



Press release from

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Elanders AB (publ.)

Third quarter report from 1 January to 30 September 2002

- Net turnover dropped by 12 % to MSEK 1590,1 (MSEK 1800,4)
- Pre-tax profit was MSEK –327,8 (MSEK –28,5) after one-off measures of MSEK 240,6 (SEK 0). Cash flow amounted to MSEK 44 (MSEK –239)
- Magazine and advertising printing plants in Oslo, Helsingborg and Landskrona sold
- Operations in Stockholm will be restructured during the fourth quarter
- Pre-tax profits of approximately MSEK –380, after one-off expenses totalling MSEK 300, are forecasted for this year. Cash flow for the year will be positive.
- Pre-tax profits of approximately MSEK 50 are forecasted for 2003, along with a continued positive cash flow.

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

- **Infologistics**
 - ❑ Full-service solutions that meet customers requirements for premedia services, print and distribution of information – Master Vendor Concept.
 - ❑ 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.
 - ❑ 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) and Zalaöví (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	2002	2001	2002	2001
Business area				
Infologistics	327	357	-12,2	1,6
Infoprint	139	171	-19,1	-28,4
Items affecting comparability			-240,6	0
Total	466	528	-271,9	-26,8
Net financial items			-10,6	-6,7
Group	466	528	-282,5	-33,4
January - September	Net turnover		Profit	
MSEK	2002	2001	2002	2001
Business area				
Infologistics	1143	1219	-11,9	13,9
Infoprint	447	581	-45,9	-12,1
Items affecting comparability			-240,6	0
Total	1590	1800	-298,4	1,8
Net financial items			-29,4	-30,3
Group	1590	1800	-327,8	-28,5

Action plan to concentrate operations and become profitable in 2003

An action plan aimed at making Elanders profitable in 2003 was formed in June. The plan entails concentration of a structural nature and cost adjustments brought on by the current economy. All of the steps in the program have now been communicated and the costs are determined and provided for in the annual forecast.

Concentration

Management resources and Group operations will be concentrated to certain strategic customer segments. Examples of such segments are automotive, electronic, mecatronic, telecom and pharmaceutical industrials as well as publishers and the public sector. Selection is based on the customer segments where Elanders has a leading position and can offer unique solutions. Elanders has had a smaller market share and offered conventional products in the customer segment of advertising and magazine volume production. Elanders Norge AS in Oslo and Elanders Skogs Rulloffset AB in Helsingborg are both active in this area and therefore divestiture of these companies was completely in line with the ideas behind the action plan. In addition, operations in Oslo generated heavy losses. The previous sale of Elanders Lithorex AB in Landskrona was also a natural step in this process.

Cost adjustments

As a result of the current economic trend in IT, telecom and advertising rationalisations will be made in a few of the Group's operations. This mainly concerns offset operations and certain parts of premedia in Stockholm where some 80 employees were given notice at the beginning of October. These operations have generated heavy losses.

Summary

All told, the action plan entails one-off expenses amounting to some MSEK 300 in 2002, MSEK 241 of which has been accounted for in the third quarter. The remaining MSEK 59 stems from measures communicated at the beginning of October and therefore will be reported in the fourth quarter. The expenses are allocated as follows (MSEK):

	Resultateffekt	Kassaeffekt
<u>Concentration</u>		
Capital gains from divestitures	30	6
Depreciation of other booked values in companies sold in October 2002	-55	
Goodwill depreciation stemming from divestitures in October 2002	-130	
Depreciation of booked values in production equipment	-23	
	<u>-178</u>	<u>6</u>
<u>Cost adjustments</u>		
Goodwill depreciation stemming from Stockholm operations	-40	
Discard of inventory and production equipment in Malmö	-6	
Cost adjustments regarding premises in Malmö	-11	-1
Other cost adjustments	-6	-
	<u>-63</u>	<u>1</u>
Total items affecting comparability per 30 September 2002	-241	4
<u>Further cost adjustments in the fourth quarter 2002</u>		
Cost adjustments regarding personnel Stockholm	-28	-2
Cost adjustments regarding premises in Stockholm	-15	-1
Discard of inventory and production equipment in Stockholm	-7	
Leasing and service contracts in Stockholm	-5	-
Other cost adjustments	-4	-
	<u>-59</u>	<u>-5</u>
Total items affecting comparability in 2002	-300	-

Elanders after the action plan

Infologistics

Future prospects for Infologistics, which primarily works with full-service publishing solutions, are bright and there are great opportunities to deliver added value in the form of closely connected services. The foundation of Infologistics' strategic business is structuring information with flexible databases and image banks. Elanders is the Nordic leader, and a major European player, in this area and can use its unique customer base for future growth. The business area's profits have been heavily weighed down by the losses generated in Oslo and Stockholm operations. After the cost adjustments in Stockholm have been made a strong Infomedia House will emerge with good prospects to show healthy profits and growth, particularly within strategic customer segments such as industrial and commercial businesses, the public sector and publishers.

As part of the action plan Elanders Lithorex in Landskrona was sold in July as well as Elanders Publishing in Oslo and Elanders Skogs Rulloffset in Helsingborg in October. These divestitures rid the business area of continuous, current losses. They also removed the risk of future losses and the need to make investments in segments Elanders does not consider viable for the future.

After the action plan the platform for the business area will be the Infomedia Houses in Stockholm and Newcastle, as well as the Infomedia House being built in Gothenburg. The Infomedia Houses offer information structuring, advanced premedia, digital printing, offset printing and fulfilment services. There is a digital printing unit in Oslo as well as an in-house publishing operation at ABB in Västerås and Tetra Pak in Lund. In addition, there are production units for premedia, offset printing and fulfilment in Falköping, Malmö, Stockholm, Trelleborg, Östervåla and Zalalövö (Hungary). The latter has developed far beyond expectations and must immediately increase its capacity in order to meet demand. This expansion will be accomplished by moving around existing equipment within the Group.

Infoprint

Operations in Infoprint are directed towards customers that are primarily interested in having an item printed, normally publishers of directories and similar publications. This makes it considerably harder to provide added value and the bottom line is always the printing price per item. Elanders is a major Nordic players, particularly in directory production. Satisfactory profits can be achieved through highly efficient production. The European market, where Elanders is active, is characterised by over capacity and the need for structural solutions. Elanders' directory operations constitute a valuable element for future European solutions.

The sales of Elanders Norge in October rids the business area of continuous, current losses and the need to make investments in segments Elanders does not consider viable for the future.

After the action plan the business area will consist of directory operations in Kungsbacka with affiliated sales and premedia operations in Harrogate (UK) and a plant for web offset for smaller volumes in Plonsk (Poland). The latter works for the entire Group and is a very competitive alternative for the printed matter part of our big Master Vendor business.

The business areas during the first nine months 2002

Infologistics

Despite a prolonged weak business cycle in several of the markets where Infologistics is active the business area shows stable development in the remaining operations. Interest in the full-service solutions in our Master Vendor concept is steadily growing and Elanders continues to gain market shares among industrials. The decrease in turnover is due to the weak economy and the sales of Lithorex while the decline in profits is mainly due to the sold operations in Oslo as well as the operations in Stockholm undergoing cost adjustments in the fourth quarter. The forecast for the business area in 2003 is good in regards to growth and profitability.

Infoprint

Competition on the directories market continues to be tough. The prevailing over capacity among European suppliers has squeezed prices. The coordination program for Infoprint, containing rationalisations and the concentration of operations to Kungsbacka as well as considerable investments in new equipment, was concluded according to plan in 2001. The plant will not need any major investments in the coming years. The decrease in turnover is due to a few major customers deciding at the start of the year to provide paper themselves, as well as lower prices. Measures to improve productivity, profitability in our product mix and concentrate production to

fewer units are ongoing but the business area is not expected to show a considerably better result until 2003.

Turnover and profit

The Group's net turnover dropped by MSEK 210,3 to MSEK 1590,1 (MSEK 1800,4) and operating profit fell by MSEK 301,8 to MSEK -300 (MSEK 1,8). This is mainly due to the intense price press in Infoprint, a weak economy and the cost of adapting IT operations in Infologistics. In addition, profits have been charged with one-off expenses of MSEK 240,6 (MSEK 0), which are accounted for above.

Investments and depreciation

Net capital expenditures during the period totalled MSEK 65 (MSEK 165). Depreciation amounted to MSEK 152 (MSEK 156), of which goodwill depreciation was MSEK 29,4 (MSEK 30,0).

Financial position, cash flow and equity ratios

The Group's net debt amounted to MSEK 760 (MSEK 903) while cash flow for the period improved by MSEK 283 compared to the previous year and totalled MSEK 44 (MSEK -239).

Shareholder equity totalled MSEK 505 (MSEK 815), which resulted in an equity ratio of 29,2 % (36,3%).

Personnel

The average number of employees during the period was 1775 (1922) of which 1338 were in Sweden (1462). At the end of the period there were 1702 employees in the Group (1858).

Forecast

In the previous quarterly report presented 19 July 2002 our forecast stated:

"Prospects for the current year are highly influenced by the economy, which is still not showing any positive trends. So far this year Elander's position on the industrials market has been strengthened. This means that to a certain extent new sales and increased market shares in Infologistics compensate for the structural problems in Infoprint. A wobbly business cycle and other market conditions make it difficult to predict profits for the year. However, the Group expects a positive cash flow."

Forecast for 2002

Pre-tax profits of approximately MSEK-380, charged with one-off expenses of MSEK 300, are now forecasted for the current year. Despite the negative result the Group will generate a positive cash flow for the year.

Forecast for 2003

The forecast for 2003 is pre-tax profits of approximately MSEK 50 and a continued positive cash flow.

Future reports from Elanders

The next press release from Elanders (the report on the annual accounts for 2002) will be issued 30 January 2003.

The company auditors have not reviewed this report.

The same accounting principles have been used in this report as in the annual accounts for 2001. The report meets the requirements made by the Swedish Financial Accounting Standards Council's recommendation RR20 concerning quarterly reports.

Kungsbacka 21 October 2002

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Further information about Elanders can be found on our website www.elanders.se or via e-post info@elanders.se

Summary of consolidated income statements

MSEK	Third quarter	
	2002	2001
Net turnover	466,3	528,3
Cost of products and services sold	-443,5	-491,6
Gross profit	22,8	36,7
Sales and administration costs	-54,1	-63,4
Items affecting comparability	-240,6	0
Operating profit	-271,9	-26,7
Net financial items	-10,6	-6,7
Pre-tax profit	-282,5	-33,4
Taxes	11,3	0
Net profit for the period	-271,2	-33,4

MSEK	January – September		Last 12 months	Full-year 2001
	2002	2001		
Net turnover	1590,1	1800,4	2283,4	2493,7
Cost of products and services sold	-1452,4	-1591,1	-2032,9	-2171,6
Gross profit	137,7	209,3	250,5	322,1
Sales and administration costs	-195,5	-207,5	-271,0	-283,0
Items affecting comparability	-240,6	0	-240,6	0
Operating profit	-298,4	1,8	-261,6	39,1
Net financial items	-29,4	-30,3	-37,9	-38,8
Pre-tax profit	-327,8	-28,5	-299	0,3
Taxes	17,3	0	0,3	-17,0

Net profit for the period	-310,5	-28,5	-298,7	-16,7
Earnings per share, SEK ¹⁾	Neg	0,22	Neg	Neg

1) The average number of shares during the report period was 8,370,000. Outstanding shares per 30 September 2002 were 8,370,000.

Summary of consolidated balance sheets

MSEK	30/9 2002	30/9 2001	31/12 2001
Assets			
Goodwill	542	676	670
Other fixed assets	684	883	881
Inventories	108	143	113
Accounts receivable	325	417	461
Other current assets	63	111	77
Liquid funds	8	16	18
Total assets	1730	2246	2 220
Liability and shareholder's equity			
Shareholder's equity	505	815	830
Long-term liabilities			
Non-interest bearing	10	18	29
Interest bearing	258	317	295
Short-term liabilities			
Non-interest bearing	447	494	539
Interest bearing	510	602	527
Total liabilities and shareholder's equity	1730	2246	2220

Changes in shareholder's equity

MSEK	Share capital	Restricted reserves	Unrestrict- ed equity	Total
Amount on 1 January 2002	84	561	185	830
Dividends			-8	-8
Translation differences			-6	-6

Profits for the period			-311	-310
Amount on 21 October 2002	84	561	140	505

Cash flow

MSEK	Third quarter			
	2002	2001		
Cash flow before investments and changes in operating capital	-241	-4		
Increase (-) and decrease (+) in operating capital	258	-19		
New issues and dividends to shareholder's, net	0	0		
Investments in machines and equipment, net	-11	-39		
Payment for divestitures	65	0		
Increase (-) and decrease (+) in net liabilities	71	-62		
MSEK	January – September		Last 12 months	Full-year 2001
	2002	2001		
Cash flow before investments and changes in operating capital	-177	127	-112	192
Increase (-) and decrease (+) in operating capital	229	-160	314	-75
New issues and dividends to shareholder's, net	-8	-38	-8	-38
Investments in machines and equipment, net	-65	-165	-113	-213
Acquisitions (-)/Divestitures (+)	65	-3	62	-6
Increase (-) and decrease (+) in net liabilities	44	-239	143	-140

Key ratios

MSEK	January – September		Full-year 2001
	2002	2001	
Return on shareholder's equity, %	Neg	Neg	Neg
Equity ratio on 30 September 2002, %	29,2	36,3	37,4
Return on capital employed, %	Neg	Neg	2,3
Debt-equity ratio	1,5	1,1	1,0

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

Operating profit in relation to average capital employed.

Debt-equity ratio

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