

**Press Release from Essekte AB**  
2001-10-22

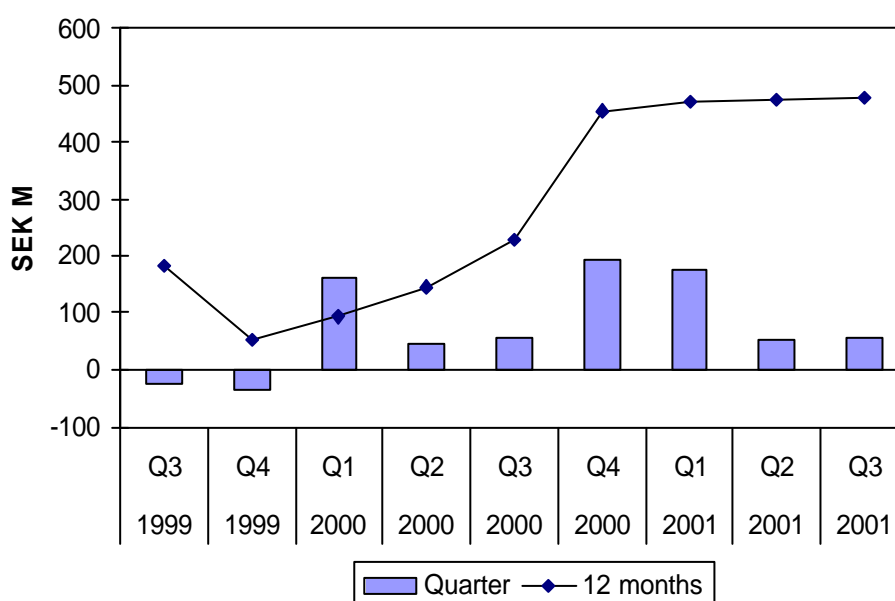
## Report on operations for the nine months ended September 30, 2001

### Strong improvement in operating cash flow in the third quarter

- Cash flow from operations was SEK 374 million (38) in the third quarter.
- Debt reduction of SEK 224 million due to lower inventories.
- Operating income in the third quarter was SEK 57 million (56) despite weakening markets.

"It is very satisfying to see the results of our hard work on inventory reduction in the form of a substantially better operating cash flow. We have also been able to improve our operating income excluding restructuring costs somewhat for the nine months compared to last year. However, due to the worsened economic climate, the operating income for the fourth quarter is expected to be lower than last year." comments Anders Igel, President and CEO.

### OPERATING INCOME DEVELOPMENT (Excluding items affecting comparability)



## Results for the third quarter

Sales for the third quarter were SEK 2,663 million (2,645), an increase of 0.7%. Change in sales for comparable exchange rates and units was –8.2% compared to the third quarter last year. The main reason for the large difference between these two percentage figures is the general weakening of the Swedish krona.

For seasonality reasons, third quarter sales tend to be weaker for Esselte. However, given the adverse market situation, sales held up slightly better than expected in the third quarter.

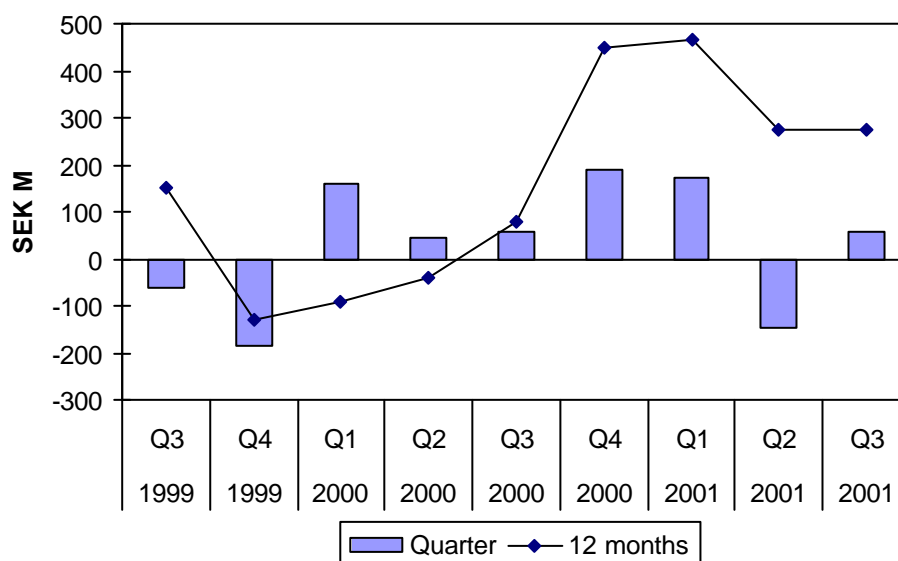
The integration of Curtis into Esselte Americas is almost completed and will be finished before the end of the year 2001.

DYMO was the best performing product category with sales in the third quarter of SEK 370 million (315).

The gross margin was 27.2% (26.2%) in the third quarter.

Operating income for the quarter was SEK 57 million compared to SEK 56 million last year, an increase of 1.8 %. The company is able to show this result, despite a weak market, primarily due to earlier initiated cost reduction programs.

### **OPERATING INCOME DEVELOPMENT (Including items affecting comparability)**

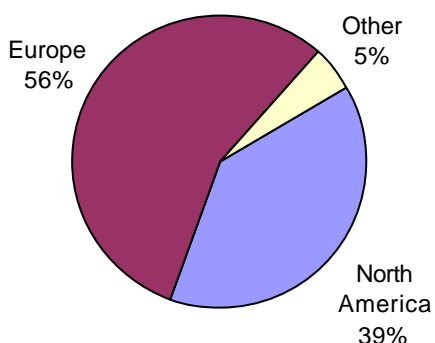


The net financial expense was SEK –46 million compared with SEK –51 million last year. The improvement is due to falling interest rates and reduction of debt.

## **Results for the nine months**

**Sales growth in the Nordic countries and Eastern Europe while demand weakened in many other markets.**

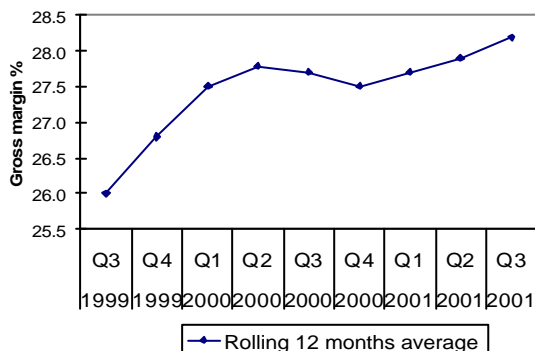
### **SALES BY GEOGRAPHIC AREA**



Sales for the nine months were SEK 8,003 million (8,131). The reason for the decrease in sales of 1.6% is primarily the continued weakness of the US economy and lower demand in many European markets. Change in sales for comparable exchange rates and units was –9.3% compared to the first nine months last year.

Sales in the Nordic region and Eastern Europe increased over the first nine months due to improved sales of DYMO products and in Filing & Document Management.

### **GROSS MARGIN DEVELOPMENT**



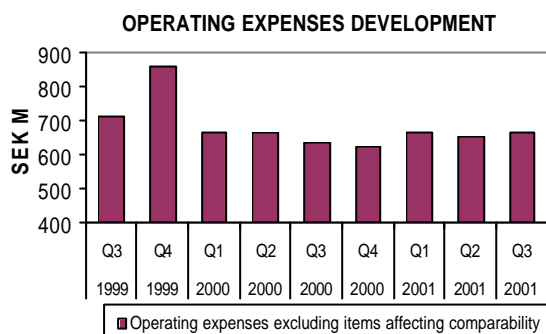
The gross margin for the period was 28.4% (27.5%). The increase was due to more balanced prices, reduced production costs and an improved product mix.

## **Operating income excluding items affecting comparability increased by 8%**

Operating income excluding items affecting comparability increased to SEK 282 million (261) for the nine months and has held up well especially in the US, despite the overall sales decrease. The company is reaping the benefits of earlier initiated cost reduction programs plus a very flexible cost structure in the American operations.

A favourable sales development was the driving force behind the increase in operating income in Canada, the Nordic region and Eastern Europe.

The UK subsidiary is still in a loss-making position although the result has improved substantially from last year.



Essekte is continuing its operating expenses reduction efforts throughout the Group. However the weakening of the Swedish krona is masking some of the positive effects.

The operating margin excluding items affecting comparability was 3.5% (3.2%) for the nine months.

Operating income has remained at a comparatively satisfactory level for the first nine months given the adverse market conditions. However, due to the worsened economic climate, operating income for the fourth quarter of 2001 is expected to be lower than the same period in 2000.

### Items affecting comparability

As earlier announced, a restructuring charge of SEK -196 million was taken in the second quarter relating to Curtis. The rapid deterioration in the market for Curtis products led Essekte to conclude that the business had to be integrated with Essekte Americas main business. The integration is almost completed and will be finished before the end of the year 2001.

### Operating income including items affecting comparability

Operating income including items affecting comparability was SEK 86 million compared to SEK 261 million last year. The deterioration is due to the above mentioned restructuring charge for Curtis.

### Income before tax

Income before tax for the nine months was SEK -111 million (153). The net financial expense was SEK -197 million (-108). As communicated in previous reports, there are four major explanations for the higher financial expense.

Firstly, Esselte had an unusually low financial expense during the first six months of 2000. This figure included a non-recurring hedge gain of SEK 45 million.

Secondly, the Group had, during the first quarter of this year, a foreign exchange loss of a one-off nature in the Turkish subsidiary. The Turkish lira was devalued by 40 %.

Thirdly, Esselte had a higher financial expense since interest rates were higher at the time last year when the loans were arranged or rolled over. This trend has been reversed later during 2001 which has meant lower interest rates for the third quarter.

Finally, Esselte applies, and has done so for several years, a conservative foreign exchange exposure policy in the parent company. This has historically had both positive and negative effects on the financial expense. During the first six months this year this effect was negative but it has changed to become positive at the end of the third quarter.

### **Working Capital reduction program**

One year ago Esselte started a working capital reduction program primarily focused on inventory. Since the vast majority of inventory is denominated in Euro and US Dollars and bearing in mind the weakening of the Swedish krona, the results of this program are not as visible as they otherwise would have been. The reduction shown in the reported balance sheet is SEK 440 million. Measured in constant exchange rates, inventory has been reduced by approximately SEK 700 million over this 12-month period. Efforts are continuing to further reduce inventory.

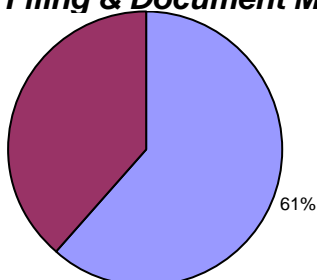
### **Cash flow**

The cash flow from operations was SEK 726 million (291). The improvement is mainly due to inventory and receivables reductions.

The Swedish krona weakened during the first nine months. In an Esselte-weighted currency rates index for capital employed, the weakening was 11.7%, resulting in an increase of capital employed of SEK 643 million.

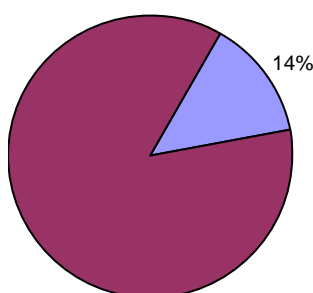
## PRODUCT CATEGORIES

### *Filing & Document Management*



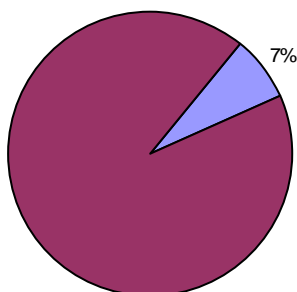
Sales were SEK 4,918 million (4,759) in the first nine months of the year. Sales in the third quarter continued to increase in Northern- and Eastern Europe, but remained weak in North America.

### *DYMO*



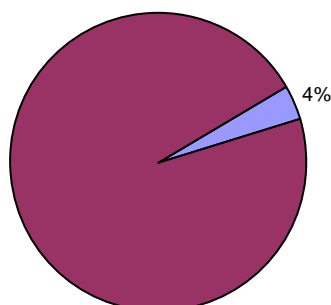
Sales of DYMO branded products were SEK 1,086 million (973). Strong US sales contributed to the increase in DYMO sales.

### *Workspace*



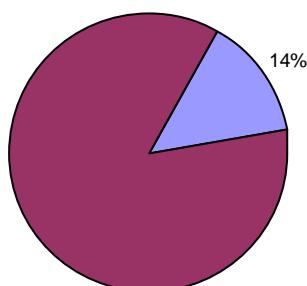
Workspace includes products such as staplers, perforators and moulded plastics. Sales were SEK 586 million (597). The weak sales development continued in the third quarter.

### *Development Categories*



The two development categories are Binding & Lamination and Curtis Computer Products. Sales were SEK 280 million (353). Sales in Binding & Lamination have developed positively during the third quarter throughout Europe. However, Curtis sales continue to be weak, particularly in North America.

## **Other Products**



Other products include traded articles and the separate businesses such as Bensons, Letraset and Tarifold. Sales were reduced to SEK 1,133 million (1,449) mainly due to the sale at the end of last year of Monti, representing SEK 152 million of the decrease, the divestment of Letraset in June 2001 (SEK 25 million) and the exit from non-core business in the US.

## **Other**

Essekte follows the recommendations issued by the Swedish Accounting Standards Council. There have been no changes in the accounting principles applied compared to last year. However, the format of the income statement has been changed to reflect both operating income including and excluding items affecting comparability.

This report has not been reviewed by the auditors.

Solna 22 October, 2001

## **Anders Igel**

President and CEO

**Essekte is the leading global office supplies manufacturer with annual sales exceeding SEK 11 billion, subsidiaries in 31 countries, selling office products in over 120 countries and employing approximately 6,500 people.**

***Essekte brings innovation, efficiency and style to the way people work in the office and at home. Our principal brands are: DYMO, Pendaflex, Leitz, Essekte and Curtis.***

***Essekte AB is listed on the Stockholm and London stock exchanges. To learn more about Essekte, visit our website at [www.esselte.com](http://www.esselte.com).***

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<b>Consolidated Income Statement</b>						
	July- Sept		January - Sept		Oct 2000- Sept 2001	Full Year 2000
SEK millions	2001	2000	2001	2000		
Sales	2,663	2,645	8,003	8,131	10,967	11,095
Cost of goods sold	-1,938	-1,953	-5,733	-5,898	-7,879	-8,044
GROSS PROFIT	725	692	2,270	2,233	3,088	3,051
Selling expenses	-414	-413	-1,263	-1,258	-1,656	-1,651
Administrative expenses	-182	-180	-528	-576	-727	-775
Goodwill amortization 1)	-24	-18	-74	-70	-98	-94
Other operating expenses	-48	-25	-123	-68	-131	-76
OPERATING INC EXCL ITEMS AFFECTING	57	56	282	261	476	455
Items affecting comparability	0	0	-196	0	-200	-4
OPERATING INC INCL ITEMS AFFECTING	57	56	86	261	276	451
Financial income and expense	-46	-51	-197	-108	-266	-177
INCOME BEFORE TAX	11	5	-111	153	10	274
Tax	-5	-2	44	-61	-5	-110
INCOME AFTER TAX	6	3	-67	92	5	164
Income per share excl items aff'q - SEK	0.20	0.10	1.50	2.70	3.50	4.70
Income per share incl items aff'q - SEK	0.20	0.10	-2.00	2.70	0.10	4.80
Number of shares	34,239,628	34,239,628	34,239,628	34,239,628	34,239,628	34,239,628
Cost depreciation	116	103	411	345	539	473

<b>Consolidated Balance Sheet</b>					
	2001			2000	
SEK millions	30 Sep	30 June	31 March	31 Dec	30 Sep
Financial assets	610	806	827	841	740
Intangible assets	1,378	1,348	1,409	1,366	1,373
Property	1,170	1,110	1,055	988	983
Machinery and equipment	1,043	1,034	1,071	1,053	1,061
Inventories	1,825	2,056	2,066	2,108	2,265
Current receivables	2,267	2,298	2,375	2,410	2,511
Other operating assets	397	347	336	328	304
ASSETS	8,690	8,999	9,139	9,094	9,237
Shareholders' equity	2,384	2,321	2,568	2,588	2,520
Financial provisions	525	490	483	457	446
Long and short term debt	3,221	3,676	3,571	3,288	3,424
Operating provisions	311	301	249	303	381
Operating liabilities	2,249	2,211	2,268	2,458	2,466
SHAREHOLDERS' EQUITY AND LIABILITIES	8,690	8,999	9,139	9,094	9,237
Capital structure					
Capital employed	5,520	5,681	5,795	5,492	5,650
Net financial liabilities	3,136	3,360	3,227	2,904	3,130
Shareholders' equity per share - SEK	69.60	67.80	75.00	75.60	73.60
Equity-to-assets ratio	27.4%	25.8%	28.1%	28.5%	27.3%
Change in equity					
Shareholders equity 1 January	2,588	2,588	2,588	2,597	2,597
Dividend	-68	-68	0	-68	-68
Exchange difference	-69	-126	-73	-84	-101
Reserve for workers compensation	0	0	0	-21	0
Income after tax	-67	-73	53	164	92
EQUITY CARRIED FORWARD	2,384	2,321	2,568	2,588	2,520

Number of employees					
Number of employees - end of period	6,546	6,519	6,975	6,398	6,849

1) Excludes depreciation on fair market valuation of property, plant and equipment related to the acquisition of Leitz in 1998. These depreciations are included in cost of goods sold at a value of SEK 48 m (46) for the period Jan to Sept 2001.



<b>Consolidated Statement of Cash Flow</b>						
SEK millions	July - Sept		January - Sept		Oct 2000- Sept 2001	Full Year 2000
	2001	2000	2001	2000		
Operating income before depreciation	173	159	497	606	815	924
Change in working capital	295	-92	425	-230	575	-80
Net investments	-94	-47	-224	-103	-317	-196
Acquired/divested capital employed	0	18	28	18	106	96
CASH FLOW FROM OPERATIONS	374	38	726	291	1,179	744
Cash flow from financial items	-51	-53	-231	-169	-389	-327
CASH FLOW BEFORE DIVIDENDS	323	-15	495	122	790	417
Dividends	0	0	-68	-68	-68	-68
CASH FLOW AFTER DIVIDENDS	323	-15	427	54	722	349
Exchange differences	-99	-259	-659	-270	-728	-339
CHANGE IN NET FINANCIAL LIABILITIES	224	-274	-232	-216	-6	10

<b>Key Figures</b>						
	July - Sept		January - Sept		Oct 2000- Sept 2001	Full Year 2000
	2001	2000	2001	2000		
<b><u>Key figures excl items affecting comp</u></b>						
Gross profit margin	27.2%	26.2%	28.4%	27.5%	28.2%	27.5%
Operating expenses / sales	25.1%	24.0%	24.8%	24.3%	23.8%	23.4%
Operating margin	2.1%	2.1%	3.5%	3.2%	4.3%	4.1%
<b><u>Key figures incl items affecting comp</u></b>						
Gross profit margin	27.2%	26.2%	28.4%	27.5%	28.2%	27.5%
Operating expenses / sales	25.1%	24.0%	27.3%	24.3%	25.6%	23.4%
Operating margin	2.1%	2.1%	1.1%	3.2%	2.5%	4.1%
Turnover capital employed					1.9	2.0
Return on capital employed					4.9%	8.2%
Return on shareholders equity					0.1%	6.3%

<b>Net sales by Product Category</b>						
SEK millions	July - Sept		January - Sept		Oct 2000- Sept 2001	Full Year 2000
	2001	2000	2001	2000		
Filing & Document Management	1,644	1,544	4,918	4,759	6,682	6,523
DYMO	370	315	1,086	973	1,485	1,372
Workspace	187	195	586	597	789	800
Development categories	91	101	280	353	406	479
Other products	371	490	1,133	1,449	1,605	1,921
NET SALES BY PRODUCT CATEGORY	2,663	2,645	8,003	8,131	10,967	11,095

<b>Share net sales by country</b>		Jan - Sept 2001
Percent		
USA		35%
Germany		18%
France		6%
UK		4%
Canada		4%
Italy		4%
Netherlands		4%
Sweden		3%
Denmark		3%
Spain		3%
Other countries		16%
TOTAL		100%