

Press release from

2003-10-22

Elanders AB (publ.)

Report from January - September 2003

- Continued improvements in both turnover and profits compared with the previous year.
- In comparable operations turnover rose by 6,5% and amounted to MSEK 1,253.2 (MSEK 1,590.1 and for comparable operations MSEK 1,176.8).
- Pre-tax profit was MSEK 33.6 (MSEK -327.8 and for comparable operations MSEK -16.7).
- Operating cash flow totalled MSEK 67.2 (MSEK 70.5).
- The net profit amounted to 15.6 MSEK (-310,5 MSEK) and the profit per share amounted to 1,86 SEK (-37,10 SEK)
- Important factors in this positive development are a greater proportion of Master Vendor business, productivity improvement and success in Central Europe.
- The forecast of pre-tax profits of approximately MSEK 50 for 2003 and a continued positive cash flow remains unchanged.

Elanders, the leading Nordic infomedia group, is organised into two business areas. Both business areas offer full-service solutions to handle customers' publishing needs, which we call the Master Vendor concept. Master Vendor means that a customer only needs one supplier for all the services in the publishing value chain; from information structuring and enrichment to production, fulfilment and distribution just-in-time, in whatever media the customer chooses.

- **Infologistics**

- ☐ Full-service solutions that meet customers' requirements for premedia services, print and distribution of information.
- ☐ Database and media independent publishing of trade information in a variety of media such as printed matter, CD-ROM, the Web and e-commerce.
- ☐ Business development, support and outsourcing services.
- ☐ Print in offset and digital printing (print-on-demand).
- ☐ Product catalogues and manuals for industrial and commercial companies in any media.
- ☐ Educational material for schools and universities in Sweden and Great Britain, as well as public sector printing for The Swedish Parliament, the government, governmental departments etc.
- ☐ Production and sales in Angered, Falköping, Gothenburg, Lund, Malmö, Stockholm, Surte, Trelleborg, Västerås and Östervåla (Sweden), Oslo (Norway), Newcastle (UK), Budapest and Zalalövö (Hungary).

- **Infoprint**

- ☐ Products with a large number of pages that are printed in offset and digitally, in varying editions.
- ☐ Exports to some 20 European countries.
- ☐ Production and sales in Kungsbacka (Sweden), Harrogate (UK) and Plonsk (Poland).

Turnover and profit per business area

Third quarter	Net turnover		Profit	
MSEK	2003	2002	2003	2002
Business area				
Infologistics	284	327	11.6	-12.2
Infoprint	81	139	-7.0	-19.1
Items affecting comparability			0	-240.6
Total	365	466	4.6	-271.9
Net financial items			-6.3	-10.6
Group	365	466	-1.7	-282.5

January-September	Net turnover		Profit	
MSEK	2003	2002	2003	2002
Business area				
Infologistics	945	1,143	58.7	-11.9
Infoprint	308	447	-2.9	-45.9
Items affecting comparability			0	-240.6
Total	1,253	1,590	55.8	-298.4
Net financial items			-22.2	-29.4
Group	1,253	1,590	33.6	-327.8

Concentration on selected market segments

During 2002 an action plan was implemented aimed at returning Elanders to profitability in 2003. The program entailed in part structural concentration and in part cost adjustments resulting from the weak economy. Elanders' operations are now being concentrated to strategic market segments and the Group is focusing its resources and Master Vendor solutions on these segments. They are *industry and trade, automotive, publishers, directories, the public sector and the service sector*. This selection is based on the fact that Elanders has a leading position within these segments and can offer customers unique solutions. This year we are intensifying our efforts to adapt Master Vendor solutions to the various segments' unique requirements.

Marketing situation for the Group

During the first nine months of 2003 consumption of the paper qualities used by Elanders dropped by 7% while our consumption rose a few percentage points. This means that the Group continues to increase its market shares in Sweden. Selling printing products on their own continues to be very tough in Sweden and is expected to remain so in the foreseeable future. Elanders is countering this by increasing sales of comprehensive solutions within the framework of

Master Vendor and continued expansion in Central Europe. The Group has a leading position in the targeted segments in Sweden and continued expansion will therefore most likely come through broader Master Vendor business with an international thrust.

Infologistics

The forecast for Infologistics, where our main strategy is delivery of full-service solutions, is bright and there are substantial opportunities to provide added value in the form of fringe services. The foundation of the business area's strategic contracts is often structuring information with flexible databases and image banks. Elanders is the Nordic leader and a major European player in this area and has a unique customer base for future growth.

After the action plan the business area has its platform in the Infomedia Houses in Stockholm and Newcastle, as well as the new Infomedia House in Gothenburg, which will be ready to move into in December 2003. Infomedia Houses offer information structuring, advanced premedia, digital print, offset print and fulfilment services. We have a digital print unit in Oslo and several in-house units for publishing, among them at ABB in Västerås, Volvo in Gothenburg and Tetra Pak in Lund. In addition, we have production units for premedia, offset print and fulfilment in Falköping, Malmö, Stockholm, Trelleborg, Östervåla (Sweden) as well as Budapest and Zalaölvö (Hungary).

Hungary is our base for continued success in Central European expansion, particularly in the *industry and trade* segment. The acquisition of DigiSource Kft in Budapest was completed in May.

Despite a persistent weak economy in several of the markets where Infologistics is active, development in the business area is stable. Interest in full-service solutions within the framework of our Master Vendor concept steadily increases and Elanders continues to grow by gaining market shares among large industrials and through the development of Master Vendor solutions for our existing customers.

The reduction in turnover is due to the sales and operation shutdowns carried out in 2002. For comparable units turnover in the first nine months of 2002 amounted to MSEK 876 and operating profit was MSEK 43, entailing an increase in turnover by 8% and in profits by 37%. The improvement in profits is primarily due to a greater number of full-service solutions, cost adjustments, a higher level of internal sales and our success in Hungary.

The forecast for growth and profitability for the business area continues to be good.

Infoprint

Infoprint customers are first and foremost interested in the actual printed matter and are primarily publishers of directories and similar publications. This makes it considerably more difficult to provide added value and focus is often on the price of printing per piece of an item. Elanders is the leading Nordic player in directory production; the *directories* segment. Elanders' directory operations are well invested in and show clear signs of progress both in order intake and productivity.

After the action plan the business area consists of directory production with web offset equipment in Kungsbacka, sales and premedia operations in Harrogate, UK and a web offset plant for lesser volumes in Plonsk, Poland. The latter works for the entire Group and is a very competitive alternative for the printing part of our larger Master Vendor deals.

Competition in directories continues to be tough. Due to the current over capacity among European printers price levels are very low. Continuous improvements in productivity and continual cost adjustments are necessary to achieve profitability. Another prerequisite for profitability is greater capacity utilisation of the modern equipment at Kungsbacka in order to supply highly efficient web offset printing to other segments the Group serves, particularly *industry and trade and the service sector*. During the period this ambition has already resulted in some important orders that can be produced more efficiently in web offset than in sheet-fed offset and we will increase our activity in this area.

The reduction in turnover is due to the sales of our Norwegian unit in 2002. For comparable units turnover in the first nine months of 2002 was MSEK 300 and operating profit was MSEK -30, entailing an increase in turnover by 3% and in profits by MSEK 27. The increase in profit is primarily a result of cost adjustments and productivity improvements achieved in the Kungsbacka plant as well as the success of operations in Poland.

Measures to further improve productivity, profitability and result in our product mix are expected to result in continuously improving results for the business area this year.

Turnover and profit

The Group's net turnover dropped by MSEK 336.9 to MSEK 1,253.2 (MSEK 1590.1) or 21%. Turnover for comparable units increased by 6.5%. Operating profit increased by MSEK 354 to MSEK 56 (MSEK -298) and includes capital gains of MSEK 7 (one-off expenses of MSEK 241). The operations that were sold or closed down in 2002 charged profits during the corresponding period last year by MSEK 71. Operating profits, exclusive of capital gains and one-off expenses, improved by MSEK 36 compared to the corresponding period last year. This is a result of cost adjustments, productivity improvements, successes in Central Europe and greater sales of full-service solutions within the framework of the Master Vendor concept.

Investments and depreciation

During the period net capital expenditures totalled MSEK 36 (MSEK 65), of which financial leasing was MSEK 13 (MSEK 3). Depreciation amounted to MSEK 105 (MSEK 152), of which goodwill depreciation was MSEK 24 (MSEK 29). The reduction in depreciation is due to divestitures in 2002.

Financial position, cash flow and equity ratio

The Group's net debt was MSEK 675 (MSEK 760) and operating cash flow for the period amounted to MSEK 67 (MSEK 71). Shareholders' equity amounted to MSEK 438 (MSEK 505), which resulted in an equity ratio of 29.6% (29.2 %).

Personnel

The average number of employees during the period was 1 429 (1 775), of which 1 071 are in Sweden (1 338). At the end of the period the Group had 1 308 employees (1 702).

Future Prospects

The forecast for 2003 remains the same and entails a pre-tax profit of approximately MSEK 50 and a continued positive cash flow.

Nominating committee

The chairman of the board has asked the following persons to form a nominating committee pursuant to the annual shareholders meeting and under the supervision of the chairman of the board:

Gustaf Douglas	Investment AB Latour
Göran Erlandsson	representative of the minor shareholders
Mats Gustafsson	SEB Funds
Caroline af Ugglas	Skandia

Future reports from Elanders

The report on the annual accounts for 2003 will be released on 29 January 2004.

The company auditors have not reviewed this report. The same accounting principles used in the annual accounts for 2002 have been used in this report.

Kungsbacka, 22 October 2003

Patrick Holm

President and CEO

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

Questions concerning this report can be made to:

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

Summary Consolidated Income Statements

MSEK	Third quarter	
	2003	2002
Net turnover	364.7	466.3
Cost of products and services sold	-303.3	-443.5
Gross profit	61.4	22.8
Sales and administration costs	-56.8	-54.1
Items affecting comparability	0	-240.6
Operating profit	4.6	-271.9
Net financial items	-6.3	-10.6
Pre-tax profit	-1.7	-282.5
Taxes	-2.3	11.3
Minority shares	0.1	0.0
Net profit for the period	-3.9	-271.2

MSEK	January-September		Last 12 months	Full-year 2002
	2003	2002		
Net turnover	1253.2	1590.1	1734.6	2071.5
Cost of products and services sold	-1026.8	-1452.4	-1416.1	-1 841.7
Gross profit	226.4	137.7	318.5	229.8
Sales and administration costs	-170.6	-195.5	-243.6	-268.5
Items affecting comparability	0	-240.6	-51.4	-292.0
Operating profit	55.8	-298.4	23.5	-330.7
Net financial items	-22.2	-29.4	-31.6	-38.8
Pre-tax profit	33.6	-327.8	-8.1	-369.5
Taxes	-17.9	17.3	-32.6	2.6
Minority shares	-0.1	0	-0.1	0
Net profit for the period	15.6	-310.5	-40.8	-366.9
Profit per share, SEK ¹⁾	1.86	-37.10	-4.87	-43.84

- 1) Average number of shares during the report period and during 2002 was 8,370,000. The number of outstanding shares per 30 September 2003 was 8,370,000.

Summary Consolidated Balance Sheets

MSEK	30/9 2003	30/9 2002	31/12 2002
Assets			
Goodwill	502	542	532
Other fixed assets	534	684	594
Inventories	84	108	85
Accounts receivable	287	325	313
Other current assets	53	63	54
Liquid funds	21	8	11
Total assets	1481	1730	1589
Liability and shareholder's equity			
Shareholders' equity	438	505	437
Provisions			
Non-interest bearing	68	93	105
Interest bearing	9	9	9
Non-interest bearing	0	0	0
Interest bearing	409	249	216
Short-term liabilities			
Non-interest bearing	279	364	329
Interest bearing	278	510	493
Total liabilities and shareholder's equity	1481	1730	1589

Change in shareholders' equity

MSEK	Share capital	Restricted equity	Unrestricted equity	Total
Book value on 1 January 2003	84	561	-208	437
Dividend			0	0
Translation difference		-1	-14	-15
Transfer of funds from share premium reserve to cover loss in 2002 as decided by the Annual General Meeting		-217	217	
Net profit for the period			16	16
Book value on 30 September 2003	84	343	11	438

Cash flow analysis

	Third quarter 2003	Third quarter 2002	Jan-Sept 2003	Jan-Sept 2002	Last 12 months	Full year 2002
Current operations	33.6	-11.6	143.6	64.7	146.7	67.8
Changes in provisions	-10.4	8.9	-35.3	-0.4	-17.8	17.1
Changes in operations capital	-24.0	96.3	-35.0	81.1	-91.5	24.6
Cash flow from current operations	-0.8	93.6	73.3	145.4	37.4	109.5
Cash flow from investment activities	-4.9	-11.4	-23.0	-65.4	45.0	2.6
Interest and other financial cost and income	-6.3	-10.6	-22.2	-29.4	-31.5	-38.7
Changes in long and short term borrowing	11.9	-70.2	-17.7	-52.9	-36.8	-71.2
Dividends paid to shareholders	0	0	0	-8.4	0	-8.4
Cash flow from financial activities	5.6	-80.8	-39.9	-89.9	-68.3	-118.3
Changes in liquid funds for the period	-0.1	1.4	10.4	-9.9	14.6	-6.3
Liquid funds on 30 September 2003	21.3	6.3	10.8	17.6	7.7	17.6
Translation difference in liquid funds	0.4	1.2	0.8	0.6	-0.2	-0.4
Changes in liquid funds for the period	-0.5	0.2	9.6	-10.5	13.8	-6.3
Liquid funds on 30 September 2003	21.2	7.7	21.2	7.7	21.2	10.8
Net debt on 1 January 2003	667.5	830.7	708.4	804.3	760.3	804.3
Translation difference in net debt	-1.6	2.4	-4.9	-4.2	4.5	5.2
Change in net debt	9.2	-72.8	-28.4	39.8	-89.7	-101.1
Net debt on 30 January	675.1	760.3	675.1	760.3	675.1	708.4
Operating cash flow	0.0	66.8	67.2	70.5	41.4	44.7

Key ratios

MSEK	January – September 2003	2002	Last 12 months	Full-year 2002
Return on shareholders' equity, %	3.5	-46.5	-1.5	-51.5
Equity ratio on 30 September, %	29.6	29.2		27.5
Return on capital employed, %	5.0	-20.6	3.4	-22.2
Debt-equity ratio	1.5	1.5		1.6

Definitions

Return on shareholders' equity

Equity ratio

Capital employed

Return on capital employed

Debt-equity ratio

Operating cash flow

Net profit in relation to average shareholders' equity.

Shareholders' equity, including minority shares, in relation to total assets.

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

Operating profit in relation to average capital employed.

Interest-bearing debt less liquid funds in relation to shareholders' equity, including minority shares

Cash flow from current operations adjusted for paid tax and the result from investment activities, i.e. cash flow after investments and paid taxes before payments to owners and lenders.