 26 April in Stockholm. During the year, there were two extraordinary general meetings: on the 12 January, new owner's directives were received

and on the 1 July the number of Board members was increased to eight. A new Board member was voted in. Minutes from the year's meetings are available on Samhall's website (in Swedish).

Remuneration principles

The AGM establishes remuneration to the members of the Board and committee members. No fee is paid to members employed by the Swedish Government Offices or employee representative members.

Principles for remuneration to senior management are determined annually at the AGM. Samhall follows the government's current guidelines regarding conditions of employment for senior management. The external auditors' report presented at the AGM showed that the guidelines established at the 2015 AGM had been applied.

Remuneration to Board members chosen at the AGM and senior management is reported in note 2.

3 NOMINATION PROCEDURE

As a state-owned company, Samhall has no initiation process for the election of Board members. Preparation for nominations takes place through a nomination process in accordance with the state's ownership policy. The work is co-ordinated by the Ministry of Enterprise and Innovation.

4 EXTERNAL AUDITORS

Auditors independently review the governance of the Board and CEO, as well as the annual report and bookkeeping. Auditors also make a summary review of the third quarter interim report. The external auditor is present at all the audit committee's meetings and reports to the Board directly on at least one occasion.

The auditor also meets the Board once a year with no representative from senior management present.

The Board's work 2016

- Interim report
- Auditors' summary review and meeting with the Board (without management)
- Strategic risks Theme: business development • Operational plan with growth strategy
- Budget and sustainability targets for the next year
- Policy documents, evaluation and ratification

Q4

Q1

- Annual accounts
- Annual and sustainability report
- Internal auditor's annual report and yearly plan
- Auditing
- Evaluation of the Board's work and CEO, action plan
- Budget preparation
- Preparation for the AGM

Q3

Q2

- Interim report
- Theme: Long-term vision and strategy
- Growth strategy
- Visits to workplaces and clients

- Constitutive meeting
- Interim report
- IT, development and strategy
- Theme: employee development

The responsibility for nominating external auditors of state-owned companies is with the owner. The 2016 AGM re-elected the authorised auditor Deloitte AB until the next AGM with authorised public accountant Peter Ekberg as chief auditor. Remuneration to auditors is detailed in note 7.

5 BOARD OF DIRECTORS

The Board of directors is responsible for the organisation of the company and manages the company's affairs on behalf of the owner.

In accordance with the articles of association, the Board of directors has at least seven and at most nine members. In addition, according to laws about boardroom representation, three members and three deputies may be included as employee representatives. After the extraordinary general meeting in June, the Board consists of five men and three women. The Board includes three members and two deputies who represent employee organisations. The composition of the Board and members' attendance at Board and committee meetings is shown on pages 44–45.

The chairman's responsibilities include organising and leading the Board's work, ensuring the Board fulfils its tasks and monitors the progress of the company through contact with the CEO and checks that the Board's decisions are implemented. The chairman presents the opinions of the Board to the owner in matters of significance to the company.

The Board annually updates and establishes operational regulations, directives to the CEO, instructions regarding reporting to the Board and instructions to the Board's committees that guide division of responsibility and methods of working. The Board also sets instructions for the internal audit.

The Board has established a compensation committee and an audit committee. Committee members are appointed at the constitutive Board meeting. Minutes are taken of the meetings and presented to the Board.

The CEO and Vice CEO are not members of the Board, but participate in the Board's meetings.

There is an internal audit function mandated by the Board that regularly reports to the audit committee.

The Board's work

During the year, the Board met eight times, of which one was a constitutive meeting and one a phone meeting. The Board receives a detailed financial report every quarter on the company's results and position, briefer monthly reports and when necessary a letter from the CEO about significant events.

The Board's work follows an annual cycle with appointed themes. To ensure that the Board has sufficient knowledge of Samhall's operations, there is a special introductory programme for new Board members. The Board makes annual workplace visits and meets clients and Samhall's local management and employees.

In 2016, comprehensive work was undertaken to establish a long-term growth strategy that would secure balanced finances and the fulfilment of the labour market policy assignment. Other matters handled by the Board in 2016 are shown in the chart on the previous page.

The Board's work and that of the CEO are evaluated annually. In addition to this evaluation there are individual annual discussions between the chairman and all members.

6 COMPENSATION COMMITTEE

The members of the compensation committee are chairman Erik Strand, Kenneth Johansson and Leif Ljungqvist.

The compensation committee supports the Board with recommendations concerning remuneration to senior management, including matters of application of its guidelines and other issues regarding benefits and incentive programmes.

The committee had two meetings during the year.

7 AUDIT COMMITTEE

The members of the audit committee are chairman Erik Strand, Bertil Carlsén, Helen Fasth Gillstedt and Leif Ljungqvist.

The audit committee supports the Board in matters regarding the company's financial reporting, the effectiveness of the company's internal governance and control procedures and risk management. The committee also reviews and monitors the auditors' impartiality and independence, evaluates internal and external auditing initiatives and participates in the procurement of external auditing services. The head of internal auditing reports regularly to the committee. The CEO and CFO participate in the meetings.

During the year, the audit committee held seven meetings.

8 CEO

The CEO is responsible for the ongoing management of the company in accordance with the Board's instructions. The CEO's areas of responsibility and mandate are regulated by annual instructions from the Board and instructions to the CEO regarding reporting to the Board. The CEO keeps the chairman regularly informed of key business events and helps prepare the Board for its meetings.

The CEO leads the company's operations. Internal governance occurs jointly through governing documen-

tation and through the company's management system. Chiefly, "The Samhall Process" combines personnel and client-delivery processes. Delegation is regulated from the CEO by an order of delegation and complementary guidelines regarding responsibilities and authorities.

9 INTERNAL AUDIT

The internal audit is an independent and objective facility that evaluates, recommends and follows up improvements regarding the effectiveness of Samhall's risk management, internal governance and control, as well as the management process in the entire company.

The facility is directly subordinate to the Board and audit committee and conducts its work according to an approved internal audit plan prepared by the audit committee and approved by the Board. The chief of the internal audit reports administratively to the Vice CEO.

10 SAMHALL'S ORGANISATION AND GOVERNANCE

Samhall operates only in Sweden. Operations are spread throughout the entire country.

The CEO organises the management of the company in a way that ensures appropriate governance and control of operations. Samhall

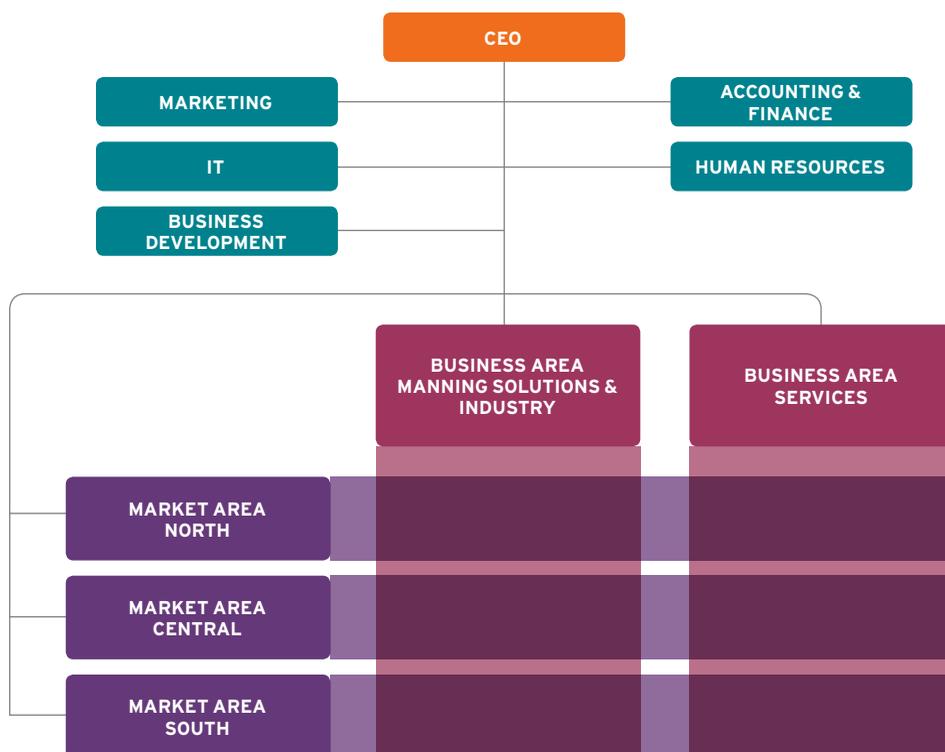
strives for decentralisation and cost-effectiveness. Both sustainability work and risk management are integrated into the company's processes and are part of operative planning.

The diagram below shows Samhall's organisational structure, current from 1 Feb 2016.

Samhall has an integrated management group that includes the company-wide support functions and the directors of the market areas and business areas. Management is presented on pages 46–47.

Operations are guided through formulated objectives that are followed up by monthly management reports and the CEO's briefings with the market areas and business areas.

Samhall's organisation



INTERNAL GOVERNANCE AND CONTROL PROCEDURES

Internal governance and control procedures are based on a model with three lines of defence.

The Board's responsibility for internal governance and control procedures is regulated by the Swedish Companies Act, Annual Accounts Act and the Swedish Corporate Governance Code. Internal control procedures aim to provide reasonable assurance concerning the reliability of externally reported financial figures and compliance to laws, appropriate reporting standards and other demands placed on public limited liability companies.

The audit committee is responsible for preparing the work that ensures the quality of the company's financial reporting, regularly monitors the effectiveness of the company's system and formulation of the internal governance and control procedures, as well as following up that recommendations have been attended to.

CONTROL ENVIRONMENT

The structure of the internal control procedures is based on a defined division of responsibility between the Board, the Board's committee and the CEO. The internal control structure is based on the company's organisation and the manner in which operations are conducted. The structure follows well-defined roles and areas of responsibility, delegation of authorities, governing documentation and clearly defined planning and support processes. The company's control environment is based on:

- Governance and follow-up by the Board and its audit committee

- Distribution of work between the Board and CEO
 - The company's organisation and areas of responsibility and delegation of authority
 - Company culture and ethical values, competence, management philosophy, organisational structure, responsibility and authority
 - Governing documentation and a common management system based on clearly defined procedures and control activities
 - Control activities are partly conducted as integrated parts of the processes and partly as the second line of defence within the Accounting facility
 - Regular follow-up
 - Quality assurance in the reporting
- The Accounting & Finance support facility has overall responsibility for work involving operational planning, management and follow-up. The facility's area of responsibility also includes securing and developing the financial reporting, and work involving risk management.

Samhall has a common quality and environmental system that is ISO 9001 and ISO 14001 certified.

INFORMATION AND COMMUNICATION

Samhall's information and communication channels seek to promote complete and transparent financial reporting. The Board receives a detailed financial report every quarter on the company's results and position, briefer monthly reports and when necessary a letter from the CEO about significant events.

Interim and annual reports are published on Samhall's website.

Information about policies, governance documents, processes and routines are available on Samhall's intranet.

In terms of governance, both external and internal communications follow the communications policy approved by the Board.

To increase transparency, there is a whistle-blower function allowing anonymous reporting of suspected irregularities.

RISK MANAGEMENT

Samhall's risk management must protect the company's values, provide improved governance and control, and increased transparency. The aim is to contribute to the attainment of the company's goals, while at the same time avoiding negative operational and financial effects.

Risk management is conducted by the company both at a strategic and operational level. It is a management issue with the Board and CEO responsible for managing the company's strategic risks. Risk management is integrated into the operative work and processes.

Accounting & Finance takes overall responsibility and plays a cohesive role in the risk work.

The company has a risk committee chaired by the Vice CEO/CFO and reporting to the Board's audit committee.

RISK MANAGEMENT STRUCTURE:

- Identification of new risks and possible changes in previously stated risks based on developments in current affairs, external and internal audits, client satisfaction index, employee surveys and other systematic monitoring.
- Operative risks are regularly handled within operations.
- General and company-wide risks are handled by the risk committee, where the risk is assessed in terms of probability and consequence. The risks with the highest priority and strategic relevance are compiled and reported to the audit committee/Board.
- Risks are categorised from the perspective of client benefit, employee benefit and society benefit with a strong connection to both operational targets and the operational plan.

- Scheduled action plans are developed that also cover control procedures and follow-up. The external auditors and internal audit check Samhall's risk situation in conjunction with planning the annual audits.

SAMHALL'S CORE VALUES

Company culture and core values are vitally important at Samhall. It starts with the Board's policy documents: employee policy, sustainability policy, communications policy and finance policy. Comprehensive work has been conducted in recent years. The operational plan describes the common points of departure, objectives and the way there. A crucial part of the work with culture and values is the leadership programme for all first-line managers and district and business managers.

SUSTAINABLE ENTERPRISE

The sustainability programme is integrated into Samhall's operative processes. Sustainability targets are followed up quarterly throughout the entire company.

Overall responsibility for sustainability issues rests with the Vice CEO/CFO. Operative responsibility is with the line managers in the organisation.

Internally, the work of sustainable enterprise is followed up systematically. External review is conducted by the company's auditors as part of the annual and sustainability report. Additionally, external reviews are conducted in accordance with ISO 9001 and ISO 14001.

Three lines of defence for internal governance and control procedures



BOARD OF DIRECTORS



Erik Strand
Chairman

Born: 1951.

Chairman since 2011.

Economics and Sports Master. Works on various Boards and as a consultant. CEO and Board work, Praktikertjänst. Chairman Svenska Spel. Previous 36 years in trade and industry of which 24 as CEO/President.

Board attendance 7 (8)
Compensation committee attendance 2 (2)
Audit committee attendance 6 (7)



Dario Aganovic
Member

Born: 1974.

Member since 1 July 2016.

Exec. Ed. in corporate finance at the London Business School, Ph.D. in industrial technology and management at the Royal Institute of Technology in Stockholm, B.Sc. in mechanical engineering at Uppsala University. Chairman and CEO, CCS Healthcare AB. Previously, commercial director, Nordic region, at ISS World Services, Global business area manager at CPS Color Group, head of Nordic product innovation at Accenture Management Consulting, Centre director, researcher and teacher at the Royal Institute of Technology.

Board attendance 4 (4)



Bertil Carlsén
Member

Born: 1960.

Member since 2010.

BSc. Econ. Stockholm School of Economics and UC Berkeley Business School, USA. COO Brainheart Energy Sweden AB. Previously CFO Anticimex Group, Vice CEO and CFO Polygon Group, CFO Billerud Korsnäs AB, Vice CEO and CFO Acando AB. Various international senior management positions in AGA Group. Chairman of Svenska Sjö AB and Board member of Brainheart Energy AB.

Board attendance 8 (8)
Audit committee attendance 6 (7)



Angelica Frithiof
Member

Born: 1961.

Member since 2015.

Consultant in service, communication and leadership. Broad national and international experience in the area of functional impairment and patient rights. Advisor to WHO and others.

Board attendance 8 (8)



Pia Litbo
Employee representative

Born: 1959.

Member since 2009.

Board attendance 8 (8)



Hans Abrahamsson
Employee representative

Born: 1961.

Member since 2009.

Board attendance 8 (8)



Ann-Christin Andersson
Employee representative

Born: 1960.

Member since 2008.

Board attendance 8 (8)



Helen Fasth Gillstedt
Member

Born: 1962.

Member since 2012.

BSc. Econ. Stockholm School of Economics. Senior management positions at Statoil and SAS Group. Board member of Academedia AB, Humana AB, Handelsbanken Fonder AB, Munters AB, NAI Svefa AB and Rädda Barnen Advisory Board.

Board attendance 7 (8)
Audit committee attendance 7 (7)



Kenneth Johansson
Member

Born: 1956.

Member since 2004.

County governor of Värmland. Former member of parliament, chairman of the committee on health and welfare. Chairman of the National council for organ and tissue donation.

Board attendance 7 (8)
Compensation committee attendance 2 (2)



Leif Ljungqvist
Member

Born: 1971.

Member since 2014.

BSc. Econ. Assistant undersecretary at the division for state-owned enterprises in the Ministry of Finance. Board member of Apoteket AB, Akademiska Hus AB and Statens Bostadsomvandling AB and Sveaskog. Former stock analyst at Kaupthing Bank, Nordiska Fondkommission and Hagströmer & Qviberg. Former Board member of Vasallen AB, AB Bostadsgaranti and AB Svensk Bilprovning.

Board attendance 8 (8)
Compensation committee attendance 2 (2)
Audit committee attendance 6 (7)



Maria Nilsson
Member

Född: 1957.

Member since 2009.

Strategic consultant in business development and strategy. Previously Vice CEO Manpower, CEO Right Management Consultants and CEO 2Secure. Member and partner of Humana Group AB, chairman Storesupport AB, Swesale AB and Wellma Health Partner AB, as well as Board member of SOS Alarm AB and Ewalie AB.

Board attendance 7 (8)

Deputy members



Hans Janeman
Employee representative

Born: 1964.

Deputy since 2012.

Board attendance 5 (8)



Anders Lehult
Employee representative

Born: 1975.

Deputy since 11 Jan 2016.

Board attendance 6 (7)

MANAGEMENT



Monica Lindegård
CEO

Born: 1962.

Education: BSc. Econ. from Stockholm University.

Previous employment: More than 25 years of experience in senior management positions, including 10 years as CEO of Prenax (global subscription agent) and G4S Secure Solutions AB in Sweden. Previously a consultant in IT and management consulting, including Cappgemini and Spray Razorfish. Chairman of the Swedish Space Corporation and Board member of Orio AB, Almega AB and deputy member of the Confederation of Swedish Enterprise.

Joined Samhall: 2011.



Tomas Andersson
Market Area Director South

Born: 1953.

Education: Chemist.

Previous employment: Salubrin/Druvan, AB R Lundberg and PW Möllers Fabriker AB.

Joined Samhall: 1998.



Åsa Berg
Market Area Director North

Born: 1955.

Education: Designer and preschool teacher.

Previous employment: Fjällräven Finland and Härnösand municipality.

Joined Samhall: 1988.



Paul Lidbom
CFO, Vice CEO

Born: 1961.

Education: Economics.

Previous employment: Ministry of Defence and SVT.

Joined Samhall: 1991.



Göran Olinder
*Business Area Director
Manning Solutions & Industry*

Born: 1962.

Education: Construction engineering, Navy Defence College.

Previous employment: Senior management positions at G4S, Proffice and the IT sector.

Joined Samhall: 2011.



Ludmilla Bjerke
Market Area Director Central
Born: 1966.
Education: BSc. Econ.
Previous employment: Exportrådet, SAS, Securitas and Lernia.
Joined Samhall: 2015.



Mats Eliasson
Director of Marketing
Born: 1964.
Education: Engineering.
Previous employment: Storakoncernen.
Joined Samhall: 1991.



Monica Höglind
Director of Human Resources
Born: 1962.
Education: Diploma in Personnel Strategy.
Previous employment: Managerial positions in Apoteket, Coop, B&W and Svenska Pressbyrån.
Joined Samhall: 2013.



Jonas Rieck
Business Area Director Services
Born: 1978.
Education: Executive MBA.
Previous employment: Security sector, latest senior appointment in G4S.
Joined Samhall: 2011.



Stefan Stigendal
IT-direktör
Born: 1972.
Education: Computer/Electronic engineering and IT management with Enterprise Architecture.
Previous employment: More than 15 years in the IT business, of which 10 in senior roles, including Ramböll Group, G4S and Prenax.
Joined Samhall: 2015.

HOW TO READ THE INCOME STATEMENT

The income statement summarises the finances of the past year. All income and costs are summarised and the result is the company's profit or loss. For comparison, figures for the previous year are provided. The notes refer to explanatory texts further in the annual report.

INCOME STATEMENT

Operating income

Shown here are the company's total sales, in other words sales to clients together with the state compensation for additional costs that Samhall receives for its mandated assignment.

Operating expenses

The costs of making and selling the company's goods and services. Personnel costs for almost 23,000 employees are the largest item.

Operating profit

Shows if sales are proceeding at a profit or a loss. Income minus costs.

Financial items

Income and costs of financial investments and securities.

Balance-sheet allocations

Adjustments of profits between years for taxation reasons.

Profit for the year

Profit after tax.

SEK M	Note	2016	2015
OPERATING INCOME			
Sales	3, 4, 5, 34	2,507	2,453
Change of work in progress and finished goods		-1	-1
State compensation for additional costs	6	4,405	4,405
Other operating income	4	557	371
Total income		7,468	7,228
OPERATING EXPENSES			
Raw materials and consumables	34	-355	-400
Merchandise		0	0
Other external costs	7, 9	-537	-507
Personnel costs	2	-6,758	-6,371
Depreciation and write-downs on tangible and intangible fixed assets	8	-27	-30
Total costs		-7,677	-7,308
Operating profit		-209	-80
PROFIT ON FINANCIAL ITEMS			
Interest income and similar items	10	57	55
Interest expenses and similar items	11	-10	-58
Total financial items		47	-3
Profit after financial items		-162	-83
BALANCE-SHEET ALLOCATIONS			
Balance-sheet allocations	12	0	8
Pre-tax profit		-162	-75
Tax on profit for the year	13	-13	12
PROFIT FOR THE YEAR		-175	-63
Earnings per share before and after dilution (SEK)		-35	-12,6
Average number of shares before and after dilution		5 million	5 million++

HOW TO READ THE BALANCE SHEET

The balance sheet shows the company's assets and how they are financed by shareholders' equity and liabilities. The value of total assets is always equal to the value of total liabilities.

BALANCE SHEET

Fixed assets

A fixed asset is one intended to be used or owned for a longer period, at least one year, and during that time contributes to the company's value. They are divided into three categories: intangible, tangible and financial. Intangible assets are non-physical assets with a lasting value. Tangible assets are the physical value of items such as property, machinery and equipment. Financial assets consist of long-term investments in stocks, receivables and securities.

Current assets

Current assets are items regularly used or sold during operations. They can quickly be turned into cash to help finance daily operations. For example, inventories, accounts receivable and current investments are reported here.

Shareholders' equity

Shareholders' equity shows the company's net assets that belong to the owner. It consists of the share capital as well as any saved profits and is the value on which a return is expected. Samhall's overall target is a long-term return of 7% over a business cycle.

Liabilities

An obligation to pay a set amount within a certain time. Provisions may be estimates in amount and time, yet still involve an obligation in the near future.

SEK M	Note	2016	2015
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalised expenses on software	14	2	2
		2	2
<i>Tangible fixed assets</i>			
Land and buildings	15	25	26
Plant and machinery	16	19	22
Equipment, fixtures and fittings	17	59	54
Construction in progress and advance payments	18	0	3
		103	105
<i>Financial fixed assets</i>			
Other long-term portfolio investments	19	0	0
Deferred tax receivables	13	0	11
Other long-term receivables	20	17	17
		17	28
		122	135
Current assets			
<i>Inventories, etc.</i>			
Raw materials and consumables		47	53
Goods in hand		7	9
Finished goods and merchandise		7	12
		61	74
<i>Current receivables</i>			
Accounts receivable		435	382
Other receivables	21	81	79
Prepaid costs and accrued income	22	72	60
		588	521
<i>Current investments</i>			
Other current investments	23, 24	2,213	2,171
Cash and bank	23	419	493
TOTAL CURRENT ASSETS		3,281	3,259
TOTAL ASSETS		3,403	3,394
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted shareholders' equity</i>			
Share capital	25	500	500
Statutory reserve		286	286
		786	786
<i>Non-restricted shareholders' equity</i>			
Profit brought forward		807	870
Profit for the year		-175	-63
		632	807
Total shareholders' equity		1,418	1,593
<i>Provisions</i>			
Provisions for pensions and similar obligations	26	16	16
Deferred tax liabilities	13	2	-
Other provisions	27	13	13
		31	29
<i>Current liabilities</i>			
Accounts payable		125	107
<i>Other current liabilities</i>			
Non-interest-bearing liabilities	28	503	456
Current tax liabilities		0	0
Accrued expenses and deferred income	29	1,326	1,209
		1,954	1,772
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,403	3,394

HOW TO READ THE CASH FLOW STATEMENT

A cash flow statement is a report showing how operations have affected the company's financial flows, in other words the inward and outward payments over the year.

CASH FLOW STATEMENT

Operating activities

Inward and outward liquidity flows from income-generating operating activities, as well as changes in working capital, such as inventories, accounts receivable and accounts payable. For example, fewer inventories release capital and the number of credit days changes on client and delivery invoicing. On the other hand, changes to reported values such as depreciations and write-downs of various assets and inventories are not included.

Investment activities

Investment activities show inward and outward liquidity flows that do not correspond to effects of revenue generation. For example, the purchase or sale of a fixed asset. It also includes changes in current financial investments that are not dependent on revenues.

SEK M	Note	2016	2015
OPERATING ACTIVITIES			
Operating profit		-209	-80
Interest received, vouchers, dividends, capital gains	10	57	55
Interest paid, capital losses	11	-2	-1
Adjustment for non-cash-flow items, etc.	31	27	1
Tax on profit for the year	13	-	-
Cash flow from operating activities before changes in working capital		-127	-25
Increase/decrease of inventories		13	16
Increase/decrease of receivables		-67	14
Increase/decrease of liabilities		182	-39
Total change in working capital		128	-9
Cash flow from operating activities		1	-34
INVESTMENT ACTIVITIES			
Acquisition of intangible fixed assets		-1	-1
Acquisition of tangible fixed assets		-30	-24
Sale of tangible fixed assets		7	35
Increase/decrease of financial current assets		-128	143
Cash flow from investment activities		-152	153
FINANCING ACTIVITIES			
Cash flow from financing activities		-	-
Cash flow for the year		-151	119
Liquid assets at year-start		612	493
Liquid assets at year-end	23, 24	461	612

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ADMINISTRATION REPORT

10-year financial overview

SEK M	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
KEY INDICATORS										
Wage hours, thousand	-	-	-	-	29,595	29,573	29,490	29,442	29,539	29,548
Working hours, thousand	24,424	23,929	24,617	24,410	24,561	24,629	24,449	24,441	-	-
Transitions, number ¹	1,017	948	1,029	977	1,039	987	912	1,122	1,059	1,179
Prioritised recruitment, %	51	51	45	41	40	43	43	44	46	57
Number of employees with functional impairment ³	19,394	19,383	19,141	18,414	18,641	19,148	18,321	19,660	18,528	19,259
Number of employees in Labour Market Services ³	817	115	-	8 ²	21 ²	1 ²	-	-	-	-
Number of employees with 75% sickness benefit ³	148	177	198	207	223	228	259	321	351	357
Number of employees with development positions ³	-	-	-	-	-	1,158	846	1,043	1,027	2,015
INCOME STATEMENT										
Sales	3,065	2,890	2,287	2,390	2,456	2,412	2,550	2,498	2,453	2,507
Change of work in progress and finished goods	-2	-4	-6	1	1	-2	-3	-1	-1	-1
State compensation for additional costs	4,148	4,220	4,405	4,405	4,405	4,405	4,405	4,405	4,405	4,405
Other income	219	165	115	73	95	256	361	549	371	557
Total	7,430	7,271	6,801	6,869	6,957	7,071	7,313	7,451	7,228	7,468
Material costs, etc.	-1,225	-1,020	-647	-685	-725	-663	-692	-548	-400	-355
Wage costs for employees with functional impairment	-4,733	-4,756	-4,875	-4,832	-4,902	-5,096	-5,132	-5,256	-5,353	-5,543
Wage costs for employees with development positions, etc.	-	-	-	-	-	-90	-260	-308	-235	-398
Other operating costs, etc. (incl. depreciation)	-1,437	-1,394	-1,368	-1,223	-1,270	-1,299	-1,269	-1,339	-1,320	-1,381
Financial items	55	84	48	27	83	100	61	92	-3	47
Profit after financial items	90	185	-41	156	143	23	21	92	-83	-162
Balance-sheet allocations	-	-24	24	-	-17	3	4	2	8	-
Profit before tax	90	161	-17	156	126	26	25	94	-75	-162
Tax	-	-8	-8	0	-	21	-10	-13	12	-13
Profit for the year	90	153	-25	156	126	47	15	81	-63	-175
BALANCE SHEET										
Tangible and intangible fixed assets	124	120	104	99	106	118	133	135	107	105
Financial fixed assets incl. deferred tax	1	1	7	8	4	26	13	19	28	17
Inventories	209	155	105	114	131	126	115	90	74	61
Accounts receivable	495	399	331	426	417	464	450	402	382	435
Other current receivables	127	104	117	95	102	117	125	133	139	153
Cash, bank and current investments	1,922	2,202	2,282	2,275	2,489	2,533	2,524	2,743	2,664	2,632
Total assets	2,878	2,981	2,946	3,017	3,249	3,384	3,360	3,522	3,394	3,403
Shareholders' equity	1,103	1,256	1,231	1,387	1,513	1,560	1,575	1,656	1,593	1,418
Untaxed reserves	-	24	-	-	17	14	10	8	-	-
Provisions and long-term liabilities	14	9	15	13	18	15	13	47	29	31
Current liabilities	1,761	1,692	1,700	1,617	1,701	1,795	1,762	1,811	1,772	1,954
Total shareholders' equity and liabilities	2,878	2,981	2,946	3,017	3,249	3,384	3,360	3,522	3,394	3,403
FINANCIAL RATIOS										
Inventories as % of sales	6.8	5.4	4.6	4.8	5.3	5.2	4.5	3.6	3.0	2.4
Accounts receivable as % of sales	16.2	13.8	14.5	17.8	17.0	19.2	17.6	16.1	15.6	17.4
Acid-test ratio, %	144	160	161	173	177	173	176	181	180	165
Equity ratio, %	38	42	42	46	47	46	47	47	47	42
Return on average equity, %	8.5	13.0	-2.0	11.9	8.7	3.1	1.0	5.0	-3.9	-11.6
Investments	33	37	23	25	40	49	35	40	25	31

1) From 2014 inclusively, transitions are counted as a total number and even include transitions from development positions. Figures from previous years have not been recalculated.

2) Regards persons who previously had 75% sickness benefit and whose days of sickness allowance or time-limited sickness benefit had ended under new regulations.

3) At year-end

From 2013 inclusively, reporting is according to K3 accounting principles.

FINANCIAL RESULTS 2016

- Total revenue including compensation for additional costs was SEK 7,468 (7,228) million, of which sales were SEK 2,507 (2,453) million.
- Operating profit totalled SEK –209 (–80) million.
- Profit after financial items totalled SEK –162 (–83) million.
- Profit for the year was SEK –175 (–63) million.
- Return on average shareholders' equity was –12% (–4%). The state's guideline target over a business cycle is 7%. Seen over a business cycle of five and 10 years, return on shareholders' equity was –1% and 3% respectively.
- The equity ratio continues to remain at a high level: 42% (47%). The state's guideline target over a business cycle is at least 30%.
- Shareholders' equity at year-end was SEK 1,418 (1,593) million. Unrestricted shareholders' equity amounted to SEK 632 (807) million.

FINANCING

Compensation for additional costs

Compensation for additional costs is recompense provided by the state to Samhall for conducting its core assignment related to labour market policy: to further the personal development of people with functional impairment. Compensation is to cover the additional costs that are unique to Samhall's operations compared to other companies. Compensation for additional costs is to cover both individually related and structural costs incurred by Samhall as a result of a lower work rate, personnel development initiatives, reinforced security of employment, workplace adaptations for both the individual and in general, work involving transitions, geographical distribution, high personnel mobility and diversity of assignments. The compensation for additional costs is determined annually and paid on a monthly basis and reported as operating income with reference to its nature as compensation for completed assignments. Received compensation for additional costs is reported as income for the ongoing year based on it providing a share of the wage costs for employees in the core assignment calculated on an annual basis. Compensation

cannot be used to compete unfairly through low prices for goods and services. Samhall's pricing complies with Swedish and EU competition laws.

For the financial year 2016, Samhall received compensation for additional costs totalling SEK 4,405 (4,405) million. This amount of compensation to Samhall has remained unchanged for eight years.

Investments in tangible fixed assets

Investments in land and buildings amounted to SEK 3 (0) million. Investments in technical facilities within properties totalled SEK 5 (3) million. Investments in machinery, other technical plant, equipment and tools amounted to SEK 25 (35) million. Procurement of intangible fixed assets totalled SEK 1 (1) million. Ongoing investments at year-end totalled SEK 0 (3) million.

SIGNIFICANT EVENTS IN THE FISCAL YEAR

A basic outline regarding the budget for 2017–2019 was submitted to the government in the first quarter. Samhall proposed an unchanged volume for the core assignment and an increase of 1,000 development positions. Samhall also proposed reinforcing the compensation for additional costs in order to maintain the quality of the assignment.

A new directive from the owner was received on the 12 January 2016 at an extraordinary general meeting. The directive kept Samhall's core assignment unchanged. However, in 2016 Samhall was to offer development positions to at least 2,000 persons with functional impairment who had been out of work for long periods, prioritising young adults under 30.

In April 2016, Samhall published its annual report for 2015. In order to be at the cutting edge of both technology and sustainability, Samhall's annual and sustainability report was complemented with a digital annual report.

Samhall's annual general meeting was conducted on 26 April 2016 and in conjunction a seminar was held on the theme "What happens in a world full of academics?"

During the second quarter, the Swedish Defence Materiel Administration and Samhall signed a four-year contract. Almost 500 Samhall employees will work on the assignment. Samhall is to provide services for the Administration's properties, covering jobs such as superintendent, janitor, laundry work and receptionist.

An extraordinary general meeting held on 1 July 2016 decided to expand the Board of directors to eight members. The new member is Dario Aganovic.

In the third quarter, Samhall's Director of Communications, Albin Falkmer, received an international assignment: he was elected to the Board of Workability International, a global association of organisations that offers work to more than 3 million people with functional impairment.

An agreement with LO union and Almega Samhall federation was reached in October 2016 regarding a new collective agreement for employees at Samhall AB. The one-year agreement includes a wage rise of 2.2%. The agreement came into effect on the 1 October 2016.

In October 2016, the management event "600 Minutes Supply Chain & Purchasing" attracted around 200 decision makers from the purchasing sector. Samhall's long-term sustainability strategy won it the award for "Influencer of the Year".

Samhall's "Pathfinder Prize" was awarded for the ninth year in a row on the 14 November 2016. The prize goes to an employer and an individual who have done the most in opening up the labour market for people with functional impairment and provide an inspiration to others. This year's employer prize went to Micasa Fastigheter and the individual prize to Kristofer Sandström from Gröna Lund.

The government, in December 2016, took an initiative to allow even more people with functional impairment causing reduced working capacity to gain employment at Samhall during 2017. The increase provides for an enlargement to 3,100 persons of the current assignment for development positions.

In December 2016, the government assigned the Swedish Agency for Public Management to analyse the procedures and conditions relating to positions with reinforced employment security at Samhall. The objective is to ensure that reinforced employment at Samhall is used in an effective and expedient way. The Agency will report to the Ministry of Employment by 26 May 2017, at the latest.

EMPLOYEES

The average annual number of employees is calculated statistically using time worked, absences, utilisation rates and staff composition and totalled 18,628 (17,932) of which 8,067 (7,918) were women. For more information, see note 2.

RISKS AND RISK MANAGEMENT

Internal governance and controls

The Board takes ultimate responsibility for the company's risk organisation and that operations are conducted with good internal governance and control (IGC). The Board has established an audit committee with duties including the monitoring of Samhall's overall risk management on behalf of the Board.

Samhall's framework for risk management is based on the COSO model's system and structure. To secure risk management and IGC, the division of responsibility is based on a principle of three lines of defence. The model distinguishes between functions that own the risk and compliance (first line), functions that monitor and control (second line) and internal audits (third line). For more information, please see Internal Governance and Control Procedures in the corporate governance report.

Samhall has a risk committee at executive level responsible for analysing risk situations as well as taking action to secure that the company fulfils its objectives and simultaneously avoids negative operational or financial effects.

Risk management has been integrated into the management system's processes and operational planning. Samhall's processes are governed by the common management system that covers the control environment and control activities.

Responsibility for operational risks follows the linear management of the company. Accounting & Finance takes overall responsibility and plays a co-ordinating role.

Risk management

On an annual basis, Samhall updates a risk registry and a risk management plan based on an analysis compiled on changes in current affairs, internal and external audits and reviews, client follow-up and other systematic monitoring. Each risk is accompanied by a strategy and actions for managing that risk, as well as responsibilities for follow-up duties.

Strategic risks are grouped in the following areas: client benefit, employee benefit and society benefit. The greatest challenges and risks are that finances are affected by an unchanged level of compensation for additional costs for the eighth year in a row, that geographical coverage is difficult to maintain in areas with an absence of market demand and that the rate of growth is not adequate to eliminate underemployment.

The risk registry and risk management plans are handled by the audit committee and the Board.

Analysis of threats and weaknesses

Samhall's financial result is influenced by many factors. Those having the greatest impact are:

- Contractual wage increases mean assignment costs are rising in the core assignment. If these costs cannot be offset through increased compensation, then the necessity to provide self-finance increases.
- Samhall cannot adjust to decreasing business by reducing the number of employees in the core assignment. For Samhall, lower receivables of SEK 100 million would need cost reductions of approx. SEK 80 million to maintain unchanged profit levels.

CAPITAL MANAGEMENT

The state has two financial targets for Samhall's operations: a return on shareholders' equity of 7% over a business cycle and an equity ratio of at least 30%.

For 2016, return on shareholders' equity was -12% (-4%) for the year;

seen over a business cycle of five and 10 years, return on shareholders' equity was -1% and 3% respectively. The equity ratio as per 31 December 2016 was 42% (47%).

Samhall's articles of association stipulate that no dividend be paid to the owner.

To fulfil the assignment of furthering the personal development of people with functional impairment, Samhall's operations require a certain measure of capital to cover market fluctuations. To secure the assignment, Samhall needs liquid funds, partly in the form of a liquidity reserve and partly as a buffer against risk. Samhall's risk buffer is defined as that capital required to cover a five-year period of annual losses totalling SEK 1,000 million. The remaining liquidity stays within the company for investment to support the assignment. See also note 24.

OTHER

Environmental information

At year-end 2016, there were no operations requiring a permit and the number of activities to be reported under the Environmental Code totalled 9 (13).

Those activities that required reporting were:

- 2 (2) Plants with metalworking machinery and where the total tank volume of concentrated cutting fluids, process lubricants and hydraulic oil is greater than one cubic metre
- 1 (2) Plant for iron phosphate
- 1 (1) Plant with a solid fuel furnace
- 2 (2) Plants using more than one tonne of plastic per calendar year
- 3 (4) Plants washing more than two tonnes of laundry per day

Activities that require reporting or a permit affect the external environment mainly through discharge into watercourses and air, as well as the production of waste.

Events after the balance-sheet date

A new directive from the owner for 2017 was received on the 30 January 2017 at an extraordinary general meeting. The directive keeps

Samhall's core assignment unchanged. However, in 2017 Samhall is to offer development positions to at least 3,100 persons with functional impairment who have been out of work for long periods, prioritising young adults under 30.

No other significant events have occurred after the balance-sheet date that affect the company's accounts and position as per 31 December 2016.

OUTLOOK FOR THE FUTURE

In 2017, Samhall will receive compensation for additional costs relating to its core assignment totalling SEK 4,405 million. The established number of wage hours for 2017 is at least 29.4 million hours. If the number of hours is less than 29.4 million, then the state is to be reimbursed for its compensation for additional costs by the equivalent amount in proportion to the hours lower than the target. If the number of hours exceeds 29.4 million then no extra compensation is paid to cover this excess.

The number of transitions to another employer during 2017 is set at a minimum 1,100 persons for the core assignment and development positions. Recruitment from prioritised groups in 2017 is to total at least 40%.

Looking ahead to 2017, Samhall faces significant challenges in securing mandated targets when wage costs in the core assignment are calculated to rise by approx. SEK 130 million, which is not offset by increased compensation

PROPOSED ALLOCATION OF PROFIT

THE FOLLOWING PROFIT IS AT THE DISPOSAL OF THE AGM:

Profit brought forward	807,588,632
Profit for the year	-174,422,385
Total SEK	633,166,247

THE BOARD PROPOSES THAT PROFIT BE ALLOCATED AS FOLLOW:

Carried forward to new account	633,166,247
Total	633,166,247

All shares are owned by the Swedish state. The articles of association stipulate that no dividend be paid to the owner.

INCOME STATEMENT

SEK M	Note	2016	2015
OPERATING INCOME			
Sales	3, 4, 5, 34	2,507	2,453
Change of work in progress and finished goods		-1	-1
State compensation for additional costs	6	4,405	4,405
Other operating income	4	557	371
Total income		7,468	7,228
OPERATING EXPENSES			
Raw materials and consumables	34	-355	-400
Merchandise		0	0
Other external costs	7, 9	-537	-507
Personnel costs	2	-6,758	-6,371
Depreciation and write-downs on tangible and intangible fixed assets	8	-27	-30
Total costs		-7,677	-7,308
Operating profit		-209	-80
PROFIT ON FINANCIAL ITEMS			
Interest income and similar items	10	57	55
Interest expenses and similar items	11	-10	-58
Total financial items		47	-3
Profit after financial items		-162	-83
BALANCE-SHEET ALLOCATIONS			
Balance-sheet allocations	12	0	8
Pre-tax profit		-162	-75
Tax on profit for the year	13	-13	12
PROFIT FOR THE YEAR		-175	-63
Earnings per share before and after dilution (SEK)		-35	-12,6
Average number of shares before and after dilution		5 million	5 million

Comments on the income statement

SALES AND GROSS PROFIT

Sales for the year attained SEK 2,507 (2,453) million, an increase of SEK 54 million, or the equivalent of 2% compared to the previous year. Regarding Services and Manning Solutions, sales increased by SEK 95 million and SEK 66 million respectively, the equivalent of an increase of 7% and 12% respectively. In Industry and Packing/Assembly, which is undergoing reconstruction, sales decreased by SEK 106 million, the equivalent of 20%. For information about the operational branches, please see note 5.

Gross profit attained SEK 2,151 (2 052) million, an increase on the previous year of SEK 99 million or 5%. Gross profit margins rose two percentage points to 86% (84%). Changes to the business structure with increased sales in Services and Manning Solutions contributed to this, as well as decreased sales in operational branches with lower gross profit margins.

COMPENSATION FOR ADDITIONAL COSTS

Samhall receives compensation from the state to cover the extra costs generated through the fulfilment of its labour market policy core assignment, namely to further the personal development of people with functional impairment. The amount of compensation has remained unchanged in recent years. See notes 1 and 6 for further information.

OTHER OPERATING INCOME

The state's assignment concerning development positions for young adults from the job and development guarantee's occupational phase is considered a separate assignment. Received income was SEK 423 (250) million. Revenue from the Public Employment Service for Labour Market Services totalled SEK 75 (79) million. In 2016, a repayment of SEK 26 million was received from Fora regarding collective group insurance for 2004. In 2016, 1 (7) properties were divested. Profits from the sale of tangible fixed assets were SEK 2 (12) million.

RAW MATERIALS AND CONSUMABLES

Raw materials and consumables decreased by SEK 45 million compared to 2015. A contributing factor was lower sales in Industry and Packing/Assembly, which accounts for a large proportion of purchasing of raw materials and consumables.

PERSONNEL COSTS

Personnel costs totalled SEK 6,758 (6,371) million, an increase of SEK 387 million, mainly due to contractual increases in wage costs and a rise in the number of employees.

OTHER EXTERNAL COSTS

Other external costs totalled SEK 537 (507) million, an increase of SEK 30 million. Other external costs in relation to sales are at the same level as last year.

OPERATING PROFIT

Operating profit for the year totalled SEK -209 (-80) million. Last year's operating profit was influenced positively by compensation for high-cost cover for sick-pay costs and lower collectively bargained contributions, which together totalled SEK 89 million. This year's result includes a repayment of SEK 26 million from Fora. Profit for the year was positively affected by lower contractual fees (Fora) of SEK 14 million. In addition, there were positive contributions from the disposal of fixed assets, SEK 2 (13) million and reversals of previously made provisions totalled SEK 4 (3) million. Provisions for adjustment and restructuring costs including write-downs totalled SEK 17 (22) million, which has encumbering profits.

Taking these items into consideration, the adjusted operating profit was SEK -238 (-163) million, or SEK 75 million lower than the previous year. This is mainly due to increased wage costs in conjunction with annual wage revisions that could not be fully covered by increased sales. Samhall also surpassed the number of wage hours regarding the state's target, by 148,000 hours, equivalent to a cost of roughly SEK 28 million,

which had a negative impact on profits. However, this means a greater number of people had the opportunity to develop their skills at Samhall, a possibility that was financed without state support. Higher gross profit of SEK 99 million has partly helped compensate for the higher wage costs. An increase in the number of professional employees has affected salary costs by SEK 39 million compared to the previous year, mostly as a result of Samhall's enlarged assignment regarding development positions. Other operating costs include a reserve covering unsecured receivables of SEK 5 million.

PROFITS FROM FINANCIAL ITEMS

Profit from financial items totalled SEK 47 (-3) million and the company's profit after financial items totalled SEK -162 (-83) million. Net financials consist of the accumulated profit of the company's portfolio investments including the market value of financial instruments at the balance date. Samhall's investments during the year were affected positively by falling market rates and rising share markets.

Samhall's financial policy governs that at least 80% of administered capital must be placed in interest-bearing securities and a maximum 20% in structured investments. Unrealised profits/losses totalled SEK -8 (-57) million, while realised profits and losses amounted to SEK 44 (44) million. Dividends totalled SEK 10 (8) million.

PROFIT FOR THE YEAR

Profit after balance-sheet allocations totalled SEK -175 (-63) million. Profit for the year has been affected by deferred tax of SEK 13 million. This change is largely attributable to an increase in the market value of current investments, as well as a changed assessment regarding the possible utilisation of taxable deficits in the future.

BALANCE SHEET

SEK M	Note	2016	2015
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalised expenses on software	14	2	2
		2	2
<i>Tangible fixed assets</i>			
Land and buildings	15	25	26
Plant and machinery	16	19	22
Equipment, fixtures and fittings	17	59	54
Construction in progress and advance payments	18	0	3
		103	105
<i>Financial fixed assets</i>			
Other long-term portfolio investments	19	0	0
Deferred tax receivables	13	0	11
Other long-term receivables	20	17	17
		17	28
		122	135
Current assets			
<i>Inventories, etc.</i>			
Raw materials and consumables		47	53
Goods in hand		7	9
Finished goods and merchandise		7	12
		61	74
<i>Current receivables</i>			
Accounts receivable		435	382
Other receivables	21	81	79
Prepaid costs and accrued income	22	72	60
		588	521
<i>Current investments</i>			
Other current investments		2,213	2,171
Cash and bank	23	419	493
TOTAL CURRENT ASSETS		3,281	3,259
TOTAL ASSETS		3,403	3,394

Comments on the balance sheet

TANGIBLE FIXED ASSETS

Investments in fixed assets totalled SEK 31 (25) million. At year-end 2016, Samhall owned 20 (21) properties with a total area of approx. 64,600 (67,000) m² and rented properties with an area of approx. 108,500 (115,300) m². Compared to year-end 2015, this is a decrease of rented property area of approx. 6,800 m². In total, this represents roughly a 5% (13%) decrease of disposable property area.

INVENTORIES

Inventories decreased by SEK 13 million compared to 2015 and tied-up capital in inventories related to sales decreased from 3.0% to 2.4%. This is a result of Samhall's long-term plan to reduce its industrial operations.

ACCOUNTS RECEIVABLE

Accounts receivable as a percentage of sales increased from 15.6% to 17.4% compared to 2015. The average credit

period increased by one day. The company's client losses remain very low.

PREPAID COSTS AND ACCRUED INCOME

This item increased by SEK 12 million compared to 2015. The rise is mostly due to periodisation of the compensation for additional costs for the assignment regarding development positions.

SEK M	Note	2016	2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted shareholders' equity</i>			
Share capital	25	500	500
Statutory reserve		286	286
		786	786
<i>Non-restricted shareholders' equity</i>			
Profit brought forward		807	870
Profit for the year		-175	-63
		632	807
Total shareholders' equity		1,418	1,593
<i>Provisions</i>			
Provisions for pensions and similar obligations	26	16	16
Deferred tax liabilities	13	2	-
Other provisions	27	13	13
		31	29
<i>Current liabilities</i>			
Accounts payable		125	107
<i>Other current liabilities</i>			
Non-interest-bearing liabilities	28	503	456
Current tax liabilities		0	0
Accrued expenses and deferred income	29	1,326	1,209
		1,954	1,772
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,403	3,394

CURRENT INVESTMENTS

For Samhall's investment regulations, please see note 24. Samhall's current investments on the balance date totalled SEK 2,213 (2,171) million. Samhall's investments during the year were affected positively by falling market rates and rising share markets.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Refers to capital insurance for present and former senior executives.

DEFERRED TAX LIABILITIES

Refers to deferred tax liabilities on temporary differences between the reported value of assets and liabilities and the taxable value used in calculating taxable profit.

OTHER PROVISIONS

Other provisions include approved adjustment and restructuring measures including the costs of premises, redundancies, loss contracts etc.. These measures are expected to be completed in 2017 and 2018.

CHANGES IN SHAREHOLDERS' EQUITY

SEK M	Note	Share equity	Statutory reserve	Capitalised profit	Profit for the year	Total shareholders' equity
Shareholders' equity 1 Jan 2015		500	286	789	81	1,656
Allocation of the previous year's profit				81	-81	-
Profit for the year					-63	-63
Shareholders' equity 31 Dec 2015		500	286	870	-63	1,593
Allocation of the previous year's profit				-63	63	-
Profit for the year					-175	-175
Shareholders' equity 31 Dec 2016	25	500	286	807	-175	1,418

CASH FLOW STATEMENT

SEK M	Note	2016	2015
OPERATING ACTIVITIES			
Operating profit		-209	-80
Interest received, vouchers, dividends, capital gains	10	57	55
Interest paid, capital losses	11	-2	-1
Adjustment for non-cash-flow items, etc.	31	27	1
Tax on profit for the year	13	-	-
Cash flow from operating activities before changes in working capital		-127	-25
Increase/decrease of inventories		13	16
Increase/decrease of receivables		-67	14
Increase/decrease of liabilities		182	-39
Total change in working capital		128	-9
Cash flow from operating activities		1	-34
INVESTMENT ACTIVITIES			
Acquisition of intangible fixed assets		-1	-1
Acquisition of tangible fixed assets		-30	-24
Sale of tangible fixed assets		7	35
Increase/decrease of financial current assets		-128	143
Cash flow from investment activities		-152	153
FINANCING ACTIVITIES			
Cash flow from financing activities		-	-
CASH FLOW FOR THE YEAR			
Liquid assets at year-start		612	493
Liquid assets at year-end	23, 24	461	612

Comments on the cash flow statement

Samhall's cash and bank holdings at year-end attained SEK 413 (493) million and current investments of a duration < three months totalled SEK 42 (119) million. Samhall's total liquid funds were SEK 461 (612) million.

Cash flow from operating activities during the year was SEK 1 (-34) million, the improvement from the

previous year mainly being an improvement in operating capital. Cash flow for the year was SEK -151 (119) million, affected mostly by short-term current investments.

NOTES

Amounts in brackets refer to 2015. Unless stated otherwise, all amounts are denominated in millions of Swedish kronor (SEK M). Rounding differences may occur.

NOTE 1 Accounting and valuation principles

The annual report has been compiled in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Board's recommendations (BFNAR 2012:1 Annual report and consolidated accounts (K3)).

INCOME

Income is reported at the fair value of what is received or will be receivable. Income is reported net after deducting VAT, discounts and exchange differences for sales made in foreign currencies. Differences in recalculation are reported as net profit/loss in the income statement under Other Operating Income, or alternatively Other External Costs.

Sale of goods:

Revenue from the sale of goods is reported as income when the following conditions are met. The essential risks and rewards associated with ownership of the goods have been transferred to the buyer, Samhall does not retain any active part in the ongoing administration or exercise any actual control over the goods sold, income and expenses arising or expected to arise as a consequence of the transaction can be calculated in a reliable way and it is likely that the financial benefits that the company expects to accrue from the transaction will occur.

These conditions are normally considered fulfilled upon delivery of the goods to the client, according to the terms and conditions of sale.

Sale of services:

Income and expenses for completed service and contractual assignments are reported as income and costs, respectively, in proportion to the degree of completion on the balance date (percentage of completion). The percentage of completion of an assignment is determined by comparing expenses incurred, on the balance date, with the estimated total expenditure. When the outcome of the service assignment or contractual assignment cannot be estimated with any degree of certainty, the income is reported only to the extent that it corresponds to the accrued assignment costs that are likely to be reimbursed by the client. An anticipated loss on an assignment is reported promptly as a cost.

Rental income:

Revenue is reported linearly in the period of the rental contract's duration.

Royalties and similar items:

Revenue is reported according to the actual financial terms of each agreement.

Interest income:

Interest income is reported over its term using the effective interest method. The effective interest is the interest that makes the current value of all future receipts and payments during the fixed term equal to the reported value of the asset.

STATE COMPENSATION FOR ADDITIONAL COSTS

Samhall's assignment according to its articles of association is to produce goods and services that are in demand as a means of providing meaningful work that furthers the personal development of persons with functional impairment causing reduced working capacity. The owner's directives to Samhall AB regulate the specific commitments and conditions applicable to the state's contribution to Samhall and the company's operations. This contribution to Samhall's assignment is termed compensation for additional costs and is determined annually. Received

compensation for additional costs is reported during the current year as income based on it providing a share of the salary costs for employees in the core assignment calculated on an annual basis.

INTANGIBLE ASSETS

Intangible assets cover reported expenses for software development.

Fees for software developed or extensively modified on behalf of the company are reported as intangible assets under the heading "Capitalised Expenses on Software" when the following criteria are met:

- It is technologically feasible and the company intends to complete the software for use.
- Prerequisites are met that enable the use of the software.
- It can be shown that the software will, in all probability, contribute future economic benefits.
- There are sufficient resources to complete development and to use the software.
- Expenses relating to the software can be reliably calculated.

Intangible assets are reported at acquisition cost and depreciated according to the linear method over their estimated useful life, between 1.5-3 years.

TANGIBLE FIXED ASSETS

Tangible fixed assets are reported at acquisition value diminished through depreciation and any eventual write-downs.

Acquisition value consists of the purchasing price and expenses directly attributable to that acquisition in order to bring it into place and in working order. Subsequent expenses are only included in the asset or reported as a separate asset, when it is likely that future economic benefits associated with the item will accrue to the company and the acquisition value is measurable in a reliable manner. All other expenses for repairs, maintenance and subsequent expenditure are reported as costs in the period that they occur.

When the difference regarding the use of a fixed asset's significant components is substantial, the asset is divided into these components.

Depreciation of tangible fixed assets are apportioned as costs so that the asset's acquisition value, which eventually decreases to a calculated residual value at the end of its useful life, is applied linearly across the estimated period of use. If an asset has been divided into various components, then the depreciation applies to each component separately across its useful life. Depreciation begins once the tangible fixed asset can be put to use. The useful life of tangible fixed assets is estimated as follows

Buildings	15–60 years
Plant and machinery	3–5 years
Fixtures	3–5 years
Equipment	3–5 years
Fittings	3–5 years

The useful life of land is unlimited and therefore does not depreciate.

The period of useful life and depreciation methods are reviewed if there are indications that expected usage has changed significantly compared to the estimate from the previous balance-sheet date. When the company alters its assessment regarding the period of useful life, then the eventual residual value of the asset is also reviewed. The effects of these changes are reported prospectively.

Removal from the balance sheet

The reported value of a tangible fixed asset is removed from the balance sheet upon disposal or sale, in other words when future economic

benefits are not expected from its use or disposal/sale of the asset or component. The profit or loss arising when a fixed asset or component is removed from the balance sheet is the difference between the amount eventually received, minus direct expenses for the sale and the asset's reported value. The capital gain or loss arising from the removal from the balance sheet of a tangible fixed asset or component is reported as other operating income or other operating expenses.

Accelerated depreciation for machinery and fixtures, permitted for tax purposes, in addition to planned depreciation is reported as an appropriation in the income statement and as an untaxed reserve in the balance sheet.

WRITE-DOWNS

The reported values of the company's assets are determined on the balance date to see whether any write-down is needed. If such a need is indicated, the recoverable value of the asset is calculated to establish the value of any eventual write-down. Recoverable value is determined by the highest of current value minus sales costs and value in use. If it is not possible to determine a particular asset's recoverable value, then a calculation is made of the recoverable value of the entire cash-generating unit to which it belongs. The asset is written down if the recoverable value is less than the reported value. A write-down is reversed if a change has occurred in the calculations used to determine the realisable value. A reversal is made only to the extent that the asset's book value does not exceed the book value that would have been reported, with deductions for depreciation, if no write-down had been made.

INVENTORIES

Inventories are valued at the lower of acquisition or actual net sales value on the balance date. Acquisition value is established by applying the first-in first-out method.

Individual assessment for obsolescence applies to all inventory items, implying a reduction for obsolescence made at the necessary amount.

ACCOUNTS RECEIVABLE

Receivables with a due date more than 12 months after the balance date are reported as fixed capital assets, others as current assets. Receivables are valued individually and reported at the amount they are anticipated to contribute. Receivables with no interest applied or at a rate other than the market rate and with a duration in excess of 12 months are reported at a discounted current value and changes over time are reported as interest income in the income statement.

ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are valued at the exchange rate on the balance date. The forward rate is used in cases where hedging has been contracted. Transactions in foreign currency are valued at the transaction day's spot rate. Differences in recalculation are reported as net profit/loss in the income statement under Other Operating Income, or alternatively Other External Costs.

FINANCIAL INSTRUMENTS

A financial asset or financial liability is reported on the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. A financial asset is removed from the balance sheet when the contractual rights to the cash flows from the asset expire, are settled or when the company loses control of it. A financial liability, or part of a financial liability, is removed from the balance sheet when the contractual obligations are fulfilled or otherwise cease.

Evaluating fair value

Financial assets and liabilities are evaluated at fair value, determined as follows:

- The fair value of financial assets and liabilities traded in an active market is determined by referencing the quoted market price.
- The fair value of other financial assets and liabilities is determined by generally accepted models of evaluation such as discounted future cash flow valuation and information available from current market transactions.

The company's holdings, comprising of interest-bearing funds and structured investments, are reported at fair value (listed acquisition price at the close of trading) on the balance date. This principle applies to the portfolio in its entirety, which means that unrealised losses are deducted from unrealised gains. Profits and losses are reported in the income statement under the headline, Interest Income and Similar Items, as well as Interest Costs and Similar Items.

Financial assets and liabilities reported at accrued acquisition value include accounts receivable, accounts payable and other liabilities. Regarding all financial assets and liabilities, the reported value is considered a good approximation of its fair value, unless stated otherwise in the accompanying notes.

Accounts receivable

Accounts receivable are valued at the accrued acquisition value. The expected duration of accounts receivable is short, thus reporting is at face value without discounting. Reductions are made for accounts deemed unsecure. Write-downs are reported as costs.

Accounts payable

Accounts payable are valued at the accrued acquisition value. The expected duration of accounts payable is short, thus reporting is at face value without discounting.

STATE SUPPORT

Compensation from the state is reported at fair value in the balance sheet and income statement when there is reasonable assurance that the conditions attached to the support will be fulfilled and that compensation will be received. Compensation is reported as income and systematically divided into periods in the same way, and over the same periods, as the costs they are intended to compensate.

State support for the acquisition of tangible fixed assets reduces the reported value of the asset.

PROVISIONS AND RESTRUCTURING COSTS

Provisions are reported in the balance sheet when the company has a formal or informal undertaking as a result of an event that has already happened and which is likely to incur an outflow of resources and for which a reliable estimate can be made.

Provisions for loss contracts are made when the contracted income is not sufficient to cover the direct and divisible costs of fulfilling the contract.

Provisions are valued at the amount estimated to settle the undertaking. If the period of time is substantial, then the expected payments are calculated at present value. Restructuring measures are a normal part of ongoing short- and long-term changes necessary to secure the business concept and meet requirements for improved profitability. During the year, ongoing and approved restructuring initiatives encumber profits. A provision for restructuring costs is made only when the general criteria for provisions are met. This includes the occurrence of an informal measure to restructure only when the company has a formal plan in detail for restructuring its operations, or relevant parts, the workplaces affected and an approximate number of employees facing retrenchment, their placement and tasks, the costs expected to be incurred by the company and when the plan will be put into effect, as well as the creation of a well-founded expectation among those affected that the company is implementing the restructure. This may occur through general knowledge of the restructuring plan or at the start of the implementation.

LEASE AGREEMENTS

Financial leasing occurs when the financial risks and benefits associated with ownership have essentially been transferred to the lessee; if this is not the case, then it is an operating lease. Samhall has certain leasing agreements covering cars and computers that constitute financial lease agreements.

According to K3 accounting principles, all of the company's lease agreements are reported according to the rules for operating leases. For an operating lease, the leasing fee is reported as a cost linearly over the duration of use, from the point at which utilisation begins, which may differ from the actual lease fee paid during the year.

Samhall has certain leasing agreements covering cars and computers that constitute financial lease agreements where Samhall is the lessee. Furthermore Samhall can, under certain conditions, enter financial leasing agreements as the lessor.

INCOME TAX

Tax costs comprise of the total of current tax and deferred tax.

Current tax

Current tax is calculated on the taxable profit for the period. Taxable profit differs from the reported profit stated in the income statement due to adjustments for non-taxable income and non-deductible expenses, as well as income and expenses taxable or deductible for other periods.

Current tax liability is calculated according to the tax rates applicable on the balance-sheet date. For items reported in the income statement, their associated tax effects are also reported in the income statement. The tax effects of items reported directly to shareholders' equity are reported in shareholders' equity.

Deferred tax

Deferred tax is reported on temporary differences between the reported value of assets and liabilities and the taxable value used to calculate the taxable profit. Deferred tax is calculated by the balance-sheet method. In principle, deferred tax liabilities are reported for all taxable temporary differences and deferred tax receivables are reported in principle for all deductible temporary differences to the extent that the deduction can reasonably be balanced against future taxable profits. Untaxed reserves are reported inclusive of deferred tax liabilities. These temporary differences arise mainly through the depreciation of property, pension provisions, market value of investments and fiscal deficits. Evaluating deferred tax is based on how the company, as per the balance-sheet date, expects to recover the reported value for the corresponding asset or settle the reported value of the associated liability. Deferred tax is based on the tax rates and regulations enacted as of the balance-sheet date.

REMUNERATION TO EMPLOYEES

Samhall has benefit-determined and fee-determined pensions for employees in accordance with the binding collective agreements, meaning the ITP plan for professional employees and the SAF-LO plan for collective employees. In addition, there are binding capital insurance solutions valued at fair value for senior managers, as well as former employees, in accordance with pension plans in SPP.

Pension plans to which Samhall pays fixed contributions to a separate legal entity and where Samhall has no legal or informal obligation to pay additional fees, if the legal entity does not have sufficient funds to pay all pension commitments, are fee-determined pension plans. Pension plans other than fee-determined pension plans are benefit-determined plans.

Samhall has benefit-determined pension plans according to the ITP plan for professional employees, financed through Alecta insurance. These are reported as fee-determined plans, in accordance to K3 accounting principles. Obligations regarding contributions to fee-determined plans are reported as a cost in the income statement when they occur.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. The reported cash flow covers only transactions that involve payments received or paid. In addition to cash and bank balances, liquid funds are classified as current financial investments valued at market rates and traded in an open market at quoted prices.

All amounts in the following notes are denominated in millions of Swedish kronor (SEK M) unless stated otherwise.

NOTE 2

Employees, personnel costs and remuneration to the Board and senior management

Average annual number of employees

	31 Dec 2016	of which women, %	31 Dec 2015	of which women, %
Sweden	18,628	43	17,932	44
Total	18,628	43	17,932	44

The average annual number of employees is calculated statistically using time worked, absences, utilisation rates and staff composition and totalled 18,628 (17,932) of which 8,067 (7,918) were women. The average annual number of employees with functional impairment was 15,901 (15,803) of which 6,921 (6,951) were women, while the number of professional employees was 1,154 (1,129) of which 592 (572) were women. The average annual number of employees for persons with 75% sickness benefit was 85 (80) of which 58 (55) were women. Regarding development positions for the state's assignment concerning people returning from long-term sick leave and persons from the job and development guarantee, the average annual number of employees was 1,488 (920) of which 496 (339) were women.

The total number of employees at year-end was 22,837 (21,158) of which 82 (60) were temporary employees with functional impairment, 129 (180) were temporary professional employees and 357 (351) persons with 75% sickness benefit. The number of employees with development positions regarding the state's assignment concerning people from the job and development guarantee's occupational phase prioritising young adults under 30, was 2,015 (1,027).

Gender breakdown of Board and senior management

	31 Dec 2016	of which women, %	31 Dec 2015	of which women, %
Board	11	45	11	45
Other senior management	10	40	10	40
Total	21	43	21	43

Salaries, other remuneration and social security expenses

	31 Dec 2016	Social security expenses	31 Dec 2015	Social security expenses
Board and CEO	4.5	2.4	4.3	2.3
(of which pension costs)		1.0		0.9
Other employees	4,842.8	1,824.9	4,579.8	1,708.2
(of which pension costs)		228.8		206.3
Total	4,847.3	1,827.3	4,584.1	1,710.5
(of which pension costs)		229.7		207.3

Regarding salaries and remuneration to other employees, SEK 15.0 (17.4) million refers to senior management other than members of the Board and CEO. Pension fees for the year covering the ITP plan totalled SEK 54 (51) million and are included in the item covering personnel costs. Premiums paid to Alecta are considered a defined contribution plan.

Total salary expenses, including social security expenses, amounted to SEK 6,675 (6,295) million. Salaries, remuneration and social security expenses include redundancy costs of SEK 7 (18) million for professional employees in connection with the reorganisation and restructuring of operations.

Salary expenses relating to the state's assignment of development positions for persons in the job and development guarantee's occupational phase totalled SEK 398 (235) million with wage subsidies totalling SEK 277 (160) million.

In 2016, a repayment of SEK 26 million was received from AFA insurance regarding premiums for contractual group insurance (AGS) from 2004.

NOTE 2

CONT. Employees, personnel costs and remuneration to the Board and Senior Management

REMUNERATION TO THE BOARD

SEK thousands	Board fees 2016	Board fees 2015	Audit committee 2016	Audit committee 2015	Compensation committee 2016	Compensation committee 2015
Chairman, Erik Strand	310	310	62	62	33	33
Member, Bertil Carlsén	138	130	42	42		
Member, Helen Fasth Gillstedt	138	130	42	42		
Member, Kenneth Johansson	138	130			17	17
Member, Maria Nilsson	138	130				
Member, Leif Ljungqvist	-	-	-	-	-	-
Member, Angelica Frithiof	138	97				
Other 2015		86				
Total	1,000	1,013	146	146	50	50

Other 2015 includes Board fees paid to Hans Kilsved and Gunnel Tolfes who both left the company on 23 April 2015.

SALARIES AND BENEFITS TO SENIOR MANAGEMENT

SEK thousands	Salaries 2016	Salaries 2015	Other benefits 2016	Other benefits 2015	Pension costs 2016	Pension costs 2015	Pensiona- ble age	Period of notice, months	Sever- ance pay, months
CEO, Monica Lingegård	3,293	3,132	59	60	970	933	65	6	18
CFO, Vice CEO, Paul Lidbom	2,237	2,189	62	63	618	594	65	6	12
Director of Marketing, Mats Eliasson	1,728	1,705	131	137	434	407	65	6	12
Director of Human Resources, Monica Höglind	2,330	2,252	62	61	690	663	65	6	12
Business Area Director Manning Solutions & Industry, Göran Olinder	1,818	1,807	105	105	444	441	65	6	12
Market Area Director South, Tomas Andersson	1,390	1,357	60	57	433	405	65		
Market Area Director North, Åsa Berg	1,268	1,233	59	55	570	520	65		
Market Area Director Central, Ludmilla Bjerke	1,495	365	62	0	347	83	65		
Business Area Director Services, Jonas Rieck	1,433	1,508	62	61	325	340	65		
IT Director, Stefan Stigendal	1,150	363	67	9	237	73	65		
Business Development Manager to 30 April 2016, Sara Nordström	143	1,523	20	50	132	238	65		
Other 2015		3,091		63		492			
Total	18,285	20,525	749	721	5,200	5,189			

Other 2015 covers salaries and benefits to IT Director Anders Sundin (to 12 Oct 2015) and Market Area Director Katarina Viebke (to 14 Aug 2015) paid in 2015.

In addition to a salary, CEO Monica Lingegård is also entitled to a company car and health insurance. Regarding old-age pension, invalidity pension and provision for surviving dependants, Samhall pays a premium each month, on Monica Lingegård's behalf, of 30% of the monthly salary to the chosen insurance company. The pensionable age is 65. Upon termination, a mutual period of notice of six months applies. In addition, in the case of termination enacted by the company, severance pay of 18 months, equivalent to the monthly salary, is to be paid. Severance pay will be paid on a monthly basis. If other income is earned during this period, the salary and severance pay is fully reduced by that amount.

Other senior management has consisted of nine executive officers. In addition to salaries, executive officers are also entitled to a company

car and health insurance. Flexible salaries have not occurred. Other senior management are covered by the ITP plan. In the case of termination enacted by the company, executive officers are entitled to dismissal salary for six months. In addition, severance pay of 12 months may be paid. Dismissal and severance pay may total a maximum of 18 monthly salary amounts and be reduced by any other earned income.

Regarding old-age pension, invalidity pension and provision for surviving dependants, Samhall pays a premium each month on Monica Höglind's behalf, of 30% of the monthly salary to the chosen insurance company. Paul Lidbom, in addition to the ITP plan, receives a provision of 30% of salary in excess of 30 monthly salary amounts.

NOTE 3 Sales per geographic market

SEK M	2016	2015
Sweden	2,452	2,385
Norway	17	18
Denmark	14	15
Hungary	10	2
Belgium	6	7
Germany	4	4
Poland	1	2
Netherlands	1	2
Switzerland	0	13
Estonia	0	2
Other countries	2	3
Total net sales	2,507	2,453
Percentage for export	2%	3%

NOTE 4 Income categories

SEK M	2016	2015
Services	2,077	1,917
Goods	430	536
Total	2,507	2,453
Wage and arrangement subsidies, and special compensation for development positions	423	250
Job and development guarantee compensation	75	79
Reimbursement of contractual group insurance for 2014	26	-
Wage and project subsidies from the Public Employment Service	19	20
Rental income	7	7
Profits from fixed asset sales	2	2
EU grants, transport subsidies, etc.	-	1
Insurance claims	0	1
Profits from property sales	-	10
Special compensation from the state regarding development positions for people returning from long-term sick leave	-	-
Other income	3	1
Total	557	371

See note 6 for more information about the state's compensation for additional costs regarding Samhall's core assignment.

NOTE 5 Information about operational branches

DETAILS ABOUT THE COMPANY'S OPERATIONAL BRANCHES

Samhall is organised into three main operational branches: Services, Manning Solutions, Industry and Packing/Assembly. These operational branches comprise the primary foundation for operative governance and reporting of Samhall's assignment to further the personal development of people with functional impairment through work. Operational reporting includes costs for non-billable hours. Income from the Public Employment Service for Labour Market Services is reported in the table below under common income, as essential parameters are not met for reporting as a separate segment. Income and costs from Samhall's assignment concerning development positions is not regarded as an operational branch but a separate assignment from the state and is included under common income. Operational branches reported in the segment data are the same as the previous year.

SEGMENT DATA

Net sales, compensation for additional costs and other income per operational branch¹⁾

SEK M	2016	2015
Services	4,181	4,000
of which net sales	1,463	1,368
Manning Solutions	-	1,806
of which net sales	610	544
Industry and Packing/Assembly	748	928
of which net sales	430	536
Common income/Unallocated	801	582
of which net sales	4	5
Eliminations ²⁾	-144	-88
Total income	7,468	7,228

1. Includes internal income eliminated at company level

2. Income between segments

Net sales for Services increased in 2016 by SEK 95 million compared to the previous year, a rise equivalent to 7% and gross profit margins were unchanged. Operating profit totalled SEK -197 (-142) million. The increase in net sales was largely due to growth in national contracts for cleaning services. The financial result was impacted by higher personnel costs, concerning both employees in the core assignment and professional employees. This has an effect due to the increased hours in relation to the increased turnover. Profits were also affected by personnel costs for employees with low utilisation rates.

Net sales for Manning Solutions increased throughout the year by SEK 66 million, a rise equivalent to 12% on the previous year. Operating profit totalled SEK -14 (-20) million. The improvement in sales was largely due to growth in warehousing/logistics and industrial production. Profits were affected by an increase in volumes in combination with lower personnel costs, a result of fewer employees in this segment compared to last year.

Net sales for Industry and Packing/Assembly decreased in 2016 by SEK 106 million or 20% compared to the previous year, while the gross profit margin increased by 1%. The drop in sales is mainly attributable to clients in timber production and electronics and follows long-term plans. Operating profit totalled SEK -10 (-12) million. The improvement is due to lower personnel costs and other operating expenses.

Income from the Employment Service for Labour Market Services is reported as other income and totalled SEK 94 (96) million. This operation does not satisfy essential criteria for a self-contained segment and therefore is reported under common income. Income regarding investigative services in Labour Market Services is reported as sales and attained SEK 4 (5) million.

The state's assignment concerning development positions is a separate assignment, supported with wage subsidies from the Employment Service and a separate part of the compensation for additional costs that replaces the arrangement subsidy. This is reported as other income under common income. Received income was SEK 423 (250) million.

NOTE 6 State compensation

Compensation for additional costs is remuneration provided by the state for Samhall conducting its core assignment related to labour market policy: to further the personal development of people with functional impairment. The compensation is reported as operating income with reference to its nature as remuneration for completed assignments.

For 2016, Samhall, in total, received compensation for additional costs of SEK 4,405 (4,405) million.

NOTE 7 Auditing costs

Auditor's fees

SEK M	2016	2015
Auditing assignment		
Deloitte AB	1.0	1.0
Assignments other than the auditing assignment		
Deloitte AB	0.3	0.1
Total	1.3	1.1

NOTE 8 Depreciation and write-downs on intangible and tangible fixed assets

Depreciation by asset class

SEK M	2016	2015
Capitalised expenses for software	-1	0
Land and buildings		-3
Plant and machinery	-6	-9
Equipment, fixtures and fittings	-18	-16
Total depreciation	-27	-28
<i>Write-downs by asset class</i>		
Land and buildings		-1
Plant and machinery	-	-1
Equipment, fixtures and fittings	0	0
Total write-downs	0	-2
Total depreciation and write-downs	-27	-30

Property values are based on the cash flow from each property during its remaining economic life, calculated using the expected rent at market rates for the area. Net operating income is calculated based on the local vacancy rates and the company's own need for premises. A write-down is made in those cases where estimated yield is less than the book value of the property. In some cases where investments were made to adapt a building for a specific business and where the business relationship has been discontinued, the value of the fixtures has been written down.

NOTE 9 Operational lease agreements

The nominal values of future minimum leasing fees, for lease agreements that cannot be terminated, are as follows:

SEK M	2016	2015
Payment due within one year	152	180
Payment due later than one year but within five years	107	151
Payment due later than five years	0	0
Total	259	331
<i>Leasing costs for operational lease agreements</i>	183	176

Amounts include rental costs for premises and machinery.

NOTE 10 Interest income and similar items

SEK M	2016	2015
Interest, vouchers and dividends	11	10
Capital gains	46	45
Total	57	55

NOTE 11 Interest costs and similar items

SEK M	2016	2015
Capital losses	-2	-1
Interest costs, external	0	0
Market value of administered capital	-8	-57
Total	-10	-58

NOTE 12 Balance-sheet allocations

SEK M	2016	2015
Difference between depreciation entered on the balance sheet and depreciation according to plan	-	8
Total	-	8

NOTE 13 Tax on profit for the year

SEK M	2016	2015
Current tax on profit for the year	-	-
Deferred tax	-13	12
Total	-13	12

During the year, deferred tax items of SEK 13 million were reported, a consequence of an increase in the market value of current investments, as well as a changed assessment regarding the possible utilisation of taxable deficits in the future.

Deductible deficits, which are not time limited, amounted to SEK 207 (21) million. No deficits are activated in the balanced accounts.

Difference between tax cost and tax cost based on applicable rate of tax

SEK M	2016	2015
Profit before tax	-162	-75
Tax according to applicable tax rate	36	17
Effect of non-deductible costs	-3	-4
Non-activated deductible deficits	-46	-
Other	-	-1
Tax on profit for the year	-13	12

TAX RATE

The applicable tax rate is the income tax rate, which is 22% (22%).

TEMPORARY DIFFERENCES

Temporary differences occur in those cases where the reported respective tax rates of assets or liabilities are different. Temporary differences regarding the following items have resulted in deferred tax receivables:

31 Dec 2016	Deferred tax receivable	Deferred tax liability	Net
Land and buildings	-	-	4
Plant and machinery	1	-	1
Current investments	-	-18	-18
Pensions	-	-	11
Deductible deficits	0	-	0
Deferred tax liability	16	-18	-2

31 Dec 2015	Deferred tax receivable	Deferred tax liability	Net
Land and buildings	-	-	5
Plant and machinery	1	-	1
Current investments	-	-10	-10
Pensions	-	-	10
Deductible deficits	5	-	5
Deferred tax liability	21	-10	11

NOTE 14 Intangible fixed assets

SEK M	31 Dec 2016	31 Dec 2015
Accumulated acquisition value		
At year-start	9	11
New acquisitions	1	1
Divestitures and disposals	-	-3
Total acquisition value	10	9
Accumulated depreciation according to plan		
At year-start	7	10
Divestitures and disposals	-	-3
Depreciation for the year according to plan	1	0
Total depreciation	8	7
Residual value according to plan at year-end	2	2

NOTE 15 Land and buildings

SEK M	31 Dec 2016	31 Dec 2015
Accumulated acquisition value		
At year-start	136	182
New acquisitions	3	0
Divestitures and disposals	-5	-46
Total acquisition value	134	136
Accumulated depreciation according to plan		
At year-start	89	118
Divestitures and disposals	-2	-32
Depreciation for the year according to plan	2	3
Total depreciation	89	89
Accumulated write-downs		
At year-start	21	22
Divestitures and disposals	-1	-2
Write-downs for the year	-	1
Total write-downs	20	21
Residual value according to plan at year-end	25	26
Book value, buildings	20	21
Book value, land	5	5

The company's property portfolio is insured at the full value for the replacement cost of the respective premises.

At year-end 2016, Samhall owned 20 (21) properties with a total area of approx. 64,600 (67,000) m² and rented premises with an area of approx. 108,500 (115,300) m².

NOTE 16 Plant and machinery

SEK M	31 Dec 2016	31 Dec 2015
<i>Accumulated acquisition value</i>		
At year-start	243	340
New acquisitions	5	3
Divestitures and disposals	-57	-100
Total acquisition value	191	243
<i>Accumulated depreciation according to plan</i>		
At year-start	203	277
Divestitures and disposals	-55	-83
Depreciation for the year according to plan	6	9
Total depreciation		203
<i>Accumulated write-downs</i>		
At year-start	18	26
Divestitures and disposals	-	-9
Write-downs for the year	-	1
Total write-downs	18	18
Residual value according to plan at year-end	19	22

NOTE 17 Equipment, fixtures and fittings

SEK M	31 Dec 2016	31 Dec 2015
<i>Accumulated acquisition value</i>		
At year-start	200	186
New acquisitions		35
Divestitures and disposals	-21	-21
Total acquisition value	204	200
<i>Accumulated depreciation according to plan</i>		
At year-start	143	145
Divestitures and disposals	-19	-18
Depreciation for the year according to plan	18	16
Total depreciation		143
<i>Accumulated write-downs</i>		
At year-start	3	3
Divestitures and disposals	-	-
Write-downs for the year	0	0
Total write-downs	3	3
Residual value according to plan at year-end	59	54

NOTE 18 Construction in progress and advance payments for tangible fixed assets

SEK M	31 Dec 2016	31 Dec 2015
At year-start	3	17
Accrued expenses during the year	-3	-14
Book value at year-end	0	3

NOTE 19 Other long-term portfolio investments

SEK M	31 Dec 2016	31 Dec 2015
<i>Accumulated acquisition value</i>		
At year-start	0	0
Book value at year-end	0	0

Mainly concerns shareholdings in stakeholder organisations.

NOTE 20 Other long-term receivables

SEK M	31 Dec 2016	31 Dec 2015
At year-start	17	19
Future receivables	2	0
Transfer to current receivables	-2	-2
Book value at year-end	17	17

The majority covers capital insurance regarding pension provisions to senior management.

NOTE 21 Other receivables

SEK M	31 Dec 2016	31 Dec 2015
Tax receivables	53	53
Tax account	11	12
Other current receivables	17	14
Book value at year-end	81	79

NOTE 22 Prepaid costs and accrued income

SEK M	31 Dec 2016	31 Dec 2015
Rent	18	16
Interest income	0	0
Insurance claims	1	2
Wage and arrangement subsidies	19	23
Other	34	19
Book value at year-end	72	60

NOTE 23 Liquid funds

SEK M	31 Dec 2016	31 Dec 2015
Other current investments	2,213	2,171
Total current investments	2,213	2,171
Cash and bank	419	493
Book value at year-end	2,632	2,664
Current investments of duration greater than three months	2,171	2,052
Liquid funds at year-end	461	612

Liquid funds consist of the liquidity reserve, represented in the form of bank accounts and current investments of duration less than three months. Administered capital on the balance date attained a market value of SEK 2,213 (2,171) million. Administered capital includes the following financial instruments: interest-bearing funds, 82%, and structured investments, 16%.

NOTE 24 Financial instruments and financial risk management

Samhall's financial operations must be an integrated part of the overall business. Financial transactions and choice of partners must ensure that Samhall's general reputation is not damaged and its overall objectives are not counteracted. Financial operations are to be based on the company's conditions and financial requirements, flows, exposures and risks as a consequence thereof. The company's strategy is to receive the highest possible return on its capital from secure and cost-effective financial management that ensures good control and high-quality risk management. Through its operations, Samhall is exposed to a variety of financial risks, which include fluctuations in the company's income and cash flow as the result of changes in the creditworthiness of the company's associated partners, as well as fluctuations in interest and exchange rates. Samhall's financial policy is annually approved by the Board. The policy regulates risks in capital management, credit facilities and currency exposure.

CREDIT RISK. Samhall has established guidelines to ensure that the sale of goods and services is made to clients with acceptable creditworthiness. The company's credit policy contains regulations that should secure the management of client credit including credit evaluation, credit limits, rating levels, decision levels and management of unsecured receivables. The credit risk entailed in commercial client receivables has historically been low. Credit risk in capital management is regulated through a range of limits per issuer and rating requirements in financial policy. Regarding investment in the money market, maturing in a year or less, the lowest applicable ratings are A-2 (Standard & Poor's) or P-2 (Moody's) or equivalent. For investments in the bond market, with maturities greater than one year, then at least 90% of the total holding must have, at the lowest, BBB+ (Standard & Poor's) or Baa1 (Moody's) or equivalent.

INTEREST RISK. An interest risk is the risk of a negative effect on an investment's market value in the event of changes in the general interest rate level. Interest risk increases the longer an interest rate is fixed. Samhall's interest risk is measured by duration and the maximum average duration is three years. To further diminish risk regarding duration, the company has established maximum durations for separate securities. The duration as of the balance date was 1.7 (1.7) years and interest risk was SEK 38 (36) million calculated at a 1% fluctuation of the interest curve.

LIQUIDITY RISK. Samhall is exposed to risk involving the lack of sufficient liquid funds at a given point in time. This risk is managed through the establishment of a liquidity reserve consisting of company funds in its bank account, including any investment in the deposit market.

CURRENCY RISK. Samhall operates internationally and is exposed to transaction risks when purchasing and selling in foreign currencies. This exposure primarily involves EUR and USD and the outflow is greater than inflow. Samhall can manage currency risk through forward rates of contract. No contract purchases of foreign currency were in place on the balance date. The book value of other current assets and current liabilities can be considered a good approximation of actual value due to the short terms of duration

NOTE 25 Shareholders' equity

Capital stock consists of 5,000,000 shares with a par value of SEK 100. All shares are owned by the Swedish state through the Ministry of Finance. The articles of association stipulate that no dividend be paid.

Details of changes to shareholders' equity are given under the headline Changes to shareholders' equity

NOTE 26 Provisions for pensions and similar obligations

SEK M	31 Dec 2016	31 Dec 2015
Provisions at year-start	16	16
Provisions for the year	0	0
Book value at year-end	16	16

NOTE 27 Provisions

SEK M	31 Dec 2016	31 Dec 2015
Provisions at year-start	13	30
Provisions for the year	18	21
Used during the year	-18	-35
Reversal of unused amount for the year	-	-3
Book value at year-end	13	13

Provisions refer to approved restructuring measures in a number of localities, Stockholm, Alingsås, Gothenburg and Strömstad, and include rent, removal and reconstruction costs of premises. These measures are estimated to be completed 2017-18. Provisions for the year include those covering loss contracts. Reversals apply to previously unused provisions.

NOTE 28 Other current liabilities

SEK M	31 Dec 2016	31 Dec 2015
Settlement of salaries	373	339
Personnel pay-as-you-earn tax	94	86
Value added tax	31	27
Other	5	4
Book value at year-end	503	456

NOTE 29 Accrued expenses and deferred income

SEK M	31 Dec 2016	31 Dec 2015
Vacation pay liability	654	620
Payroll tax	497	461
Salary tax	61	50
Other	114	78
Book value at year-end	1,326	1,209

NOTE 30 Contingent liabilities and pledged collateral

SEK M	31 Dec 2016	31 Dec 2015
Pledged collateral	-	-
Swedish Customs	0.1	0.1
Hysesbostäder i Norrköping AB	0.2	0.2
Total contingent liabilities	0.3	0.3

Contingent liabilities refer to the sureties submitted to cover the fulfilment of assignments. No significant liabilities are expected to arise as the result of any of the contingent liabilities.

NOTE 31 Adjustment for items not included in cash flow

SEK M	31 Dec 2016	31 Dec 2015
Depreciation and write-downs	27	30
Reversal of previous write-downs	0	0
Proceeds of sold fixed assets	-2	-12
Capital insurance	-	0
Provisions	2	-17
Total adjustment items	27	1

NOTE 32 Transactions with associated companies

Samhall is wholly owned by the Swedish state. Purchasing from, and sales to, other state-owned companies occur at market prices and in accordance with customary terms and conditions. Samhall's main transactions with the state and other companies under state control, common influence or significant influence make up approx. 3% (3%) of Samhall's sales and approx. 3% (3%) of its purchasing.

NOTE 33 Allocation of profit

The Board proposes that the profit be carried forward to the new account.

NOTE 34 Critical estimates and judgements

Preparation of the annual accounts and application of different accounting standards are often based on management's assessments or on assumptions and estimates that are regarded as reasonable under the prevailing circumstances. It is required of corporate management to make assumptions and estimates, as well as suppositions, which influence the application of accounting principles and the reported amounts concerning assets, liabilities, income and costs. Actual results may deviate from judgments and estimates.

These assumptions and estimates are often based on historical experience and other factors, including expectations of future events considered reasonable under the prevailing circumstances. Estimates and judgements are regularly evaluated. Changes in estimations are reported in the period that the change is made if the change only affects that period, or in the period the change is made and future periods, if the change affects both the current period and future periods.

Judgements made by management in the application of K3 accounting principles, which have significant influence on financial reporting, as well as estimations that could imply significant adjustments in subsequent financial reports, mostly concern the following areas:

- **Valuation of unsecured receivables.** The company applies a model to evaluate unsecured receivables. This model involves a write-down of the receivable according to a matrix: the percentage of the write-down is higher, the older the receivable is. If a receivable is so unsecure that it is thought payment will not be made, then it is written down 100%, regardless of age, based on individual assessment
- **Restructuring measures.** Provisions for restructuring are part of a rationalisation programme. A number of criteria must be met before a provision is made, including a formal, detailed plan of the measures. The provision includes an estimate of the size of the future costs of the programme. A provision for restructuring must only include those direct costs that arise from the restructuring.
- **Legal disputes.** The company regularly assesses outstanding disputes of significance in order to assess the necessity of setting aside provisions. Disputes can be various in nature, involving clients, suppliers etc.. However, estimates do not necessarily need to reflect the result of settled disputes and differences between outcome and estimation may affect the company's financial position.
- **Tax.** Considerable judgements are made in order to estimate current tax receivables and liabilities, and so too deferred tax receivables and liabilities. Judgements are made on the likelihood of deferred tax receivables being balanced against future taxable profits. The actual outcome may differ from estimates, including changes to the tax regulations or the pending result of the tax authority's or court's review of the declarations.

NOTE 35 Significant events after the balance-sheet date

A new directive from the owner for 2017 was received on the 30 January 2017 at an extraordinary general meeting. The directive keeps Samhall's core assignment unchanged. However, in 2017 Samhall is to offer development positions to at least 3,100 persons with functional impairment who have been out of work for long periods, prioritising young adults under 30. No other significant events have occurred after the balance-sheet date that affect the company's accounts and position as per 31 December 2016.

NOTE 36 Company information

Samhall AB (publ) is a limited liability company with its registered office in Stockholm, Sweden.

The address of the company's headquarters is:
Klarabergsviadukten 90, Building C
Box 27705
115 91 Stockholm, Sweden

THE BOARD OF DIRECTORS AND CEO'S AFFIRMATION UPON SIGNING THE ANNUAL REPORT FOR 2016

The company's income statement and balance sheet are due to be submitted to the annual general meeting for adoption, 27 April 2017.

The Board and CEO affirm that the annual report has been compiled in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standards Board's recommendations (BFNAR 2012:1 Annual report and consolidated accounts (K3)) and in accordance with the owner's ownership policy.

The annual report has been compiled according to generally accepted accounting principles and provides a fair image of the company's current position and financial results.

The annual report gives a fair overview of the progress of the company's operations, current status and financial results, as well as describing significant risks and factors of uncertainty facing the company.

Stockholm, 22 February 2017

Erik Strand
Chairman

Hans Abrahamsson

Ann-Christin Andersson

Dario Aganovic

Bertil Carlsén

Helen Fasth Gillstedt

Angelica Frithiof

Kenneth Johansson

Pia Litbo

Leif Ljungqvist

Maria Nilsson

Monica Lingegård
Chief Executive Officer

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF SAMHALL AB (PUBL)
CORPORATE IDENTIFICATION NUMBER 556448-1397

REPORT ON THE ANNUAL ACCOUNTS Statements

We have audited the annual accounts for Samhall AB (publ) for the fiscal year 2016 (1 Jan – 31 Dec 2016). The company's annual accounts are presented in the printed version of this document on pages 6–19 and 38–72. In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and fairly present, in all material respects, the financial position of Samhall AB (publ) as of 31 December 2016 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act. The administrative report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual general meeting adopts the income statement and balance sheet.

Basis for statements

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

We consider the audit evidence we have obtained as sufficient and appropriate to provide a basis for our statements.

Areas of particular significance

Areas of particular significance to the audit are those matters that, in our professional judgment, were most important to the annual accounts of the current period. These areas were addressed in the context of our audit of, and in forming our

opinion thereon, the annual accounts as a whole, but we do not provide a separate statement on these areas.

Net sales - reporting of client contracts

Samhall's sales cover many various types of goods and services. Sales of goods are reported as income when several conditions are met, which normally are considered fulfilled upon delivery of the goods to the client. Income and expenses for completed service and contractual assignments are reported as income and costs, respectively, in proportion to the degree of completion on the balance date. Revenues from client contracts make up large transaction volumes and invoicing takes place both centrally and locally within the organisation.

The company describes in note 1 the principles applied to the reporting of revenues. Notes 3, 4 and 5 detail the division of revenues across geographical markets, revenue category and operational branches.

Our audit procedures included, but were not limited to:

- Evaluation of the company's principles for reporting revenues and compliance to the relevant rules and regulations.
- Evaluation and assessment of internal controls for reporting revenues at the correct price and the right period.
- Assessment of revenues from sales through a spot check of contracts, invoices and delivery documentation to ensure that revenues are reported at the correct price and the right period.

Remuneration to employees

Samhall is a large employer with a great number of employees. Remuneration to employees involves huge volumes of transactions and it is the

company's largest cost item. This demands good procedures to ensure that all costs are reported correctly and booked for the right period.

The company details its remuneration to employees in notes 1 and 2, which provide information about accounting principles and respective information about salaries, other forms of remuneration and social security expenses for the Board of directors, senior management and other employees.

Our audit procedures included, but were not limited to:

- Evaluation and assessment of policies and procedures for managing and reporting salaries and other remuneration to employees.
- Assessment of the completeness of reported remuneration and analysis that remuneration to employees was reported in the right period.
- Assessment of remuneration to senior management.
- Assessment that the information provided complies with the appropriate regulations.

Financial instruments and liquid funds

The company is exposed to financial risks, such as fluctuations in interest and exchange rates. Samhall also manages a large amount of capital in the form of liquid funds and current investments. The company's holdings in financial assets consist of interest-bearing funds and structured investments and are reported at market value.

Financial instruments and liquid funds are the company's largest financial assets and changes in market value of these assets, as well as fluctuations in interest and exchange rates, can have a significant effect on the company's financial results and standing.

The company describes in note 1 the reporting principles and valua-

tion applied to financial instruments and note 24 details the financial risks and risk management.

Our audit procedures included, but were not limited to:

- Assessment of the company's financial policy and compliance to it.
- Assessment of the valuation of financial instruments for appropriate valuation models and market data.
- Assessment that supplied information is compliant to current rules and regulations.

Provisions for adjustment and restructuring costs

Provisions are reported regarding approved adjustment and restructuring measures including the costs of premises, redundancies, loss contracts etc.. Provisions for restructuring and other obligations involve a large degree of estimation and judgement by company management, which is often complex.

The company provides information in notes 1 and 27 about provisions and restructuring costs, including accounting principles and respective information about the year's changes in provisions.

Our audit procedures included, but were not limited to:

- Assessment of the company's principles for reporting provisions, that it is consistent with current rules and regulations.
- Evaluation of the company's controls in identifying obligations and reporting provisions.
- Assessment of external verdicts regarding cases of ongoing disputes and associated costs.
- Assessment of applicable assumptions and calculations that are a basis for reported provisions

Information other than the annual accounts

The Board of Directors and CEO are responsible for such other information. This consists of pages 1–6, 20–37 and 76–81, which are not part of the annual accounts or our audit thereof.

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

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the

information is materially inconsistent with the annual 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, based on the work performed concerning this information, we conclude that there is material misstatement in this other information, then we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and CEO

The Board and CEO are responsible for the preparation of the company's annual accounts and that these give a fair representation in accordance with the Annual Accounts Act and for internal controls, as the Board and CEO deem necessary, to enable the preparation of annual accounts that are free from material misstatement, whether due to irregularities or error.

In preparing the annual accounts, the Board of directors and CEO are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters that may influence the organisation's ability to operate or threaten the assumption of continued operation. The assumption of continued operation is however not applied if the Board of directors and CEO intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

Responsibilities of the auditor

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. Additionally, we also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to irregularities or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from irregularities is higher than for one resulting from error, as irregularities may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of the company's internal controls relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.
- Evaluate the appropriateness of the accounting principles used by the Board of directors and CEO in preparing the annual accounts and associated information.
- Conclude on the appropriateness of the Board of directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that is correct.

We must inform the Board of directors, among other matters, of the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal controls that we identified.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS Statements

In addition to our audit of the annual accounts, we have also examined the proposed allocation of the company's profit or loss and the governance of Samhall AB (publ) by the Board and CEO for the fiscal year 2016.

We recommend to the annual general meeting that the profit be allocated in accordance with the proposal in the administrative report and that the members of the Board of directors and CEO be discharged from liability for the financial year.

Basis for statements

We have 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 Samhall AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We consider the audit evidence we have obtained to be sufficient and appropriate in providing a basis for our statements.

Responsibilities of the Board of Directors and CEO

The Board of Directors is responsible for the proposal allocation 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 type of operations, scope and risks place on the size of the company's shareholders' equity, consolidation requirements, liquidity and standing in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things regular assessment of the company's financial situation and ensuring that the company's

organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO manages the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters takes measures that are necessary to see that the company's accounting is in accordance with the law and to handle the management of assets in a reassuring manner

Responsibilities of the auditor

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 CEO has in any material respect:

- 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 allocation of the company's profit or loss, and thereby our statement about this, is to assess with a 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 allocation of the company's profit or loss is not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed allocation of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures depend on our professional judgment based on risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular

importance for the company's situation. We examine and test decisions made, support for decisions, measures taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of directors' proposed allocation of the company's profit or loss we examined that the proposal is in accordance with the Companies Act.

AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE REPORT

The Board of directors is responsible for the corporate governance report, on pages 38–47, and that it has been prepared in accordance with the Annual Accounts Act.

Our examination is conducted in accordance with FAR's auditing standard RevU 16: The auditor's examination of the corporate governance report. This means that our examination of the corporate governance 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 consider the examination has provided us with sufficient basis for our statements.

A corporate governance report has been prepared. The information is in accordance with chapter 6, section 6, second paragraph, points 2–6 of the Annual Accounts Act and chapter 7, section 31, second paragraph of the same act, which is consistent with other parts of the annual report and in agreement with the Annual Accounts Act.

Stockholm, 22 February 2017
Deloitte AB

Peter Ekberg
Authorised public accountant

SUSTAINABILITY REPORTING AND INDEPENDENT VERIFICATION

CONTENT OF THE REPORT

The sustainability report's content is based on the government's targets for operations, an analysis of the essential materiality of the stakeholders' dialogue, as well as internal assessments of risks and opportunities. Samhall has regular dialogue with its foremost stakeholders. To maintain a high degree of trustworthiness, Samhall strives to listen and consider stakeholders' opinions and needs.

Overall, this indicates that Samhall's employees must be the report's main focus. Of greatest significance to stakeholders is to further the development of people with functional impairment through work. Samhall's work to ensure fair competition is also an important issue. Regarding the environment, the most significant issue is CO² emissions.

GENERAL SCOPE

Samhall's operations are conducted nationwide throughout Sweden. The general scope of this report is not to comment on local or regional differences, but to give an overall report on the whole organisation.

To enable comparison over time, all earlier values have been recalculated in accordance with the methods applied in 2017, unless stated otherwise.

The GRI indicator protocol is the basis for data collection and calculations, following the principle of comply or explain. In certain cases, internal key performance indicators have been used instead of defined GRI indicators, based on Samhall's specific assignments and target groups.

WORKING CONDITIONS AND WORK-PLACE ENVIRONMENT

The sustainability report uses the term "professional employees" for those employees not part of the

labour market policy assignments. Not included in this category are employees covered by specific collective agreements for professional employees in Samhall's labour market policy assignment.

Reporting covers employees from all assignments from the state, but based on the principle of materiality detailed reporting concerning personnel does not take place for categories with fewer than 500 people. The reporting of employees does not cover trainees who participate in vocational training or are placed in positions in Samhall's Labour Market Services. These people are not employed as such. Training for professional employees is also not reported, as it is considered less significant and many of these initiatives for professionals take forms that cannot be reported as separate training.

For clarity, the various personnel key performance indicators are not reported per age group. Instead, a more relevant presentation is provided by the average age.

Regarding workplace accidents, the GRI indicator is not used; instead the internal indicators and targets used by Samhall are applied. Reporting does not include occupational diseases or travel accidents to and from work.

SUPPLIERS

To take responsibility for the entire value chain, a purchasing process with supplier review and follow-up has been developed. One of the areas regularly discussed with both strategic suppliers and volume suppliers is the sustainability demands formulated in Samhall's code of conduct for suppliers, which they must sign.

Samhall's purchasing profile is that of a services-production company with purchasing and leasing from wholesalers and manufacturers located in Sweden. These suppliers

may have sub-contractors in other countries. The supplier base comprises of approx. 5,400 suppliers with purchasing value exceeding SEK 1,000. In total, purchasing accounts for 15% of total costs. In some client assignments of an industrial nature, the client chooses their own suppliers, and this lies outside Samhall's scope of supplier control.

ENVIRONMENT

The environmental reporting does not include employees' travel to and from work. Neither is the energy consumption of rental vehicles and private cars in company service reported.

Conversion values for calculating emissions from own transport and own and rented premises come from the Swedish Environmental Protection Agency, Swedish District Heating Association and Samhall's fuel suppliers.

The basis for calculating energy and emissions from travel and transport comes from internal databases and statistics from suppliers.

Property related data covers both own and rented premises. Respective emission values for renewable energy and non-renewable energy are calculated with standard values in case the property owner/supplier cannot specify the source of energy.

INDEPENDENT VERIFICATION AND ASSURANCE

Samhall has commissioned Deloitte to make a summary review and assure the sustainability report. The independent review focuses on the most significant aspects of sustainability, as well as assurance that the report satisfies reporting criteria in line with GRI G4. Samhall aims to develop further the quality of reporting and consequently the application of quality assurances through independent review.

GRI-INDEX - CORE

Profile indicator	Description	Page reference	Comments
STRATEGY AND ANALYSIS			
G4-1	Statements from the CEO and chairman	Pages 4-5, 20	CEO's statement and chairman's statement
ORGANISATIONAL PROFILE			
G4-3	Name of the organisation	Front cover	Samhall Aktiebolag
G4-4	Primary products and/or services	Pages 18-19	
G4-5	Location of headquarters	Back cover	Klarabergsviadukten 90C, Stockholm
G4-6	Countries of operation	Page 41	Operations in Sweden only
G4-7	Ownership structure and legal form	Page 38	Limited liability company, wholly owned by the Swedish state
G4-8	Markets	Pages 12-15	
G4-9	Scale of the organisation	Pages 3, 66	Note 4 Income categories. Note 5 Information about operational branches.
G4-10	Total number of employees	Pages 3, 28-33	Note 2 Employees, personnel costs and remuneration to the Board and senior management
G4-11	Percentage of total employees covered by collective bargaining agreements	Page 29	
G4-12	Supply chain	Pages 34, 76	
G4-13	Significant changes during the reporting period		No significant changes
G4-14	Precautionary principle	Page 37	
G4-15	Externally economic, environmental and social declarations to which the organisation subscribes or endorses		No endorsements to any such declarations
G4-16	Memberships in associations		Memberships in trade organisations and similar not reported
MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Scope and boundaries of the report	Pages 25, 78	Both the financial reporting and the sustainability reporting cover all Samhall operations
G4-18	Process for defining the report content	Pages 24-27	
G4-19	Material aspects identified	Pages 26-27, 76	
G4-20	Material Aspects. Boundary within the organisation.	Page 25	The report covers all Samhall AB with a boundary regarding the influence on Samhall's own operations
G4-21	Material Aspects. Boundary outside the organisation	Page 25	The report covers all Samhall AB with a boundary regarding the influence on Samhall's own operations
G4-22	Comparison with previous reports	Page 76	Key indicators have been recalculated in accordance with methods applied in 2017, unless stated. Otherwise comparable with previous reports.
G4-23	Significant changes from previous reports		No significant changes
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups the organisation has contact with	Page 24	
G4-25	Basis for identification and selection of stakeholders	Page 24	
G4-26	Approaches to stakeholder dialogue	Page 24	
G4-27	Key issues raised through stakeholder dialogue	Pages 24-25, 76	
REPORT PROFILE			
G4-28	Reporting period	Page 81	Fiscal year 2016
G4-29	Date of most recent previous report		Annual and sustainability report 2015, March 2016
G4-30	Reporting cycle	Page 81	Established dates for interim reports and statement of annual accounts
G4-31	Contact person for sustainable reporting	Page 81	Mari-Ann Levin Pölde, General Counsel
G4-32	Report content	Pages 77-78	GRI-Index

Profile indicator	Description	Page reference	Comments
G4-33	Policy and practice regarding external assurance	Pages 76, 79	Auditor's report on summary review of Samhall AB's sustainability reporting
GOVERNANCE			
G4-34	Governance structure of the organisation	Pages 38-43	Corporate governance report
ETHICS AND INTEGRITY			
G4-56	Values, principles and codes of conduct	Pages 38-43	Corporate governance report
ECONOMIC			
G4-DMA	Sustainability governance	Pages 25, 32-34	Administration report, financial reporting
G4-EC4	Financial assistance received from government	Pages 63-64	Note 4 Income categories. Note 6 State compensation for additional costs
ENVIRONMENTAL			
G4-DMA	Sustainability governance	Pages 27, 37	
G4-EN3	Energy consumption within the organisation	Page 37	
G4-EN4	Energy consumption outside of the organisation	Page 37	
G4-EN15	Direct greenhouse gas (GHG) emissions	Page 37	
G4-EN16	Indirect greenhouse gas (GHG) emissions	Page 37	
G4-EN17	Other indirect greenhouse gas (GHG) emissions	Page 37	
LABOUR PRACTICES AND WORKPLACE ENVIRONMENT			
G4-DMA	Sustainability governance	Pages 26, 28-33	
G4-LA1	Total number of employees	Pages 2-29	
G4-LA6	Work-related accidents and illnesses	Page 32	Own definition deviating from GRI
G4-LA9	Average hours of training per year per employee	Page 33	
G4-LA11	Percentage of employees who received a regular performance and career development review	Page 33	
G4-LA12	Composition of governance bodies and breakdown of employees per category	Page 29	
SOCIETY			
G4-S07	Sustainability governance	Pages 27, 34-36	
G4-S05	Confirmed incidents of corruption and actions taken	Page 36	No confirmed incidents in 2016
G4-S07	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Page 36	No legal actions, limited to Samhall's operations

Areas of importance

Employee benefit

Stakeholders consistently rate issues regarding employees and their development as the most important

Materiality and substantial issues:

- Employee data in the labour market policy assignments.
- Throughput (new recruits and transitions) that enable more people to enter and grow in the workforce and thus diminish social exclusion.
- Employee development with a focus on occupational skills and increased employability.
- Workplace environment and absences due to illness.

Discrimination, offensive acts and harassment are zero-tolerance areas and completely integrated in the work with Samhall's culture and core values, in the Human Resources work and in leadership development. These parts

are described in the section about employee benefit and not reported according to GRI.

Society benefit

Materiality and substantial issues:

- State compensation for additional costs.
 - Geographical coverage: Samhall must be present nationwide.
 - Business ethics, above all a focus on competitively neutral pricing.
- The supplier network in the value chain is not a high priority for stakeholders. Therefore only a summary view is given on page 76.

Environment

Environmental issues are consistently ranked lower by stakeholders than social and economic sustainability. The various areas associated with environmental impact have not been ranked separately. Therefore the materiality analysis has been supplemented internally based on the company's most material environmental impact.

Materiality and substantial issues:

- CO2 emissions from energy consumption are the main environmental factor. Other factors are relatively smaller and therefore not reported.

Client benefit

Issues regarding quality, capacity and client handling are important for all clients and suppliers, but stakeholders have not highlighted these from a sustainability perspective in the stakeholder dialogue. Therefore this area is not among the most material or substantial issues and thus not reported according to GRI guidelines.

Transparent reporting of the organisation

Stakeholders ask for communication and dialogue founded on transparency and openness.

AUDITOR'S REPORT ON THE SUMMARY REVIEW OF SAMHALL'S SUSTAINABILITY REPORT

To Samhall AB (publ)

INTRODUCTION

We have been commissioned by the corporate management of Samhall AB (publ) to conduct a summary review of Samhall's sustainability report 2016. Samhall has defined the scope of the sustainability report on page 81.

THE BOARD AND CORPORATE MANAGEMENT'S RESPONSIBILITY FOR THE SUSTAINABILITY REPORT

It is the responsibility of the Board and corporate management to oversee the sustainability report in accordance with the appropriate criteria, presented on page 76 in the sustainability report and consisting of those parts of the Sustainability Reporting Guidelines (issued by the Global Reporting Initiative (GRI)) as applied to sustainability reporting, and the company's own principles of reporting and calculation. This responsibility also includes the internal checks deemed necessary to produce a sustainability report free from material misstatement, whether due to irregularities or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion regarding the sustainability report based on our summary review.

Our summary review has been conducted in accordance with RevR 6 Assurance of Sustainability Reports published by FAR (the institute for the accountancy profession in Sweden). A summary review consists of making inquiries, firstly to those responsible for the preparation of the sustainability report, as well as applying analytical and other review procedures. A summary review has a different focus and a significantly smaller scope than the purpose and scope of an audit according to IAASB standards for auditing and quality control and general auditing best practice. The auditing company applies ISQC 1 (International Standard on Quality Control) and thus has a comprehensive system for quality control comprising of documented guidelines and procedures regarding compliance to professional-ethical requirements, standards of professional practice and appropriate laws and other measures. The procedures performed in a summary review do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. The stated conclusion is based on a summary review and therefore does not have the same level of assurance as a stated conclusion based on an audit.

Our review is based on the criteria chosen by the Board and corporate management, as defined above. We consider these criteria appropriate for the preparation of the sustainability report.

We consider the evidence gathered during our review to be sufficient and appropriate in providing the basis for our conclusion below.

STATEMENT

Based on our summary review, there have been no findings that give us cause to believe that Samhall's sustainability report has not, in all material aspects, been prepared in accordance to the above criteria chosen by the Board and corporate management.

Stockholm, 22 February 2017

Peter Ekberg
Authorised public accountant

Andreas Drugge
Specialist member FAR

DEFINITIONS

COMPENSATION FOR ADDITIONAL COSTS

Samhall receives compensation from the state to cover the additional costs attributed to the fulfilment of its state-assigned mandate. These additional costs occur because of a lower work rate, development initiatives, workplace adaptations, reinforced security of employment, as well as the mandated geographical distribution of operations and diversity of assignments.

CORE ASSIGNMENT

Samhall's assignment is to employ people with functional impairment for which compensation for additional costs is received.

CSR

"Corporate Social Responsibility" refers to the company's conduct in its business operations, so it not only provides financial return, but also contributes to the life quality of its employees and their families and to the betterment of society in general.

DEVELOPMENT POSITIONS

A labour market policy initiative providing employment with a wage subsidy for a limited time. The position must be suitable to the job seeker's circumstances and particular needs. The position must facilitate the development of skills and working capacities.

DISTRICT

The operative level of the company. Geographically, Samhall is divided into districts that are active in the local market and have direct contact with clients, trade and industry.

FUNCTIONAL IMPAIRMENT

Functional impairment implies reduced physical, mental or intellectual ability. Functional disorders imply limitations created by the impairment for a person in relation to his or her surroundings. The Swedish Public Employment Service decides whether a person has a functional disorder causing reduced working

capacity and thereafter can be assigned work at Samhall.

GRI

The "Global Reporting Initiative" provides a set of standard international guidelines for reporting sustainability that facilitates appraisal and comparison of companies based on social, environmental and financial perspectives.

LABOUR MARKET SERVICES

A labour market policy assignment with the Swedish Public Employment Service as its client. The assignment covers the job and development guarantee, youth guarantee and establishment/new arrivals. People in this assignment are not employed by Samhall but receive job training for a limited time in order to validate and develop their working capacity.

PRIORITISED GROUPS

An agreed definition between Samhall and the Swedish Public Employment Service applied to recruitment for the core assignment. This covers people with mental impairments, people with generally diminished learning abilities, people with specific cognitive impairments in combination with impaired hearing or vision or mental impairments, as well as people with multiple impairments that together cause a comprehensive reduction in working capacity according to particular specifications.

PROFESSIONAL EMPLOYEES

The term for employees not covered by labour market policy assignments, but recruited directly from the regular workforce. Previously, the term "direct employees" was used, however this was deemed difficult to understand.

RETURN

A former Samhall employee hired by another employer, who enacts his or her re-employment entitlement. The re-employment entitlement is valid for 12 months from the date of transition.

SUSTAINABILITY, SUSTAINABLE DEVELOPMENT

The actions of companies and organisations to fulfil today's needs without jeopardising the possibility of future generations to fulfil their needs.

SUSTAINABILITY REPORT

Measures and presents to the company's stakeholders initiatives taken by the company that promote sustainable development. Reports the company's financial, social and environmental impact.

TRANSITION

Refers to a permanent employee in the core assignment or a development position who leaves Samhall to start work with another employer.

UTILISATION RATE

The proportion of available time spent by an employee working on client assignments. Available time does not include time dedicated to employee development.

WAGE HOURS

All the hours for which an employee receives a wage, including holidays, sick pay, etc..

Financial definitions

ACID-TEST RATIO

Current assets excluding inventories and work in progress expressed as a percentage of current liabilities.

EQUITY RATIO

Adjusted shareholders' equity in relation to the balance sheet's total year-end assets.

GROSS PROFIT

Net sales minus raw materials and necessities, i.e. materials and sub-contractor costs.

RETURN ON AVERAGE EQUITY

Annual profits in relation to the year's average shareholders' equity.

ANNUAL REPORT

The Board of Directors and CEO of Samhall AB (publ), corporate identification number 556448-1397, hereby submit the annual report for the 2016 financial year.

The annual accounts cover pages 6–19 and 38–55.

Samhall's annual report for 2016 can also be read at www.samhall.se

REPORTING DATES

Samhall reports financial information for 2017 on the following dates:

28 April 2017	Interim report 1	January – March 2017
15 August 2017	Interim report 2	January – June 2017
27 October 2017	Interim report 3	January – September 2017
5 February 2018	Year-end report	January – December 2017

ANNUAL GENERAL MEETING

The AGM will be held 27 April 2017 in Stockholm.

SUSTAINABILITY REPORT

Samhall's contribution to sustainable development has featured in the annual reports for many years. For the ninth year running, Samhall highlights its sustainability work and results by publishing a joint annual and sustainability report in print, in accordance with the owner's guidelines: "Guidelines for external reporting for companies with state ownership" (Swedish Government Offices, Ministry of Enterprise and Innovation).

The sustainability report is produced within the framework of the Global Reporting Initiative (GRI) and covers Samhall's Sustainability

Report 2016, pages 22–37 and 76–78. Cases of significant deviation from GRI G4 are accompanied by notes in Samhall's sustainability report (Reporting and independent verification). Reporting covers the calendar year 2016. The last report (Sustainability Report 2015) was published in March 2016.

In Samhall's self-assessment, the Sustainability Report 2016 fulfils the requirements necessary for reporting according to a core application level, as defined by the Global Reporting Initiative. Deloitte AB has assured Samhall's Sustainability Report. See the assurance report on page 79.

READ MORE ABOUT GRI AT www.globalreporting.org.

THE CONTACT PERSON REGARDING THE SUSTAINABILITY REPORT IS: Mari-Ann Levin Pölde, *General Counsel, Samhall AB.*

THE CONTACT PERSON FOR THE ANNUAL REPORT AND GENERAL INFORMATION about Samhall's operations is : Albin Falkmer, *Director of Communications.*

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