

Press release from

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Elanders AB (publ.)

Interim report January - June 2003

- Positive development in turnover, profits and cash flow.
- Implemented cost adjustments have yielded desired results.
- In comparable operations turnover rose by 8% and amounted to MSEK 888,5 (MSEK 1123,8 and for comparable operations MSEK 822,4).
- Pre-tax profit was MSEK 35,3 (MSEK –45,3 and for comparable operations MSEK 0,9).
- Operating cash flow improved by MSEK 70 and amounted to MSEK 67 (MSEK -3).
- 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 and we call this 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 Zalaötvö (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

Second quarter	Net turnover		Profit	
	2003	2002	2003	2002
MSEK				
Business area				
Infologistics	324	405	23,8	-8,1
Infoprint	125	169	4,7	-10,3
Total	449	574	28,5	-18,4
Net financial items			-7,1	-10,4
Group	449	574	21,4	-28,8

First half-year	Net turnover		Profit	
	2003	2002	2003	2002
MSEK				
Business area				
Infologistics	661	816	47,1	0,3
Infoprint	227	308	4,1	-26,8
Total	888	1124	51,2	-26,5
Net financial items			-15,9	-18,8
Group	888	1124	35,3	-45,3

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 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 service companies*. This selection is based on the fact that Elanders has a leading position within these segments and can offer customers unique solutions. We are now intensifying our efforts to adapt Master Vendor solutions to the various segments' unique requirements.

Marketing situation for the Group

During the first half-year of 2003 consumption of the paper qualities used by Elanders dropped by 6% while our consumption rose a few percentage points. This means that the Group has increased its market shares in Sweden during the first two quarters of the year. The market continues to be tough in Sweden. Elanders is countering this by increasing the number of comprehensive solutions within the framework of Master Vendor and continued expansion in Central Europe. The Group has a dominate position in most of the 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 to deliver full-service solutions, is bright and there are substantial opportunities to deliver added value in the form of closely connected 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 under construction in Gothenburg. The latter is expected to be ready in December 2003. Infomedia Houses offer information structuring, advanced premedia, digital print, offset print and fulfilment services. There is 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 Zalalövö (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 marketing 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 shutdowns of operations carried out in 2002. For comparable units turnover in the first half-year of 2002 amounted to MSEK 611 and operating profit was MSEK 58, entailing an increase in turnover by 8% and in profits by 19%. The improvement in profits is primarily due to more content in Master Vendor solutions, cost adjustments a higher level of internal sales and our success in Hungary.

The forecast for growth and profitability for the business area in 2003 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; *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 service companies*. During the first half-year 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 half-year of 2002 was MSEK 211 and operating result was MSEK -12, entailing an increase in turnover by 8% and in profits by MSEK 20. 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 and profitability 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 235,3 to MSEK 888,5 (MSEK 1123,8) or 21%. Turnover for comparable units increased by 8%. Operating profit increased by MSEK 77,7 to MSEK 51,2 (MSEK -26,5) and includes one-off gains of MSEK 7 (MSEK 0). The operations that were sold or closed down in 2002 charged profits during the corresponding period last year by MSEK 46,2. Operating profits, exclusive of one-off gains, improved by MSEK 71 compared to the corresponding period last year. This is a result of cost adjustments, productivity improvements, successes in Central Europe and more full-service solutions offered within the framework of the Master Vendor concept.

Investments and depreciation

During the period net capital expenditures totalled MSEK 29 (MSEK 54), of which financial leasing was MSEK 11 (MSEK 0). Depreciation amounted to MSEK 67 (MSEK 109), of which goodwill depreciation was MSEK 16,3 (MSEK 19,3). The reduction in depreciation is due to divestitures in 2002.

Financial position, cash flow and equity ratio

The Group's net debt was MSEK 668 (MSEK 831) and cash flow for the period improved by MSEK 70 compared to the previous year amounting to MSEK 67. Shareholders' equity amounted to MSEK 446 (MSEK 770), which resulted in an equity ratio of 29,5% (37,1 %).

Personnel

The average number of employees during the period was 1463 (1816), of which 1094 are in Sweden (1380). At the end of the year the Group had 1419 employees (1802).

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.

Future reports from Elanders

The nine-month report 2003 will be released on 22 October.

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, 18 July 2003

Patrick Holm

President and Group Chief Executive

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

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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	Second quarter	
	2003	2002
Net turnover	449,4	573,9
Cost of products and services sold	-363,1	-523,1
Gross profit	86,3	50,8
Sales and administration costs	-57,8	-69,2
Operating profit	28,5	-18,4
Net financial items	-7,1	-10,4
Pre-tax profit	21,4	-28,8
Taxes	-8,8	4,8
Minority shares	-0,2	0,0
Net profit for the period	12,4	-24,0

MSEK	First half-year		Last 12 months	Full-year 2002
	2003	2002		
Net turnover	888,5	1123,8	1836,2	2071,5
Cost of products and services sold	-723,5	-1008,9	-1556,3	-1841,7
Gross profit	165,0	114,9	279,9	229,8
Sales and administration costs	-113,8	-141,4	-240,9	-268,5
Items affecting comparability			-292,0	-292,0
Operating profit	51,2	-26,5	-253,0	-330,7
Net financial items	-15,9	-18,8	-35,9	-38,8
Pre-tax profit	35,3	-45,3	-288,9	-369,5
Taxes	-15,6	6	-19,0	2,6
Minority shares	-0,2	0	-0,2	0
Net profit for the period	19,5	-39,3	-308,1	-366,9
Profit per share, SEK ¹⁾	2,33	-4,70	-36,81	-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 June 2003 was 8,370,000.

Summary Consolidated Balance Sheets

MSEK	30/6 2003	30/6 2002	31/12 2002
Assets			
Goodwill	511	645	532
Other fixed assets	559	827	594
Inventories	81	128	85
Accounts receivable	280	386	313
Other current assets	62	84	54
Liquid funds	21	6	11
Total assets	1514	2076	1589
Liability and shareholder's equity			
Shareholder's equity	446	770	437
<i>Provisions</i>			
Non-interest bearing	78	68	105
Interest bearing	9	9	9
<i>Long-term liabilities</i>			
Non-interest bearing	0	0	0
Interest bearing	423	254	216
<i>Short-term liabilities</i>			
Non-interest bearing	302	392	329
Interest bearing	256	583	493
Total liabilities and shareholder's equity	1514	2076	1589

Changes in shareholders' equity

MSEK	Share capital	Restricted equity	Un- restricted equity	Total
Book value on 1 January 2003	84	561	-208	437
Dividend			0	0
Translation difference		-1	-10	-11
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			20	20
Book value on 30 June 2003	84	343	19	446

Cash flow statements

	Second quarter		First half-year		Last 12 months	Full-year
	2003	2002	2003	2002		2002
Current operations	52,7	33,7	110,2	76,3	101,7	67,8
Changes in provisions	-6,4	7,3	-24,9	-9,3	1,5	17,1
Changes in operating capital	6,2	-18	-10,8	-15,2	29	24,6
Cash flow from current operations	52,5	23	74,5	51,8	132,2	109,5
Cash flow from investment activities	-12,4	-34	-18,1	-54	38,5	2,6
Interest and other financial costs and income	-7,1	-10,4	-15,9	-18,8	-35,8	-38,7
Changes in long and short term borrowing	-38,1	22,7	-30,0	18,1	-119,3	-71,2
Dividends paid to shareholders	0	-8,4	0	-8,4	0	-8,4
Cash flow from financial activities	-45,2	3,9	-45,9	-9,1	-155,1	-118,3
Changes in liquid funds for the period	-5,1	-7,1	10,5	-11,3	15,6	-6,3
Liquid funds on 1 January 2003	26,4	13,4	10,8	17,6	6,3	17,6
Translation difference in liquid funds	0	-0,3	-0,4	-0,6	-0,2	-0,4
Changes in liquid funds for the period	-5,1	-6,8	10,9	-10,7	15,3	-6,3
Liquid funds on 30 June 2003	21,3	6,3	21,3	6,3	21,3	10,8
Net debt on 1 January 2003	698,2	800,8	708,4	804,3	830,7	804,3
Translation difference in net debt	-0,6	-3,3	-3,3	-6,6	8,5	5,2
Change in net debt	-30,1	33,2	-37,6	33,0	-189,7	-101,1
Net debt on 30 June 2003	667,5	830,7	667,5	830,7	649,5	708,4
Operating cash flow	50,4	-16,6	67,2	-3	114,9	44,7

Key ratios

MSEK	January – June		Last 12 months	Full-year 2002
	2003	2002		
Return on shareholders' equity, %	4,4	-4,7	-42,4	-51,5
Equity ratio on 30 June, %	29,5	37,1		27,5
Return on capital employed, %	4,6	-1,6	-16,0	-22,2
Debt-equity ratio	1,5	1,1		1,6

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 less 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 less liquid funds in relation to shareholders' equity, including minority shares.

Operating cash flow

Cash flow from current operations adjusted for paid tax and the result from investment activities.