

Press Release from Esselte AB

2001-07-20

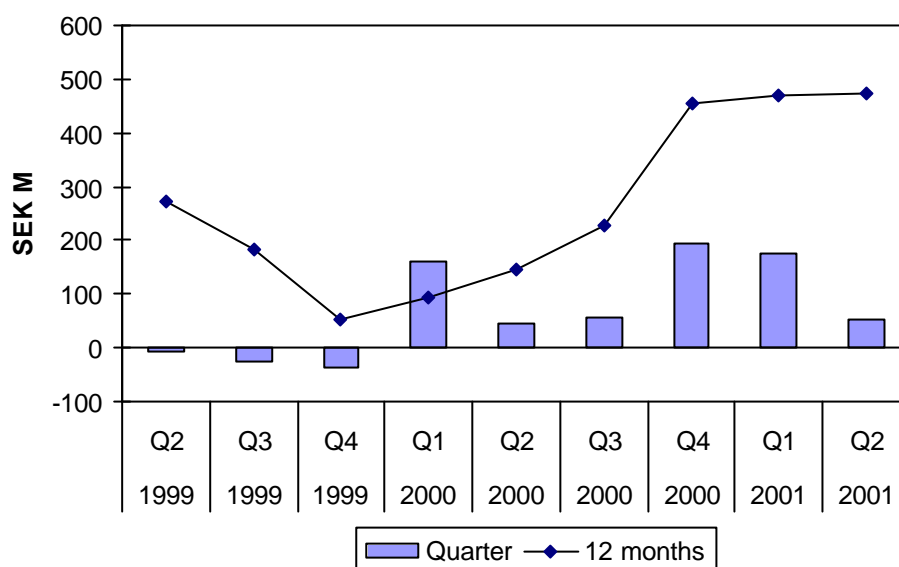
Report on operations for the six months ended June 30, 2001

Operating income increased excluding restructuring costs related to computer accessories business.

- Operating income excluding items affecting comparability increased by 10% from SEK 205 million to SEK 225 million.
- Restructuring costs of SEK -196 million related to computer accessories (Curtis).
- Sales growth in the Nordic region and Eastern Europe over the six months.
- Continued weak US sales and weakened demand in many European countries during the second quarter.

“We have been hit like most other companies by a decline in the markets. Despite this, operating income increased compared with last year except for the computer accessories business where we have been severely hit in the second quarter and we have had to take decisive actions. Furthermore, we have accelerated actions both in the US and Europe to accommodate the continuing market decline. We have now taken the restructuring losses in the Curtis business and moved on” comments Anders Igel, President and CEO.

OPERATING INCOME DEVELOPMENT (Excluding items affecting comparability)



Results for the second quarter

Sales for the second quarter were SEK 2,453 million (2,571), a decrease of 4.6%. Change in sales for comparable exchange rates and units was –14.1% compared to the second quarter last year. The main reason for the large difference between these two percentage figures is the general weakening of the Swedish krona.

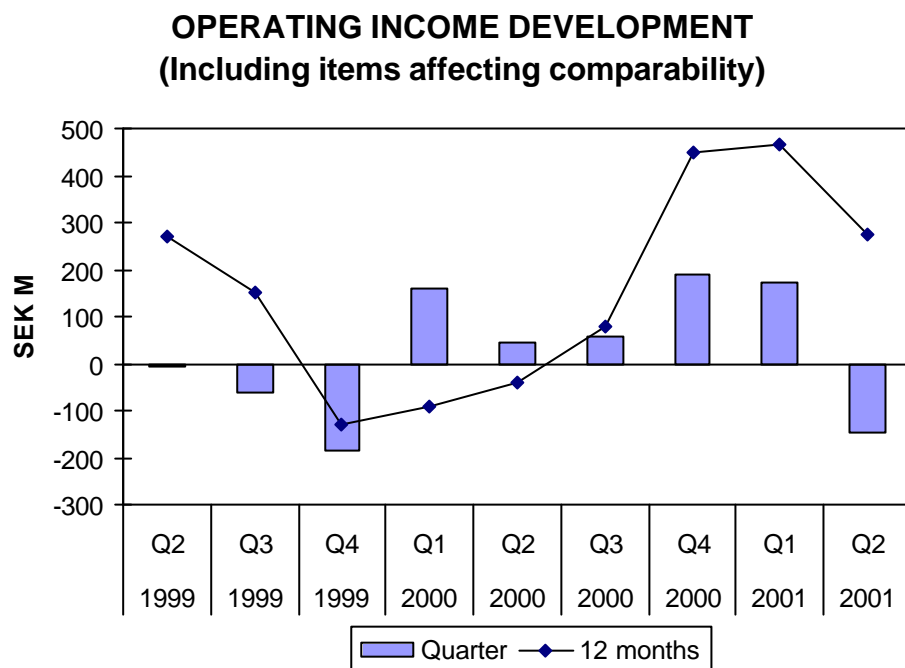
In addition to the previously noted sales decrease in the US, there has been a general sales decrease in Europe as well, due to the economic slowdown in several European countries.

DYMO was the best performing product category with sales in the second quarter of SEK 344 million (305).

The gross margin was 28.7% (27.7%) in the second quarter.

Operating income excluding items affecting comparability for the quarter was SEK 51 million compared to SEK 45 million last year, an increase of 13 %. This development was encouraging despite the decrease in demand both in USA and Europe.

There was a one-off restructuring charge in the second quarter of SEK -196 million related to the Curtis business. This is further described below under "items affecting comparability".

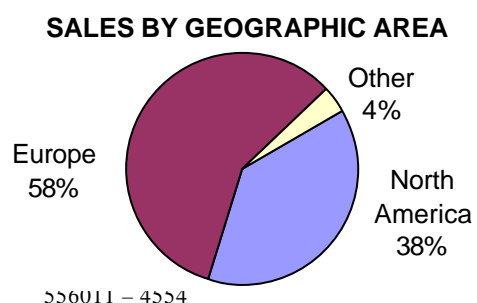


Operating income including items affecting comparability for the quarter was SEK -145 million compared to SEK 45 million last year.

The net financial expense was SEK -65 million compared with SEK -30 million last year. The difference is mainly related to a non-recurring hedge gain of SEK 25 million included in last years figure.

Results for the six months

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



Sales for the six months were SEK 5,340 million (5,486). The reason for the decrease in sales of 3% is primarily the continued weakness of the US economy and lower

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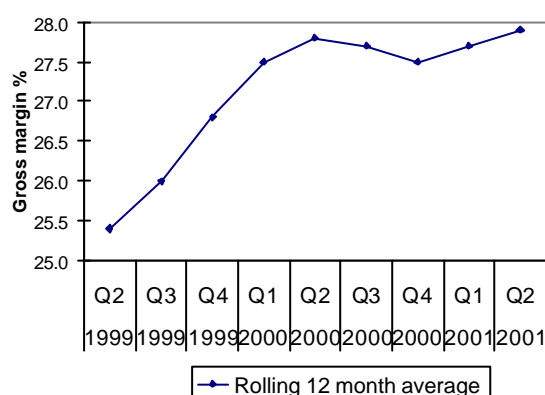
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demand in many European markets. Change in sales for comparable exchange rates and units was –10.0% compared to the first six months last year.

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

GROSS MARGIN DEVELOPMENT



The gross margin was 28.9% (28.1%). The increase was due to more balanced prices, reduced production costs and an improved product mix.

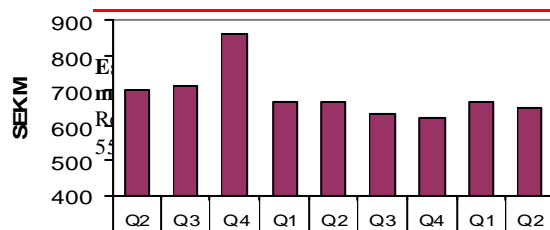
Operating income excluding items affecting comparability increased by 10%

Operating income excluding items affecting comparability increased to SEK 225 million (205) for the six months and has held up well especially in the US despite the overall sales decrease. This is partly due to the flexible cost structure in the Esselte US operations but also due to effects from the earlier initiated cost saving programmes in Europe. Furthermore, earlier planned cost cutting programmes are being accelerated and intensified due to the weakening demand in the market.

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 in a loss-making position although the result has improved from last year.

OPERATING EXPENSES DEVELOPMENT



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EsseLte is continuing its operating expenses reduction efforts throughout the Group.

The operating margin excluding items affecting comparability was 4.2% (3.7%) for the six months.

Operating income has remained at a comparatively satisfactory level for the first six months given the adverse market conditions. However, if the current economic climate continues its trend, it is not likely that operating income for the last six months of 2001 will be higher than the same period in 2000.

Items affecting comparability

PC sales in the US have dramatically fallen during this year compared to last year. This trend plus the general downturn in the American economy has had an accelerated negative impact on the Curtis product line in the second quarter. Furthermore, change in this industry has accelerated with companies becoming more focused on a few categories, which has led to increased price pressure and more costly marketing programmes.

The Curtis business has not seen positive results as a stand-alone business since its launch in 1996 even if the loss situation substantially improved from 1999 to 2000. The business has not achieved its critical mass and has deteriorated rapidly in the second quarter due to the above-mentioned factors. During 2000 EsseLte started to explore a number of options for the future of the Curtis business including a divestiture. The rapid deterioration in the second quarter is now leading EsseLte to conclude that the business must be integrated with EsseLte Americas main business and the Curtis operations in Salt Lake City will be closed. Alternatives continue to be explored to improve the performance of the business. A restructuring charge of SEK -196 million was taken in the second quarter results mainly relating to provision of obsolete inventory in connection with product range rationalisation, redundancy costs, provision of lease termination and goodwill write off. The cash component of this total charge is SEK 87 million spread over the second to the fourth quarter this year.

In addition to the above mentioned restructuring costs, the Curtis business showed an operating loss in the first six months of SEK -74 million and a loss of SEK -13 million for the same period last year which is included in the operating income figure.

Due to the negative development of the Curtis business, changes in management have also taken place.

Operating income including items affecting comparability

Operating income including items affecting comparability reached SEK 29 million compared to SEK 205 million last year. The deterioration is due to the above mentioned restructuring charge.

Income before tax

Income before tax for the six months was SEK -122 million (148). The net financial expense was SEK -151 million (-57). There are four major explanations for the higher financial expense.

Firstly, Essekte 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 this year a foreign exchange loss of a one-off nature in the Turkish subsidiary. The Turkish lira was devalued by 40 %

Thirdly, Essekte had a higher financial expense since interest rates were higher at the time last year when the loans were arranged or rolled over.

Finally, Essekte 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.

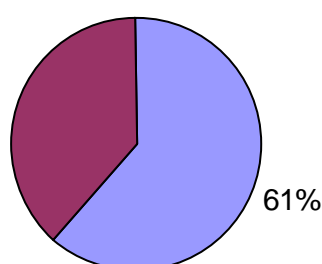
Cash flow

The cash flow from operations was SEK 352 million (253). The improvement is mainly due to receivables and inventory reductions.

The Swedish krona weakened during the first six months. In an Essekte-weighted currency rates index for capital employed, the weakening was 7.9%, resulting in an increase of capital employed of SEK 434 million.

PRODUCT CATEGORIES

Filing & Document Management



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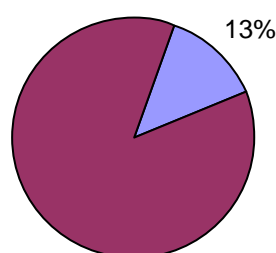
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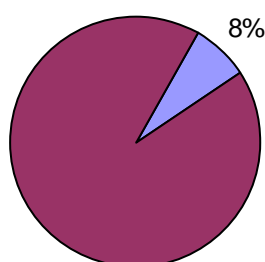
Sales were SEK 3,274 million (3,215) in the first six months of the year. Sales increased in the Nordic countries of Sweden, Denmark and Finland and also in Canada, Hungary and the Czech Republic among others, while sales development in the US, France and Germany was weak. Sales in the UK were also down due mainly to exiting low margin contracts.

DYMO



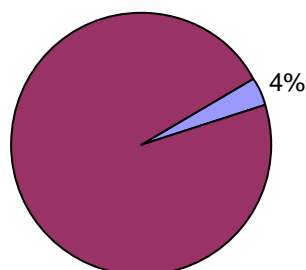
Sales of DYMO branded products were SEK 716 million (658). Sales grew in Northern- and Central Europe, Canada and Oceania.

Workspace



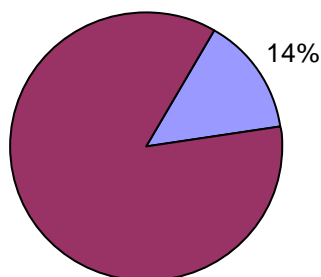
Workspace includes products such as staplers, perforators and moulded plastics. Sales were SEK 399 million (402). Sales were down in a number of key markets with France and the UK having particularly weak sales compared to the first six months the year before.

Development Categories



The two development categories are Binding & Lamination and Curtis Computer Products. Sales were SEK 189 million (252). As mentioned above sales have decreased dramatically for Curtis during this year with an acceleration of this trend in the second quarter.

Other Products



Other products include traded articles and the separate businesses such as Bensons, Letraset and Tarifold. Letraset was divested in June 2001. Sales were reduced to SEK 762 million (959) mainly due to the sale at the end of last year of Monti, representing SEK 103 million of the decrease and the exit from non-core business in the US.

Other

Esselte 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 20 July, 2001

Anders Igel

President and CEO

Esselte 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.

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

Esselte AB is listed on the Stockholm and London stock exchanges. To learn more about Esselte, visit our website at www.esselte.com.

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Consolidated Income Statement						
	April - June		January - June		July 2000- June 2001	Full year 2000
SEK millions	2001	2000	2001	2000		
Sales	2,453	2,571	5,340	5,486	10,949	11,095
Cost of goods sold	-1,749	-1,860	-3,795	-3,945	-7,894	-8,044
GROSS PROFIT	704	711	1,545	1,541	3,055	3,051
Selling expenses	-421	-406	-849	-845	-1,655	-1,651
Administrative expenses	-177	-195	-346	-396	-725	-775
Goodwill amortization 1)	-25	-29	-50	-52	-92	-94
Other operating expenses	-30	-36	-75	-43	-108	-76
OPERATING INC EXCL ITEMS AFFECTING	51	45	225	205	475	455
Items affecting comparability	-196	0	-196	0	-200	-4
OPERATING INC INCL ITEMS AFFECTING	-145	45	29	205	275	451
Financial income and expense	-65	-30	-151	-57	-271	-177
INCOME BEFORE TAX	-210	15	-122	148	4	274
Tax	84	-6	49	-59	-2	-110
INCOME AFTER TAX	-126	9	-73	89	2	164
Income per share excl items aff'g - SEK	-0.20	0.30	1.30	2.60	3.40	4.70
Income per share incl items aff'g - SEK	-3.70	0.30	-2.10	2.60	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	181	125	295	242	526	473

Consolidated Balance Sheet					
	2001		2000		
SEK millions	30 June	31 March	31 Dec	30 Sep	30 June
Financial assets	806	827	841	740	787
Intangible assets	1,348	1,409	1,366	1,373	1,359
Property	1,110	1,055	988	983	969
Machinery and equipment	1,034	1,071	1,053	1,061	1,066
Inventories	2,056	2,066	2,108	2,265	2,197
Current receivables	2,298	2,375	2,410	2,511	2,281
Other operating assets	347	336	328	304	283
ASSETS	8,999	9,139	9,094	9,237	8,942
Shareholders' equity	2,321	2,568	2,588	2,520	2,579
Financial provisions	490	483	457	446	435
Long and short term debt	3,676	3,571	3,288	3,424	3,208
Operating provisions	301	249	303	381	422
Operating liabilities	2,211	2,268	2,458	2,466	2,298
SHAREHOLDERS' EQUITY AND LIABILITIES	8,999	9,139	9,094	9,237	8,942
Capital structure					
Capital employed	5,681	5,795	5,492	5,650	5,435
Net financial liabilities	3,360	3,227	2,904	3,130	2,856
Shareholders' equity per share - SEK	67.80	75.00	75.60	73.60	75.30
Equity-to-assets ratio	25.8%	28.1%	28.5%	27.3%	28.8%
Change in equity					
Shareholders equity 1 January	2,588	2,588	2,597	2,597	2,597
Dividend	-68	0	-68	-68	-68
Exchange difference	-126	-73	-84	-101	-39
Reserve for workers compensation	0	0	-21	0	0
Income after tax	-73	53	164	92	89
EQUITY CARRIED FORWARD	2,321	2,568	2,588	2,520	2,579

<i>Number of employees</i>					
Number of employees - end of period	6,519	6,975	6,398	6,849	6,917

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 31 m (31) in the first six months 2001.

Consolidated Statement of Cash Flow						
SEK millions	April - June		January - June		July 2000- June 2001	Full year 2000
	2001	2000	2001	2000		
Operating income before depreciation	36	171	324	447	801	924
Change in working capital	166	39	130	-138	188	-80
Net investments	-84	-35	-130	-56	-270	-196
Acquired/divested capital employed	28	3	28	0	124	96
CASH FLOW FROM OPERATIONS	146	178	352	253	843	744
Cash flow from financial items	-59	-36	-180	-116	-391	-327
CASH FLOW BEFORE DIVIDENDS	87	142	172	137	452	417
Dividends	-68	-68	-68	-68	-68	-68
CASH FLOW AFTER DIVIDENDS	19	74	104	69	384	349
Exchange differences	-152	-83	-560	-11	-888	-339
CHANGE IN NET FINANCIAL LIABILITIES	-133	-9	-456	58	-504	10

Key Figures						
	April - June		January - June		July 2000- June 2001	Full year 2000
	2001	2000	2001	2000		
Key figures excl items affecting comp						
Gross profit margin	28.7%	27.7%	28.9%	28.1%	27.9%	27.5%
Operating expenses / sales	26.6%	25.9%	24.7%	24.4%	23.6%	23.4%
Operating margin	2.1%	1.8%	4.2%	3.7%	4.3%	4.1%
Key figures incl items affecting comp						
Gross profit margin	28.7%	27.7%	28.9%	28.1%	27.9%	27.5%
Operating expenses / sales	34.6%	25.9%	28.4%	24.4%	25.4%	23.4%
Operating margin	-5.9%	1.8%	0.5%	3.7%	2.5%	4.1%
Turnover capital employed					2.0	2.0
Return on capital employed					4.9%	8.2%
Return on shareholders equity					0.1%	6.3%

Net sales by Product Category						
SEK millions	April - June		January - June		July 2000- June 2001	Full year 2000
	2001	2000	2001	2000		
Filing & Document Management	1,476	1,471	3,274	3,215	6,582	6,523
DYMO	344	305	716	658	1,430	1,372
Workspace	181	187	399	402	797	800
Development categories	83	133	189	252	416	479
Other products	369	475	762	959	1,724	1,921
NET SALES BY PRODUCT CATEGORY	2,453	2,571	5,340	5,486	10,949	11,095

Share net sales by country		Jan - June 2001
Percent		
USA		33%
Germany		18%
France		6%
UK		4%
Canada		4%
Italy		4%
Netherlands		4%
Sweden		3%
Denmark		3%
Spain		3%
Other countries		18%
TOTAL		100%