

Press release from

2004-10-22

Elanders AB (publ)

Interim report for January-September 2004

- Net turnover amounted to MSEK 1,250.5 (MSEK 1,253.2).
- Pre-tax profit was MSEK 34.2 (MSEK 33.6).
- Net profit amounted to MSEK 26.7 (MSEK 15.6) or SEK 3.19 per share (SEK 1.86 per share). A tax revenue of MSEK 12 is included in net profit.
- Free cash flow amounted to MSEK 8 (MSEK 67) after acquisitions of operations and companies to the amount of MSEK 57 (MSEK 0).
- During the quarter Skövde Offset AB was acquired and in connection with the purchase of the document and distribution units in Celero/AB Volvo a delivery contract with AB Volvo stretching over several years was signed.
- A three-year contract was signed with SEB concerning publishing services based on personalised printing production.
- A two-year continuance of a general agreement with the Swedish government, represented by the National Agency for Services to Universities and University Colleges (VHS), concerning printing production and affiliated services was confirmed.
- Pre-tax profit for 2004 is expected to improve compared with last year by 40-50% (MSEK 53.1) The wording of previous forecasts was "further improvements in turnover and profit as well as a continued positive cash flow compared with 2003 are still forecasted for 2004".

Elanders, the leading Nordic infomedia group, is organised into two business areas

- **Infologistics**
 - ☐ Full-service solutions that meet customers' requirements for premedia services, print, fulfilment and logistics - Master Vendor.
 - ☐ Database publishing and Cross Media Publishing of trade information in a variety of media such as printed matter, CD-ROM, the Web and e-commerce.
 - ☐ Advertisement production and image management.
 - ☐ 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 the UK, as well as public sector printing for the Swedish Parliament, the government, governmental departments etc.
 - ☐ Production and sales in Falköping, Gothenburg, Lund, Malmö, Stockholm, Uppsala, Västerås and Östervåla (Sweden), Oslo (Norway), Newcastle (UK) and Budapest, Komarom 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).

Master Vendor is the Group's comprehensive name for full-service solutions that, in addition to offset or digital print, provide customers with all other services connected to printing production such as information structuring in databases, translation, premedia services, fulfilment, logistics and distribution. Our Annual Report describes these concepts in greater detail and can be requested from our headquarters or downloaded from our website www.elanders.se.

Turnover and profit per business area

<i>Third quarter</i>	<i>Net turnover</i>			<i>Result</i>		
MSEK	2004	2003	2002	2004	2003	2002
Infologistics	306	284	327	17.7	11.6	-12.2
Infoprint	88	81	139	-1.5	-7.0	-19.1
Items affecting comparability				0.0	0.0	-240.6
Total	394	365	466	16.2	4.6	-271.9
Net financial items				-6.5	-6.3	-10.6
Group	394	365	466	9.7	-1.7	-282.5

<i>January-September</i>	<i>Net turnover</i>			<i>Result</i>		
MSEK	2004	2003	2002	2004	2003	2002
Infologistics	957	945	1 143	60.7	58.7	-11.9
Infoprint	293	308	447	-7.5	-2.9	-45.9
Items affecting comparability				0.0	0.0	-240.6
Total	1 250	1 253	1 590	53.2	55.8	-298.4
Net financial items				-19.0	-22.2	-29.4
Group	1 250	1 253	1 590	34.2	33.6	-327.8

Concentration on selected market segments

The six strategic market segments the group is focusing its resources and Master Vendor solutions are *Automotive*, *Directories*, *Publishing*, *Industry & Trade*, 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. The segments we have advanced farthest in are *Automotive*, *Directories*, and *Industry & Trade*, where expert teams have been created for marketing and product development, in part through recruitment from these segments.

Marketing situation for the Group

According to our calculations, consumption of fine quality sheet paper in Sweden dropped by more than 2.8 % during the first nine months of the year compared to the previous year. Group consumption increased during the same period by 8.7%, which means that Elanders market shares in Sweden grew by 1.2% to 10.5%. These paper qualities represent a fifth of Group consumption in Sweden but are part of production costs in nearly half of Group turnover. The rest refers to turnover and consumption abroad and in operations in *Directories*. Selling printing as a sole product continues to be very difficult in Sweden and we see no change in the foreseeable future. Elanders is countering this by increasing the number of comprehensive solutions within the framework of Master Vendor and continued expansion in Central and East Europe. The Group has a dominate position in the chosen segments in Sweden and continued expansion will therefore be generated primarily through broader Master Vendor business with an international thrust.

Infologistics

The forecast for Infologistics, where our main strategy is to delivery full-service solutions in publishing, is bright since there are substantial opportunities to deliver added value in the form of affiliated services. The foundation of the business areas' 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.

During the quarter Elanders acquired AB Volvo's document and distribution units in Gothenburg and Skövde Offset AB. A strategic three-year contract with SEB concerning publishing services based on personalised printing production was also signed. In addition, the Group received a two-year continuance of a general agreement with the Swedish government concerning printing production and affiliated services. The government was represented by the National Agency for Universities and University Colleges.

Previously in the period a joint venture in Komárom, Hungary with Hansaprint Oy was established with the intent to deliver digital four-colour print and logistic services to customers in the segment *Industry & Trade* in the Hungarian market. Operations are expected to start up some time in the first quarter of 2005.

During the period the business area received most of the call off orders from automotive customers (segment *Automotive*) that were delayed from the first quarter. The rest of the orders are expected to come in during the last quarter.

Turnover in the quarter is greater than last year despite the fact that a curriculum revision has led to lower volumes on the English market in the segment *Publishing*. Although the volume reduction is temporary, it cannot be recuperated this year. The business area's unit in Trelleborg was closed at the beginning of the year and certain volumes connected to it will therefore not be included in turnover for the year.

With the exception of the effects of Trelleborg, none of the above circumstances are permanent and development in the business area is stable, showing growth and good order intake in the third quarter.

Interest in full-service solutions within the framework of our Master Vendor concept steadily increases and Elanders continues to grow by gaining marketing shares among large industrials and by developing Master Vendor solutions for our existing customers. We continue to be successful in Hungary and several other places in the business area and order intake is better than at this point in time last year.

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

Infoprint

More than two thirds of operations in Infoprint are aimed at customers that are basically only interested in printed matter, primarily publishers of directories and similar publications. This makes it considerably more difficult to provide added value in the form of affiliated services. In most cases customers focus entirely on the price of printing per piece of an item. Elanders is the leading Nordic player in directory production, segment *Directories*. Elanders' operations in *Directories* are well invested in and show clear signs of progress both in order intake and productivity.

Competition in *Directories* markets is 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 factor for profitability is better utilisation in the future of the modern equipment in the Kungsbacka plant that provides highly efficient web offset printing within the Master Vendor concept to other segments the Group serves, primarily *Industry & Trade* and the *Service Sector*. This ambition has already resulted in some major orders that can be produced more efficiently in web offset than in sheet-fed offset. We expect the effect of this work to fully materialise in 2006.

The reduction in turnover stems from predicted reductions in volumes and prices from *Directories* customers. Deterioration in profit is because the product mix during the period has not been optimal. However, there has been a noticeable improvement in the third quarter and this is expected to lead to a positive result for the business area for the year as a whole.

Turnover and profit

The Group's net turnover dropped by MSEK 2.7 to MSEK 1,250.5 (MSEK 1,253.2) primarily due to decreases in volumes from UK schoolbook publishers and the unit in Trelleborg, volume effects in operations in *Directories* as well as price delays in call off orders. Operating profit decreased by MSEK 2.6 to MSEK 53.2 (MSEK 55.8) and includes one-off income of MSEK 8 (MSEK 7), primarily from the sales of fixed assets. The reduction in operating profit

is also mainly due to the temporary volume losses in the UK, the effects in operations in *Directories* and to a certain extent delays in orders. Tax costs for the period were reduced by MSEK 12 which stem from previously unevaluated losses from the sales of subsidiaries in 2002.

Investments and depreciation

During the period net capital expenditures totalled MSEK 87 (MSEK 23), of which financial leasing was MSEK 0 (MSEK 13). The acquisition of external companies and operations made up MSEK 57 (SEK 9) of net capital expenditures. Depreciation amounted to MSEK 99 (MSEK 105), of which goodwill depreciation was MSEK 25 (MSEK 24).

Financial position, cash flow and equity ratio

The Group's net debt amounted to MSEK 655 (MSEK 675) and free cash flow for the period, after acquisitions of external companies and operations of MSEK 57 (SEK 9), amounted to MSEK 8 (MSEK 67), entailing an increase in net debt by MSEK 40 during the period (decreased by MSEK 33).

Shareholders' equity amounted to MSEK 495 (MSEK 438), which resulted in an equity ratio of 31.9% (29.6%). During the period opening unreserved equity was charged with SEK 418,000 stemming from adjustments in benefit defined pensions according to RR 29.

Personnel

The average number of employees during the period was 1,421 (1,429), of which 1,004 are in Sweden (1,071). At the end of the period the Group had 1,490 employees (1,439). This increase is comprised of the personnel in the units acquired during the period.

Future Prospects

Pre-tax profit for 2004 is expected to improve compared with last year by 40-50% (MSEK 53.1) The wording of previous forecasts was "further improvements in turnover and profit as well as a continued positive cash flow compared with 2003 are still forecasted for 2004".

Future reports from Elanders

The report on the annual accounts for 2004 will be released on 31 January 2005.

Review and accounting principles

The company auditors have not reviewed this report. The same accounting principles that were used in the annual accounts for 2003 have been used in this report. The report meets the requirements of RR20 concerning interim reports.

Mölnlycke, 22 October 2004

Patrick Holm
President and Chief Executive Officer

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

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.

Questions concerning this report can be made to:

Patrick Holm	Mats Almgren
President and CEO	Chief Financial Officer
+ 46 31 – 750 00 00	+ 46 31 – 750 00 00
+ 46 708-210 410	+ 46 705-181 936

Elanders AB (publ)
(Company ID 556008-1621)
Designvägen 2
SE-435 33 Mölnlycke, Sweden, Phone +46 31 750 00 00

Summary Consolidated Income Statements

	<i>Third quarter</i>		
MSEK	2004	2003	2002
Net turnover	394.1	364.7	466.3
Cost of products and services sold	-320.3	-303.3	-443.5
Gross profit	73.8	61.4	22.8
Sales and administration costs	-57.6	-56.8	-54.1
Items affecting comparability	0.0	0.0	-240.6
Operating result	16.2	4.6	-271.9
Net financial items	-6.5	-6.3	-10.6
Pre-tax profit	9.7	-1.7	-282.5
Taxes	-7.3	-2.3	11.3
Minority share	0.0	0.1	0.0
Net result for the period	2.4	-3.9	-271.2

	<i>January-September</i>			<i>Last 12 months</i>	<i>Full- year 2003</i>
MSEK	2004	2003	2002		
Net turnover	1 250.5	1 253.2	1 590.1	1 711.7	1 714.4
Cost of products and services sold	-1 020.8	-1 026.8	-1 452.4	-1 396.8	-1 402.8
Gross profit	229.7	226.4	137.7	314.9	311.6
Sales and administration costs	-176.5	-170.6	-195.5	-236.8	-230.9
Items affecting comparability	0.0	0.0	-240.6	0.0	0.0
Operating result	53.2	55.8	-298.4	78.1	80.7
Net financial items	-19.0	-22.2	-29.4	-24.4	-27.6
Pre-tax profit	34.2	33.6	-327.8	53.7	53.1
Taxes	-7.5	-17.9	17.3	3.1	-7.3
Minority share	0.0	-0.1	0.0	0.1	0.0
Net result for the period	26.7	15.6	-310.5	56.9	45.9

Profit per share, SEK¹⁾	3.19	1.86	-37.10	6.80	5.48
---	------	------	--------	------	------

1) Average number of shares during the report period amounted to 8,370,000 (8,370,000). Average number of shares during January to September amounted to 8,370,000 (8,370,000). The number of outstanding shares per 30 September 2004 was 8,370,000 (8,370,000).

Cash Flow Analyses, MSEK

	<i>Third quarter</i>			<i>January-September</i>			<i>Full-year</i>			<i>Last 12 months</i>
	2004	2003	2002	2004	2003	2002	2003	2002	2001	
Current operations	40	34	-12	128	143	64	207	68	238	191
Changes in provisions	-6	-11	9	-32	-35	0	-14	17	-118	-11
Changes in operating capital	-9	-24	96	-25	-35	81	-39	24	25	-29
Cash flow from current activities	25	-1	93	71	73	145	154	109	145	151
Cash flow from investment activities	-68	-5	-11	-87	-23	-65	-37	3	-216	-101
Interest and other financial costs and income	-6	-6	-11	-19	-22	-30	-28	-39	-39	-25
Changes in long and short term borrowing	58	12	-70	55	-18	-52	-77	-71	135	-3
Dividends paid to shareholders	0	0	-0	-8	0	-8	0	-8	-38	-8
Cash flow from investments activities	52	6	-81	28	-40	-90	-105	-118	58	-36
Change in liquid funds for the period	9	0	1	12	10	-10	12	-6	-13	14
Liquid funds on 1 January 2004	26	21	6	23	11	18	11	18	30	21
Translation difference in liquid funds	-1	0	1	-1	1	1	1	-1	1	0
Change in liquid funds for the period	10	0	1	13	9	-11	11	-6	-13	14
Liquid funds on 30 September 2004	35	21	8	35	21	8	23	11	18	35
Net debt on 1 January 2004	612	668	831	615	708	804	704	804	664	675
Translation difference in net debt	1	-2	2	-1	-5	-4	-5	5	12	-1
Change in net debt	42	9	-73	41	-28	-40	-88	-101	124	-19
Net debt on 30 September 2004	655	675	760	655	675	760	615	708	804	655
Free cash flow	-33	0	67	8	67	70	130	45	-61	71

Summary Consolidated Balance Sheet

MSEK	30/9 2004	30/9 2003	30/9 2002
Assets			
Goodwill	533	502	542
Other fixed assets	496	534	682
Inventory	94	84	108
Accounts receivable	314	287	325
Other current receivables	80	53	63
Liquid funds	35	21	8
Total assets	1,552	1,481	1,730
Liabilities and shareholders' equity			
Shareholders' equity	495	438	505
<i>Provisions</i>			
Non-interest bearing	51	68	93
Interest bearing	0	9	9
<i>Long-term liabilities</i>			
Non-interest bearing	3	0	0
Interest bearing	193	409	249
<i>Short-term liabilities</i>			
Non-interest bearing	313	279	364
Interest bearing	497	278	510
Total liabilities and shareholders' equity	1,552	1,481	1,730

Change in shareholders' equity

MSEK	Share capital	Restricted equity	Unrestricted equity	Total
Book value on 1 January 2003	84	561	-208	437
Translation difference		-1	-10	-11
Transfer of funds from the share premium reserve to cover the loss in 2002 according to the decision of the Annual General Meeting		-217	217	0
Profit for the year			46	46
Book value on 31 December 2003	84	343	45	472
Book value on 1 January 2003	84	561	-208	437
Translation difference		-1	-10	-11
Transfer of funds from the share premium reserve to cover the loss in 2002 according to the decision of the Annual General Meeting		-217	217	0
Profit for the period			20	20
Book value on 30 September 2003	84	343	19	446
Book value on 1 January 2004	84	343	45	472
Effect of change in accounting principle			-1	-1
Adjusted opening balance after changing accounting principle	84	343	44	471
Dividends			-8	-8
Translation difference		2	3	5
Profit for the period			27	27
Book value on 30 September 2004	84	345	66	495

Starting in 2004 Elanders follows RR29 Remuneration to employees. This recommendation has changed Group principles for reporting benefit defined pension plans. The effect of implementing RR 29 has been reported as a deduction from consolidated unreserved equity after taking into consideration deferred tax. The change in accounting principles has not had any material effect on the Group's pension expenses. We have not received enough information from Alecta regarding Alecta benefit defined pension plans and therefore we have reported these plans as if they were defined contribution plans, i.e. paid premiums have been recorded as expenses.

Key ratios

MSEK	Jan-Sept 2004	Jan-Sept 2003	Latest 12 months	Full-year 2003
Return on shareholders' equity, %	5.6	3.5	12.4	10.3
Equity ratio on 30 September, %	31.9	2.9	31.9	31.4
Return on employed capital, %	4.9	5.0	7.2	7.3
Debt/equity ratio	1.3	1.5	1.3	1.3

Consolidated quarterly data

MSEK	2002	2002	2002	2002	2003	2003	2003	2003	2004
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net turnover	466	481	439	449	365	461	414	443	394
Operating result	-272	-32	23	28	5	25	15	22	16
Pre-tax result	-282	-42	14	21	-2	19	9	16	10
Net result	-271	-56	7	12	-4	30	4	20	2
Free cash flow	67	33	17	50	0	63	20	21	-33
Depreciation (incl. goodwill)	43	43	36	34	35	34	33	32	34
Investments	11	-14	11	18	7	18	18	11	58
Goodwill	542	532	521	511	502	494	491	482	533
Total assets	1,730	1,589	1,575	1,514	1,481	1,503	1,494	1,486	1,552
Equity	505	437	438	446	438	472	480	491	495
Net debt	760	708	698	668	675	615	602	612	658
Capital employed	1,265	1,145	1,136	1,115	1,113	1,086	1,065	1,103	1,153
Return on equity, %	-43.0	-12.0	1.6	2.7	0.0	6.7	0.8	4.1	0.0
Return on capital employed, %	-19.0	-2.7	1.6	2.5	0.0	2.3	1.4	2.0	1.5
Debt-equity ratio	1.5	1.6	1.5	1.5	1.5	1.3	1.2	1.2	1.3
Equity ratio on 30 September, %	29.2	27.5	27.8	29.6	29.6	31.4	32.1	33.0	31.9
Interest coverage ratio	-29.2	-3.2	2.6	3.2	2.5	2.9	2.4	3.0	2.9
Number of employees at the end of the period	1,775	1,482	1,454	1,439	1,457	1,433	1,382	1,393	1,490

Definitions

Return on shareholders' equity
Equity ratio

Net profit in relation to average shareholders' equity.
Shareholders' equity, including minority shares, in relation to total assets.

Capital employed

Total assets reduced by liquid funds and non-interest bearing liabilities.

Return on capital employed
Debt-equity ratio

Operating profit in relation to average capital employed.
Interest-bearing debt reduced by liquid funds in relation to shareholders' equity, including minority shares.

Free cash flow

Cash flow from current operations adjusted for paid tax and the result of financial activities, i.e. cash flow after investments and paid tax but before payments to owners and borrowers.

Interest coverage ratio
Period

Operating result plus interest income divided by interest costs.
Refers to the first nine months in the commentary texts.