

ELANDERS ANNUAL REPORT 2007





As we start our 100th year in business we can look back on the 99th and conclude it was both an incredibly exciting and a ground-breaking year for Elanders. It was the year we finally ended our dependence on directory production, which has historically been Elanders' foundation and made the transformation the company has gone through possible. It was also the year we became a full-fledged global group with local presence, which is the foundation we will build Elanders of the future on.

The Annual Report you now hold in your hand describes the strategic strides we have taken during the year but it also describes the products and services we deliver and what they are used for. This depiction is the theme of the Annual Report and we hope it will contribute to a greater understanding of what we do, why we do it and what you can expect of Elanders in the future.

I hope that information you are about to read will give you a valuable insight into our operations, our services and the responsibility we take to make sure our customers can completely devote themselves to their core business.

Welcome to Elanders Annual Report 2007!

Mölnlycke in February 2008


Patrick Holm
President and Chief Executive Officer

UPCOMING REPORTS FROM ELANDERS

- ▶ Interim report January-March: 21 April 2008
- ▶ Interim report January-June: 11 July 2008
- ▶ Interim report January-September: 21 October 2008
- ▶ Annual Accounts Report 2008: 29 January 2009
- ▶ Annual Report 2008: 31 March 2009

PRODUCTION FACTS

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- ▶ Photo: Johannes Berner, Nick Otto, Sofia Brolin
- ▶ Printed: Elanders in Mölnlycke
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- ▶ Translation: Camille Forslund
- ▶ Some copies, sent to shareholders and others, have been personalized with their name on the covers.

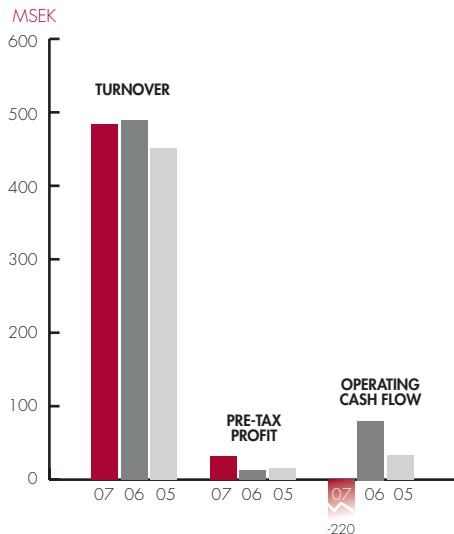
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READING INSTRUCTIONS

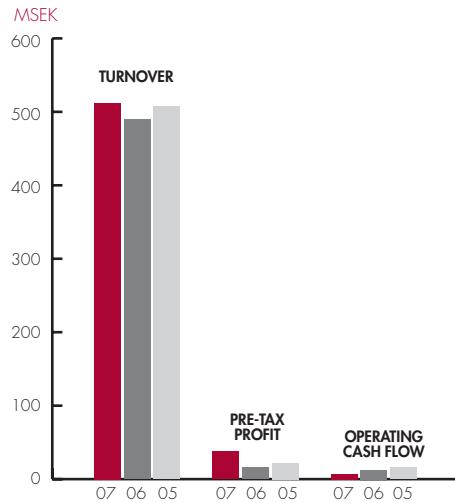
In the Annual Report 2007 the Elanders Group is called Elanders. Swedish crowns in millions are abbreviated to MSEK. Numbers in parenthesis refer to the fiscal year 2006 and are expressed as MSEK if not otherwise stipulated. The information sources on the geographic markets abroad (Markets, page 26) are Elanders and Evalueserve. All other comments and information concerning markets, competition and future growth are Elanders' assessments based primarily on material produced within the Group. If not otherwise stipulated the comparable figures are reported the same way they have been reported in previous Annual Reports, i.e. including the disposed operations in Kungsbacka. In the financial report section of the Annual Report the figures are presented according to IFRSs.

THE YEAR IN SUMMARY



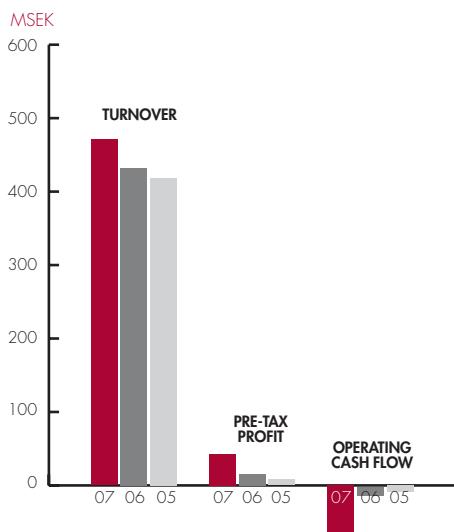
FIRST QUARTER

- ▶ Elanders leaves the segment Directories through the disposal of the directory operations in Kungsbacka.
- ▶ Sommer Corporate Media in Waiblingen is acquired for MSEK 287.
- ▶ Rights issue 1:6 is carried out, it is oversubscribed and generates MSEK 146.
- ▶ Strategic contract signed with Electrolux worth around MSEK 250 over three years.
- ▶ The company that owns and administrates the property in Hungary is acquired for MSEK 35.



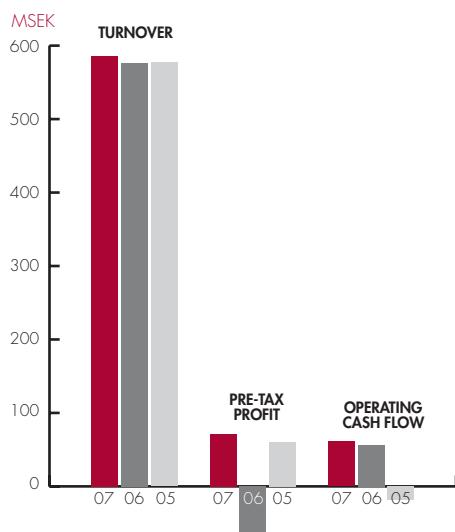
SECOND QUARTER

- ▶ User Manuals continues its success and starts manufacturing and print of packaging in Beijing.
- ▶ A unit for deliveries to Electrolux is started up in Treviso, Italy.
- ▶ The Swedish operations are sluggish and an action plan is drawn up.



THIRD QUARTER

- ▶ In the beginning of October 80 percent of Artcopy in São Paulo is acquired for MSEK 11.
- ▶ The merger of the Swedish operations is in full swing.
- ▶ A tax case is decided in favour of the company by the Swedish administrative court of appeal resulting in a reduction in the Group's tax cost of MSEK 21.1.



FOURTH QUARTER

- ▶ China, Germany and Great Britain surpass expectations.
- ▶ The cost for the upstart of the unit in Italy is slightly higher than expected.
- ▶ The property in Kungsbacka is sold generating capital gains of MSEK 40.6.
- ▶ The cost of merging the Swedish operations charges profits by MSEK 20.



STUTTGART In January 2007 Elanders acquired the German Sommer Corporate Media, one of the largest suppliers of manuals to the German automotive industry. In 2007, 2.6 million manuals were supplied to, among others, Daimler, Porsche and Audi.



TREVISO In order to supply Electrolux' 22 factories in Europe with manuals to refrigerators and freezers Elanders started up their first unit in Italy.



SÃO PAULO The acquisition of Artcopy in Brazil is part of Elanders' strategy to assist its global customers on the markets where they are active. Manuals for Swedish truck-makers are produced here for the South American market.

FULL YEAR 2007

- ▶ Turnover increased by 21 percent and totalled MSEK 2,036 (MSEK 1,680)¹⁾.
- ▶ Operating profit/loss increased to MSEK 226.8 (MSEK 174.0)¹⁾.
- ▶ Pre-tax profit/loss increased to MSEK 184.1 (MSEK 152.3)¹⁾.
- ▶ Net profit/loss increased to MSEK 172.2 (MSEK 115.1)¹⁾ or SEK 18.06 per share (SEK 13.00 per share)^{1) 2)}.
- ▶ In December the Group sold the property it owned in Kungsbacka, generating capital gains of MSEK 40.6 or SEK 4.26 per share, which is included in the above operating profit/loss and profit per share.
- ▶ The merger of the operations in the business area Infologistics led to write-downs and provisions reaching in total MSEK -20 or SEK -2.10 per share, which is included in the operating profit and net profit per share above.
- ▶ Elanders won a tax case in the third quarter which reduced the period's tax expenses by MSEK 21.1 or SEK 2.22 per share.
- ▶ Operating cash flow amounted to MSEK 18 (MSEK 138), together with MSEK -248 (MSEK 0) in acquisitions.
- ▶ During the year the Group signed important contracts with, among others, Electrolux, Bayer, Bosch (UK), Braun, Saab Automobile and Scania.
- ▶ During the year Elanders acquired Sommer Corporate Media in Waiblingen (Stuttgart) and 80 % of Artcopy in São Paulo, which are strategically important platforms for future expansion in, among others, the automotive industry in Western Europe and South America.
- ▶ The Board of Directors proposes a dividend of SEK 4.50 per share (SEK 2.50 per share).
- ▶ The forecast for 2008 is an increase in turnover and pre-tax profits compared with 2007, not including capital gains of MSEK 40.6 from the sale of the property in Kungsbacka.

¹⁾ Refers to remaining units.

²⁾ There was no dilution during the given periods.

▶ FINANCIAL HIGHLIGHTS IN 2007

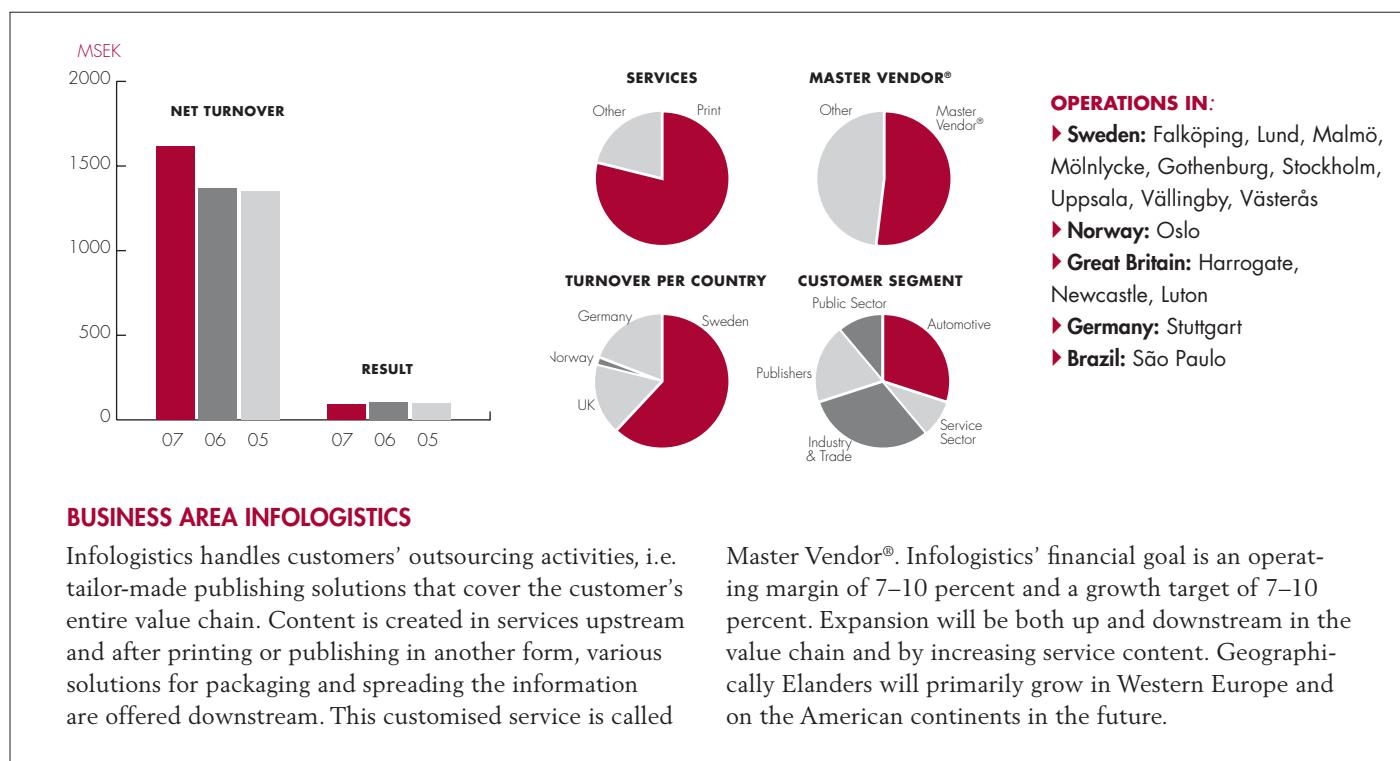
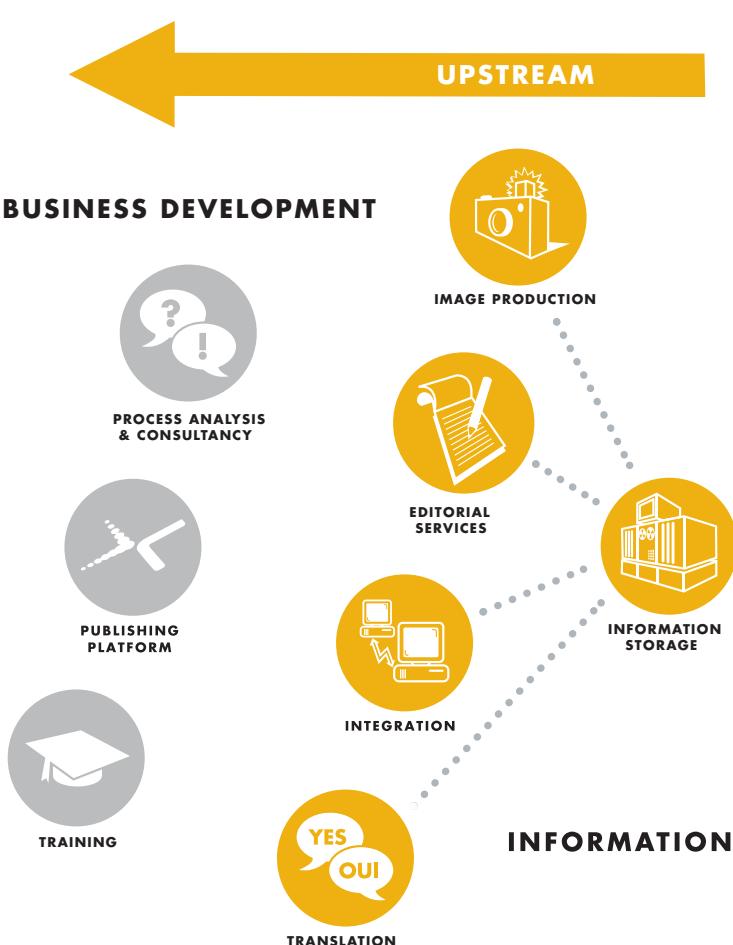
	2007	2006	2005	2004	2003
Net turnover	2,035.6	1,988.2	1,952.6	1,780.4	1 714,4
Operating profit/loss	226.8	-8.8	121.8	137.1	81,3
Profit/loss before tax	184.1	-31.8	105.3	113.0	53,1
Average number of employees	1,579	1,490	1,478	1,434	1 440
Earnings per share, SEK	18.06	-5.85	9.27	11.49	5,48
Dividend per share, SEK	4.50 ¹⁾	2.50	2.50	2.00	1.00

¹⁾ Proposed by the Board.

OUR PRODUCTS AND SERVICES

INFOMEDIA IN PRACTICE

The strategic journey Elanders has embarked upon – from a conventional printer to an infimedia company – has led to an organisation based on customers' different business logistics. The greatest market potential exists in just-in-time deliveries of user information and in the packaging of services that Elanders calls Master Vendor®, which concerns information logistics and where we take complete responsibility for printing with customised related services that entail getting the right information to the right recipient at the right time.



BUSINESS AREA INFOLOGISTICS

Infologistics handles customers' outsourcing activities, i.e. tailor-made publishing solutions that cover the customer's entire value chain. Content is created in services upstream and after printing or publishing in another form, various solutions for packaging and spreading the information are offered downstream. This customised service is called

Master Vendor®. Infologistics' financial goal is an operating margin of 7–10 percent and a growth target of 7–10 percent. Expansion will be both up and downstream in the value chain and by increasing service content. Geographically Elanders will primarily grow in Western Europe and on the American continents in the future.

GRAPHIC PRODUCTION

DOWNSTREAM

PRODUCTION



GLOBAL PRINTING



DESIGN AND
ORIGINAL PRODUCTION



AUTOMATIC
PAGE PRODUCTION



PERSONALISED
PRINTING



FINISHING



ORDERING
AND INVOICING



JUST-IN-TIME
DELIVERIES



IMAGE REFINEMENT



AD PRODUCTION



OFFSET PRINTING



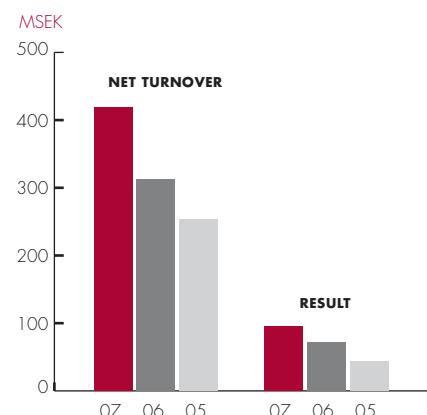
FULFILMENT



STORAGE AND
DISTRIBUTION



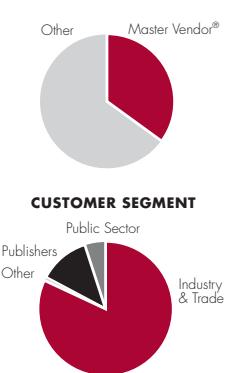
DISTRIBUTION



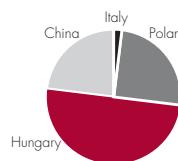
SERVICES



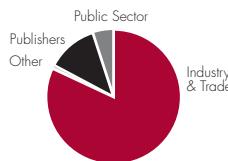
MASTER VENDOR®



TURNOVER PER COUNTRY



CUSTOMER SEGMENT



OPERATIONS IN:

- ▶ **China:** Beijing
- ▶ **Poland:** Plonsk
- ▶ **Hungary:** Budapest, Komárom, Zalalövö, Nyíregyháza, Jászberény
- ▶ **Italy:** Treviso

BUSINESS AREA USER MANUALS

User Manuals provides manufacturers of consumer electronics with user information and packaging with very short lead times, generally regarding after sales information. Handling many language and model versions requires advanced and quick information structuring upstream. Production takes place close to the customer.

The goals of an operating margin of 10–15 percent and a growth target of 15–20 percent mean that expansion in User Manuals will come through following global customers, foremost in Eastern Europe and Asia, normally via volume growth downstream in the value chain.

COMMENTS BY THE CHIEF EXECUTIVE OFFICER

The global subcontractor EVER PRESENT

Our hundredth year of business was very eventful – and it actually ended one era and started another. By selling the printing plant and property in Kungsbacka the company said a very definite farewell to our fine old tradition, but lately unprofitable, of being a directory printer. Despite the divestiture the Group did not shrink in size. On the contrary, the loss of the printing plant was more than compensated by the acquisition in Germany and growth in China. Another highly visible effect of these changes is that for the first time we have more operations abroad than in Sweden. Elanders therefore enters 2008 not as a Swedish but an international company – one hundred percent focused on growth.

FROM ANOTHER PERSPECTIVE we will look back on 2007 as the year environmental issues became the top story. It was the year scientists and environmental activists were joined by business leaders the world over in the discussion on climate threat. No one has contributed more to this than Al Gore and it was a tremendous experience when he received the Göteborg Award for Sustainable Development from Crown Princess Victoria in a packed Scandinavium to a standing ovation.

The Göteborg Award is the creation of our principal owner Carl Bennet and it is without a doubt one of the foremost environmental awards in the world. The award winner receives one million Swedish crowns and Elanders has been one of the prime sponsors since it was first awarded in 1999.

A continued lively debate on the climate will no doubt benefit Elanders' shareholders. Quite clearly big businesses, our customers, are acting more and more responsibly and often only use suppliers that are quality and environmentally certified (as all the larger Elanders companies are) through generally accepted standards such as ISO 14001 or through unique solutions like the one at Sony Ericsson where all subcontractors must be able to qualify for a Sony Greencard.

ELANDERS' STRONG POSITION in environmental issues is to a large extent due to committed individuals. Through the years we have had a number of enthusiasts who have pushed hard to lower our

environmental impact, which has had a very positive on the company culture. The great majority of companies in the graphic industry are small, family owned printers that primarily serve their local market. They simply do not have the resources to invest in new and cleaner technology or be quality and environmentally certified. The fact that printing presses have a specific physical location can make for lengthy transportation, particularly when it comes to larger customers who require deliveries to a great number of destinations.

NO MATTER WHETHER the decision is based on financial or environmental factors, more and more large companies are choosing global suppliers that can guarantee high quality deliveries to end customers in many different markets. Thanks to a growth strategy as unconventional as it is unwavering, Elanders has succeeded in becoming a member of an exclusive club of world leading suppliers. This is a tremendous strength that provides us with excellent opportunities in an industry that is otherwise characterised by a high death rate or at best a marginal life.

OUR ACQUISITION OF the German Sommer Corporate Media, which was partially financed by an oversubscribed Rights issue in April, serves as a classic example of the latest developments. During 25 years Peter Sommer built up an extremely well-run and profitable graphic company in Stuttgart where he landed the majority of German car-makers as customers. Not blinded by short-sighted success he saw that big businesses were hunting for more efficient solutions and this would pose a serious threat to local players. He saw a merger with Elanders as the next step forward. Sommer gave us customers and state-of-the-art technology, we gave them our global infrastructure. In other words it is a perfect match that has in just one year created market synergies and results that have surpassed our high expectations.

The contract we signed with Electrolux in March is another good example of developments in the industry. Thanks to our strong presence we were commissioned to supply all of the 22 Electrolux factories in Europe with manuals. We will also build up and take over operations in Treviso, Italy, southern Poland,

Hungary and Germany. By doing this we are giving the customer better control over quality and flows.

AFTER THE ACQUISITION of companies in Brazil and the U.S. we are now represented on every continent except Australia. The year 2007 was also the first time Elanders had more employees abroad than in Sweden. The acquisition of Sommer, the sales of the printing plant in Kungsbacka and the rapid growth of our factory in Beijing resulted in the fact that approximately 1,000 of our 1,700 employees are not in Sweden. And we also made the decision to start up a plant in Cluj Napoca, Romania.

CONSIDERING THE FACT fact that we reported a loss of 30 million Swedish crowns in 2006, this year's profit of 184 million Swedish crowns is good result. Another positive fact is that our turnover surpassed the 2 billion Swedish crown mark. This, however, doesn't mean we are content. Swedish operations have not functioned optimally and restructuring has charged profits for the year by 20 million Swedish crowns.

TWO NEW PRODUCTS were launched in 2007 – packaging and personalised books. Elanders Beijing produced around 15 million cartons for mobile telephones, which is an article we have never produced before but one that our machines have the capacity to make. Packaging is an important selling point and I believe it is as much the future as personalised albums. We are going to help photo companies and publishers print bound albums and calendars with pictures from weddings, trips, parties, the past year or maybe an entire life. The production method is about the same as for manuals and brochures so it will allow us to increase capacity utilisation of our equipment.

BEIJING WILL UNDOUBTEDLY be the in the spotlight during our jubilee year 2008 as well. Our 100 year celebration will culminate at home in Sweden when the Annual General Meeting is held in spring but there will also be a number of activities in connection with the Olympic Games. Elanders sponsors the Swedish Olympic Committee and produces all the printed matter the Swedish team needs. It will be a wonderful party and a great opportunity for us to exhibit our global presence and our ability to do what we do best – delivering the right information to the right recipient at the right time.



Patrick Holm
President and Chief Executive Officer



OWNERSHIP STRUCTURE AND SHARE

POSITIVELY RECEIVED RIGHTS ISSUE

HISTORY

Elanders' B shares were first listed on the Stockholm Stock Exchange on 9 January 1989. On 31 December 2007 the company had 9,181,666 B shares listed on the OMX Nordic Exchange Small Cap list under the ELAN B symbol. The development of the number of outstanding shares is shown in the chart below.

DEVELOPMENT DURING THE YEAR

The market value of B shares rose by 2.3 percent during 2007 while the general index of the OMX Nordic Exchange fell by 6 percent during the same period. During 2007 a total of 3,382,919 Elanders shares (3,327,553 shares) were traded, which is equivalent to an average trading rate of approximately 0.36 times (0.40 times). The total turnover rate of the OMX Nordic Exchange was 1.39 times (1.48 times) during the same period. The lowest share price was SEK 119.09 on 17 January and the highest was SEK 224 on 12 June. The final share price in 2007 was SEK 139 (SEK 135.87), which means that Elanders' stock market value at year-end was approximately MSEK 1,357 (approx. MSEK 1,204).

CLASS OF SHARES

At year-end there were 583,333 A shares and 9,181,666 B shares issued. Each A share is worth ten votes and each B share one. The shares' quota value is SEK 10. A trading lot consists of 50 shares. All shares are entitled to the same dividend. See the tables below and page 11 and 12 for share capital and voting disposition.

SHARE ALLOCATION

There were 2,586 (2,929) Elanders shareholders at year-end and 2,552 shareholders per 29 February 2008. The allocation is analysed in the tables below.

THE RIGHTS ISSUE 2007

In connection with the acquisition of Sommer Corporate Media in January 2007 a Rights issue 1:6 at a subscription price of SEK 110 per share with preferential rights for existing shareholders was held as a way to finance part of the purchase. The Rights issue, which was oversubscribed, generated MSEK 153 before issue costs of MSEK 7.

DIVIDEND POLICY

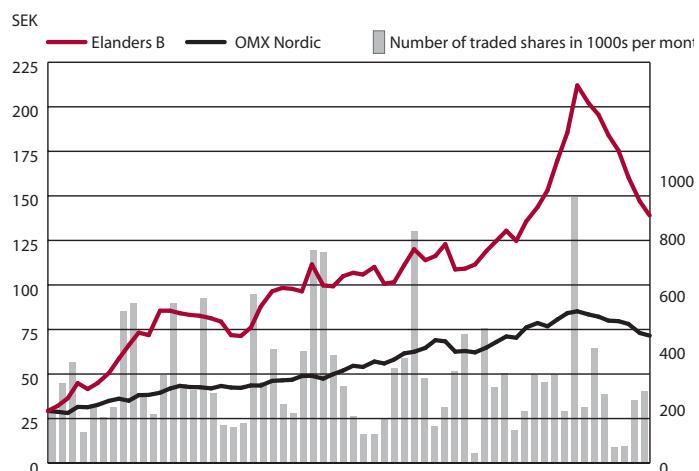
Regarding the dividend in years to come, the Board of Directors has taken into account the Group's development potential, its financial position and the adopted key ratio goals relating to debt/equity ratio, equity ratio and net debt/EBITDA. The objective is to have dividends follow the long-term profit trend and, on the average, represent approximately 30 percent of profit after tax.

SHAREHOLDER INFORMATION AND ANALYSES

Elanders' financial information can be found at www.elanders.com. Questions can also be asked Elanders directly via e-mail at info@elanders.com. Annual reports, quarterly reports and other information can be requested from Group headquarters at telephone number +46 31 750 00 00, our website or through the above e-mail address. We are also happy to provide information about the many occasions when we present Elanders at activities that are arranged by shareholder organisations, Swedish and foreign stockbrokers and banks.

SHARE PRICE DEVELOPMENT

ELAN B

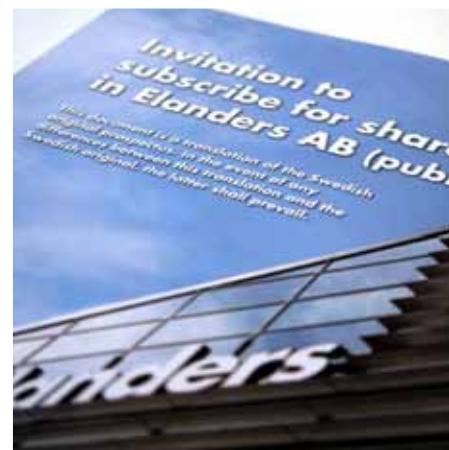




SHAREHOLDERS' INFORMATION In addition to the Annual Report and interim reports financial information can be found on Elanders website, www.elanders.com.



DIVIDENDS The board proposes a dividend of SEK 4.50 per share which, not including one-off effects of capital gains and tax adjustments, corresponds to some 30 % of profit after tax.



RIGHTS ISSUE In connection with the acquisition of Sommer Corporate Media a Rights issue was held. It was oversubscribed and generated MSEK 146.

► MAJOR SHAREHOLDERS

Ownership structure on 29 February 2008

	A shares	B shares	Percent of votes	Percent of shares
Carl Bennet AB	583,333	925,456	45.01 %	15.45 %
Investment AB Latour		2,102,000	14.00 %	21.53 %
HQ Funds		901,033	6.00 %	9.23 %
Skandia Liv		860,174	5.73 %	8.81 %
Odin Fonder, Norway		466,541	3.11 %	4.78 %
Carnegie Funds		424,300	2.83 %	4.35 %
SEB Funds		342,964	2.28 %	3.51 %
Radar Fund		186,237	1.24 %	1.91 %
The AP4 Fund		142,400	0.95 %	1.46 %
Swedbank Robur Funds		134,919	0.90 %	1.38 %
Other shareholders		2,695,642	17.95 %	27.61 %
Total	583,333	9,181,666	100.00 %	100.00 %

Sources: VPC and SIS Ågarservice

► DATA PER SHARE

	2007	2006	2005	2004 ¹⁾	2003 ¹⁾
Profit, SEK	18.06	-5.54	8.77	10.86	5.18
Share price at year-end, SEK	139.00	135.87	111.06	101.13	85.54
P/e ratio	7.7	neg.	12.7	9.3	16.5
P/s ratio	0.7	0.6	0.5	0.5	0.4
P/ce ratio	4.3	5.4	4.5	3.8	3.4
Dividend, SEK	4.50 ²⁾	2.36	2.36	1.89	0.95
Dividend yield, %	2.6	2.0	2.3	2.0	1.6
Share price/equity, times	1.6	2.2	1.5	1.6	1.6
Equity, SEK	88.54	62.80	72.00	64.00	53.30
Risk capital, SEK	90.99	64.60	78.20	70.50	54.50
EBITDA, SEK	32.65	25.10	24.70	26.60	24.80
Operating cash flow, SEK	-24.12 ³⁾	15.90	2.40	7.70	14.40
Average number of outstanding shares, in thousands	9,537	8,855	8,855	8,855	8,855
Turnover rate	0.36	0.40	0.44	0.45	0.41

¹⁾Figures for 2003–2004 are not reported according to IFRSs.

²⁾The Board's proposal.

³⁾Of which acquisitions -25,98.

► SHARE CAPITAL DEVELOPMENT

	A shares	B shares	Total shares	Share capital, SEK
At Stock Exchange introduction in 1989	200,000	1,380,000	1,580,000	15,800,000
1991 Directed share issue to acquire Fabritius A/S in Norway		252,000	1,832,000	18,320,000
1993 Bonus issue 1:1	200,000	1,632,000	3,664,000	36,640,000
1997 Directed share issue to acquire the Graphic Systems Group		650,000	4,314,000	43,140,000
1997 Directed share issue to acquire Skandinaviska Lithorex		250,000	4,564,000	45,640,000
1997 Directed share issue to acquire Gummesson		350,000	4,914,000	49,140,000
1997 Rights issue 1:4 in connection with the acquisition of the Minab Group	100,000	1,128,000	6,142,500	61,425,000
1998 Directed share issue to acquire the Skogs Group		1,287,500	7,430,000	74,300,000
2000 Directed share issue to acquire the shares in KåPe Group		450,000	7,880,000	78,800,000
2000 Directed share issue to acquire the shares in Novum Group		490,000	8,370,000	83,700,000
2007 Rights issue 1:6 in connection with the acquisition of the Sommer Corporate Media Group	83,333	1,311,666	9,764,999	97,649,990
Outstanding shares and share capital on 31 December 2007	583,333	9,181,666	9,764,999	97,649,990

► SHAREHOLDER CATEGORIES PER 29 FEBRUARY 2008

	Percent of share capital	Percent of votes
Swedish institutions and investment companies	58	38
Swedish companies and private persons	32	55
Foreign institutions	10	7
Foreign companies and private persons	0	0
Total	100	100

Sources: VPC and SIS Ägarservice

► SHAREHOLDER STATISTICS PER 29 FEBRUARY 2008

Number of shares owned	Number of shareholders	Number of A Shares	Number of B Shares	Percent of share capital	Percent of votes
1-500	1,903		316,654	3.24%	2.11%
501-1 000	284		208,818	2.14%	1.39%
1 001-2 000	175		245,605	2.52%	1.64%
2 001-5 000	99		314,118	3.22%	2.09%
5 001-10 000	37		255,859	2.62%	1.70%
10 001-20 000	19		281,213	2.88%	1.87%
20 001-50 000	15		530,680	5.43%	3.53%
50 001-100 000	7		545,614	5.59%	3.63%
100 001-	13	583,333	6,483,105	72.36%	82.03%
Total	2,552	583,333	9,181,666	100.00%	100.00%

Sources: VPC and SIS Ägarservice



FIVE YEARS IN SUMMARY

MORE MANUALS AND PACKAGING

2007. This was a mixed year for the business area Infologistics. Results in the British operations were better than expected owing to success in the Automotive segment. The German Sommer Corporate Media operations acquired in January also surpassed expectations. The Swedish section of the business area had a difficult year and a program was launched to adapt capacity and coordinate production, sales and administration in one legal entity. This led to costs of MSEK 20 in the fourth quarter. The Hungarian operations in User Manuals had a very good year while the Polish plant struggled with production stops. Chinese operations were very successful during the year and expanded through the manufacture and print of packaging. In addition, 80 percent of Artcopy in São Paulo, Brazil was acquired. Tax costs were reduced by MSEK 21.1 after Elanders won a tax case in the Swedish administrative court of appeal. Operations in Kungsbacka were sold according to plan in February, which did not affect profit/loss and in December the

property in Kungsbacka was sold generating capital gains of MSEK 40.6. In comparable units Group turnover increased by 21 percent (3.3 percent not including acquisitions) and operating profit in comparable units rose by 30 percent (4 percent not including acquisitions).

2006. Establishment in China was completed but orders from customers were delayed due to product generation exchanges and operations first reached planned production levels during the third quarter. However, expectations were then surpassed and operations in Beijing came close to breaking even for the year. The other operations in User Manuals, in Poland and Hungary, were very successful and once again surpassed expectations in both turnover and profit. Operations in Mölnlycke in Infologistics showed the highest profits ever due to successes with full-service solutions for larger customers in the segments Automot

► cont. p. 16

SUMMARY OF THE INCOME STATEMENTS

MSEK	Not including disposed operations		Including disposed operations		
	2007	2006	2007	2006	2005
Net turnover	2,035.6	1,680.1	2,052.9	1,988.2	1,952.6
Operating expenses	-1,808.8	-1,506.1	-1,825.9	-1,997.0	-1,830.8
EBIT	226.8	174.0	227.0	-8.8	121.8
Net financial items	-42.7	-21.7	-42.9	-23.0	-16.5
Profit/loss after financial items	184.1	152.3	184.1	-31.8	105.3
Profit/loss for the year	172.2	115.1	172.2	-49.0	77.6
EBITDA	311.4	237.2	311.5	222.2	218.6
					2004
					2003



BEIJING Packaging and cartons for the home electronics industry is a new and growing product area for Elanders in China.



ZALALÖVÖ Production of manuals for products such as mobile telephones, refrigerators etc. is constantly on the rise in Elanders Hungarian operations.



OSLO The global trend is increased digital print. In Oslo digital print production has grown significantly.

► SUMMARY OF THE BALANCE SHEETS

MSEK	Not including discontinued operations		Including discontinued operations				
	2007	2006 ¹⁾	2007	2006	2005	2004	2003 ²⁾
Goodwill	844.7	532.4	844.7	532.4	557.8	556.5	494
Other fixed assets	546.7	410.6	546.7	410.6	588.3	553.5	571.9
Inventory	125.7	92.9	125.7	92.9	95.3	93.3	80.7
Accounts receivable	450.6	456.8	450.6	456.8	456.7	373.5	323.5
Other current assets	191.4	73.8	191.4	73.9	83.6	64.6	52.5
Liquid funds	65.2	74.5	65.2	74.5	24.9	39.7	22.5
Equity, not including minority share	862.3	556.4	862.3	556.4	637.8	566.5	471.7
Minority share	2.3	0.0	2.3	0.0	0.0	0.0	0.3
Interest bearing liabilities	882.7	668.5	882.7	668.5	693.8	644	639.7
Non-interest bearing liabilities	477.0	416.2	477.0	416.2	475	470.6	433.4
Total assets	2,224.3	1,641.1	2,224.3	1,641.1	1,806.6	1,681.1	1,545.1
Enterprise Value	2,174.8	1,797.7	2,174.8	1,797.7	1,652.9	1,497.9	1,369.5
Risk capital	888.5	572.1	888.5	572.1	692.9	624.4	482.2
Capital employed	1,682.0	1,150.5	1,682.0	1,150.5	1,306.6	1,170.8	1,083.3
Net debt	817.5	594.1	817.5	594.1	669.4	602.3	614.8
Average number of outstanding shares (in thousands)	9,537	8,370	9,537	8,370	8,370	8,370	8,370

¹⁾ Balance sheet for 2006 is presented above as it is presented in the Annual Report for 2007, i.e. including the discontinued operations.

²⁾ Figures for 2003 have not been recalculated according to IFRSs. Elanders believes that the most important difference compared with IFRSs is depreciation on goodwill which for 2003 amounted to MSEK 32. For definitions, see page 119.

► cont. from p. 14

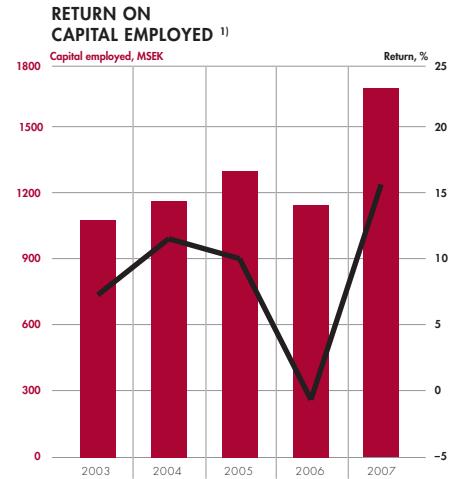
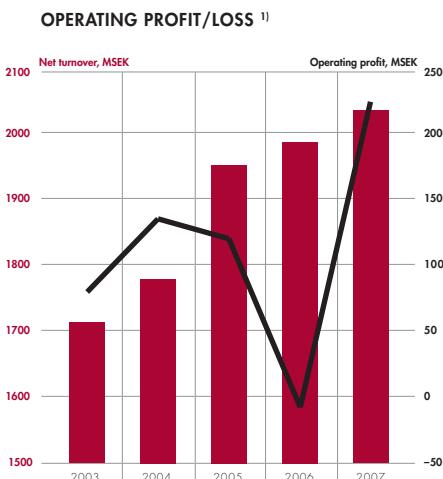
tive and Industry & Trade. Losses in the operations in Kungsbacka increased due to pressed prices and lower volumes in Directories as well as lingering effects from the sweeping restructuring in 2005, which, among other things, had a negative effect on the company's marketing and production. At the end of the year a decision was made to review the consequences of shutting down the company and at the same time discussions were being held with a possible buyer of the operations. This resulted in the sales of the operations in February 2007, which led to total costs for write-downs etc. of MSEK 151 in the annual accounts of 2006. Not including the effects of operations in Kungsbacka, Group turnover rose by 4.8 percent and operating profit rose by 23.6 percent.

2005. Group turnover grew organically by 5 percent. Operations in Mölnlycke fell into place well and met expectations. All other Swedish Infologistics units were more prosperous than during the previous year. The English companies stood still. Poland and Hungary continued to be very successful, both had all-time-high profits. Turnover in Infologistics increased by 11 percent, 5 percent of which was organic and operating profits rose by 23 percent. A new unit was established in Beijing which charged the business area's operating profits with MSEK 9. The problems in Kungsbacka grew and in the middle of the year a sweeping restructuring was initiated. The decline in profits was due to the problems in Kungsbacka and the cost of starting up in China.

2004. Group turnover rose by 3.8 percent, half of which was organic and half through acquisitions. In July Skövde Offset was acquired to supplement the plant in Falköping in organisation and marketing. At the same time AB Volvo's document and

distribution unit in Gothenburg was acquired. The purchase sums of these two acquisitions are included in investments for the amount of MSEK 56. In addition, a joint venture was started with Hansaprint Oy in Hungary to deliver digital four-colour print and logistic services to the segment Industry & Trade. Integration of operations that moved in to the Infomedia Centre in Mölnlycke at the beginning of the year was slower than planned and profit developments did not meet expectations. In Newcastle a temporary drop in volumes in the segment Publishing reduced anticipated profits for the year. Operations in Poland, Stockholm, Kungsbacka and particularly Hungary surpassed expectations, while profit/loss in all other operations were according to plan. Profit/loss was recompensed by MSEK 10 through reversed write-downs of equipment brought back into use and MSEK 8 through capital gains from sold equipment and property. At the same time profit was charged by adjustments in provisions for rental costs in Trelleborg, provisions for notices given in Kungsbacka and write-downs of shares in other companies to a total of MSEK 15.

2003. Group turnover rose by 4 percent in comparable units. Productivity improvements in directory operations compensated for the constant price press and led to a positive result for Infoprint. Infologistics continued to be successful with Master Vendor® in Sweden and England and operations in Hungary were highly profitable. At the end of the year the decision was made to close down operations in Trelleborg to adjust the Group's capacity to market developments. The shut down charged Group profits by MSEK 16, which was partially compensated for by MSEK 7 from capital gains from sold equipment



¹⁾ Figures for 2003 are not reported according to IFRSs.

► KEY RATIOS

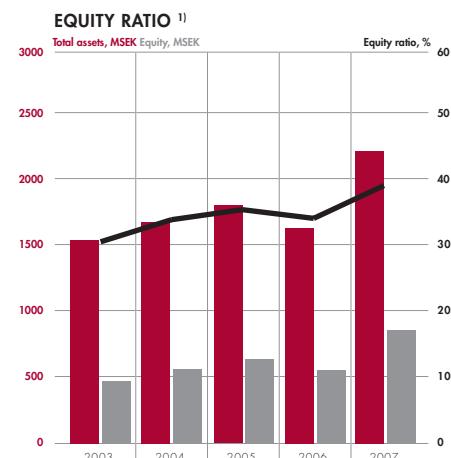
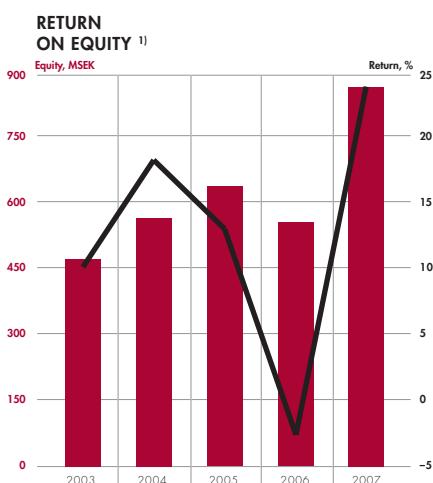
	Not including discontinued operations		Including discontinued operations				
	2007	2006	2007	2006	2005	2004	2003 ¹⁾
Operating margin, %	11.1	10.4	11.1	-0.4	6.2	7.7	4.7
Profit margin, %	9.0	9.1	9.0	-1.6	5.4	6.3	3.1
Gross profit/loss/Added value, %	46.2	41.9	46.0	37.9	34.7	35.5	28.1
Capital turnover rate, times	1.1	1.0	1.1	1.2	1.1	1.1	1.1
Equity ratio, %	38.9	36.8	38.9	33.9	35.3	33.7	30.5
Risk capital ratio, %	40.0	37.8	40.0	34.9	38.4	37.1	29.8
Interest coverage ratio, times	5.5	8.7	5.5	-0.4	5.5	5.5	2.6
Debt/equity ratio, times	0.9	1.0	0.9	1.1	1	1.1	1.3
Return on equity, %	24.2	20.5	24.2	-8.2	13.2	18.9	10.1
Return on capital employed, %	16.0	18.5	16.0	-0.7	10.1	12.2	7.2
Return on total assets, %	12.0	10.8	12.0	-0.3	7.5	8.6	6.8
EBIT-multiple	3.6	10.1	3.6	-204.5	13.6	10.9	16.8
Average number of employees	1,563	1,285	1,579	1,490	1,478	1,434	1,440
Net debt/EBITDA, times	2.6	2.3	2.6	2.7	3.1	2.6	2.8

¹⁾Figures for 2003 are not reported according to IFRSs.

► CASH FLOW IN SUMMARY

MSEK	Not including discontinued operations		Including discontinued operations				
	2007	2006	2007	2006	2005	2004	2003 ¹⁾
Cash flow from operating activities	89.9	155.6	97.7	167.1	45.6	127.7	126.4
Paid taxes	-32.3	-20.8	-32.3	-20.8	-44.7	-21.7	-6.3
Acquisitions, net	-247.8	-	-247.8	-	-4.7	-59.0	-
Other net investments	-154.6	-61.5	-154.6	-72.7	-84.5	-46.4	-33.3
Operating cash flow	-237.8	136.7	-230.1	138.2	17.5	68.1	127.6
Change in net debt	222.2	-63.5	222.2	-74.1	65.4	-12.5	-93.7

¹⁾Figures for 2003 have not been recalculated according to IFRSs.



¹⁾Figures for 2003 are not reported according to IFRSs.

CONSTANT FOCUS ON CUSTOMER NEEDS

ELANDERS' VISION AND CORE VALUES

"Elanders will be an international leader and the most competent partner in infomedia and thereby attract customers, personnel and shareholders."

Elanders offers qualified comprehensive services in infomedia, in other words the entire process for customers' information flows that contains a number of independent publishing steps. A unique combination of outstanding expertise in traditional graphic production, digital information management and logistics is the basis of the key concepts in our vision: international leadership, competence and partnership. This is also found in our core values; responsibility, innovation and comprehensive view.

ELANDERS' BUSINESS CONCEPT

"By combining advanced information technology with qualified graphic expertise we will provide our customers with considerable added value."

Elanders combines modern information technology with solid graphic skills to create added value for our customers. Customers can reduce the number of suppliers they need for their publishing processes, providing them with a more efficient workflow and simplified management of internal and external communication and publishing. Added value can be summarised as relief for customers and the energy freed for use in their core business. We summarise our products and services in the Master Vendor® concept.

GOALS

Elanders' external goals are shown in the table on page 20. In order to achieve our external goals operations must be guided by a number of internal goals. Our environmental objectives are described on page 45. Some of the most important internal measurements of these goals are:

- ▶ New sales per salesman
- ▶ Sales per segment
- ▶ Operating profit/loss per segment
- ▶ Added value and added value ratio
- ▶ Added value per employee

- ▶ Chargeability and invoicing ratio per operating unit and employee
- ▶ Capacity utilisation
- ▶ Consumption of important input goods like paper, energy and chemicals
- ▶ Important types of costs in relation to added value
- ▶ Proportion of outwork
- ▶ The number of sales days in accounts receivable and stock
- ▶ Human capital index
- ▶ Health index
- ▶ Satisfied customer index
- ▶ Measuring the order stock

STRATEGIES

Elanders' strategies to realise our goals:

- ▶ Expansion up and downstream in the value chain
- ▶ Focus on prioritised customer segments
- ▶ Customer driven growth in the entire value chain
- ▶ High level of customer and end customer knowledge
- ▶ Powerful professional and innovative culture
- ▶ Knowledge Management

Expansion downstream and upstream in the value chain

More and more of the total value in the publishing chain is created at the beginning and end of the chain along with process management and coordination. Elanders' strategic journey from a printing plant to an infomedia group is based on continuous expansion upstream and downstream in the value chain. Even future expansion will require further development of our new added value services. Expansion strategies balance between upstream and downstream expansion. Expansion toward the initial steps in the value chain (upstream), such as editorial services and information structuring, secures customer relationships in the long run. Rapid and profitable growth is achieved by expansion in the middle and end (downstream) of the value chain where printing and distribution are found. Expansion in the business area Infologistics is both upstream expansion and downstream. User Manuals works

► ELANDERS' VISION

"ELANDERS WILL be an international leader and the most competent partner in infimedia and thereby attract customers, personnel and shareholders."



► ELANDERS' BUSINESS CONCEPT

"BY COMBINING advanced information technology with qualified graphic expertise we will provide our customers with considerable added value."

primarily with downstream expansion and volume growth. All these strategies are aimed reducing the customer's time-to-market, which has developed into the most crucial need in a world of greater competition.

Focus on prioritised customer segments

Based on a careful analysis of the business processes, communication needs and future potential in different industries Elanders has focused its resources on selected customer segments where our expertise gives us an edge on the competition. In general these are customers in which we have been able to identify needs both up and downstream in the value chain and where Elanders has a dominant position and/or unique products:

- Automotive
- Publishers
- Industry & Trade
- The Public Sector
- The Service Sector

Although the different business areas can have different criteria that affect their assessments all these segments require quick, flexible and precise delivery and the ability to relieve one or more publishing problems.

Customer driven growth

Elanders' expansion upward and downward in the value chain primarily takes place by moving close to our customers, either through new establishments or acquisitions. We even follow them abroad. Certain segments require close proximity to production units, consumer electronics is one, and in others being close to the headquarters or sales company is essential. Our establishments in Italy and Romania as well as our acquisitions in Germany, Brazil and the United States are examples of this.

High level of customer and end customer knowledge

Elanders offers customers relief, freedom from care, efficiency and room to focus on their core business. It requires knowing a great deal about their operations and business processes. We need to understand the conditions, problems and challenges they face as well as knowing what expecta-

tions, demands and desires their customers have. This is why we continually analyse general tendencies in our prioritised segments together with leading market analysts. By maintaining a continuous dialogue with our customers on how their publishing processes function on the whole and the needs they see in the future we can identify new needs and solutions. This allows us to become long-term and vital partners with our customers. In order to continually update our knowledge and skills in the fields our customers operate in we prioritise experience from selected customer segments when we recruit new personnel.

Powerful professional and innovative culture

Elanders is characterised by a high level of professionalism which permeates the entire Group and which is continually fanned by management through incitement as well as recruiting and appointments. Most of the senior officers function in many ways as entrepreneurs and are given a great deal of freedom within the framework of their prime responsibility, which is to generate new, profitable business. Long-term and close relations provide Elanders with a platform from which to continually develop new, unique services in collaboration with customers. Customer orders and actual projects dictate almost all product and service evolution. This is both instructive and efficient for us and at the same time we have taught our customers to be on the cutting-edge of progress in publishing.

Knowledge Management

Elanders creates innovative solutions for customers all over the world. This know-how is very valuable. Elanders works actively to take advantage of it. Customer solutions are compiled in a database that is accessed through the Group's intranet. Elanders invests a great deal in extensive leadership development where important components are sharing experience and know-how. In addition, senior officers are continually educated in methods for packaging, marketing and selling service solutions. Master Vendor® is an example of a concept based on knowledge from the entire Group, packaged so that customers can clearly see how it creates added value for them. At the same time it is instrumental in organising internal development efficiently and practically.

► GOALS, OUTCOME AND NEW GOALS

A measure of how attractive Elanders is as a customer, an investment object, supplier and employer is our capacity to fulfil the goals we have communicated externally. The table shows what has happened with the goals established in the Annual Report 2006 and which in certain cases was adjusted right before publishing as a result of the acquisition of Sommer Corporate Media and the disposal of operations in Kungsbacka.

Elanders has divided the long-term, external goals into operational goals, financial goals and growth and sustainable goals.

In the Annual Report 2006 it was believed that all the external goals would more or less be met during a business cycle. Elanders works continuously with goals and strategies normally formulated on a rolling three-year basis. The market

situation for the business areas is discussed further in the section on Market on page 26 and strategies for growth under Goals and strategies on page 18 as well as on the pages concerning the three business areas on pages 52 and 60.

Operational goals are long-term and independent of business cycles while the financial and growth goals are set within the range of where Group performance should lie during a business cycle. The financial goals are based on the possibilities in the Group's current structure while growth goals consider new establishments, alliances, acquisitions, divestitures and other vital changes in Group structure. However, the long-term financial goals will not be lowered because of such changes.

Goals in the Annual Report 2006	Outcome	New goals
OPERATIONAL GOALS		
1 Elanders will be an infomedia group with a balanced set of operations and a leading player in the geographical markets where the Group is active and in the prioritised customer segments the Group works with in these markets.	The Group is a leader in Automotive in the Nordic region and Great Britain, in Industry & Trade in the Nordic region, in Publishers and the Public Sector in Sweden and in Directories (until the divestiture of Kungsbacka operations) in the Nordic region. The segment Service Sector shows which the prioritised areas are in these markets.	Elanders will be an infomedia group with a balanced mixture of operations and a leader in the geographical markets where the Group is active and in the prioritised segments the Group works with in these markets.
2 Master Vendor® will make up at least 60 % of the Group's total sales.	Master Vendor® was 58 % (50 %) of the Group's total turnover.	Master Vendor® will make up at least 60 % of the Group's total sales.
3 We will not grow at the expense of profit.	Growth during 2007 stemmed from operations with the same increase in profitability as in turnover, particularly in Hungary, China, Great Britain and Germany.	We will not grow at the expense of profit.
FINANCIAL GOALS		
4 The operating margin for the Group will be 8–12 % which for the business areas means: Infologistics 7–10 %, User Manuals 10–15 %.	Operating margin for the Group amounted to 11.1 % (10.4 %), for Infologistics to 5.6 % (6.3 %) and for User Manuals to 22.6 % (23.1 %).	Operating margins for the Group will be 8–12 % and for the business areas: Infologistics 7–10 %, User Manuals 10–15 %
5 A return on capital employed of at least 14 %.	Return on capital employed amounted to 16.0 % (18.5 %).	A return on capital employed of at least 14 %.
6 An equity ratio of at least 30 %.	The equity ratio was 38.9 % (33.9 %).	An equity ratio of at least 30 %.
7 A debt/equity ratio of less than 1.	The debt/equity ratio on the balance sheet date amounted to 1.0 (1.1).	A debt/equity ratio of less than 1.
8 Over time investments will not exceed depreciation or 5 % of turnover.	Investments in production etc. were 183 % of depreciation and 7.6 % of turnover.	Over time investments will not exceed depreciation or 5 % of turnover.
GROWTH GOALS		
9 Turnover and operating profit will increase annually 8–12 % which for the business areas means: Infologistics 7–10 % User Manuals 15–20 %.	Turnover increased by 21 % and operating profit by 30 %. Turnover for the business area Infologistics increased by 18 % and operating profit fell by 11 %. Turnover for the business area User Manuals increased by 34 % and operating profit by 32 %.	Turnover and operating profit for the Group will increase annually by 8–12 %, which for the business areas means: Infologistics 7–10 % User Manuals 15–20 %
10 At least half of our expansion will be through organic growth.	Turnover in 2007 grew by 3.3 % organically and operating profit increased by 4 % organically.	At least half of our expansion will be through organic growth.
SUSTAINABLE DEVELOPMENT GOALS		
11 See environmental and quality goals for 2007 on page 45.	See environmental and quality goals for 2007 on page 45.	To set goals for sustainable development and clarify Elanders' internal processes.



OPERATIONAL GOALS *Automotive* is one of the segments where Elanders intends to be the market leader in Western Europe within five years through the production of driver's manuals in Great Britain, Germany, Hungary and Sweden.

Daryan	-1,7
Diamyd Medical B	-0,8
Digital Vision	-0,8
Din Bostad	-0,7
Dlös Fastig.	-0,6
DORO	-0,6
Duroc	+0,6
 9	 9
73	73
95	95
386	386
5	5
184	184
299	299
1,346	1,346
543	543
 Elanders B	 Elanders B
Elektr BK B	-0,5
Enea	-0,06
EpiCept	-2,35
Expanda	-0,0
 Energood	 Energood
Fixis Outdoor	
Fingerprint	
Gardes B	
Interfins B	

FINANCIAL GOALS The targets for the operating margin, return on employed capital and growth were raised after the disposal of the operations in Kungsbacka and the acquisition of Sommer Corporate Media.



SUSTAINABLE DEVELOPMENT Elanders has begun a process to progressively adapt the company to the new sustainability demands. We will begin by reviewing our situation and defining goals.

Comments on the goals

OPERATIONAL GOALS

1 Elanders uniquely combines graphic expertise, a broad range of services, international presence and a strong customer base. Therefore when we say Elanders will be the leader in the segments that we actively work on within a certain geographical market it is a perfectly feasible goal. In Sweden Elanders works on all the prioritised segments and Elanders is the leader in all of them except the Service Sector, which is a relatively new but nonetheless successful sector for the Group. The graphic industry is, if possible, even more fragmented outside of Scandinavia and Great Britain and it is primarily in the segments Automotive and Industry & Trade that Elanders has a reasonable chance to become leaders in during the next five years in geographical markets outside Scandinavia. Infologistics will be responsible for this in Western Europe in Automotive, Industry & Trade and the Service Sector. User Manuals is expected to develop a leading position in Industry & Trade through its presence in Eastern Europe and Asia.

2 The Master Vendor® share of turnover is vital for the Group to fulfil its profitability goals. Printing production on its own will be under a very strong price press for the foreseeable future. This is why it is necessary to integrate printing with related services, which is described in more detail under Business Model and services on page 22. We set the goal at 60 percent mainly because, especially in Publishers and the Public Sector, we will still be selling printing without very many related services for some years to come. The reason the percentage is the same as the previous year is because several of the deals in the expanding User Manuals are solely printing.

3 Group operations must be able to bear the cost of new establishments and acquisitions over time without endangering the fulfilment of our long-term profitability goals.

FINANCIAL GOALS

4 The operating margin goals for the business areas refer to operating profit after allocating group-wide expenses that amount to 1 percent of Group turnover. The goals are expressed within the range operating margins are expected to vary during a three-year period and cover different points in business cycles. These goals are based on the possibilities in current Group structure and do not take into consideration any new establishments, acquisitions or other changes in Group structure. The customer segments in Infologistics do not show any particular growth, which means that Elanders' growth must come from increased market shares, which in itself can have a dampening effect on prices and thereby margins. However, in User Manuals the Group is primarily focused on the section of Industry & Trade that manufactures consumer electronics. Rapid growth is

expected in this sector in the foreseeable future. It is therefore easier to maintain our competitive capacity without any noticeable effect on margins. The operating margin for the Group was 11.1 percent. After adjustments for capital gains from the sales of property and the cost of restructuring the Swedish operations the operating margin was 10.1 percent. The goal of 8–12 percent is therefore still realistic.

5 Return on employed capital not including capital gains from the sales of property and the cost of restructuring the Swedish operations was 14.5 percent. The goal of 14 percent is therefore still realistic.

6 The equity ratio goal has been achieved and does not need amending.

7 The debt/equity ratio should be less than 1.

8 To keep the debt/equity ratio and the return on employed capital within the targeted framework investments cannot exceed depreciation or 5 percent of turnover over time. During 2007 the level of investment was relatively high due to expansion in China as well as a capacity increase in Germany. The goal is therefore still realistic in the long term.

GROWTH GOALS

9 Growth goals are based on the different business areas' various prerequisites, which have been described in the discussion on operating margins above. Not including capital gains from the sales of property and the cost of restructuring the Swedish operations operating profit increased by 18.5 percent. The goal is therefore still realistic in the long term.

10 The amount of acquisition related growth is not relevant per se. The goal has been formulated to clearly define our level of ambition concerning organic growth which is consequently 4–6 percent.

SUSTAINABLE DEVELOPMENT

11 The environmental and quality goals are found on page 45.

BETTER SAVINGS IN LARGER PROCESSES

Elanders creates value for customers by rationalising and relieving parts of or their entire publishing process. Customer value is increasingly created by offering services rather than the actual printed matter, although it's still the most important service. This means the focal point must lie on the customer's processes and not solely on the actual printing. We can create more value for customers and ourselves by taking over more of their processes and performing more related services. It is therefore important to form a relationship where we progressively understand the customers' business and can identify new needs.

THE GROUP'S PRIMARY BUSINESS

The Group's business consists in part of services such as database solutions or printing production alone and in part a combination of services, which often includes printing. The latter contains a number of services brought together in the concept Master Vendor®. Master Vendor® is Elanders' name for taking total responsibility for printing with tailor-made related services that save customers' time and money. Master Vendor® helps customers deliver the right information to the right place at the right time. For the customer it means that through a single contact at Elanders all their printing logistics will be taken care of, no matter how extensive they are or in how many languages or in which media the information will be published in. Elanders handles all production and distribution in the most cost effective way. We also make sure the information is delivered to the place the customer stipulates – in the right version and at the right time. Elanders will also store the printed matter not immediately delivered for distribution at a later date. For a car-maker that needs an instruction manual we have to produce various language versions in the right amount to the right cars in the right order at the right time on the assembly line. Or maybe the manual must be sent to the local market so that the importer can equip it with locally adapted information. Master Vendor® makes things

simple, trouble-free and relieves while saving money on information management. It also ensures quality by requiring fewer suppliers. Through it Elanders becomes a strategic partner instead of a mere supplier. Master Vendor® accounted for 58 percent of Group turnover in 2007 (50 percent).

SEGMENTS PRIORITISED BY THE GROUP

At the moment Elanders has focused on five main segments; Automotive, Publishers, Industry & Trade, the Public Sector and the Service Sector. Directories ceased to exist when the operations in Kungsbacka were divested in February 2007. From a business point of view, and somewhat simplified, these segments can be separated into two main groups; industrials and other customers. Publishers and the Public Sector make up the other customer group and the remaining three segments are industrials. Allocation of Group turnover between the segments is shown in figure 2 on page 23. For industrials the cost of producing printed items is usually minor in relation to the total cost of the products or services they provide. Although the tendering process is handled very professionally, purchasing printed matter is not part of their core operations but a necessary part of their publishing need. Many industrial and service companies need to publish and distribute a great deal of information externally and internally but they have come to the conclusion that it is more efficient to let a professional supplier handle most of the publishing process. The customer comes with their requirements, ideas and ordering competence and the rest of the value chain is taken care of by specialised external players – as few as possible. A large part of the Group's Master Vendor® business is done in this segment group, which also offers the greatest opportunities for growth. The other customers are characterised by the fact that the cost of printing an item is a substantial part of the total production cost. Printed matter procurement is an essential part of a publisher's core operations



GLOBAL CUSTOMERS, LOCAL PRODUCTION With advanced logistics Scania's driver's manuals are printed, packed and distributed daily in the right language, with customised content directly to truck assembly lines in Sweden, Belgium and Brazil. Printing close to the recipient optimises production and minimises environmental impact, time and distribution costs.

and they have experienced and highly specialised personnel that are very familiar with the graphic industry and printing prices. Therefore publishers have historically only been slightly interested in purchasing publishing related services. Recently however, many different publishers have shown a growing interest in such services. Elanders' deliveries to publishers are usually printed matter production only. Elanders' goal is to continue to develop affiliated services together with publishers but also offer production in lower cost countries.

SETTING PRICES

Printing production as a sole service is basically a commodity under constant price press. It is hard to motivate a higher price with graphic quality when all the players in the industry have access to the same equipment and competence. Price differentiation must therefore be built on other things that are not strictly part of the printing process such as delivery precision, uniform quality, flexibility and quality in our relationship with the customer. The price for a printed item that isn't too com-

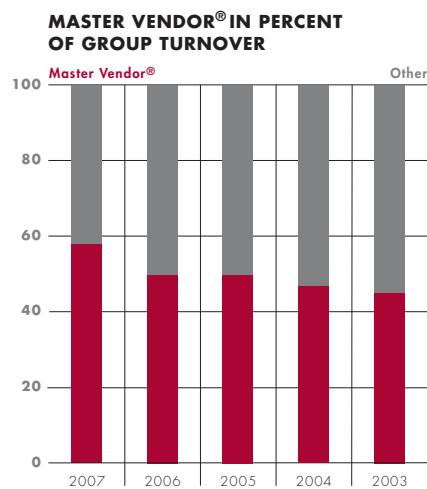


Figure 1. The Master Vendor® share of turnover has increased as a result of the acquisition of Sommer Corporate Media and the divestiture of Elanders Tryckeri AB.

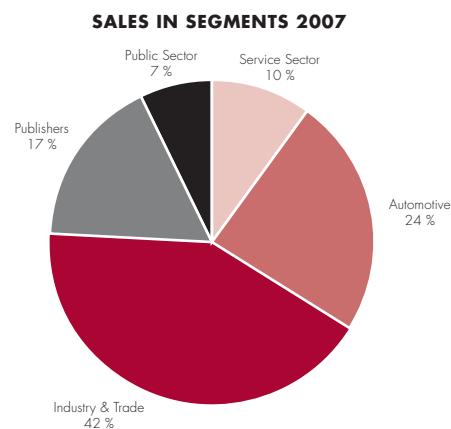
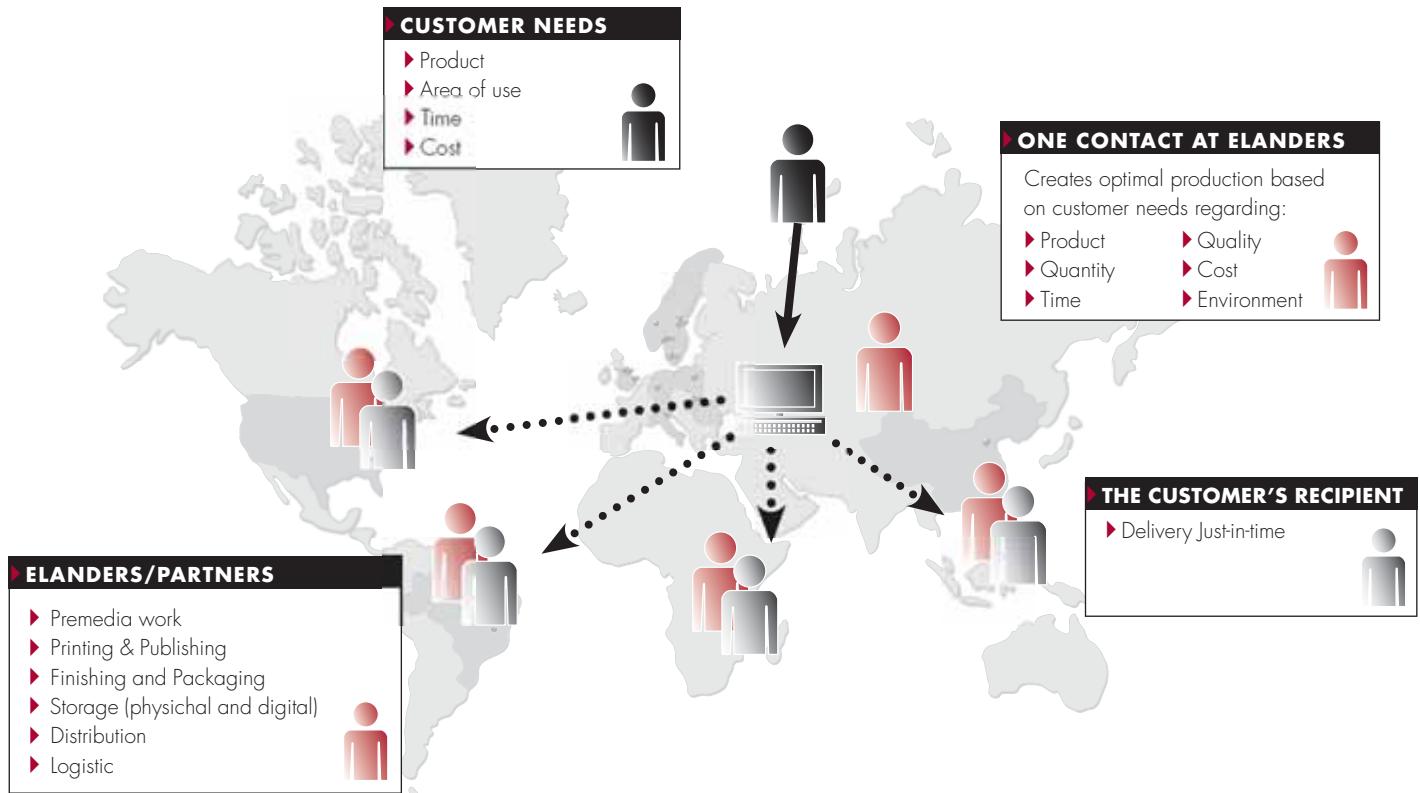


Figure 2. The Service Sector, Automotive and Industry & Trade can be considered industrial customers which represented 75 % (60 %) of Group turnover in 2006, while the remaining 25 % (40%) can be said to be other customers.



GLOBAL SOLUTIONS Elanders handles customers' printed matter logistics via one single contact, no matter how extensive it is or how many languages it is published in. The idea is formed based on the customer's needs and order competence and specialised external players – as few as possible – are engaged for different steps.

plicated is given based on how much prepress work is required, paper quality, bulk (number of pages), number of colours, type of binding and number of copies. The price is usually given for the entire edition. Price per piece falls as the number of copies rises. For an experienced purchaser it is a relatively uncomplicated procurement where the bids are easy to compare with the current rates on a transparent market. Digital printed matter usually has a price per piece based on the cost per "click" in the often rented digital presses.

The market for Master Vendor® business is a completely different story. Each job is unique in size and content. Here it is more a matter of the customer analysing all their publishing costs, including wages for their own personnel, storage and obsolescence and seeing how much they can save. In this case, quality is speediness, coordination and simplification and reduction of time-to-market. Not only printing but any or all of the processes in the value chain can be included in the deal which can even include a customer outsourcing entire departments involved in publishing-related operations. The price is often given as price per piece for a publication that can be ordered as needed. In some cases the price per piece depends on different kinds of transportation and packaging. If the product isn't stored the customer pays for each order made on the order sites on the Internet, extranet or intranet. The price per piece often reflects the cost of construct-

ing databases for managing and structuring texts, images and other information along with the cost of actually producing the item. In some cases the Group provides databases or services in process management and logistics but it isn't involved in the printing process. In such cases prices are based on the amount of time spent, licenses and maintenance, storage room, pallet space or the like. Elanders' current business is moving increasingly in the direction of Master Vendor® with a rising level of service content. Although this business generates printing jobs, prices are usually based on the added value created for customers and not cost of printing per piece.

VOLUMES

The Group handled about 167,000 (approx. 148,000) orders in 2007, of which 72 percent (about 73 percent) were Master Vendor®. The average size of the orders was around SEK 12,000 (approx. SEK 13,000) divided between around SEK 10,000 (approx. SEK 8,000) Master Vendor® orders and all other orders approx. SEK 18,000 (approx. SEK 22,000). Around 82 percent (around 86 percent) of Group revenue in 2007 was conventional print production, either as a sole product or part of a Master Vendor® deal. Other services made up the rest.



OPERATIONS ON FOUR CONTINENTS

THE GLOBAL GRAPHIC MARKET

In 2000 the world market for graphic production amounted to nearly SEK 3,000 billion. During 2007 it will reach some SEK 4,000 billion and in 2011 it will rise to around SEK 4,500 billion. This means that the average annual growth during 2000–2006 was some 4.2 percent while growth during 2007–2011 is calculated at 3.3 percent. Growth is driven mainly by Asia. In Europe and North America relatively little growth is predicted except for in digital print, while offset will probably decline. Commercial printing and packaging print made up 52 respectively 26 percent of the global market in 2007. Some of the clearest trends are:

- ▶ Outsourcing of printing production to low cost countries will increase.
- ▶ More often in-house production will go to external parties
- ▶ The incomparably greatest demand for commercial print comes from Asia thanks to consumption in China, Korea, India and other Asiatic countries.
- ▶ The increase in demand for commercial print in Europe will be related to package printing and higher consumption in Eastern Europe.
- ▶ The graphic industries consolidation will accelerate and form large, comprehensive and small, niche players, while it will become increasingly difficult for the middle-sized, traditional printers.
- ▶ Digital printing will, together with offset print, be a norm rather than an interesting alternative and the convergence of these two technologies opens up unlimited possibilities for synergies in services in order to reduce time-to-market.
- ▶ Companies have an increasing need to communicate actively and personally with customers, which creates a greater demand for personalised digital print connected to interactive Web interfaces.

- ▶ Growth in digital printing will be fastest in the developed countries but will increase in the rest of the world as well.
- ▶ Packaging print is considered to have the greatest growth potential in the future.
- ▶ Globally, offset production, excluding in Asia and Eastern Europe, will not grow and is a diminishing part of the total printing production in the world.
- ▶ Business models will change increasingly from price per piece printing production to more extensive problem solving; from production logistics to service logistics.
- ▶ Internet will continue to break down the geographical barriers making it easier for customers to choose suppliers based on comparisons of their prices, swiftness and flexibility.

DEVELOPMENTS ON ELANDERS' MARKETS

We recognise the global trends in the markets the Group is active in today and a few more in our prioritised segments:

- ▶ Fewer and larger suppliers desired.
- ▶ Customers want to concentrate on core operations.
- ▶ Purchasing decisions are being made higher up in organisations and have become management issues.
- ▶ Deliveries have to be just-in-time.
- ▶ Increasing demand for help with supply chain management for publishing.
- ▶ Publications are customised to the end recipient's profile.
- ▶ Risks are increasingly transferred to suppliers.

SWEDEN

Since the top year 2000 annual consumption of commercial printed matter in Sweden in the segments Elanders is active in has dropped by SEK 1 billion to around SEK 17 billion in 2007. Printed matter consumption is turning more and more towards



ITALY Operations in Treviso started up in 2007 as a DDC/sales office and will grow along with the assignment from Electrolux first and foremost.



BRAZIL The acquisition of operations in São Paulo are a result of more and more work for Swedish industry in South America.



CHINA Since the plant in Beijing opened up in 2005 its customer stock has steadily grown and the unit serves customers from other Elanders' operations as well

four-colour and digital printing. Editions are shrinking but the bulk and publishing frequency of an item is increasing. Demand for printed matter from industries and the public sector was stable. We see changes in the industry due to structural trends rather than economic fluctuations. The service content in graphic production is growing and customers more frequently seek low cost alternatives to printing. Demand for full-service solutions and logistics remained stable throughout the year. Interest in rationalising publishing processes and reducing the number of suppliers or outsourcing entire processes to an external part continued to be high. There are a number of uncertainties in 2008 associated with the effect of developments in the economy and interest rates on employment and demand. Notwithstanding, we expect stable growth in demand from that part of industry that caters to the consumer market. Investments in the industry in Sweden have on the average MSEK 300 been per year the last three years, which is less than a third of what is was during the top years around the millennium. Elanders' average investment during the past three years has been close to MSEK 105 and on the average 95 percent of it has been abroad. In conclusion, Elanders will grow in Sweden in the coming years primarily by capturing market shares, increasing service content and being able to offer production in low cost countries.

EUROPE

The total European graphic market amounted in 2001 to SEK 1,320 billion and is expected to rise to SEK 1,460 billion during 2007. This means a yearly average growth of 1.8 percent. In 2011 the market is forecasted at more than SEK 1,500 billion which means a modest annual average growth of 1.25 percent. Western Europe still represents 90 percent of the European market and the largest market Western European market is Germany, which in 2006 was calculated at SEK 300 billion. Other important Western European markets are Great Britain

(SEK 275 billion 2006), France and Italy (SEK 190 billion each in 2006.) The total Eastern European market was calculated at SEK 76 billion in 2001 and SEK 102 billion in 2006. It is expected to reach SEK 129 billion in 2011, which entails a much higher growth rate for offset than in Western Europe. The future looks bright in the long run but during the next few years political instability, low disposable incomes and other risk factors will make maintaining current growth rates in several Eastern European countries a real challenge. Russia is the single largest market, followed by Poland and Czech. A large part of this growth, which is calculated at 11 percent annually until the year 2011, will come from product and service catalogues – a product which has been a very successful area for years in Western Europe but which has not yet had a breakthrough in Eastern Europe. Offset volumes in Eastern Europe in the foreseeable future will increase at the same rate as digital printing. A consolidation of the industry in Eastern Europe is probable, partly in the form of mergers and partly through companies being bought up by Western European players. Elanders units in Eastern Europe, in addition to being a vital low cost alternative for Western Europe, are a source of good growth through captured market shares and the fact that the markets are growing.

Digital printing is rapidly becoming the most important technology in the trade, putting pressure on conventional players and abetting the successive disappearance of offset equipment from the Western European market. The digital market in Europe was estimated at SEK 112 billion in 2005 and is expected to reach SEK 130 billion in 2010, which is an annual growth rate of 3.3 percent. Offset print is expected to have an average annual growth of 0.8 percent during the same period. Companies have realised how vital it is to be able to communicate quickly and personally with their markets, which fans an increasing interest in digital print technology that makes quick, on-demand and personalised communication possible and

therefore lessens the inconvenience of the evermore crucial factor of time-to-market. Digital technology makes it possible to use variable text and images at the same time. A quality barrier still exists but developments in digital print technology are moving forward more rapidly than in offset technology. It is, for instance, easier to control colour management in digital print.

The following trends have been noted in Europe:

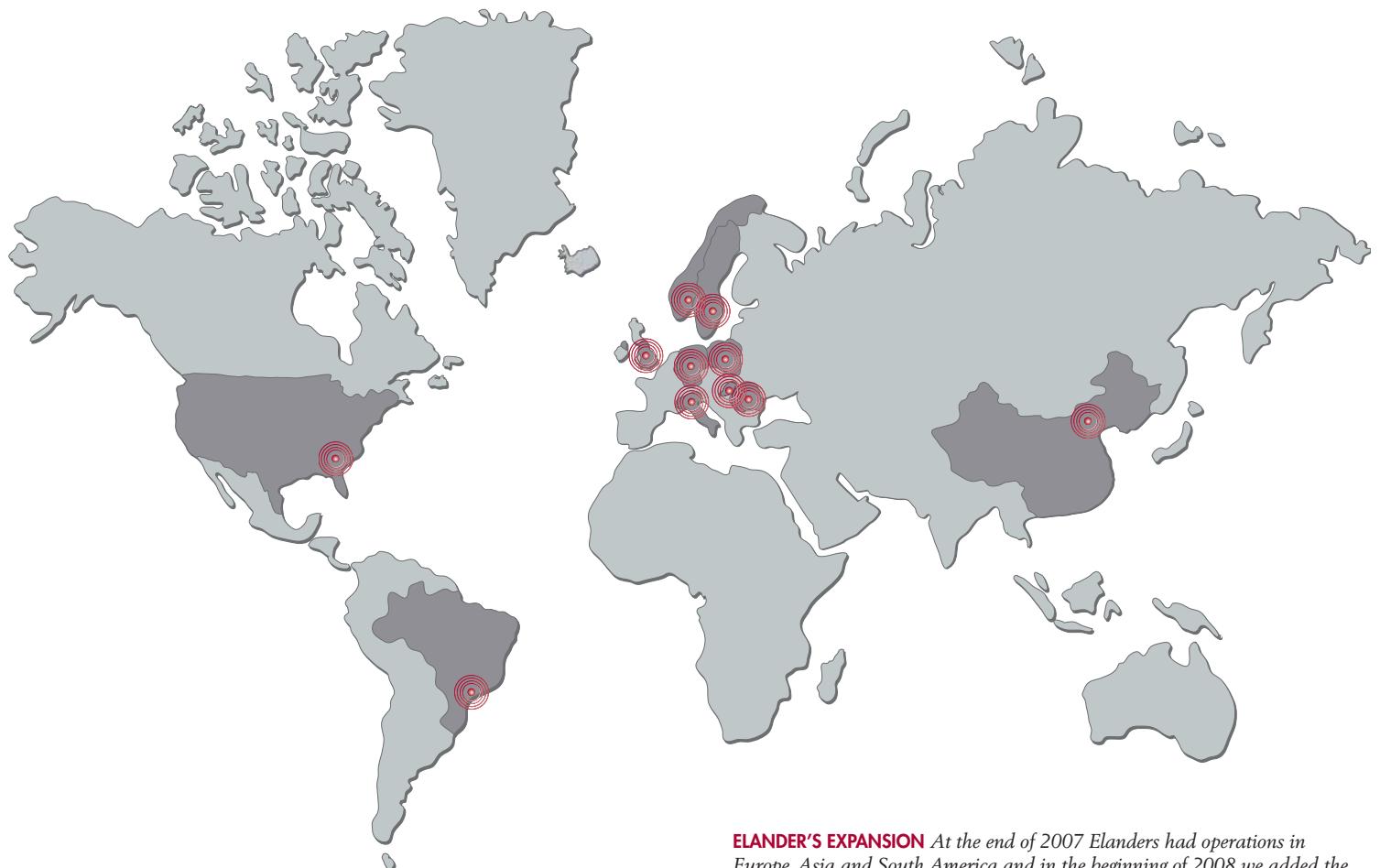
- ▶ The European graphic industry consists of around 125,000 companies that employ some 880,000 people. With the exception of a few major players the trade is dominated by small companies and around 85 percent of them have less than 20 employees. Even though the number of companies has diminished considerably in the past few years, consolidation will continue in both east and west and possibly escalate. Many companies are led by owners about to retire. Passing companies on to the next generation will be a motivating force in structural changes in the next five years.
- ▶ Imports to Western Europe from low cost countries in Eastern Europe and Asia have grown the past years. Products with a relatively long time-to-market and which require a great deal of manual work are more frequently being imported. This is particularly true for products like children's books and second editions of other books. Many Western European customers are shifting their graphic production to low cost countries, which will affect margins negatively for the players whose operations are limited to Europe.
- ▶ Printing packages and labels is the largest single segment in the European market and represents almost a third of the total market in the area. This segment is considered to have the greatest growth potential in the near future.
- ▶ Four-colour production will grow at the cost of black and white, in offset as well as in digital printing.
- ▶ The graphic industry, primarily in Western Europe, is increasing its service content to meet customer demands.

- ▶ Next to printing packages, digital print is the fastest growing segment on the European market but it is still only some 8 percent of the total market. This means digital print has an excellent growth potential in the long run.
- ▶ Being able to make copies of photos and photo albums from digital pictures through websites and so-called kiosks is expected to lead to a rapid increase in demand for digitally produced photos and printed matter.

Despite the low growth in population in the area, the number of households and management positions as well as the amount of disposable income for education and information is on the rise. This stimulates the demand for newspapers, magazines and books. Many graphic companies are not profitable, which opens the door to further structural measures and underlines the importance of size and finding a niche. In conclusion, this is also a fight for market shares and for Elanders, the most important competitive advantages the company has are its ability to offer global solutions through a customised combination of information structuring, digital and conventional printing production as well as distribution and the capacity to print packaging.

CHINA

The total graphic market in China was calculated to be SEK 290 billion in 2007. With an annual growth of 10 percent during the next few years it is expected to reach SEK 415 billion in 2011. Almost 75 percent of the market is in south and eastern China. Although there is no clear picture of the competition it is believed that there are close to 180,000 printers in the country. In relation to the number of inhabitants it does not, however, seem like very many and it would appear that most of Chinese printing production is focused on product information and trade dressing rather than newspapers, magazines and books. China's popularity with the Western graphic industry has grown and many are establishing companies there while the Chinese are concentrated on export. Everything suggests that China will be the world leader offshore supplier of printed



ELANDER'S EXPANSION At the end of 2007 Elanders had operations in Europe, Asia and South America and in the beginning of 2008 we added the North American continent to this list.

matter to Western Europe and North America. The attitude towards digital print is positive in China but growth has only been around 5 percent annually. A clear trend is the development of franchise chains for digital printing. In general, the country's infrastructure and limited access to the latest technology is a barrier, which can dampen growth during the next few years. However, digital print is expected to constitute around 14 percent of the Chinese market in 2010.

Elanders' establishment in China creates good possibilities for the Group to position itself in this market as well, which is believed to be the quickest growing market in the world during the next few years.

USA

The graphic market in the USA was an estimated SEK 1,000 billion in 2000. It has grown at a moderate average rate of 2.3 percent annually since then to SEK 1,170 billion in 2007, which is an increase of 2 percent compared with 2006. The USA market is only expected to grow by a further 1.5 percent per year to reach SEK 1,240 billion in 2011. The industry has been consolidating in this mature market for many years but it is still fragmented and the 50 largest players have no more than 30 percent of the market share. Digital print, which makes up 10 percent of the market today, is rapidly growing and is expected to increase twice as fast as offset in the near future. Elanders' growth in the USA will primarily stem from deliveries to the Group's existing and potential global customers.

LATIN AMERICA

The Latin American market has grown from SEK 145 billion in 2000 to SEK 215 billion in 2007 and is expected to reach SEK 280 billion in 2011. The two largest markets are Brazil and Mexico, which together are expected to represent 80 percent of the entire Latin American market in 2011. Books are 60 percent of the Latin American market but packaging print is driving the market as well. The market in Brazil was estimated at SEK 90 billion in 2007, which was an increase of 10 percent from 2006. The Brazilian market is expected to grow by a further 40 percent per year to reach SEK 120 billion in 2011. The developments in Brazil and other Latin American countries create a growing demand for educational material and magazines and the rising living standard keeps domestic consumption thriving and stabilises the demand for vehicles and consumer electronics. As a result of Brazil's total economic growth the graphic industry is advancing towards distributed print where content is created and structured in the big cities and then transferred electronically to be digitally printed in remote places all over the country. The Latin American market is also under consolidation and Elanders' growth is expected to come from captured market shares and market growth.

THE COMPETITION

It's difficult to present a comprehensive picture of the competition the Group meets in its different operations. It varies between

different segments, geographical markets and types of production.

It also varies with shifts in the value chain, upstream and downstream, that arise in connection with our expansion. The graphic industry looks pretty much the same in most countries. There are thousands of small, family printers that only offer conventional printing. There are just a few groups the size of Elanders in each country. Several of them are not commercial printers. They are publishers or newspapers with in-house printing that sell their overcapacity on the market.

JMS Media and Strålfors (The Swedish Post Office) are the major companies the size of Elanders in Sweden. JMS Media nowadays is primarily involved in newspaper printing and therefore competes less and less with Elanders.

In commercial printing we meet them mostly in the segments Industry & Trade, Publishers and the Service Sector. They have also specialised in comprehensive solutions for retail, which is not one of Elanders' prioritised areas.

Sometimes we compete against Strålfors (The Swedish Post Office) in bidding for big projects (segments Industry & Trade and the Service Sector) that contain, for example, digital printing and document flows. Elanders has an advantage with its unique graphic expertise and access to efficient offset production. We are the absolute leaders in after sales information to major industrials like car-makers (Automotive).

In Automotive abroad our competition is usually customers' internal units for publishing and local, smaller printers. Elanders has a head start through its size, capacity, technology and long experience. In educational material (Publishers) we run into a number of commercial printers but Elanders is the market leader in the Nordic region. We are leaders in Sweden in the Public Sector segment thanks to assignments from the Swedish Parliament and the government but we have competition from Editra and Parajett. Once again capacity, technology and long experience are our greatest competitive edge. We are practically the only infimedia company in Sweden that can cross country borders to provide large companies in Automotive, Industry & Trade and the Service Sector with full-service solutions that contain both offset production and other services in the value chain. In the Nordic region we find Stibo and Nörhaven in

Denmark and Hansaprint in Finland. Stibo is in the vanguard of information structuring (chiefly Publishers, Industry & Trade), Nörhaven is wholly specialised in the production of books for the Publishers segment and Hansaprint has a highly modern production of magazines (Publishers) and manuals (Industry & Trade). Elanders has come the farthest in internationalisation and can offer publishing in low price countries. In Great Britain we meet companies like Pindar in the segments Industry & Trade, Publishers and the Service Sector and Wyndeham Westway in Automotive. In Germany we run into companies like Infowerk and Bosch Druck in Automotive.

In our international expansion together with industrial groups, particularly in just-in-time production of manuals and other after sales information, we do compete with RR Donnelley and Xerox but our main competitors are an endless number of small printers that on their own cannot handle the needs of global customers. In our expansion upstream we meet, among others, technical informers like Semcon and Sörmans, profile and advertising agencies, communication firms like Citat, translation companies, photo agencies, Web firms and providers of business and publishing systems. Downstream we mainly run into companies in logistics and supply chain management. All the major management consultants and several IT companies work, for example, with process management. Elanders has the advantage of its graphic expertise and with our broad customer base we cover the entire value chain. In the sections concerning our business areas that start on pages 52 and 60 are further descriptions of our competitors.

MARKET SHARES

If it was historically difficult to assess market shares in the graphic industry it certainly isn't any easier now that developments have moved towards differentiated products with various related services. Estimating international market shares is quite simply impossible. The structure of our competitors is far too fragmented.

The table on the next page shows some of our major competitors in an attempt to gauge their strengths and shares in mutual segments and geographic markets



► THE COMPETITORS

	JMS Mediasystem	Nørhaven (DK)	Stibo (DK)	RR Donnelley (US)	Strålfors Svenska AB
Elanders segments where we meet	Industry & Trade Service Sector	Publishers	Industry & Trade	Industry & Trade	Service Sector
Major strengths	Full service solutions Web offset Digital print	Strongly specialised in book publishing	Databases Web offset Distribution	Global Web offset Digital print	Document flows Smart cards Logistic services
Concentration	Covers the retail trade with direct mail, distribution and marketing material.	Invests in highly efficient production and full-service solutions for book publishers. Acquired by Randrup 2006 and is no longer listed.	Develops systems and prints for publishers of directories and catalogues.	Focus on printing books, magazines, directories, ads and labels. Distribution services also.	Covers document flows with associated logistics. Acquired by the Swedish Post Office 2006.
Turnover	1,050 Mkr	1,000 Mkr	956 Mkr	78,328 Mkr	1,693 Mkr
Pre-tax profit	5 Mkr	50 Mkr	3 Mkr	615 Mkr	87 Mkr
Financial figures for	2006	2005 (uppskattad)	2006	2007	2006
Estimated market share in Sweden	<10 %	<8 %	<5 %	<20 % (Europa)	<10 %
Elanders Estimated market share in Sweden	<10 %	<15 %	<10 %	<5 % (Europa)	>3 %

ANALYSES RISK AND SENSITIVITY

SENSITIVE TO CHANGES MEANS QUICK ADAPTATION

CIRCUMSTANTIAL RISKS

The future of printed matter

Printed matter will continue to grow as a bearer of information in coming decades although to a lesser degree as time passes. We believe an increase at the rate of 2–4 percent annually is plausible. Printing capacity in the Western Europe and North America will exceed demand for some time, which will keep printing prices for printing as a sole product low. New players enter the arena to increase the content in their services from their traditional positions in the value chain. Elanders is in the vanguard of change with a broad range of services and customer steered product development. Growth in offset print will take place in Eastern Europe and Asia, while the rest of Europe and North America will decline to a certain extent. Digital print will be the source of growth in these countries. Elanders' position as a major digital player in Europe and our growing offset capacity in Eastern Europe and Asia is right in line with these developments

Business cycle sensitivity

The greatest business cycle sensitivity is in Group operations that supply printed matter and other services to the consumer goods industry as well as advertising financed products to publishers without many supplementary services. These volumes are mainly delivered to the Automotive and Industry & Trade segments. We counteract this by broadening our service to customers in the form of Master Vendor® and by offering production in low cost countries if customers prioritise price over delivery times. Other units supply customers that are relatively unaffected by business cycles such as publishers of educational material, business-to-business and the public sector.

Structural sensitivity

In the segment Publishers growing competition from low cost countries is a structural threat. Increasing our ability to offer production from these countries is crucial to the future of Elanders. In the meantime, it's necessary to continually ration-

alise and raise efficiency. Even if this is traditionally harder, it's possible to raise the level of service content as well. Our work to convert production to printed matter with better profitability continued during the year. This resulted in the divestiture of the unit in Kungsbacka and directory production but it is also a matter of having a broad range of products that include related services and assisting customers to become more efficient in their publishing processes and reduce their time-to-market. Full-service solutions of this kind are less sensitive to volume and price deterioration. During the two year period ahead this work will be one of the Group's most prioritised areas.

Competitors

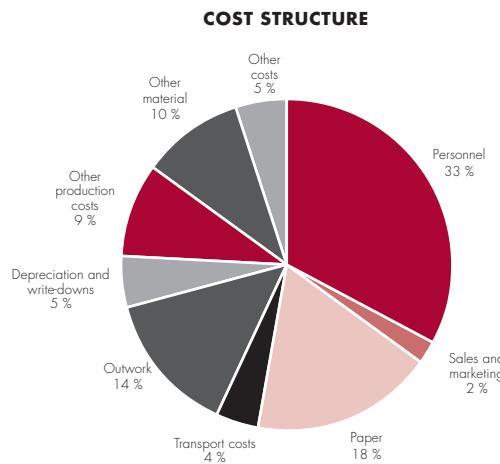
A thorough account of Elanders' competitors is given on page 30 as well as for each business area on pages 52 and 60.

FINANCIAL RISKS

The greatest financial risks are exchange risk, interest risk, financing risk and credit risk. The first three are handled centrally by the parent company's treasury and finance function while subsidiaries primarily deal with credit risks.

Exchange risk

Elanders runs into an exchange risk in two ways: through export sales (transaction exposure) or when converting net profit and net assets from foreign subsidiaries (translation exposure). Elanders' net inflow of foreign currency consists primarily of EUR, CNY, GBP and PLN. Only contracted orders, assets and liabilities are included in transaction exposure. In accordance with the Group's financial policy expected and budgeted flows are not normally hedged. Contracted orders are normally hedged at 80 percent if the time point of the flow will occur after a year. The reason for this is that there is room for certain volume deviations within the framework of the contracts. Assets and liabilities (mainly accounts receivable and payable) are hedged at 100 percent, along with contracted purchase and sales orders where delivery will take place within the year. At the moment forward exchange contracts are the only instrument used.



PERSONNEL represents the largest share of Elander's operating costs in 2007, while the cost of electricity was less than 1 percent. (The figure shows how costs in the items Costs for sold products and services, Sales expenses and Administration expenses are allocated in the different kinds of costs.)

The translation exposure of net assets in foreign subsidiaries is sometimes hedged through a currency mix in the loan portfolio. A change in the currency rate up or down by 5 percent in EUR (SEK 0.47) would affect pre-tax profits by MSEK 9 and in other currencies by MSEK 3 without forward exchange contracts. Existing forward exchange contracts per 31 December 2007 are reported in note 18 to the financial reports.

Interest risk

Interest risk is defined as lower profits caused by a change in interest rates. Most of the Group's loans are financed on a floating interest rate, primarily in SEK. A change in the interest rate up or down of one percentage unit would affect Group profit by MSEK 8, during a 12 month period.

Financing risk

Financing risk is defined as the risk of it being difficult and/or expensive to finance operations. Therefore the Group has made sure it has several sources of credit that have made credit commitments. In 2007 the Group extended its existing credit contracts and will renegotiate them at the end of the 2008.

Credit risk

Credit risk is handled by the subsidiaries that are close to customers under the supervision of the Group's treasury function.

Credits are systematically monitored and followed-up. The majority of the Group's customers are large, well-known companies, authorities and organisations. The Group took out credit insurance to protect against large, unforeseen credit losses. Credit losses in 2007 totalled -1 MSEK, i.e. dissolution of previous reserves amounted to more than reserves for new uncertain receivables.

BUSINESS RISKS

Customer concentration

During 2007 the Group's ten largest customers represented some 32 percent (30 percent) of net turnover and the 50 largest customers stood for 58 percent of turnover (56 percent), which is shown divided into market segments on the diagram on page 23. At the beginning of 2007 the Group had around 3,500 active customers.

Functional risk

The risk that the Group will suffer a major stop in operations is minimal. The Group's production units are normally compatible and can help each other if there are any hitches in operations.

Risks in operating expenses

Paper costs

Elanders' most important input goods is paper. It represents approximately 18 percent of operating costs. The Group consumed some 31,000 tons of paper during 2007. The Group protects itself in part against price fluctuations through a paper price clause in contracts with our customers.

Personnel costs

Direct personnel costs make up around 33 percent of operating costs, which means that changes in the Group's health ratio has a direct effect on profits. The Group's health ratio has developed positively, which is presented on page 50.

Electricity costs

The Group consumes around 22 GWH of electricity annually, of which some 13 GWH in Sweden. The risk that fluctuations in the price of electricity will have a negative effect on profits are minimised by active risk management where some of our future need is guaranteed at a certain price. This takes into consideration seasonal



SEASONAL VARIATIONS IN ELANDERS' sales have pretty much followed the same patterns the past few years. An extremely high portion of turnover in the directory operations in Kungsbacka which were divested in January 2007 was in the fourth quarter. For that reason seasonal variations in 2007 levelled out somewhat. Close to 42 % of the Group's turnover is generated in the segment Industry & Trade where, in particular, sales in consumer electronics is highest right before summer and at Christmas, which is why the second and fourth quarters together still represent 54 % of turnover. The fourth quarter is the strongest with 29 % of the turnover.

variations and utilises the instruments available on the Electricity Exchange in Norway. The cost of electricity was less than one percent of operating costs.

Contracts, disputes and insurance

Disputes can arise in the Group's day-to-day business. Elanders believes no such dispute has or will have important consequences for the Group's financial position. In order to minimise the risk of disputes Elanders normally uses the contracts prepared by our trade organisations. For example, ALG 02 is applicable to printed matter and the contract conditions for consultation services are written by the Association of the Swedish IT and Telecom Industry. The Group's insurance program contains global liability insurance that, among other things, covers general liability, product liability, crime fidelity and limited protection against environmental damage. The Group also has liability insurance for members of the Board and officers.

Other business risks

The business risk in operations is also associated with the human factor, criminal acts or catastrophes that because of flaws in insurance protection, systems and procedures the risk for damages was not eliminated or deviations were not discovered. The size of the Group and the fact that Executive Management is composed of members that come from Group operations which they have profound insight into are the key factors counteracting business risks in Elanders. All Group operations are represented in terms of responsibility in Executive Management, which meets and communicates regularly. Executive Management systematically exchanges and evaluates operative and financial information. As the Group grows we are intensifying our efforts to establish

common Group policies and procedures. The essential ones are presented in the section on Structural capital on page 36.

SENSITIVITY ANALYSIS

Below is a summary of an analysis of how some of the variables described above would have affected Group results after net financial items in 2007 if no measures such as hedging or resource adjustments had been taken. Each variable has been treated individually as long as the others remain constant. It is assumed that a change in turnover will affect the value added on the margin which thereafter will presumably fall straight through the income statement. A change in the cost of paper is multiplied with total paper costs. A change in personnel costs is multiplied with total personnel costs. Regarding sick leave costs, it is assumed that all employees contribute the same value added and that the change in sick leave affects those not present who are not substituted. A change in the price of electricity is multiplied with the total cost of electricity and a change in the interest level is calculated on the previous year's average net debt. The analysis does not pretend to be exact. It is merely indicative and aims to show the most relevant, measurable factors in this connection.

Variable	Change	Effect on profit/loss after financial items, MSEK
Net turnover	+/- 1 % unit	11.6
Paper cost	+/- 1 % unit	3.4
Personnel cost	+/- 1 % unit	6.2
Sick leave	+/- 1 % unit	11.6
Electricity cost	+/- 1 % unit	0.1
Interest level	+/- 1 % unit	8.2



INTERNAL NETWORKS ARE THE GROUP'S UNDERPINNINGS

Elanders' intellectual capital primarily consists of assets that are not found on the balance sheet and which can be divided into human capital and structural capital. Human capital is presented in detail on page 48 under Personnel. You could say that structural capital is what is left when everyone has gone home and encompasses, among other things, methods and processes, systems, product development and brands.

METHODS AND PROCESSES

Both conventional graphic production and other services require methods, processes, procedures and policies that effectively support business in accordance with the goals and strategies set out. There are well-documented methods for product manufacturing and service production in the operating units. The Group also has general and joint policies for personnel, the environment, the treasury function and finance. There are uniform procedures for reporting and business analyses as well.

PRIMARY AND SUPPORT PROCESSES

The main process at Elanders is handling an order that results in production and delivery of printed matter and services. There are several processes that support the main process; the most important of these are service development, marketing and sales, purchasing, human resources, logistics, technology, quality and environment, IT, communication and finance.

Every operative unit has a managing director or a divisional manager that is ultimately responsible for ensuring that the main process results in complete customer satisfaction. Responsibility for making sure support processes function efficiently lies also with the operative units but they are also supported and monitored by Executive Management via certain members of business area management that have a special responsibility or through networks that report to Executive Management. The work of these networks is also a vital contribution to consolidation at Elanders.

SERVICE DEVELOPMENT

Service development, marketing and sales are supported and monitored by the different segment teams and business area management. They coordinate sales and marketing activities so that responsibility for customers is clearly assigned and marketing measures are efficient and focused. Marketing is also supported by a sales support system used by the entire Group (CRM system) under the supervision of the Group marketing network. Elanders is involved in research through its support of college activities aimed at improving printing technique. During 2007 the cost of this support amounted to MSEK 0.4. The Group develops products first and foremost by collaborating with our customers to produce solutions for an efficient publishing process. This also requires concentrating and packaging supplementary services or full-service solutions so that their usefulness is made clear to the customer.

Master Vendor® is a good example of a concept that clarifies how a number of services and products, separately or in combination, create added value while internal development can be efficiently and appropriately organised. Almost all development of products and services comes from close collaboration with our customers, based on an order and connected to a customer project. Expenses for development activities in 2007 was slightly more than MSEK 40. The many solutions we have developed for our customers over the years have been systematically collected in Elanders Publishing Platform (EPP) under the supervision of the product councils. Development operations have been coordinated during the year and from 1 January 2008 they function in a separate legal entity, Elanders Infomedia Systems AB (EISAB) with the mission to supply the Group's customers with systems and solutions for efficient information management and publishing in different media. EISAB reports to management in Infologistics. EPP and EISAB are Elanders' instruments to ensure that the Group's development of publishing tools proceeds in a structured



COORDINATION Coordination in IT and logistics is central for the complex assignments to be structured, processed and developed.

and professional manner. EISAB is responsible for documenting processes and tools efficiently to guarantee a high service level and facilitate a continual exchange of knowledge in the Group. EISAB is also in charge of monitoring external factors and for furnishing the necessary know-how in this area. EISAB participates on a regular basis in different company project groups in order to continuously detect customers' changing needs in new solutions. Adapting publishing tools is carried out together with customers by employees and account managers in the operative units within the framework of EPP and under the supervision of EISAB. The Group does not have any patents and has not applied for any. The Group does however own the source codes to a number of EPP systems that manage our customers' publishing.

MARKETING

Marketing is handled by the heads of marketing in each country and steered by the guidelines given by business area management and Executive Management.

PURCHASING

Elanders is a major player and an attractive partner for the trade's global suppliers. It puts us in a position to influence and change – a position we take utmost advantage of. Purchasing is handled through a network of a number of purchasing groups, each one focused on a specific product and service area. Their work is coordinated by the head of purchasing for Infologistics who reports to Executive Management. Our ambition is to wherever appropriate successively move away from local supplier contracts with the intention of signing agreements with global players as so-called "preferred suppliers". In addition to lower prices it also entails substantial logistic advantages. Structured procurements with RFI, Request for Information and RFQ, Request for Quotation, following a model from the automotive industry, are applied.

HUMAN RESOURCES

Elanders has a HR function that acts with a cohesive expertise which provides structure and coordination in personnel matters in the Group. The purpose of the function is to handle personnel matters consistently according to Group and Executive Management directives. The function is headed by the HR manager in the Group's largest unit. The daily work with human resources, described in detail on page 48, takes place in the operative units and is supported by the HR function, which is also responsible for the Group's leadership development. Furnishing competence is also supported by the segment teams and operative supervisors that, based on business plans, identify available and relevant expertise as well as the need for development and supplements in the various segments and units. The Group's intranet is used avidly and systematically to exchange knowledge and experience.

LOGISTICS

As a result of Elanders' increasing globalisation and the escalating content of logistics in our services the Group has a logistics manager in the parent company who is responsible for the Group's internal logistics and development of the services that contain logistics. The logistics manager must also make sure that these services are developed in a professional manner and that this process is documented efficiently.

TECHNOLOGY

Technology is managed by specialists in the operative units. The specialists' experiences and expertise is shared through databases connected to the Group's intranet and is regularly used by those responsible for purchasing and who manage the Group's supply of production equipment.

ENVIRONMENT AND QUALITY

All larger operative units in Elanders are certified according to

ISO 9001 and ISO 14001. Our work with quality and environment is carried out by a joint Group council where quality and environmental coordinators from the different operative units have a well developed, documented and systematic collaboration. This is described in detail on page 42. Executive Management decides the objectives for their work. Fulfilment of environmental objectives is measured on a regular basis in the Group environmental accounts, which can be seen in summary on page 43. We are in the process of organising a similar harmonisation of our quality work, which at the moment is primarily targeted, carried out and followed up in the operative units within the framework of the quality management systems that all operative units follow. This work is described in detail on page 45. An important activity is the evaluation of adaptation to ISO standards for commercial offset print, which includes control of colour management in order to avoid the risk of unpredictable printing results. Elanders in Falköping adapted their printing processes to the standard. The same standard will be implemented in all suitable units to guarantee even and good quality when assignments are moved between production facilities in order to be produced as close as possible to the recipient.

IT

IT is a crucial success factor at Elanders. IT supports our main process and most of our support processes and plays a central role in the development of our business and our internal processes. The Group's general IT strategy is that the systems used in the operative units should support and be suited to the work done there. Common applications are only used for Group infrastructure, groupware, intranet and operative and consolidated financial reporting. Nonetheless, as existing systems are replaced Elanders strives to install uniform applications for internal administrative routines. Work with IT matters in the operative units is led by the Group IT Manager and supported by a Group IT council. The council consists of representatives from the Group's operative units and the Group IT Manager together with the Chief Financial Officer form the goals for this work. The council which convenes when needed at meetings where minutes are kept, works to improve and coordinate the Group's IT. The council is also responsible for, in cooperation with a member of the purchasing network, procuring hardware and applications. During 2007 the IT council worked in different constellations to prepare for the installation of a common

business system for the Group. During the year the Group's direct costs in this area totalled some MSEK 10.

INTERNAL AND EXTERNAL COMMUNICATION

The Group's internal communication takes place primarily through the intranet. Group news is published on the intranet and sent via e-mail. There is a position for internal and external communication in the parent company. Information from all of the Group's units is gathered there and distributed to all personnel in the form of printed as well as digital newsletters, personnel magazines and information via the intranet. Our external communication is handled by the parent company, where the CEO and CFO are responsible for investor relations and contacts with media. The communication function is in charge of the Group's profile management, external website and intranet together with a network of those responsible for the Web in the operative units.

TREASURY AND FINANCE

The Group's financial work is carried out in the operative units where the person responsible is almost always a member of the unit's management. The Group's staff in the treasury and finance function is in charge of managing Group finances and risks, correlation and analyses of financial reports, preparing financial reports for Executive Management, the Board and the market as well as developing policies for financial governance of the entire Group. Financial work is also conducted in a network where Group controllers meet to exchange experiences and advance common issues. The goals of our financial work are decided by the Board's audit committee, Executive Management and the Chief Financial Officer.

Elanders' brand

As Elanders develops the company's brand and image play a vital role as the messenger conveying the services Elanders offers. With the assistance of external specialists the Group regularly conducts surveys concerning our brand with the objective of analysing our position. We also carry out customer surveys. The brand and customer surveys have so far proven that customers believe Elanders stands for competence, strength and reliability. This means that our brand has the strength and credibility to be a successful messenger of the changes connected to our vision of Elanders being an internationally leading infomedia group.



SUSTAINABLE DEVELOPMENT PROCESS

WORK ON SUSTAINABILITY TO MEET NEW REQUIREMENTS

International concern for carbon dioxide emissions and their effect on the climate puts pressure on companies to adapt their operations to upcoming emission restrictions and customers' demand for sustainability. At the same time a number of serious social problems in different countries have been spotlighted. This has contributed to why companies must motivate their presence and show that they follow certain basic humane rules, a Code of Conduct. This growing community interest concerning sustainable development puts greater demands on Elanders.

Elanders affects society in both equality and environmental issues and our employees and others are interested in knowing more about the company's ambitions in these areas. Elanders has for many years worked actively and intensively to reduce environmental impact. Certification of forest products and working for positive environmental effects through lower transportation are a few examples. Elanders was also one of the sponsors of the Göteborg Award for Sustainable Development, which was awarded to the Nobel Peace Prize Laureate, Al Gore.

ADAPTATION TO NEW SUSTAINABILITY REQUIREMENTS

An increasingly important question is how Elanders plans to progressively adapt the company to the new sustainability requirements. This question contains a number of challenges and

opportunities. It is not just a matter of how Elanders will change operations in order to lower emissions and raise working place standards but also how this process can be advantageous from a competitive perspective for a graphic company that was certified early on.

Investors have been showing a growing interest in this question lately because the stock market sees a clearer parallel between how a company handles sustainability matters and its long-term financial results. There is a risk of being dragged through the mud, if for example a subcontractor runs into badwill problems, to the point of having to move production to another country and the enormous expense that entails. Therefore investors need guidance from the companies they invest in as to the most likely risks and the monetary effects of them.

In other words the need for Elanders to specify the sustainable goals established by the company and which processes and policies Elanders plans to use to achieve these goals is much greater than before. In 2008 Elanders will clarify this process which is schematically described in this section.

FROM RISK ASSESSMENT TO ACTION PLAN

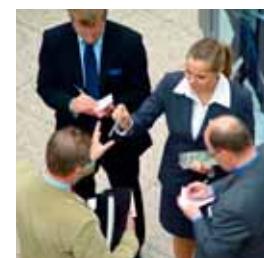
In short, Elanders will begin by surveying from a societal perspective the challenges and opportunities the company faces in dif-

SUSTAINABILITY

Elanders has identified several areas we can influence which effect sustainable development. We have already begun mapping the first three areas.



**ENVIRONMENTAL
RESPONSIBILITY**
ENVIRONMENT
QUALITY



**SOCIAL
RESPONSIBILITY**
MANAGEMENT
PERSONNEL
DIVERSITY

PROCESS TO MEET SUSTAINABILITY REQUIREMENTS

In 2008 Elanders will initiate a survey and goal formulation



ferent sustainable aspects. A detailed analysis will show whether or not Elanders is facing any major problems such as planned legislation in a country concerning chemical emissions or media scrutiny of certain customers regarding ethical issues.

By assessing the risks of potential sustainability problems and Elanders' competitive advantages the company can prioritise a number of sustainability issues that will be focused on. These issues are the gravest sustainability risks (or best opportunities) in the company's operations. When these are paired together with Elanders' general business goals, such as long-term profitability and growth, Executive Management can make a feasible assessment of when the company can or must act on the various sustainability factors.

Based on this cohesive view Executive Management can adopt sustainability goals and decide which measures and poli-

cies to use. For example, how will Elanders make sure that our Code of Conduct is actually followed in production units the world over? When, in time, must they all have complied? What reserve plan does Elanders have to meet production demands if a subcontractor does not fulfil these requirements?

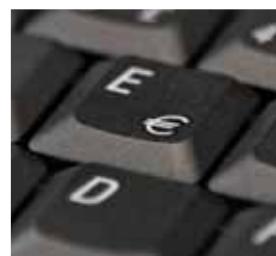
In future reports Elanders intends to give an account of the risks and goals in environmental, ethical and social areas and describe the plans drawn up to meet these goals. Once a year Elanders will report on the measures taken to achieve the goals as well as any new circumstances that might have arisen as a result of a change in the company's risk assessment. Our ambition with a sustainability report is to describe how far Elanders has come in the sustainability process but also to give an idea of the focus areas that lie ahead.



FINANCIAL RESPONSIBILITY
FINANCE
PURCHASING
SALES
SHAREHOLDERS
LEGAL REQUIREMENTS



PROFESSIONAL RESPONSIBILITY
CUSTOMERS
DEALS



LOGISTIC RESPONSIBILITY
IT
LOGISTICS
COMMUNICATION

SUSTAINABLE DEVELOPMENT ENVIRONMENT AND QUALITY

ENVIRONMENTAL CONSIDERATION IN THE ENTIRE PRODUCT CYCLE

Unflagging environmental work requires a common focus throughout the organisation. The company's business concept and vision are the framework for our environmental and quality work and it is an integrated part of the Group's strategy and operations.

Environmental issues have become more and more important and the growing insight in society concerning what sustainable development actually is has naturally affected Elanders' work in this area.

In the beginning of the '90s a competition was launched to judge listed companies environmental reports and Elanders won the award Best Environmental Report twice. There is a strong tradition of environmental consideration at Elanders, which is manifested in part by the way Elanders continually sets and follows up goals aimed at reducing emissions, paper waste and energy consumption.

Elanders has progressively broadened its environmental scope to where it now includes our customers' choices of printing and distribution solutions. The growing awareness in society concerning environmental matters has led Elanders' customers to more frequently ask for more environmentally friendly choices regarding, for example, paper and transportation. In order to assist in choosing the right paper the most commonly used paper types by Elanders in Sweden have been evaluated regarding the emissions generated by them.

INDIVIDUAL ADAPTATIONS IN OUR SUBSIDIARIES

Each subsidiary is responsible for its own work with environmental and quality matters and they are therefore handled in different ways in different countries. This is due to both cultural and legal differences. For example, the limit of how much solvents can be consumed before a permit is required is considerably lower in Sweden and Great Britain than it is in Germany, 25 tons respective 200 tons. Emissions of solvents are higher, albeit

decreasing, in Poland, Hungary and China than they are in the other subsidiaries. One reason for the higher emissions is older equipment.

Elanders' facility in Beijing has a high international standard, thanks in part to modern equipment. Several international customers demand the same high level of environmental consideration as in Sweden. Our ability to offer environmentally friendly production on the Chinese market is a significant competitive advantage.

EXPERIENCE PROVIDES THE BASIS FOR IMPROVEMENTS

All larger production units are certified according to the environmental management system (ISO 14001) which is reviewed approximately two times a year. Elanders Artcopy will also be certified according to ISO 14001. Audits of environmental impact and application of the environmental management system are done by external and internal auditors. The audits prove that Elanders follows procedures and permits as well as furnish a number of suggestions for improvement. The Group's internal auditors review their own operations and those of other Elanders' units. This provides an active exchange of experience in many areas.

COMMENTS ON THE STATISTICS

Several posts in the statistics are not comparable with previous years since production at Elanders Tryckeri AB, now Kungsbacka Graphic AB, was such a large part of the total production. The increase in waste expenses is due to the fact that recycled material is no longer reported since fluctuations in primarily the price of aluminium had a significant affect. We now report the cost of destruction and removal of waste.

The amount of hazardous waste per ton product is higher because the volumes at Elanders Tryckeri AB were much larger than in other operations and waste depends to a large extent on

► cont. p. 44



CUSTOMERS' CHOICES AFFECT THE ENVIRONMENT Elanders can always offer the customer an environmentally friendly alternative. Factors that steer are product and utilisation areas, quantity, delivery times, quality and cost levels. Decisive factors are the method of production and in which country the printed matter will be used.

► ENVIRONMENTAL ACCOUNTS

SEK '000	2007	2006	2005	2004	2003
Environmentally related expenses	5,037	3,361	3,885	3,244	3,424
Waste expenses and treatment	3,846	1,754	2,103	1,994	2,359
Swan fees, net	104	158	311	107	161
Fees, insurance & carbon dioxide tax	1,087	1,449	1,471	1,143	904
Environmentally related income					
Paper waste	6,614	10,975	11,081	9,325	9,915
Environmentally related investments					
Investments for the purpose of minimising environmental impact or conserving resources	238	3,605	301	1,176	351

► ENVIRONMENTAL RATIOS

	2007	2006	2005	2004	2003
Solvent consumption, kilos per MSEK in turnover	107	95	85	90	86
Solvent consumption per ton product	6.5	3.8	2.9	2.7	2.6
Electricity per ton product	848	823	685	706	681
Hazardous waste, tons	383	339	313	310	266
Hazardous waste, kg per ton product	11.4	5.6	5.4	5.3	4.8
Proportion of vegetable cleansers	1.9	1.9	6.1	6.5	10.7

Key ratios show the use in all Elanders production units of certain factors with an environmental impact. New acquisitions or newly started companies are shown in their entirety from the year they were acquired. However, the plant in China is not included in the figures for 2005 despite the fact that operations started on a small scale in Dec. 2005. Elanders Tryckeri which was divested in February 2007 is included in the report up to and including 2006.

► FINANCIALLY RELATED ENVIRONMENTAL RATIOS

	2007	2006	2005	2004	2003
Financial effect of the change in paper waste through lower purchase costs, (SEK '000)	3,996	-3,862	-5,669	-395	-3,780
Paper waste compared with previous years, (%)	-5.1	3.5	5.8	0.5	5.2

► cont. from p. 42

the number of assignments (make-ready, cleaning). Waste has also increased because of changes in equipment which has led to extra waste when old machines are emptied and dismounted.

Solvent consumption per ton has also risen due to smaller editions on the average in Elanders' operations during the year, which entails more cleaning.

Consumption of electricity has grown because of more digital printing. Paper waste has decreased despite greater utilisation of our own bookbindery. Above all the Chinese unit has reduced its paper waste.

COOPERATION OVER BORDERS IS POSITIVE FOR THE ENVIRONMENT

The International Printers Network, IPN, is a global network for graphic companies that Elanders belongs to. It was created to improve worldwide distribution of information and documentation. The purpose is to help each other locally produce and distribute printed matter in order to reduce transportation and storage. Around 190 organisations are members of the network located on six continents. The regulations for membership and cooperation are rigorous in order to guarantee the quality of work methods, information transference and products.

This collaboration has given Elanders contacts which make it possible to, for instance, reduce transports. Printing assignments have been produced in, for example, USA for local delivery, instead of printing in Sweden and transporting the material. In addition to reducing transportation this drastically reduces lead times.

The Group strives to achieve positive effects for the environment through cooperation in other areas as well. For example, Elanders is the one of the companies that together with the City of Gothenburg awards the Göteborg Award – an international prize for sustainable development – which in 2007 was awarded to Nobel Peace Prize Laureate Al Gore. Elanders also holds seminars and film showings for their customers concerning environmental issues.

ENVIRONMENTAL IMPROVEMENTS DURING THE YEAR

In 2007 Elanders has implemented several environmental rationalisations and improvement measurements. They resulted in, among other things, improved product quality and fewer printing plates being used.

The following initiatives have been implemented during the year:

- Improved product quality and less electricity consumption was the result of new digital print equipment. However, the shift to more digital colour print increases solvent consumption for these products.
- Greater efficiency and improved production quality was the result of new offset equipment. Adjustments can be made

more quickly which cuts down on mackle paper. The level of isopropanol in fountain water has been reduced and it will be lowered further. However, the total consumption of solvents is rising in some presses and falling in others.

- Sommer Corporate Media was certified for ISO 14001 in February 2008.
- The energy saving project Elanders in Mölnlycke, started together with the municipality and the Swedish Environmental Research Institute in 2006, has continued. Some practical steps to reduce electricity consumption materialised from extensive measurement taking. One example is the installation of circuit-breaking timers that shut down machines when not in use.
- The exchange of isopropanol to an alternative fountain water chemical at Elanders in Mölnlycke and Falköping has reduced solvent consumption and created a more stable process.

All of the facilities in Elanders Sverige where Elanders controls the contracts for electricity (41 percent of Elanders' electricity consumption) are run on hydroelectric power. Elanders in Newcastle uses renewable electricity. All in all 50 percent of Elanders' total electricity consumption is guaranteed renewable.

NO SIGNIFICANT INCIDENTS IN 2007

There have been no significant incidents in 2007. The one incident that occurred was minor and was reported according to valid regulations and has not had any consequences. Because of an equipment leakage at Elanders in Falköping unfiltered smoke gas leaked into the building for a short period of time. The leak was discovered through smoke gas measurement and no instable results were noted.

Elanders in Malmö has received an injunction concerning a soil investigation where an oil tank previously stood. Contacts have been made with possible suppliers to carry out the investigation.

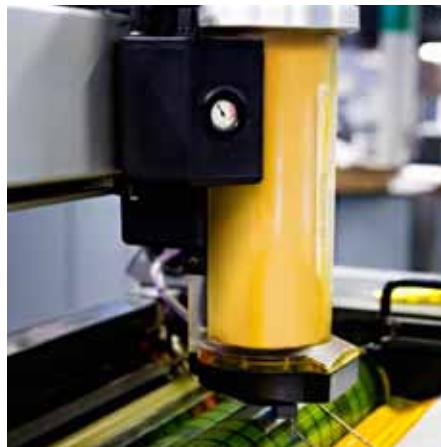
THE FUTURE

Several units must follow rules set by the authorities concerning emissions or the consumption of solvents and we will continue to focus on reducing levels and the use of alternative solvents.

The work to certify Elanders Artcopy for ISO 14001 has begun and it is finished at Sommer Corporate Media. Work with the ecolabels the Swan, FCS and PEFC will continue. Climate neutral calculations will be extended to include several other units.

QUALITY

In order to be an international leader and the most competent



CLIMATE NEUTRALITY Operations in Malmö are classified as climate neutral. The company has reduced carbon emissions by 45 percent and compensates for its remaining emissions by supporting a project in India for the small scale production of electricity from agricultural waste. Operations are run solely on hydroelectric power and all company cars will be exchanged for more environmentally friendly ones during 2008.

partner in infimedia Elanders must be a serious supplier with broad and solid expertise. Therefore we strive to achieve complete quality by continually developing our products, services and processes. This means that our procedures throughout the entire work process, from purchasing to production to distribution, are coordinated to create products and services of the highest quality. Quality work well done is a competitive edge and therefore an essential part of what we offer our customers. Elanders' definition of quality can be found in its quality policy created in 2005. Please read more about our quality policy on www.elanders.com.

Shortcomings in quality are measured in terms of complaints, the cost of internal deviations and the cost of customer credits and discounts as a result of quality defects.

QUALITY IMPROVEMENTS DURING THE YEAR

Several quality improvements have been initiated during the year. They are:

- ▶ New reporting system for deviations in Elanders Sverige AB has led to more reports in several units and more active and rapid responses.
- ▶ Elanders Sverige's operations now have a common certification body for the auditing of its quality management system.
- ▶ Lean production and 5S work has begun at Elanders in Newcastle and initiated at Elanders Sverige. The personnel has been trained in 5S techniques, areas of responsibility have been delegated and implementation has begun (see Facts Box on next page). Appointed auditors review the work regularly.

CUSTOMER SATISFACTION

The Group's Swedish marketing department is responsible for monthly surveys concerning customer satisfaction. The survey is done by an external company that measures attitudes of Elanders' existing customers through a Web-based questionnaire. The

► ENVIRONMENTAL AND QUALITY GOALS

Goals for 2007	Achievement of goals 2007	Goals for 2008
Depending on the stage the company is in all companies will work with their individual resource conservation goals.	All companies that were part of Elanders in the beginning of 2007 had conservation targets. The goal has been met.	
All companies will have targets for reducing costs due to inadequate quality.	All companies that were part of Elanders in the beginning of 2007 had targets for reducing costs due to inadequate quality. The goal has been met.	Develop measurement of inadequate quality on Group level to include the number of customer complaints and delivery precision as well as update the definition of costs due to inadequate quality.
All companies will work with goals to save energy.	The goal has not been met.	Continue according to previous goal.
Hydroelectric power will be used.	In facilities in Sweden where we can control the choice of electricity supplier and in Great Britain (renewable energy, not hydroelectric power) – the goal is almost met.	
Benchmarking will increase between companies through work in multi-functional and cross-company groups.	Cooperation is continuously developing – the goal has been met.	
Higher percentage of environmental cars among company cars.	The goal has been met.	Percentage of environmental company cars (according to each country's definition) shall be at least 80 % within 2 years.
		In 2008 Elanders will formulate strategies for environmental and quality work and long-term goals.
		Half of Elanders' production units will calculate their carbon emissions in 2008. The rest will follow in 2009.
		The 5S concept will be fully implemented in Sweden in 2008. Routines and guidelines will be drawn up to implement 5S in the rest of Elanders in 2009.

choice of customers is based on those that have been invoiced for SEK 50,000 or more in the previous month. The results are presented per location and are used to decide on improvements such as system development and planning. Each divisional manager presents and follows up the results internally.

Last autumn customer surveys were held in Sweden. We received a grade of 4.41 out of 5 on the question "How satisfied are you with Elanders in general?" Areas that need improvement are handling complaints and information to customers.

THE FUTURE

Elanders will work on continuous improvement, control and follow up of our suppliers.

Greater demands from our customers concerning the environment and quality means there will always be some area we can improve. We will continue implementation of 5S at Elanders in Newcastle and Elanders Sverige aiming at a clear visualisation of the work. Elanders Sverige will also continue to coordinate an ERP system for the Group.

The Group will also work on becoming even faster at responding to deviations and complaints as well as establishing a homogeneous glossary throughout the Group. Standardised

terminology will improve the dialogue between co-workers in different units and countries in matters of quality and the environment.

ELANDERS' ENVIRONMENTAL AND QUALITY ORGANISATION

Elanders' environmental and quality work is carried out locally through 14 specially appointed people, one from each company. In Sweden, Hungary, Great Britain and Germany this person works full-time with quality and environmental issues. On Group level the work is carried out by the same staff. This group meets twice a year to discuss goals for the coming year, audits, legislation, ecolabels, reporting systems for deviations and costs, assessments of new chemicals, quality and environmental management systems, internal education and more. Summaries of the meetings are then sent on to Executive Management.

Expertise and experience in graphic technology and production, the environment, quality management, chemistry, the working environment, environmental legislation and business systems can all be found among the members of this group. To achieve the best results the members of the group contact each other for aid and support in their work.

► 5S TECHNIQUE FOR CONTROL AND ORDER

5S is a Japanese step-by-step technique that results in a well-organised workplace complete with visual controls and order. The 5S's are the foundation for workplace improvement.

- **Seiri:** Sort
- **Seiton:** Set in order
- **Seiso:** Shine
- **Seiketsu:** Standardise
- **Shitsuke:** Sustain

Purpose: Safer and more efficient production as well as less waste in the form of:

- Time spent looking for something
- Unnecessary make-ready time
- Excess inventory
- Defects/paper waste
- Unused floor surface
- Turnaround time



► **The Swan:** An ecolabel for printers that meet criteria concerning choice of paper, ink and chemicals as well as procedures in production and waste management.



► **FSC Forest Stewardship Council:** Certification for sustainable forestry. Forest products made from lumber from FSC certified forests may be FSC labelled. This is also possible for printed matter.



► **The EU flower:** EU's ecolabel for paper, paint, hotels etc. Criteria for printed matter is under development and a final draft has existed since 2005.



SUSTAINABLE DEVELOPMENT PERSONNEL

PRIDE IN DOING YOUR BEST FOR THE CUSTOMER

At Elanders employees are encouraged to take responsibility and their entrepreneurial skills are an important part of company culture. Our personnel's feeling for business creates a market driven organisation focused on profitability and growth.

COMPANY CULTURE IS AN IMPORTANT COMPONENT FOR SUCCESSFUL COMPANIES

Elanders' company culture is well established and provides employees with good guidance in their daily work. Our common value base focuses on taking responsibility, commitment and entrepreneurship. Leadership that motivates and inspires employees' individual freedom and desire to take personal responsibility is a necessity to creating and stimulating a company culture like this.

Employees are active in the company by, for instance, giving their suggestions for improvement. They always do their best and take responsibility for customer deliveries. The delegation of responsibility and authority is an important motivation and it promotes the high level of mutual trust that exists in the organisation.

Our employees' attitude often plays a vital role in why customers and suppliers choose to work with Elanders. The Group's personnel is well known for its expertise in creating new,

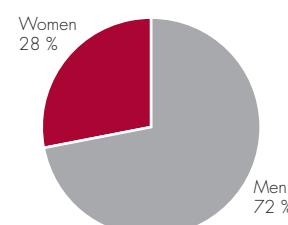
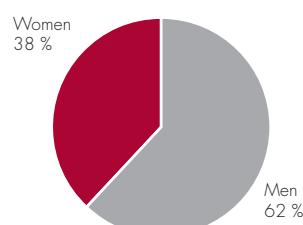
innovative solutions that meet customers' needs and challenges. Elanders' employees strive continuously to find cost effective solutions in production and logistics as well as in administration that benefit all parties. A sales support system that was implemented in the Swedish operations in 2007 makes sure focus is constantly on customers. An evaluation of a ERP system is being carried out now within the Group and is expected to lead to its implementation in 2009.

CULTURE IN THE SUBSIDIARIES

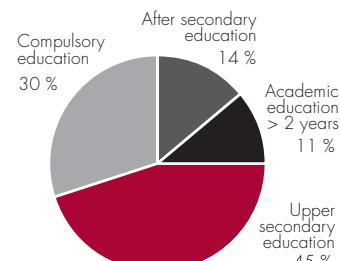
Understanding Elanders' culture and work methods is spread to Group units in different countries foremost by an exchange of employees. When we start operations in new countries, like in Hungary and China, personnel from existing units are there to teach and discuss things with local employees. The management in our newly established subsidiaries is normally Swedish in order to make sure that operations are run in harmony with our company culture and values.

Our company culture, values and work methods are also promoted through the intranet, the personnel magazine Inside that comes out three to four times a year and a monthly letter. These channels are vital culture bearers within Sweden and

AVERAGE NUMBER OF EMPLOYEES, MEN AND WOMEN
RELATIONSHIP BETWEEN MEN AND WOMEN



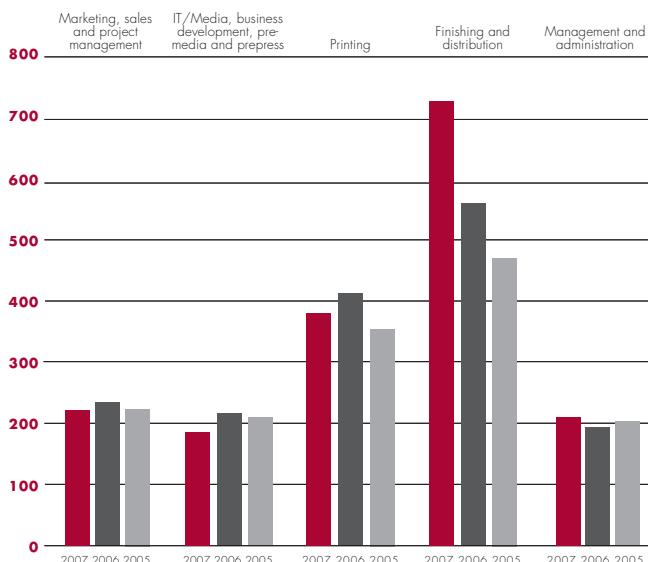
MEN AND WOMEN
IN LEADING POSITIONS
EDUCATIONAL LEVELS
IN THE ELANDERS GROUP



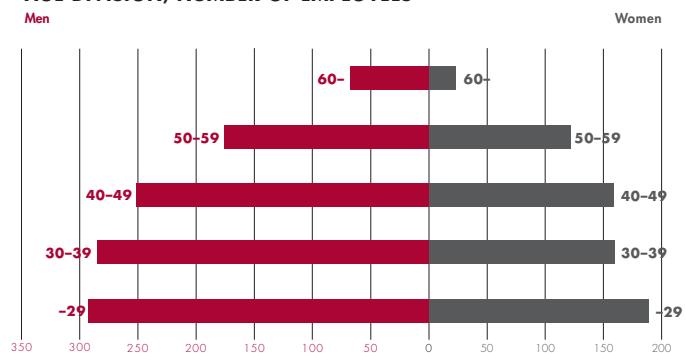


CULTURE BEARERS As Elanders expands it is important to keep and develop our company culture. An important channel for employees all over the world is the common company magazine, which is published in Swedish, English and Brazilian Portuguese.

ROLE IN THE ORGANISATION, NUMBER OF EMPLOYEES



AGE DIVISION, NUMBER OF EMPLOYEES



internationally and contribute to the transparency Elanders endeavours to achieve.

AN ORGANISATION THAT PROMOTES FLEXIBILITY

Our decentralised organisation is customer driven and promotes a high level of flexibility at the same time it allows for entrepreneurship. The closeness created between leadership and other employees is possible because of Elanders' organisation, which is characterised by short decision-making paths and direct communication, which makes it easier to understand the decision made.

MANY CAREER OPPORTUNITIES

Elanders' employees are its sharpest competitive edge. Therefore the Group strives to be an attractive employer that offers its employees substantial opportunities for personal development through internal and external education in technology and sales as well as by being able to advance at Elanders.

Both internal and external recruitment are crucial tools to

attract and keep capable personnel. Internal positions are announced on the intranet and employees are encouraged by their supervisors to choose an internal career. The external recruitment is facilitated by the fact that Elanders is active in Qualified Professional Education and provides apprentice training within graphic process education and finishing. Trainee spots are offered in administration and sales for students from, for instance, the IHM Business Group.

CONTINUED WORK ON EFFICIENCY IN 2007

During the year Elanders replaced equipment in a number of units. In connection with the switch the company carried out an educational program in the new technology, which led to considerable efficiency gains such as fewer shifts and fewer make-readies, which also contributed to lower environmental impact. We have also worked on homogenising our procedures and work methods and finding best practice, in Sweden and internationally, in the Elanders plants that function best. Work on continuing to

improve the working environment has focused in 2007 on minimising noise and loud sounds.

HEALTH RATIOS CONTINUE TO IMPROVE

Low absence due to sickness is highly beneficial for both employees and companies. Elanders began measuring health ratios in 2002 and we continue to improve them through the work we do in this area every year.

The goal for the Group's health ratios is at least 95 percent and in 2007 it was 97 percent. Absence due to sickness is reported country for country.

Elanders works continuously with physical fitness in part through a Health Group made up of representatives from dif-

ferent units. The Health Group arranges various activities like seminars connected to diet, health, stress and physical well-being. Interest in these seminars is usually considerable. The Health Group also arranges physical activities like the "Can do competition", a reoccurring exercise challenge between employees.

A workplace that functions well is characterised by a high degree of well-being. Elanders therefore works extensively to prevent stress related illnesses, through for example, workplace adjustments that facilitate returning to work after convalescence. Elanders is also a member of the Good Graphic Company, a group of union and company representatives that, among other things, work to augment health ratios in the graphic industry.

► SICK LEAVE IN THE GROUP'S SWEDISH COMPANIES

Percent	2007	2006	2005
Total sick leave	3.2	4.9	6.0
Short-term sick leave	1.6	2.1	2.0
Long-term sick leave	1.6	2.1	2.8
Sick leave, men	1.9	4.0	5.2
Sick leave, women	3.7	6.8	9.4
Sick leave, employees under 30 years	3.6	5.7	4.1
Sick leave, employees 30–49 years	2.8	4.6	6.2
Sick leave, employees 50 years and over	3.5	5.4	7.0

The total sick leave is given in percent of employees' total ordinary working hours. Short-term sick leave is absence during a continuous period of 1–14 days and long-term sick leave is absence during a continuous period of 60 days or more.

► HUMAN CAPITAL RATIOS

	2007	2006	2005
Average number of employees	1,579	1,490	1,478
Number of employees per 31 December	1,723	1,553	1,511
Average age	39.2	42.0	41.4
Personnel turnover, %	11.6	9.6	10.8
Revenues per employee, SEK '000	1,300	1,334	1,321
Added value per employee, SEK '000	748	765	770
Operating profit/loss per employee, SEK '000	144	–6	82
Academic education more than 2 years, %	10.7	10.5	15
Upper secondary education, %	58.6	59.6	47
Other education, %	30.8	29.9	38
Competence development cost per employee, SEK '000	3.2	3.6	3.8

► ELANDERS' POLICIES

At the beginning of 2008 there were twenty policies and guidelines. The company works continuously to implement values, policies and guidelines among employees and different groups through education and information.

Alcohol and drug policy	Working environment policy	Policy of Authorisation
Car policy	Financial policy	Health policy
Information policy	IT policy	Equality policy
Quality policy	Leadership policy	Personnel policy
Environment policy	Pension policy	Policy for the use of Internet and E-mail
Rehabilitation policy	Travel policy	Secrecy and silence policy
Code of Conduct	Congratulations policy	

► HR WORK IN DIFFERENT CULTURES

Elanders' strong company culture is a significant factor behind the development of our business. It is therefore important to pass on the values that steer our company culture when the company expands internationally. Success in new markets is largely dependent on connecting our original company culture with the viewpoints in the countries Elanders starts up in.



Celso Xavier de Souza, Fulfilment Manager



Michael Kebell, Night Shift Manager



Li Peng, Printing Operator

BRAZIL

Elanders is today one of the largest and foremost suppliers of digital print in Brazil and endeavours to be a supplier in the premium segment. This means that operations deliver material of the highest quality with the best service.

A vital part of being an attractive employer in Brazil is having a good working environment; a good atmosphere, work ethic and respect for the individual as well as tangible development and career opportunities in the company. Salaries and benefits are important factors even if they are not crucial motivation factors, says Elanders' MD in São Paulo, Todor Mello.

Company culture is primarily built on value creation and accessibility. Value that surpasses expectations means content customers and employees. Accessibility creates an open company culture where communication between supervisor and employee is fundamental.

Being a global Group has obvious competitive advantages. Long experience combined with innovative solutions in infimedia as well as traditional printing services also gives us a competitive edge. Offering full-service solutions instead of conventional printing is a vital success factor on the Brazilian market.

GREAT BRITAIN

Focus is an important key word in our business, focus on doing what is right for the company rather than what is considered right in the industry. Communication within and between all parts of the company is the key to success in Elanders UK, says Elanders' HR Manager in UK, Dennis Bryden. Company culture is built on continuous feed back and dialogue between management and employees.

Elanders UK works intensively with internal communication in many forms whether it be monthly reviews of important events in the Group, conferences or strategy meetings. At Elanders UK it is extremely important that its personnel understands and is involved in what is going on in the company. For this reason every month company management presents profit and sales figures, existing and potential customers and production levels.

The HR department is a vital function in running the business in Great Britain. The company develops with tools and policies in the HR department that rationalise and optimise resource utilisation in the organisation.

The HR department works on attracting and keeping the best employees and the company makes sure it maintains a good balance of employees with different backgrounds. The company's ability to achieve its goals is enhanced through an optimal mix of educations, previous experience and development potential.

CHINA

Elanders' company culture in China, as in Sweden, is formed based on the people working there. This means that, to a large extent, employees create the workplace they want to work in. Elanders has put great emphasis on building up operations around a Chinese perspective but with a Swedish quality. Important cornerstones are high work ethics, productivity, an open working environment and clear international focus, says Elanders' HR Manager in Beijing Tamsin Zhao.

Many different components are involved in being an attractive employer in China, among them is a good company culture. Competitive salary levels and benefits are crucial to recruiting and keeping the sharpest personnel. Chinese employees want climb a career ladder and therefore a company must have tangible career opportunities and be considered trustworthy and responsible.

At Elanders in Beijing employees work in teams that involve different departments and in this way they learn about every department in the company and get an insight into other functions than their own. Cross-fertilisation has proven very successful and employees are happy to have a work method that provides a broader perspective.

Working with HR matters in the world's largest economy is not any different from working with them in significantly smaller Sweden. The HR departments in China and Sweden place great importance in personal development and being able to influence the various working processes in the companies. The HR department in China also works actively with individual

STRENGTHENED FOOTHOLD IN EUROPE MOVING WEST

BUSINESS AREA'S OPERATIONS

Infologistics develops and delivers complete solutions for publishing to industrial customers, publishers and the public sector. This also includes user information to the automotive industry because the actual printed part forms only a relatively small portion of the total business in this segment. Production continues to expand in this business area upstream and downstream. Geographical expansion will be in the first place in Western Europe and the American continents. In those cases the business area's customers require print production at a lower cost and can accept longer delivery times the capacity in User Manuals in Eastern Europe and Asia is used.

The business area has its base in the Group's Infomedia Centres in Mölnlycke and Stockholm, Sweden, Waiblingen, Germany and Newcastle, UK. Elanders' Infomedia Centres offer information structuring, advanced premedia, digital printing, offset printing and fulfilment services. There are digital printing units in Stockholm, Sweden, Oslo, Norway and São Paulo, Brazil and in-house units for publishing in digital printing in amongst others, ABB in Västerås, Volvo in Gothenburg and Tetra Pak in Lund. Furthermore there are production facilities for premedia, offset printing and fulfilment in Falköping, Malmö, Stockholm, Sweden Oslo, Norway and, after the acquisition of Seiz Printing Inc in February 2008, Atlanta, USA. A unit for sales and project management is in Uppsala and sales, premedia and IT based page production in Harrogate, UK.

THE PAST YEAR

The year contained a mixture of challenges at home and international expansion.

In January Sommer Corporate Media in Waiblingen near Stuttgart, Germany was acquired. Sommer Corporate Media is one of Germany's leading suppliers of product and user information to larger industrial and service companies. The acquisi-

tion is strategically important not only for the business area but for all of Elanders.

Sommer Corporate Media is a complete Infomedia Centre that has won several quality awards and it gives Elanders an important foothold in Germany, which is the home of a line of global companies within the segment Automotive, Industry & Trade and Service Sector.

In October 80 percent of Artcopy in São Paulo, Brazil was acquired, which gave the Group an important platform in Brazil where several of Elanders' large, global customers are active.

Master Vendor®, Elanders' program for business publishing solutions, continued to be successful during the year and now permeates all the work in the business area. Some of the larger Master Vendor® business deals during the year were made with Bayer, Bosch, Scania and Saab Automobile. The Group works actively in the global network for distributed digital printing that the Group has access to, especially regarding solutions for the automotive industry.

The new, major orders are always in line with the business area's strategy to help larger companies and organisations to be more efficient in their publishing process.

The Swedish section of the business area has been sluggish this year due to, among other things, lower volumes than anticipated from Parliament and the government and a certain transfer of volumes to units in User Manuals. The work to merge the Swedish operations began during the year and is now almost completed. One result of this is that operations in the business area's six Swedish companies are, from 1 January 2008, run in two legal entities and another is that production and marketing has been coordinated. This strengthens Infologistics' marketing organisation and improves collaboration between units. Operations are now becoming specialised to optimise each kind of production and service. In addition, we reviewed our equipment and capacity in order to adapt it to expected developments in Sweden. As a



MORE EFFICIENT PUBLISHING PROCESS It is becoming more and more important to adapt information to individuals in order to reach the right recipient with the right message. This means fewer copies and fresher, more up-to-date information that reaches the recipient at the right time.

result of this was the production in Östervåla was moved to other Swedish units and the software developed within the Group that we offer externally was refined. These latter measures led to provisions and write-downs in the amount of MSEK 20.

AREAS OF COMPETENCE

The foundation of the business area is the conscious work to continually analyse customers' business. Based on this, current and acquired operations are coordinated to deliver total solutions that strengthen the customers' competitiveness. The work means considerable investment in new technology, marketing, expansion through acquisitions and new businesses. Infologistics' operations cover all areas of the publishing chain.

The business area delivers solutions for e-commerce and elec-

► INFOLOGISTICS – FINANCIAL HIGHLIGHTS

	2007	2006	2005
Net turnover, MSEK	1,617	1,293	1,274
EBITDA, MSEK	146	136	136
Operating profit/loss, MSEK	91	101	95
Capital employed, MSEK	1,100	700	777
Return on capital employed, %	10	14	12
Average number of employees	994	792	800
Investments not including acquisitions, MSEK	79	17	21
Percent of Group net turnover	79	65	65
Percent of Group operating profit/loss	40	n.a	78

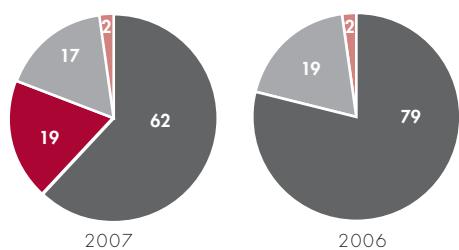
► THE BUSINESS AREA'S OPERATIVE COMPANIES AND THEIR OPERATIONS

	Premedia	Media-independent solutions	Sheetfed offset	Web offset	Digital printing	Ad and page production	Bindery	Fulfilment and distribution	Out-sourcing
Atlanta, USA ²⁾	•	•	•			•	•	•	•
Falköping, Sweden	•		•	•			•		
Harrogate, Great Britain	•	•				•			
Lund, Sweden					•		•		•
Malmö, Sweden	•	•	•		•		•	•	
Mölnlycke/Gothenburg, Sweden	•	•	•	•	•	•	•	•	•
Newcastle, Great Britain	•	•	•		•	•	•	•	•
Oslo, Norway	•	•	•		•			•	
São Paulo, Brazil	•		•		•			•	
Stockholm, Sweden	•	•				•			•
Stuttgart, Germany	•	•	•		•		•	•	•
Uppsala, Sweden	•	•				•			•
Vällingby, Sweden	•		•		•		•	•	
Västerås/Ludvika, Sweden	•				•		•	•	•
Östervåla, Sweden ¹⁾	•	•	•					•	•

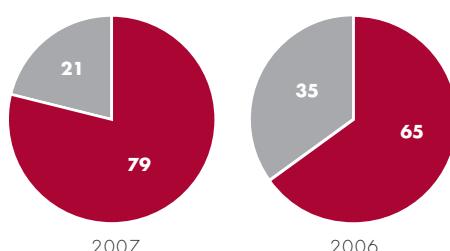
¹⁾ Operations were closed down during the 1st quarter, 2008

²⁾ Operations were acquired in February 2008

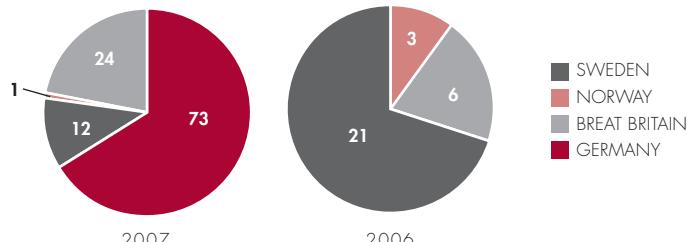
**INFOLOGISTICS
PERCENT OF NET TURNOVER**



**INFOLOGISTICS,
PERCENT OF GROUP NET TURNOVER**



**INFOLOGISTICS,
GROSS INVESTMENTS (MSEK)**



INVESTMENTS DURING THE YEAR mainly concern offset equipment for greater capacity and efficiency in Germany and Great Britain.

AS A RESULT OF THE ACQUISITIONS in Germany and Brazil the business area's share of Group turnover and share of turnover abroad increased.

tronic document handling, digital archives and digital printing with one main purpose: to simplify and shorten the customers' internal processes and time-to-market. Elanders is a leader in digital printing in Sweden and Germany and also has digital printing units in Brazil, Great Britain and Norway. Elanders also delivers services at the start of the value chain where the content is created, for example translation and design, as well as at the end of the chain, where we help our customers with fulfilment and logistics. In most of our outsourcing business we manage the complete chain. Elanders has experience in managing large outsourcing assignments. An important part of operations is still premedia and printing with some form of finishing. With these services as a base Elanders delivers bespoke systems for publishing solutions, usually involving sheet-fed printing or digital printing but where the orders are larger, web offset printing as well. Even more important though is the clear trend that more and more business is being done at the beginning and end of the value chain (information structuring, databases, fulfilment logistics etc.) even if this later often leads to significant print production.

CUSTOMER STRUCTURE

Infologistics works in all Group customer segments: Automotive, Publishers, Industry & Trade, the Public Sector and the Service Sector. The turnover breakdown during the current year is shown in the table on page 23.

THE COMPETITION

Competition comes first and foremost from large Swedish and international graphic groups. Companies that previously operated in a single section of the value chain (technical writers, consulting firms, database specialists and systemising and programming companies) strive to increase content in their products. The major graphic groups are also trying to broaden their range.

This has brought about a somewhat new competitive arena in the past few years. In our strategy we have anticipated this development and lie on the cutting edge when it comes to helping our customers to free up resources to enable them to concentrate on their core business. The competition is described further on page 30 and also in the diagram on page 59.

GROWTH TARGETS

The rate of growth for digital printing in Sweden and Western Europe lies between 3 and 5 percent annually. For sheet-fed printing the rate of increase is between 1 and 3 percent. Sales of services covering project management, competence in technical editing, database solutions, fulfilment and distribution are still that part of the business area growing quickest. This is due to the fact that there is (Master Vendor[®]) a larger content of services in everything offered. This is growing at a rate of 15 percent annually. The segments that Infologistics works with are expected to have relatively little growth during the next few years in the geographical markets where the business area operates. Elanders will therefore grow primarily by winning market shares.

The business area's long term growth target is to grow by 7 to 10 percent annually over the business cycle, of which half will be organic.

GROWTH STRATEGIES

Several of the business area's operations dominate their market segment in Sweden. Expansion therefore must be international and primarily in the larger industries in the segments Automotive and Industry & Trade. In the domestic market we will primarily grow within Industry & Trade, the Public Sector and the Service Sector. Within Publishers we will endeavour to defend our market share by, apart from other things, offer production at a lower cost in Eastern Europe.

The trend in larger companies to reduce the number of sup-

► cont. p. 56

PERSONALISED AND PRODUCT ORIENTED INFORMATION

In business area Infologistics we customise publishing solutions for our customers. Printing is our base but services at the beginning and end of the value chain are becoming more and more important.

► **PERSONALISED PHOTO ALBUMS** Lots of people have a bad conscience when it comes to sorting their private photos into albums or boxes. Now there is an easy way to make your own photo albums via Elanders in Germany. You can upload your pictures onto the website www.fotokasten.de and order a complete photo album home to your door. In 2007 Sommer Corporate Media produced more than 300,000 photo albums and 750,000 personalised calendars for consumers.

▼ **UNIQUE MANUALS FOR TRUCK DRIVERS** The DNA steered, i.e. chassis unique, driver's manuals that Elanders produces for Scania only contain information relevant to a certain truck's specific equipment. The manuals are written in the driver's language and if the truck is resold to a different language area, the manual can easily be produced in the new language.



▲ **STORING IMAGES AND DOCUMENTS** Good information structuring saves time and other resources in the publishing process. For many customers Elanders provides and develops Web-based interfaces for the storage of images, documents and other information. We currently store one million images and 250,000 documents in 50 different languages for our customers in the publishing system Elanders Publishing Platform, EPP. We process, for instance, 70,000 orders annually for IKEA to all their markets around the world and approximately 100,000 images are stored in databases.

◀ **PERSONALISED FUND REPORTS** Elanders annually produces two million fund reports with personalised content. This means the report only contains information concerning the funds that the individual recipient has in his/her portfolio. In addition to saving time, money and the environment it is a welcome simplification for the recipient of the information.

► cont. from p 54

pliers is clear in Sweden and internationally. Elanders has both the financial size and broad competence and thereby the strength to follow its large customers internationally through new units, networking and acquisitions. The geographic expansion in Infologistics will mainly take place in Western Europe and in time even on the American continents.

Well-invested production for sheet-fed and web offset together with digital printing provides good opportunities for growth and increased profitability. IT/Media operations (database design and information structuring) are one of the basic conditions for the business area's and the Group's continued development and are integrated in the graphic operations to support other business. Elanders has, for example, developed tools for efficient parallel publishing (WebBase) and market planning (M3) which have been used with success in hundreds of the business area's orders. Together with several others these tools form EPP, Elanders Publishing Platform, a collective name for a growing palette of services and tools that in close cooperation with the customer are adapted to their needs and are controlled through a systematic and goal-steered development process.

The global industrial groups have manufacturing and distribution in several different places. Our strategy is to be able to offer our logistic services just-in-time in document and distribution centres (DDC) close to our customer's manufacturing units and distribution centres.

Many customers, certainly within Automotive, call such a centre a hub. An example of this is our DDC in Arendal in Gothenburg that handles complex distribution of very large volumes of publications just-in-time to all the companies within AB Volvo and Volvo Car Corporation worldwide. Other examples of hubs are the units in Tetra Pak in Lund and the new unit in Luton, Great Britain for GM. Here, we assist our customers with both production and all the logistics surrounding publication – a complete supply chain management for publishing.

SUCCESS FACTORS – SUMMARY OF STRATEGIES

- A clear focus on selling complete solutions with more efficient publishing processes that improve productivity for the

customer. Examples of this are orders with Daimler, Postbank, ABB, Volvo, IKEA, If, Saab Automobile, Scania, Sandvik, Tetra Pak, Vauxhall (GM), Land Rover, Resia, SEB, Svenska Handelsbanken, Husqvarna and Gambio.

- Maintaining and expanding the strong customer base we use as references when new and large international customers consider our products and services.
- Continue to invest in supply chain management in DDC/hubs close to our customers.
- Continue to invest in personalised and productified digital print in one or several colours.
- Expand further in Western Europe with existing customers through acquisitions or new units.
- Intensify the work within the worldwide networks the Group has access to in distribution digital printing and web distribution etc. through, for example, International Printers Network, IPN.

FUTURE OUTLOOK FOR THE BUSINESS AREA

Elanders has a unique position through its size, customer base, competence and its ability to deliver total solutions. Those customers we target are showing clear signs that publishing is outside their core business and they will increasingly want to reduce the number of their suppliers and release capacity to enable them to concentrate on their core business. This will give us new Master Vendor® business. We also see good opportunities to grow internationally with existing and new customers and thus win more market shares. We bring together our resources in our Infomedia Centres, which have now grown to include one on the important German market, and with the increasing interest for our solutions we see positive future development for the business areas. The coordination program in Sweden is expected to lead to the better profit in the Swedish units compared with 2007. All in all we anticipate Infologistics in its entirety to surpass 2007 in both turnover and profit in 2008.



NEW ACQUISITION Seiz Printing, which was acquired in February 2008, operates out of Acworth just south of Atlanta, Georgia. Seiz currently has 65 employees and an annual turnover of around USD 14.

Elanders' acquisition of Seiz Printing Company

ELANDERS MOVES INTO THE USA

Seiz Printing, Inc. was founded in 1972 by Emil Seiz. The company was owned and run successfully by Emil's three sons; Charlie, Bill and Eddie for 25 years.

"We think it's very exciting to join Elanders. The global solution that we can now offer our customers cannot be matched by our competitors. There are a number of advantages to being part of Elanders, and the entire personnel at Seiz looks forward to a future with Elanders," says Charlie Seiz, MD for Seiz.

Seiz Printing is known for its high quality and has many well known customers in the U.S. In addition, Seiz has worked together with Sommer Corporate Media for over three years on jobs in the U.S. for Daimler, particularly for Mercedes Benz, which means it has already been qualified by an Elanders company.

"Our experience in the segment Automotive and in telecommunications fits in perfectly with Elanders," comments Charlie Seiz. Patrick Holm, President and CEO of Elanders, emphasises the importance of following customers out into the world. "With our global strategy it's geographically favourable for Elanders to have a printing plant in the USA. Several of our customers need deliveries in the U.S. and we believe Atlanta, lying as it does in the expansive southeast, is a good location for deliveries to Group customers on the American market," says Patrick Holm.

Charlie Seiz will continue to be Managing Director for Seiz and will work with Don King, Production Manager and Shannon Fortune, Executive Assistant.

Bill and Eddie Seiz will focus on sales and Charlie Seiz will report directly to Peter Sommer at Sommer Corporate Media, who is also a member of Elanders' Executive Management and responsible for the German and American markets.



Charlie Seiz MD at Seiz,
Don King, Production
Manager, Shannon
Fortune, Executive
Assistant.

► INFOLOGISTICS IMPORTANT CUSTOMER SEGMENTS 2007

Customer segment	Percentage of turnover	Products and services	Processes
AUTOMOTIVE			
	30 %	Print Management, (outsourcing in after sales and marketing), duplicating (manuals, product information, service information, DVD/CD), premedia/prepress (images management, design, scanning etc.), fulfilment centre (packing, storage, order office, logistics, help-desk, project management), database solutions (image management solutions, project management modules, electronic data storage etc.), personalised marketing material, editorial tools with publishing modules	Design and management of databases, premedia, sheet-fed and web offset, digital print and filing, binding, logistics with just-in-time deliveries directly to production lines
PUBLISHERS			
	19 %	Educational material, trade literature, fiction, magazines, product information, databases, production planning and management	Premedia, web and sheet-fed offset, digital print and filing, binding, logistics
INDUSTRY & TRADE			
	31 %	System support, manuals, product information, marketing material, databases, transaction, fulfilment, education, logistics	Design and management of databases, premedia, sheet-fed and web offset, digital print, e-commerce and filing, binding, storage and logistics with just-in-time deliveries directly to production lines
PUBLIC SECTOR			
	9 %	Parliamentary printing, papers, reports, tax tables, information	Premedia, sheet-fed offset, digital print, binding, storage and logistics
SERVICE SECTOR			
	11 %	System support, customer information, insurance policies, fund reports, distribution, publication storage	Premedia, design and database management, sheet-fed offset, digital print and filing, binding, storage and logistics

¹¹ Refers to local markets where the Group is active.

Estimated market shares ¹⁾	Long-term operating margin targets	Major customers	Competition
<50 %	5–8 %	<p>Sweden: AB Volvo globally (Buss, Penta, Parts, Trucks, IT, CE), Scania globally (Scania Brazil), Toyota (Toyota, Lexus), GME (Saab Automobile, Chevrolet, Cadillac), Ford Europe (Volvo Car Corporation, Volvo Personbilar Sverige, Ford Norden), Ford/PAG (China, Japan), Hyundai, Honda, KIA, Honda</p> <p>Germany: Porsche, Daimler</p> <p>Great Britain: Vauxhall, Ford Europe (Land Rover, Aston Martin), Bentley, Nissan, Audi</p> <p>Brazil: Scania</p>	<p>Great Britain: Xerox, Wyndham Westway, Williams Lea, SP Group</p> <p>Germany: Zetweka, Infowerk, Bosch Druck</p> <p>Holland: Callenbach</p> <p>Japan: Maruboshi</p>
<25 %	4–8 %	<p>Sweden: Liber, Natur och Kultur, Berling Media, Bonniers, Rabén & Sjögren</p> <p>Great Britain: CGP</p>	<p>Sweden: Fälth & Hässler, Kristianstads Boktryckeri, JMS Media</p> <p>Denmark: Nørhaven</p>
<25 %	8–12 %	<p>Sweden: Sandvik, IKEA, ABB, Flextronics, Tetra Pak, SKF, Sony Ericsson, Elektroskandia, Atlas Copco, Electrolux, Husqvarna, Kinnarps</p> <p>Germany: Marccain, Ritter Sport</p>	<p>Sweden: Intellecta, JMS Media</p> <p>Denmark: Stibo</p> <p>Great Britain: Pindar</p> <p>Finland: Edita</p> <p>USA: Xerox</p>
<25 %	6–10 %	<p>Sweden: The Cabinet Office and Ministries, Government services, SIS, VHS, municipalities and county councils, The United Nations</p>	<p>Sweden: Parajett, Edita, Intellecta, Taberg group</p>
<10 %	8–12 %	<p>Sweden: If property and casualty insurance, KPA, Nordea, Swedbank, SEB, Folksam, Svenska Handelsbanken</p> <p>Germany: Fotokasten, Postbank</p> <p>Brazil: Armo Bank, Disney</p>	<p>Sweden: Strålfors</p> <p>Finland: Itella</p>

CONTINUED EXPANSION IN CUSTOMERS'FOOTSTEPS

BUSINESS AREA'S OPERATIONS

User Manuals' primary business is highly efficient deliveries of user information for mobile telephones and other consumer electronics. This business is mainly print production with extremely high demands on flexibility and short lead times. The geographic expansion will take place in countries with relatively low labour costs in Eastern Europe and Asia. Product expansion will be downstream through increased content of packaging manufacturing, print-on-demand and logistics. Our customers are mainly in the segment Industry & Trade. User Manuals has complete production units in Beijing, China, Plonsk, Poland and Zalalövö, Hungary. A second 50/50 joint venture with Hansaprint OY is being built in Cluj-Napoca, Romania. In addition, we have DDCs in Treviso, Italy, Wrocław, Poland and Komárom (50/50 joint venture with Hansaprint OY), Nyíregyháza and Jászberény, Hungary and Satu Mare, Romania. These DDCs have been started in direct proximity to larger customers such as Electrolux and Nokia. Production capacity in the business area's units is also used for customers in Scandinavia, Germany and Great Britain in other segments and business areas when low cost is prioritised before short lead times.

THE PAST YEAR

The factory in Beijing was in full production the entire year which, together with continued success in Hungary, led to an increase in turnover and profit. The Beijing facility began manufacturing and printing packaging of mobile telephones, a service which grew during the fourth quarter. The Polish operations had a slower year due to production stops in connection with maintenance and reparations of production equipment. At the end of the year business area profits were charged with a slightly higher cost than planned for the establishment of the Italian unit. During the year the business area signed important contracts with, among others, Electrolux, Philips and Braun concerning the

production of user information. Elanders and Electrolux have signed a three-year exclusive contract concerning the production of all user documentation (manuals etc.) for products manufactured by Electrolux units in Denmark, France, Germany, Great Britain, Hungary, Italy, Poland, Rumania, Russia, Switzerland, Spain and Sweden. Cooperation will unfold after a fixed time schedule for the various production units. Deliveries are already being made in Sweden, Switzerland, Italy, Hungary and Romania. This process is expected to be implemented during the year and completely up and running at the latest in 2009. The deal is an excellent example of the Group's focus on deliveries of full-service solutions to global customers in order to reduce their time-to-market.

AREAS OF COMPETENCE

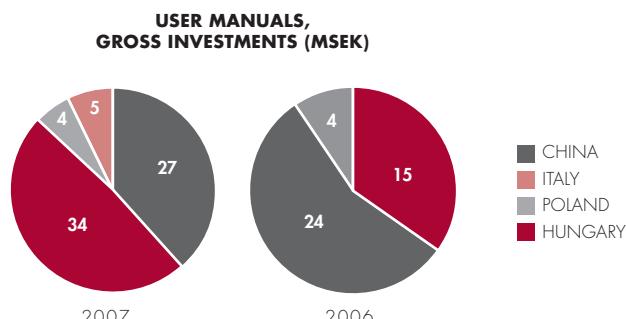
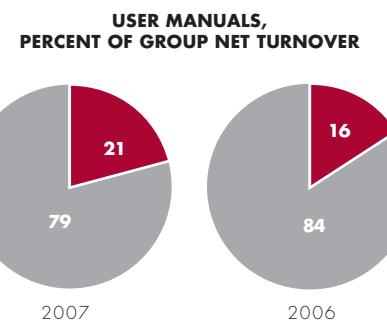
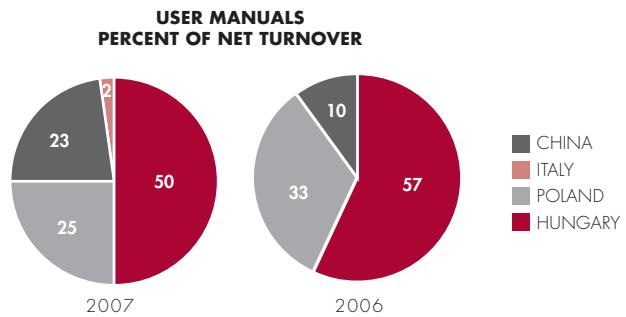
User Manuals is specialised in supplying on extremely short lead times manufacturers of mobile telephones and other consumer electronics with user information. Advanced and fast information structuring that comprises among other things handling an unlimited number of languages and different model versions is a significant part of our main business. Print production is mainly sheet-fed and digital but larger quantities can be produced by web offset, especially in the Polish plant which also serves the local magazine and advertising market.

CUSTOMER STRUCTURE

The business area is principally directed toward Industry & Trade but it also works with Publishers and serves the rest of the Group in all segments except the Public Sector. In Industry & Trade we work primarily with global manufacturers of consumer products in mobile telephones, consumer and home electronics and white goods. The turnover breakdown for 2007 is shown on the diagram on page 64.



HIGHLY EFFICIENT DELIVERIES OF MANUALS For customers in the consumer electronics industry short lead times are of increasing importance. This means that the printing plant must be close by.



► USER MANUALS – FINANCIAL HIGHLIGHTS

	2007	2006	2005
Net turnover, MSEK	419	312	254
EBITDA, MSEK	121	93	60
Operating profit/loss, MSEK	95	73	44
Capital employed, MSEK	433	314	251
Return on capital employed, %	25	26	18
Average number of employees	558	405	268
Investments not including acquisitions, MSEK	69	42	66
Percent of Group net turnover	21	16	13
Percent of Group operating profit/loss	42	n.a	36

INVESTMENTS WERE MAINLY MADE in packaging equipment in China and in offset equipment and systems in Hungary in order to increase capacity and service levels for our global customer contracts.

AFTER EXPANSION IN CHINA the operations there now make up a fourth of the business area's turnover.

THE COMPETITION

Our greatest competition is usually from smaller, local printers, often many in one place, that without cooperating with each other furnish global manufacturers of consumer electronics in the places they have manufacturing units. In some cases competition comes from a few global players that attempt to follow their customers around the world and provide them with service from existing operations in the respective countries rather than through new establishments close to our customers' plants. The competition is described further on page 30 and a diagram describing the competition is on page 65.

GROWTH TARGETS

The business area's main target group is the consumer electronic sector of Industry & Trade. This is expected to have a high growth rate in the foreseeable future and Elanders also plans to capture market shares. An annual growth of 15–20 percent over a business cycle is therefore realistic for User Manuals.

GROWTH STRATEGIES

The main strategy in the business area is expansion through establishing new businesses close to global customers primarily in consumer electronics. The operations in Hungary and China

► THE BUSINESS AREA'S OPERATIVE COMPANIES AND THEIR OPERATIONS

	Premedia	Sheetfed offset	Web offset	Digital printing	Bindery	Fulfilment and distribution
Beijing, China	•	•			•	•
Zalalövö, Hungary	•	•	•		•	•
Budapest, Hungary				•	•	•
Komárom, Hungary	•	•		•	•	•
Plonsk, Poland	•	•	•		•	
Treviso, Italy				•		•

as well as our DDCs in Hungary, Italy, Poland and Romania are examples of this. To strengthen the partnership with our customers we will expand downstream and increase the content of, for example, packaging manufacturing and logistics. New business establishment, which is usually based on a need of a large customer, would normally only be considered where there is a probable chance to diversify the customer portfolio locally within a reasonable time; normally 1–2 years. Furthermore we will build business models to meet the various requirements of customer so that deliveries and information is transferred to those, often different, places the customer wishes.

To be able to utilise the business area's larger facilities efficiently more DDCs, with digital printing and logistic services, will be set up next to customer's important manufacturing units. These DDCs will deliver locally produced digital editions whilst the larger offset volumes will be fed in from the larger units. Our DDC in Treviso, Italy, is a perfect example of this strategy. It delivers digitally printed products and logistic services whilst the offset volumes are produced in the larger unit in Zalalövö and they are then delivered just-in-time to the customer via the DDC in Treviso. Available production capacity is used optimally to allow other business areas the opportunity to offer their customers production at a lower cost in Eastern Europe and Asia. The facilities in User Manuals in Plonsk, Poland and Zalalövö, Hungary can offer competitive print production for most of our business area customers not only in Sweden but in other parts of Europe, which will be taken advantage of to a greater extent. There is already a production line for book production in Hungary and it is more or less already at full capacity. The main production in Poland will successively move from magazine production to benefit user information and production for publishers. The future geographic expansion in User Manuals will be in Eastern Europe and Asia but Latin America is also a possibility.

SUCCESS FACTORS – STRATEGIES IN SUMMARY

- ▶ Broaden our services with information structuring, packaging manufacture and logistics.
- ▶ When the opportunity arises, follow global manufacturers of consumer electronics and similar products over borders

and establish new units for just-in-time deliveries of user information.

- ▶ Adapt business models to the customers' structures to enable deliveries of products and information efficiently and supply at those places the customer wishes.
- ▶ Establish a new business only where a diversification of the customer portfolio is possible in the short term (1–2 years) and the presence of international graphic companies is low.
- ▶ Adapt capacity so that there is room to meet the needs from Infologistics customers in the Nordic region and Western Europe.
- ▶ Establish smaller DDCs with digital printing and logistics next to the global customers' production units and deliver offset products from the larger units in the business area.

FUTURE OUTLOOK FOR THE BUSINESS AREA

Over the years Elanders has built up a unique expertise in just-in-time deliveries of user information to global groups. We note that interest from these customers is on the rise and that production and distribution of user information is more and more extensive. At the same time there is a growing need in customers to be able to control this process without having to actually handle it themselves. Instead many concentrate on the design, marketing and production of their own products and look externally for solutions to their publishing problems. Elanders has through our establishment in Hungary and China built strong partnerships with large industrial groups and there are excellent opportunities to establish other new businesses in Eastern Europe and Asia. We have already decided to start up in Cluj Napoca, Romania and this unit is expected to be functioning after the summer of 2008. The future outlook for several of the business area's larger customers looks good and a stable demand can be expected during the foreseeable future at the same time the need for low cost alternatives from Infologistics customers is expected to continue to grow. On the whole the prospects for User Manuals are excellent regarding both turnover and profit, which are expected in 2008 to surpass results in 2007, primarily due to continued success in China and Hungary and the fact that Poland will be running at full speed again.

JUST IN TIME DELIVERIES Elanders is a world leading supplier of manuals and packaging to the home electronics industry. Elanders produces around 100 million manuals annually in China and Hungary and is progressively extending the scope of its responsibility for related services such as producing packaging, packing and distribution.

► **PACKAGING** Elanders has invested heavily in packaging in China. Our five packaging lines were fully booked throughout the autumn of 2007. We are now planning to further expand in China.



◀ **INSTRUCTION MANUALS**

- 1) Elanders in Treviso, Italy produces above all instruction manuals, warranty cards and labels for refrigerators and freezers directly to production lines for twelve European countries.
- 2) Approximately 35 million mobile telephone manuals are printed at Elanders in Beijing and 65 million manuals are produced at Elanders' units in Hungary.

► IMPORTANT CUSTOMER SEGMENTS

Customer segment	Percentage of turnover	Products and services	Processes
AUTOMOTIVE	1 %	Manuals and product information	Premedia, sheet-fed and web offset, digital print, bindings, fulfilment, storage and logistics
			
PUBLISHERS	12 %	Mazazines, direct mail, educational material, books	Premedia, sheet-fed and web offset, digital print, binding, storage and logistics
			
INDUSTRY & TRADE	82 %	Manuals, information structuring, logistics, fulfilment, product information, product catalogues system support, databases	Premedia, sheet-fed and web offset, digital print, binding, storage and logistics with just-in-time deliveries directly to production lines, VMI
			
PUBLIC SECTOR	0 %	Newspapers, magazines, catalogues	Premedia, sheet-fed and web offset, binding
			
SERVICE SECTOR	5 %	Marketing material, catalogues, customer information	Premedia, sheet-fed and web offset, digital print binding storage and logistics
			

¹¹ Refers to local markets where the Group is active.

Estimated market shares ¹⁾	Lång-term operating margin targets	Major customers	Competition
<1 %	5–8 %	Hungary: Vauxhall	Great Britain: Wyndeham Westway, Williams Lea, SP Group Germany: Zetweka, Infowerk, Victor Bück, BoschDruck
<5 %	4–8 %	Hungary: Wolters Plantyn Poland: Polskie Wydawnictwo Rolnicze, Wydawnictwo Naukowe PWN, Stentor, Grupa Wydawnicza Infor Sweden: Berling Media	Poland: RR Donnelley, small local printers, Winkowski Denmark: Nörhaven
<5 %	8–15 %	Hungary: Philips, Vaillant, Flextronics, Electrolux, Philips, Hansaprint (Nokia) Poland: Sercom, Braun China: Sony Ericsson Italy: Electrolux	Poland: RR Donnelley, Xerox, lokala mindre tryckerier Hungary: RR Donnelley, small local printers Austria: Berger
<1 %	8–10 %	Poland: Krajowa Izba Lekarsko-Weterynaryjna, Okregowa Izba	Poland: Small local printers
<5 %	8–10 %	Poland: Polinvest, Pola Design, Lekarska, Naczelnia Izba Lekarska, EiM Agencja Wydawnicza	Poland: Small local printers

STEERING WITH FOCUS ON THE MARKET

The Elanders Group's corporate governance and control is shared by the shareholders at the Annual General Meeting, the Board of Directors and the Chief Executive Officer, in accordance with the Companies Act and the articles of association. Shareholders appoint the company's external auditors at the Annual General Meeting.

ANNUAL GENERAL MEETING

At the 2007 Annual General Meeting the shareholders appointed members of the Board and approved remuneration to them in accordance with a proposal from the nominating committee as well as the auditors' fee. It also elected the nominating committee and Chairman of the Board.

NOMINATING COMMITTEE

The nominating committee prepares proposals for the Annual General Meeting concerning the election of and remuneration to the Chairman of the Board, Board members, committee members and external auditors, the latter having been proposed by the auditing committee. The nominating committee met once last year and discussed the work of the Board, the independence of Board members, Board members' evaluation of the work of the Board, the work of the committees, auditing and the composition of the nominating committee. This year the committee has consisted of Carl Bennet, Chairman (Carl Bennet AB), Gustaf Douglas (Investment AB Latour), Göran Erlandsson (representative for the smaller shareholders), Hans Hedström (HQ Funds), Nils Petter Hollekim (Odin Funds), Stefan Roos (SEB Funds) and Caroline af Uggla (Skandia Liv). The nominating committee meets as needed and at least once a year. The nominating committee is elected by the Annual General Meeting and is proposed by the nominating committee based on consideration of the current ownership structure and with the objective of the broadest possible owner representation. The members' contact information is found on page 115.

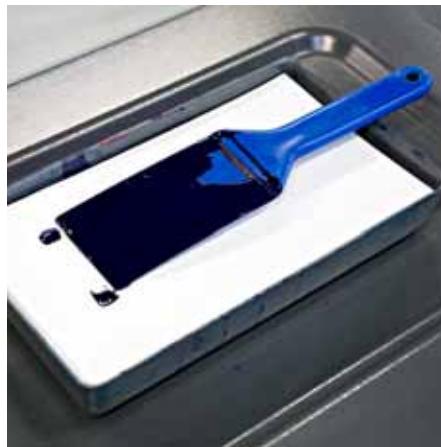
THE BOARD OF DIRECTORS

The Board is ultimately responsible for the management of the company, monitoring the Chief Executive Officer and continuously following developments in operations. The Board also decides on significant changes in the organisation, investments and divestitures, adopts the budget and approves the annual accounts.

In 2007 the Board consisted of Carl Bennet, Chairman, Tore Åberg, Vice Chairman, Ingegerd Gréen, Patrick Holm, Göran Johnsson, Hans-Olov Olsson, Kerstin Paulsson and Johan Stern. In addition, employees were represented by Carianne Röjerås and Marie Trollius. Their deputies were Per Hansson and Thomas Svensson. All the members of the Board elected by the Annual General Meeting have an independent relationship to the company with the exception of Patrick Holm. Ingegerd Gréen, Patrick Holm, Göran Johnsson, Hans-Olov Olsson and Kerstin Paulsson are independent in relationship to the company's largest owners (>10 percent of shares or votes).

The Board has a work program that regulates the division of responsibility between the Board, its Chairman and the Chief Executive Officer. It also includes a general meeting plan and instructions on financial reports as well as the other matters that must be put before the Board. The work program is revised once a year or as needed.

The Board has seven ordinary meetings per year; four of them in conjunction with the annual accounts and interim reports, a meeting dedicated to strategic matters, a meeting to adopt the coming year's budget and a constitutional meeting following the Annual General Meeting. In addition, the Board is called to further meetings as needed. The Group's external auditors participate in the meeting that deals with the annual accounts to report the result of their audit. The Board followed the meeting plan for the year. The Board also met five times to handle matters concerning the Rights Issue, investments and acquisitions. Otherwise the Board has been involved primarily in assessing market condi-



tions, external circumstances that affect business and the state of business as well as the Group's expansion strategies, particularly the acquisitions in Germany and Brazil. The Board has also followed in detail the developments in the Swedish operations. At the constitutional meeting of the Board the work program and instructions for the Chief Executive Officer are reviewed and the customary decisions concerning authorised signatories are taken. In addition, the work programs for the remuneration and auditing committees are adopted and their members appointed.

At the constitutional meeting of the Board after the Annual General Meeting 2007 Tore Åberg was made Vice Chairman. The Board is authorised to sign for the company as well as two of the following persons together: the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer. The Board travels as often as possible to visit and hold its meetings in one of the Group's subsidiaries in Sweden or abroad. In 2007 the Board visited operations in Stockholm, Newcastle and Stuttgart. Board member attendance was 92 percent, which is detailed in note 5 to the Group financial reports. The Board is elected by the Annual General Meeting on proposal from the nominating committee.

THE CHAIRMAN OF THE BOARD

The Chairman leads and organises the Board and is responsible for making sure the Board meets its responsibilities and that the members receive the information necessary to ensure the work done by the Board is of high quality and performed according to legal stipulations and the contract with the stock exchange. The Chairman of the Board has also made sure that during the year an evaluation of the Board's work was carried out and that the nominating committee was informed of the results. The evaluation is carried out annually in the form of a questionnaire and encompasses the Board's composition, remuneration, materials, administration, work methods, meeting content, reports from the

committees and education. The evaluation is on a scale of 1–5, where the highest grade is 5. The average score in 2007 was 4.46 (4.26). In addition, the Chairman of the Board represents the company in ownership matters and communicates viewpoints from the owners to the Board. The Chairman of the Board is elected by the Annual General Meeting.

REMUNERATION COMMITTEE

The remuneration committee is composed of Board members with the highest competence in this field. It deals with matters concerning remuneration to the Chief Executive Officer and officers that report directly to him. Decisions concerning remuneration to other employees in management positions in the Group are made by each individual's closest superior in consultation with their closest superior. During the year the remuneration committee held two meetings during which they adopted their work plan and prepared a proposal for remuneration. During the year the remuneration committee consisted of Carl Bennet, Chairman, Ingegerd Greén, Hans-Olov Olsson and Tore Åberg.

INTERNAL CONTROL AND AUDITS

The Board is ultimately responsible for ensuring that the Group has adequate systems for internal control, that the accounts are prepared and that they are reliable when published. However, no control system can completely eliminate the risk of larger deviations. The Group and its Executive Management have several other methods to control the risks connected to operations. The Board supports Executive Management in continually monitoring and identifying business risks in a structured manner as well as steering the work in the Group towards handling the most significant risks. In conclusion this constitutes the Board's responsibility for corporate governance.

The external auditors examine the management of the Group

by the Board and Chief Executive Officer and the quality of the Group's accounts and financial reports. Each year the Board also holds separate conversations with the company's public auditors concerning Executive Management.

The Annual General Meeting 2004 appointed the Authorised Public Accountant firm Deloitte AB with the Authorised Public Accountant Jan Nilsson as the responsible auditor for a period of four years.

AUDIT COMMITTEE

The audit committee is appointed from within the Board based on members' experience of and expertise in reporting, accounting and internal control. Its primary task is monitoring internal control, procedures for financial reporting, observance of related laws and regulations as well as the auditing in the Group.

The committee also evaluates the external auditors' qualifications and independence. The audit committee reports their observations on a regular basis to the Board and provides, as needed, external auditor candidates to the nominating committee. The committee meets at least twice a year and as needed. The external auditors normally participate in committee meetings. The committee met three times in 2007. The Board's position on The Swedish Code of Corporate Governance, the audit plan, reports from the auditors, reports concerning non-audit consultations, as well as the procurement procedure of the audit for the period of 2008–2011 was dealt with. The members of the audit committee in 2007 were Tore Åberg, Chairman, Göran Johnsson, Kerstin Paulsson and Johan Stern.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is the President, a member of the Board and leads the Group within the framework established by the Board. This framework is formalised in instructions to

the Chief Executive Officer, which are formed by the Board. The Chief Executive Officer is authorised to sign for the company in daily management in accordance with the Companies Act as well as sign for all Group subsidiaries. The Chief Executive Officer is responsible for providing the Board with continual reports on Group results and standing as well as the information the Board needs to make qualified decisions. The Chief Executive Officer also keeps the Chairman of the Board apprised of developments in operations. All the managing directors in the Group receive MD instructions. These instructions contain a division of responsibility between the Board and the managing director and guidelines the managing director must observe in running operations.

EXECUTIVE MANAGEMENT

The President leads the work performed by Executive Management and makes decisions in consultation with members of Executive Management. Executive Management is responsible for day-to-day financial and commercial management and follow-up in the Group. It also strives to continually achieve synergies, identify acquisition and structural opportunities as well as adapt Group operations to market demands and short and long-term developments. Elanders' Executive Management makes sure that the competence and capacity of the business areas is coordinated and adjusted to be as useful as possible for customers and profitability in the short and long-term. Besides the President it consists of the managers of the business areas, the manager of the German and North American operations and the Chief Financial Officer. All in all there are currently five members. Executive Management meets once a month, often in conjunction with a visit to a Group unit and minutes are kept.



CORPORATE GOVERNANCE Elanders can voluntarily choose to follow the Swedish Code of Corporate Governance and has chosen not to follow the code. Nonetheless corporate governance in Elanders concurs for the most part with the code.

GROUP ORGANISATION IN GENERAL

The platform of Elanders' organisation model is the importance of local presence and customer contacts in Group companies, which are all run independently with result responsibility. At the same time cooperation between Group companies is vital to the development of the Group. Companies therefore cooperate within the business areas and the Group as a whole. Company managing directors are even judged on their ability to create profitable collaboration within the Group, which creates synergies and added value for Group customers.

BUSINESS AREAS

Group business area division has historical roots and is based on production methods, products and services rather than customer segments. However, during the years this division has worked out so that it concurs relatively well with the dividing line between integrated publishing solutions based on graphic production (Infologistics) and highly efficient production of user information to mobile telephones and other consumer electronics (User Manuals). Business area Infoprint ceased to exist when the area's largest unit, Elanders Tryckeri in Kungsbacka, was sold during the first quarter of 2007. The remaining unit for page and advertising production was transferred to Infologistics.

MARKETING ORGANISATION

Group marketing revolves mainly around brand and profile building activities. Executive Management supervises joint group marketing activities. They are led and coordinated by the marketing function in the parent company and are carried out by personnel in the Group's operative units. In addition, an intensive, customised program is carried out in the Group marketing council and in the various customer segments to support the day-to-day work in sales. Elanders' sales organisation consists of some

70 sales people with broad graphic experience and expertise. They work in companies and business areas but cooperate with others in the customer segments and in joint production under the direction of Group and business area management. Company managing directors and Executive Management work in sales in larger and strategic deals together with specially trained member of the sales corps. Certain customer segments identified by the Group have expert teams and they support companies in marketing, product development and recruitment.

DIVISION OF RESPONSIBILITY BETWEEN EXECUTIVE MANAGEMENT AND THE BUSINESS AREAS

The Group is currently led through Executive Management, the business areas' and company' managing directors. Business area managers are members of Executive Management.

Group staff consists of the President and personnel in the Group functions of treasury/finance, IT, logistics and external and internal communication. Work with human resources, the environment and quality as well as purchasing and IT are examples of activities handled through networks of personnel in the operative units under the direction of Executive Management, which adopts the goals of these activities. This is described in greater detail on page 37.

SWEDISH CODE OF CORPORATE GOVERNANCE

Swedish stock market companies with a market value under SEK 3 billion can voluntarily choose to follow the Swedish Code of Corporate Governance. Elanders has chosen not to follow the code. Nonetheless corporate governance in Elanders concurs for the most part with the code. The most important differences are found in the areas of internal audit and external auditing of financial interim reports. The code is taken into consideration in the Group's daily work with development of corporate governance.

ELANDERS BOARD OF DIRECTORS' REPORT

MORE OPERATIONS OUTSIDE OF SWEDEN

The Board of Directors and the President and Chief Executive Officer of Elanders AB (publ), corporate identity no 556008-1621, herewith present their annual report and the consolidated financial statements for 2007, the Company's ninety-ninth financial year.

Elanders AB is the parent company of the Elanders Group which further develops, enriches and distributes information for publication in media independent solutions using modern graphic production and information structuring.

THE GROUP

The Group's structure

The Group has had operations in two business areas; Infologistics and User Manuals. The former business area Infoprint ceased in January in connection with divestiture of the directory printing plant in Kungsbacka. Group operations were focused on five prioritised customer segments; Automotive, Publishers, Industry & Trade, the Public Sector and the Service Sector. On 31 December 2007 the Group's business areas operated in 13 companies in nine countries. After the balance sheet date substantial changes occurred in Group structure. These are presented further on in the Board of Directors' Report.

Turnover and profit

Group net turnover increased by 21 percent to MSEK 2,036 (MSEK 1,6801). The year has been characterised by good demand in the foreign operations while the Swedish units have been sluggish. The Group won market shares in China, Great Britain, Germany and Hungary while Sweden struggled with lower volumes than expected from the public sector and some catalogue customers. Operations in Poland were slowed down by production stops due to reparations and maintenance. During the year the operations in Sweden were radically restructured in order to adapt capacity to the market and coordinate production

and marketing. This led to moving production in Östervåla to the other Swedish units and the refinement of the Group's software. These measures were reported as expenses of MSEK 20 in the fourth quarter. The previously six legal entities in Sweden are, from 1 January 2008, operating in two legal entities. In January 2007 the directory printing plant in Kungsbacka was sold and the property where the operations are run was sold in December. The financial consequences of the sales of the operations were taken in the annual accounts for 2006 while the sales of property led to consolidated capital gains of MSEK 40.6, which is reported among other operating income. All told this resulted in an improvement of Group operating profit by MSEK 52.8 to MSEK 226.8 (MSEK 174.0¹). The Group's net financial expenses rose as a result of acquisitions, a higher investment level and repeated rises in interest rates and amounted to MSEK -42.7 (MSEK -21.7¹). The Group's pre-tax profit totalled MSEK 184.1 (MSEK 152.3¹). Profit after tax was MSEK 172.2 (MSEK 115.1¹). The relatively low tax expense was primarily due to the settlement of a tax case in the Swedish Administrative Court of Appeal which led to a tax reduction of MSEK 21.1.

Investments and depreciation

During the year investments amounted to MSEK 402 (MSEK 70), of which MSEK 248 (MSEK 0) was the acquisition of companies. Other investments, MSEK 154, were on a relatively high level and are chiefly connected to production equipment in Hungary, China and Germany. Depreciation amounted to MSEK 84 (MSEK 62¹).

Financial position, cash flow and equity ratio

At year-end Group net debt amounted to MSEK 817 (MSEK 594). Unused credit facilities amounted to MSEK 299 (MSEK 182). Operating cash flow totalled MSEK 18 (MSEK 141) together with MSEK -248 (MSEK 0) attributable to the acquisi-

¹) The divested units in Kungsbacka are not included in these figures.



tion of companies. The decrease in cash flow is primarily due to the fact that the unit in Beijing was not in full operation during 2006 and therefore did not charge operating capital to the same extent as in 2007. During the year a Rights issue 1:6 was held. The Rights issue, which was oversubscribed, generated MSEK 146 after issue costs. The equity ratio on the balance sheet date amounted to 38.9 percent (33.9 percent).

Research and development

In 2007 Elanders' research has been to actively support a chair in printing technology at the University college at Halmstad. The cost of this amounted to MSEK 0.4. The Group develops different products that allow us to handle more of our customers' publishing related activities within the concept of Master Vendor®. Developments usually originate from specific customer projects in the different segments and consist, for example, of image databases and other publishing tools.

Personnel

The average number of employees in the Group during the year was 1,579 (1,490) of which 706 (920) were in Sweden. The total number of employees at year-end amounted to 1,723 (1,553). Further information concerning the number of employees, as well as salaries, remuneration and terms of employment is given in note 5 to the Group financial reports.

THE PARENT COMPANY

During the year the parent company owned and managed the property in Kungsbacka where the former Elanders Tryckeri AB, now Kungsbacka Graphic AB, operates. In addition, the parent company provided joint Group services. No external sales took place but some premises were leased to external tenants. The property was sold to Kungsleden AB (publ) in December for MSEK 111. This has been reported in the parent company as

sales of shares in subsidiaries and the capital gains of MSEK 38.1 has been included in net financial items. Investments in 2007 amounted to MSEK 6 (MSEK 27). The average number of employees during the year was 11 (10) and the number at year-end amounted to 13 (10). Other information concerning the number of employees, salaries, remuneration and conditions of employment is given in note 5 to the Group financial reports.

THE BUSINESS AREAS

Infologistics

Turnover rose by MSEK 249 or 18 percent to MSEK 1,617 (MSEK 1,368) and operating profit for the period amounted to MSEK 91.3 (MSEK 102.0). Investments totalled MSEK 292 (MSEK 17) and depreciation MSEK 55 (MSEK 38).

The worsening in profit is primarily due to the Swedish operations. Sommer Corporate Media contributed MSEK 299 in turnover and operating profit of MSEK 46.4 (including a capital gain of MSEK 4.5 for sold equipment) after consolidation on 1 February 2007. The business area's operating profit has been charged during the fourth quarter with MSEK 20 for the cost of merging the Swedish operations described in more detail below.

The Swedish section of the business area has been sluggish this year due to, among other things, lower volumes than anticipated from Parliament and the government and a certain transfer of volumes to units in User Manuals, but also because of a decline in volumes from catalogue customers. This was in part balanced by the good results in Great Britain and Germany.

The work to merge the Swedish operations began during the year and is now almost completed. One result of this is that operations in the business area's six Swedish companies are, from 1 January 2008, run in two legal entities and another is that production and marketing organisations have been coordinated. This strengthens Infologistics' marketing organisation and improves coordination between units. Operations are now becoming

¹⁾ The divested units in Kungsbacka are not included in these figures..



specialised to optimise each kind of production and service. In addition, we reviewed our equipment and capacity in order to adapt it to expected developments in Sweden. As a result of this production in Östervåla was moved to other Swedish units and the software developed within the Group that we offer externally was refined. The merger program is expected to significantly improve profit in the Swedish operations of Infologistics in 2008.

During the year the business area wrote important contracts with a number of global industrials concerning offset production, logistics, webshop and print-on-demand solutions in digital print.

In conclusion, the measures taken in Sweden and the prospects for the foreign operations are expected to result in greater turnover and profits in 2008 compared with 2007.

User Manuals

Turnover rose by 34 percent to MSEK 419 (MSEK 312) and operating profit rose by 32 percent to MSEK 94.9 (MSEK 72.0). Investments totalled MSEK 104 (MSEK 42) and depreciation MSEK 26 (MSEK 20).

The unit in Beijing has been in full production during the year, which together with continued success in Hungary increased turnover and profit. The manufacture and print of packaging for mobile phones started up in the Beijing unit and grew in the fourth quarter. The Polish unit had a weaker year due to maintenance and reparations of production equipment. During the fourth quarter business area profit was brought down by the slightly higher cost of setting up Italian operations than planned.

During the period the business area received major orders from, among others, Braun and Electrolux for the production of user manuals.

The strategic partnership with Electrolux primarily involves User Manuals and has led to establishing DDCs in Treviso, Italy and Wroclaw, Poland. As planned, we have also taken over the management of Electrolux's internal digital print units in Nyiregyháza and Jászberény in Hungary as well as Satu Mare, Romania.

The main unit in Zalalövö ran its operations in rented premises

until the end of March 2007. Then Elanders took over the premises by acquiring the shares in a company that owned and managed this property. The purchase price was MSEK 35.

The establishment of the Group's joint venture (50/50) with Hansaprint Oy in Cluj Napoca in Romania is proceeding according to plan. Elanders' investments in this facility are expected to reach some MSEK 50 and production should start up after the summer of 2008. The unit is located in Nokia's industrial park and will primarily supply manufacturers of consumer electronics with user information in large volumes and short lead times.

All in all turnover and profit is expected to increase in 2008 compared to 2007.

ENVIRONMENTAL IMPACT

The Group is responsible for direct environmental impact primarily through noise and emissions of solvents into the air as well as some small water emissions.

Legal requirements and incidents

The Group strictly follows legal requirements concerning the environment to avoid events that can result in considerable business risks and/or fines. We put therefore great store in guaranteeing compliance with the law in our regular environmental audits according to ISO 14001 and in the due diligence reports carried out before an acquisition. Under the Environmental Act several printing plants are required to have permits or submit reports, depending on their total consumption of solvents. The companies in 2007 that required permits accounted for 40 percent (56 percent) of Group turnover and the companies obliged to submit reports represented 8 percent (10 percent). Two of the Elanders companies in Sweden were obliged to submit reports in 2007 (Elanders Gotab AB and Elanders Tofters AB) and four were required to have permits (Elanders Berlings AB, Elanders Gummesson AB, Elanders Infologistics Väst AB and Elanders Tryckeri AB, which was sold in January 2007). Outside of Sweden Elanders has operations in Great Britain, Poland, Hungary, China and Brazil

that require permits. The operations acquired in 2008 in the U.S. also require permits. A single minor incident occurred in 2007. At Elanders in Falköping a leak caused a small emission of unfiltered smoke. This was fixed and reported to the proper authorities without consequence. Elanders in Malmö has received an injunction concerning a soil investigation where an oil tank previously stood. This matter is not expected to result in any material consequences.

In 1999 a limited area of ground contamination was discovered under a building at Elanders Wezäta AB's previous locations. Elanders bought Wezäta from Esselte in 1989. The ground contamination is due to leaks in the drainage system previous to 1970 and mainly consists of heavy metals such as zinc, chrome and copper. The Environmental Court has on formal grounds sent the matter back to the Environmental Authority in Gothenburg for continued processing. The Environmental Authority in Gothenburg has deemed that, because of the location of the pollution, it does not present any risk to health or the environment. An investigation has been conducted to determine the cost of various decontamination measures and discussions are being held with the property owner on how to continue the process. Judging from the circumstances concerning responsibility and the limited scope of the contamination we believe that this matter will not result in any material financial risk for Elanders.

RISKS AND UNCERTAINTIES

Elanders divides risks into circumstantial risks (the future of printing, business cycles, structural and the competition), financial risks (currency, interest, financing and credit) as well as operational risks (customer concentration, operations, operating costs, contracts, disputes, insurance and other risk management as well as other operational risks).

Circumstantial risks

Elanders believes printed matter will continue to grow as a bearer of information in coming decades although to a lesser degree as time passes. Growth will take place in Eastern Europe and

Asia and in digital print where Elanders is well positioned. The greatest business cycle sensitivity is mainly connected to supplying customers concentrated on consumer markets such as vehicles and electronics. This is balanced by continued growth in Asia, access to production in low cost countries and deliveries with a high level of service. Structural sensitivity is in the section of Group operations that supply printing production as a sole offer, which makes up approximately half our turnover. Elanders works determinedly to reduce this ratio and the new acquisitions have contributed to increase the number of comprehensive offers of a Master Vendor® nature. As far as competition is concerned Elanders is one of the few players in the world that can provide global deliveries to prioritised segments through its own organisation. This is one of the most important platforms for the Group's competitiveness in the future.

Financial risks

The exchange risk in the Group amounts to an effect on pre-tax profits of up to MSEK 12 with a fluctuation of up to five percent in the most important currencies used by the Group. The Group counteracts this through forward exchange contracts in foreign currency. The interest risk amounts to an effect on pre-tax profits of up to MSEK 8 during a twelve month period of a change in the interest rate up or down of one percentage unit. Elanders has several sources of credit that have promised credit until the end of the 2008. The Group intends to renegotiate most of its loan portfolio in this year. The Group is insured against large credit losses. For more information please see note 19 to the Group's financial reports.

Operational Risks

None of Elanders' customers generate more than seven percent of turnover. The ten largest customers represented less than 32 percent of its turnover. The risk that the Group will suffer a major stop in operations is minimal since the Group has similar production capacity in several places. The most significant operating cost is personnel which makes up around 33 percent of operating costs,

which is why the Group works, for instance, to continually improve healthiness among its employees. Paper costs are next and make up approximately 18 percent of operating costs. The Group protects itself as is customary against price fluctuations through a paper price clause in contracts with our customers. Costs for other resources are not individually large enough for price fluctuations to have a significant effect on the Group. Elanders believes there are no disputes that will have any important consequences for the Group's financial position. The Group's insurance program contains global liability insurance, product liability, crime fidelity and limited protection against environmental damage, which is discussed in more detail in the section on Environmental impact above. Other operational risks consist primarily of irregularities or flaws in risk management. Elanders believes that the size of the Group and the fact that Executive Management is composed of members that have profound insight into, and close contact with, daily operations counteracts this risks.

MANAGING CAPITAL RISK

Elanders' goal concerning its capital structure is to secure the Group's continued existence so that it can continue to generate earnings to its owners and be useful to other interested parties. To maintain or change its capital structure the Group can change its dividends, repay capital to its owners by buying back its shares, issue new shares or sell assets to reduce debts. Elanders assesses its capital on the basis of the debt/equity ratio which is calculated on net debt in relation to equity. Group capital strategy has not changed during the year, which means a debt/equity ratio of no more than one. More information on capital structure is given in note 19 to the Group's financial reports.

INFORMATION CONCERNING COMPANY SHARES

Total number of shares, votes, dividends and new shares

On 29 February 2008 there were 583,333 registered A shares and 9,181,666 registered B shares; in total 9,764,999 shares. B shares are listed under the symbol ELAN B on the OMX Nordic Exchange, Small Cap list. Each A share represents 10 votes

and each B share represents one vote. Shareholders may vote for all the shares they own or represent. All shares receive the same dividend. The annual General Meeting has not given the Board any authority to purchase shares or issue shares. There are no bonus programs with dilution effects.

Transferability

There are no restrictions in B shares transferability according to the articles of association or current legislation. The articles of association do contain a pre-emption clause concerning the company's A shares. The company knows of no other agreements between shareholders that limit the transferability of the shares.

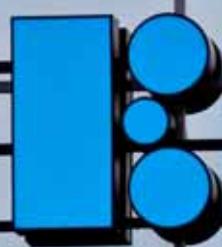
Shareholdings

Direct or indirect shareholdings exceeding a tenth of the votes in the company were per 29 February 2008 Carl Bennet AB (45 percent) and Investment AB Latour (14 percent). No shares are owned by personnel through pension foundations or the like.

CONTRACT WITH CLAUSES ABOUT OWNERSHIP CHANGES

Elanders has one significant contract that contains stipulations concerning changes in ownership. It is Elanders' contract with Hansaprint concerning shares in the jointly owned Romanian company. If more than 20 percent of one of the party's shares should be transferred to a competitor, the other party has the right to buy the first party's shares in the Romanian company at their market price. In addition, the company has a number of contracts that can be terminated if there is a change in ownership. Against the background of the nature and contents of these contracts the Board believes none of them are significant.

There are no contracts between the company and Board members or employees that prescribe remuneration if they terminate their contract, are made redundant without reasonable grounds or if their employment or assignment ceases to exist because of a public purchase offer.



Elanders



THE BOARD OF DIRECTORS' WORK

The Board is appointed by the Annual General Meeting. The articles of association do not contain any particular stipulations regarding the appointment or dismissal of Board members.

Carl Bennet was elected Chairman of the Board at the Annual General Meeting on 26 April 2007. The Board has adopted a work program that regulates the division of responsibility between the Board, its Chairman and the Chief Executive Officer. It contains a general meeting plan, instruction for financial reports and which matters should be presented to the Board. The work program is reviewed once a year and as needed.

The Board meets seven times a year; four meetings in conjunction with the report on the annual accounts and interim reports, one meeting especially focused on strategic analyses, one meeting for adoption of the budget for the coming year as well as the constitutional meeting directly after the Annual General Meeting. In addition, the Board is called to further meetings as needed. The auditors attend the meeting on the annual accounts to present the results of their audit and hold separate conversations with the Board in matters concerning Executive Management.

The Board followed the general meeting plan during the year and met an additional five times to discuss matters concerning the Rights issue, investments and acquisitions. The Board has otherwise been involved primarily in assessing market conditions, external circumstances and business position as well as the Group's expansion strategies. Particular attention has been paid to developments in the Swedish operations. At the constitutional meeting of the Board the work program and instructions for the CEO are reviewed and the customary decisions concerning authorised signatories are taken. At the constitutional meeting of the Board after the Annual General Meeting 2007 Tore Åberg was made Vice Chairman.

Remuneration committee

The remuneration committee is chosen from Board members and deals with matters concerning remuneration to the Chief Executive Officer and officers that report directly to him. During the year the remuneration committee consisted of Carl Bennet, Chairman, Ingegerd Greén, Hans Olov Olsson and Tore Åberg. The committee's work is presented in greater detail in note 5 to the financial reports.

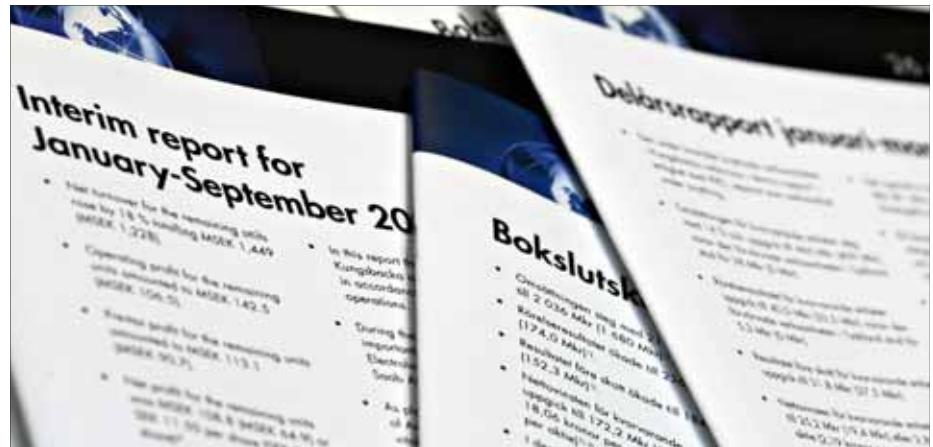
Guidelines for remuneration to senior officers

The company's guidelines for remuneration to senior officers were adopted by the Annual General Meeting on 26 April 2007. They mainly stipulate that the company will offer total compensation on par with market levels so that the company can recruit and keep qualified senior officers. Remuneration to senior officers will consist of a basic wage, variable remuneration, other benefits and a pension. The basic wage will take into consideration the individual's responsibility and experience. The division between basic wage and variable remuneration will be in proportion to the officer's responsibility and authority. The variable remuneration will be based on results in relationship to individual targets. Variable remuneration for the CEO may amount to, at most, 35 percent of his/her basic wage. For other senior officers variable remuneration may amount to, at most, 30 percent of his/her basic wage. Pension benefits may be defined benefits and defined contribution benefits or a combination thereof.

The Board will propose to the Annual General Meeting on 21 April 2008 that the guidelines be changed so that the variable remuneration to the CEO and Chief Financial Officer may amount to, at most, 50 percent of his/her basic wage and for other senior officers at most 40 percent of his/her basic wage.

Audit Committee

The Audit Committee is chosen from Board members and has the primary task of monitoring internal control, procedures for financial reporting, observance of related laws and regulations as



well as the auditing in the Group. The committee also evaluates the external auditors' qualifications and independence. The auditing committee reports their observations on a regular basis to the Board. In addition, the committee has carried out a procurement procedure for auditing services for the period 2008–2011 and provided the nominating committee with candidates to external auditors. The members of the Group Audit Committee in 2007 were Tore Åberg, Chairman, Göran Johnsson, Kerstin Paulsson and Johan Stern.

FUTURE PROSPECTS

The Group is well prepared to expand in the segments Automotive, Industry & Trade and the Service Sector. The Group has a dominant position in Sweden in the segments Publishers and the Public Sector and therefore growth is expected to be lower here. The biggest challenge still facing us this and coming years is to quickly enough develop customised and professional comprehensive solutions containing a high level of information structuring, graphic expertise and distribution for these segments. Demand for these kinds of services will continue to grow but competition will come from players outside the graphic industry. With our brand, our market position and our solid graphic expertise we are well equipped to increase our market shares through comprehensive solutions supplied by cooperation between the business areas.

The acquisitions of Sommer Corporate Media and Artcopy are strategically significant and strengthen Elanders in Infologistics as well as contribute to efficient utilisation of the capacity in User Manuals. Further international expansion by establishing new units in proximity of our customers will be considered. Investments levels will not change dramatically. We have based our forecasts on an unchanged business cycle for the year, that the business area Infologistics can continue to win market shares and that User Manuals can continue to expand internationally. We believe both of these business areas will surpass profit and turnover in 2007. After careful consideration of these factors it is our belief that 2008 will be a positive year for the Group. We

anticipate an increase in turnover and improvement in pre-tax profits compared with pre-tax profit in 2007, not including the capital gains of MSEK 40.6 from the sales of the property in Kungsbacka.

EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of Seiz Printing Inc.

On 8 February 2008 Elanders acquired all of the shares in Seiz Printing Inc. in Acworth, Atlanta, Georgia, USA. The company is specialised in high quality offset print, fulfilment and logistic services. Seiz has been handling deliveries to the Group's automotive customers in the U.S. The acquisition is a vital platform for Elanders to be able to offer its global customers deliveries in the important North American market. The purchase price was MUSD 3 together with the assumption of net debt in the company of some MUSD 8. The company has a turnover of around MUSD 14 and 57 employees. The consolidated surplus value had not been established at the time this Annual Report was printed but it is expected to be around MUSD 2.

Taking possession of the sold property

On 4 February 2008, according to plan, Kungsleden AB (publ) took possession of the property in Kungsbacka which it had acquired from Elanders in December 2007.

SWEDISH CODE OF CORPORATE GOVERNANCE

Swedish stock market companies with a market value under SEK 3 billion can voluntarily choose to follow the Swedish Code of Corporate Governance. Elanders has chosen not to follow the code. Nonetheless corporate governance in Elanders concurs for the most part with the code. The most important differences are found in the areas of internal audit and external auditing of financial interim reports. The code is taken into consideration in the Group's daily work with development of corporate governance.

GROUP CONSOLIDATED INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENTS

SEK '000	Note	2007	2006
Net turnover	2	2,035,616	1,680,079
Cost of products and services sold		-1,493,938	-1,242,632
Gross profit		541,678	437,447
Sales expenses		-132,571	-94,143
Administration expenses		-240,017	-179,334
Other operating income	3	67,703	21,082
Other operating expenses	3	-10,462	-13,849
Share in profit/loss in joint venture	4	489	2,843
Operating profit/loss	5,6,7,8,19	226,820	174,046
Profit/loss from financial items			
Interest income	9	2,120	833
Other financial income	9	3,292	2,934
Interest expenses	9	-41,656	-20,035
Other financial expenses	9	-6,455	-5,514
Profit/loss after financial items		184,121	152,264
Tax on profit/loss for the year	10	-11,930	-37,127
Profit/loss for the year from remaining operations		172,191	115,137
Profit/loss for the year from discontinued operations, net after taxes	11	0	-164,162
Profit/loss for the year		172,191	-49,025
Attributable to:			
Parent company shareholders		172,087	-49,025
Minority interests		104	-
Earnings per share incl. discontinued operations, SEK ¹⁾	12	18.06	-5.53
Earnings per share from remaining operations, SEK ¹⁾	12	18.06	13.00

¹⁾ There have been no dilution effects.

Comments on the consolidated income statements

The income statements above include transactions with the disposed operations in Kungsbacka.

The Group's net turnover, not including operations in Kungsbacka which have been disposed, rose by MSEK 356 or 21 % compared to the previous year, of which the acquired unit in Germany generated MSEK 299. The consolidated capital gains of MSEK 40.6 from the sales of the Group's property in Kungsbacka are reported under Other operating income above. Operating profit/loss for the year was affected negatively by a one-off cost of MSEK -20 in connection with the merger of the business area Infologistics' Swedish units. The period's tax expenses were improved by MSEK 21.1 or SEK 2.22 per share as a result of a tax case the company won in the Swedish Administrative Court of Appeal. The case concerned a deduction for losses in connection with the sales of subsidiaries in 2002.

Comments on the consolidated cash flow statements

The cash flow from operating activities before changes in working capital increased by MSEK 14 compared with 2006, primarily as a result of improved operating profit. The increase in working capital was a effect of the unit in China operating for an entire year as well as the build up of stock and accounts receivables in connection with a global contract, which led to a worsening of cash flow by MSEK -84. Net investments in production equipment amounted to MSEK -154 (MSEK -70) and was mainly related to Group units in China, Hungary, Great Britain and Germany. The high level of investments and acquisitions was partly financed through a combination of newly issued shares and increased borrowing. Depreciation amounted to MSEK 84 (MSEK 95) and operating cash flow was MSEK -230 (MSEK 141), of which MSEK -248 (MSEK 0) was acquisitions (see Note 32).

GROUP CONSOLIDATED CASH FLOW STATEMENTS

CONSOLIDATED CASH FLOW STATEMENTS INCLUDING DISCONTINUED OPERATIONS			
SEK '000	Note	2007	2006
Operating activities			
Profit/loss after financial items, remaining operations		184,121	152,264
Profit/loss for the year from discontinued operations, net after taxes		–	–164,162
Tax on profit/loss from discontinued operations		–	–19,931
Profit/loss after financial items		184,121	–31,829
Adjustment for items not included in cash flow	13	37,234	227,528
Paid taxes		–32,288	–20,782
Cash flow from operating activities before changes in working capital		189,067	174,917
Cash flow from changes in working capital			
Increase (–)/decrease (+) in inventory		–59,530	–2,501
Increase (–)/decrease (+) in operating receivables		–42,029	–585
Increase (+)/decrease (–) in operating payables		9,959	–4,730
Cash flow from operating activities		97,467	167,101
Investing activities			
Acquisition of intangible and tangible assets	15, 16	–187,304	–85,040
Divestment of tangible assets		33,683	15,273
Acquisition of operations	32	–247,845	–
Divestment of operations	11	0	–
Changes in long-term receivables		1,086	–2,942
Acquisition of stocks and shares		–2,093	–
Cash flow from investing activities		–402,473	–72,709
Financing activities			
Changes in long-term and short-term borrowing		171,208	–22,555
Rights Issue		146,450	–
Dividends paid to parent company shareholders		–24,412	–20,925
Cash flow from financing activities		293,246	–43,480
Cash flow for the year		–11,760	50,912
Liquid funds at the beginning of the year		74,461	24,947
Translation difference in liquid funds		2,528	–1,398
Liquid funds at year-end	13	65,229	74,461
<i>Change in net debt</i>			
Net debt at the beginning of the year		594,098	669,377
Net debt in disposed companies		–45,865	–
Net debt in acquired companies		43,966	–
Translation difference		1,248	–1,229
Change in interest bearing liabilities and liquid funds		224,018	–74,050
Net debt at year-end		817,465	594,098
Operating cash flow	14		
Cash flow from operating activities, excl. financial items and paid taxes		172,454	210,923
Net investments		–402,473	–72,709
Operating cash flow		–230,019	138,214

GROUP CONSOLIDATED BALANCE SHEETS

► CONSOLIDATED BALANCE SHEETS

SEK '000	Not	2007	2006
ASSETS			
<i>Fixed assets</i>			
Intangible assets	15	866,077	542,009
Tangible assets	16	444,984	345,395
Share in joint venture	4	12,414	11,486
Other investments held as fixed assets	17	2,198	70
Other receivables	18	3,241	8,319
Deferred tax assets	10	62,463	35,761
Total fixed assets		1,391,377	943,040
<i>Current assets</i>			
Inventory	20	125,730	92,873
Accounts receivable		450,623	456,843
Current tax assets		10,023	7,763
Other receivables	21	131,219	24,479
Prepaid expenses and accrued income	22	50,077	41,619
Liquid funds	23	65,229	74,461
Total current assets		832,901	698,038
TOTAL ASSETS		2,224,278	1,641,078

Comments on the consolidated balance sheets

ASSETS

The Group's total assets increased by MSEK 583 to MSEK 2,224 and the capital employed on the balance sheet date grew by MSEK 444 to MSEK 1,594. The increase in total assets and capital employed stems from the assets in the acquisitions Sommer Corporate Media and Artcopy as well as the goodwill generated by these acquisitions. The capital turnover rate was 1.1 times (1.0 times).

EQUITY AND LIABILITIES

Equity decreased by MSEK 5 in 2007 through negative differences when translating the foreign subsidiaries' balance sheets, by MSEK 24 through dividends and it increased by MSEK 147 from the Rights Issue and MSEK 172 from profits for the year. The equity ratio at year-end was 38.9 % (33.9 %). There are minority interests in Elanders Novum AS (48 %) and Elanders Artcopy Ltda (20 %). Net debt, which consists of interest bearing pension liabilities, liabilities to credit institutes and bank overdraft less liquid funds, increased this year by MSEK 223 (MSEK 75) as a result of a high level of investments, acquisitions and an increase in working capital improvement. Unused bank overdraft amounted to MSEK 314 (MSEK 182).

PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets are, like last year, generally preferentially pledged to banks for loans and credit facilities to the Group. Pledged assets on the balance sheet date amounted to approximately 37 % of the Group's total borrowing facilities defined as net debt plus unused credit facilities.

GROUP CONSOLIDATED BALANCE SHEETS

► CONSOLIDATED BALANCE SHEETS

SEK '000	Not	2007	2006
EQUITY			
Share capital	24	97,650	83,700
Other reserves		306,132	306,132
Hedge reserves		-563	35
Translation reserves		14,014	1,633
Profit/loss brought forward		445,031	164,856
Total equity of parent company shareholders		862,264	556,356
Equity attributable to minority interest		2,300	—
Total equity		864,564	556,356
LIABILITIES			
<i>Long-term liabilities</i>			
Liabilities to credit institutions	25	266,254	71,749
Deferred tax liabilities	10	23,977	15,782
Other liabilities		27,951	7,320
Provisions for pensions and similar obligations	26	15,099	15,654
Other provisions	27	3,501	5,749
Total long-term liabilities		336,782	116,254
<i>Current liabilities</i>			
Liabilities to credit institutions	25	601,341	581,156
Advances from customers		9,830	21,554
Accounts payable		211,739	178,459
Current tax liabilities		14,642	3,198
Other liabilities		51,162	38,921
Accrued expenses and deferred income	28	122,248	135,154
Other provisions	27	11,970	10,026
Total current liabilities		1,022,932	968,468
TOTAL EQUITY AND LIABILITIES		2,224,278	1,641,078
Pledged assets	29	443,020	564,455
Contingent liabilities	29	33,889	13,777

GROUP CONSOLIDATED STATEMENTS OF CHANGES IN GROUP EQUITY

CONSOLIDATED STATEMENTS OF CHANGES IN GROUP EQUITY

SEK '000	Share capital	Other contributed capital	Hedge reserves	Translation reserves	Profit/loss brought forward	Total equity of parent company shareholders	Minority interests	Total equity
Opening balance January 1, 2006	83,700	306,132	-3,289	16,407	234,806	637,756	-	637,756
Translation difference				-14,774		-14,774		-14,774
<i>Cash flow hedges</i>								
– Fair value changes during the year	–	–	8,413	–	–	8,413	–	8,413
– Tax on fair value changes during the year	–	–	-2,356	–	–	-2,356	–	-2,356
Income and costs booked against equity	–	–	6,057	-14,774	–	-8,717	–	-8,717
<i>Cash flow hedges</i>								
– Dissolved against the income statement	–	–	-3,796	–	–	-3,796	–	-3,796
– Tax on dissolutions in the income statement	–	–	1,063	–	–	1,063	–	1,063
Profit/loss for the year	–	–	–	–	-49,025	-49,025	–	-49,025
Total income and expenses for the year	–	–	3,324	-14,774	-49,025	-60,475	–	-60,475
Dividends	–	–	–	–	-20,925	-20,925	–	-20,925
Closing balance December 31, 2007	83,700	306,132	35	1,633	164,856	556,356	–	556,356
Translation difference	–	–	–	17,325	–	17,325	–	17,325
<i>Hedge on net investments</i>								
– Change in fair value of hedge on net investments abroad	–	–	–	-4,944	–	-4,944	–	-4,944
<i>Cash flow hedges</i>								
– Fair value, changes during the year	–	–	-339	–	–	-339	–	-339
– Tax on fair value changes during the year	–	–	95	–	–	95	–	95
Income and expenses booked against equity	–	–	-244	12,381	–	12,137	–	12,137
<i>Cash flow hedges</i>								
– Dissolved against the income statement	–	–	-491	–	–	-491	–	-491
– Tax on dissolutions in the income statement	–	–	137	–	–	137	–	137
Profit/loss for the year	–	–	–	–	172,087	172,087	104	172,191
Total income and expenses for the year	–	–	-598	12,381	172,087	183,870	104	183,974
Rights Issue	13,950	132,500	–	–	–	146,450	–	146,450
Other transactions with minority shareholders	–	–	–	–	–	–	2,196	2,196
Dividends	–	–	–	–	-24,412	-24,412	–	-24,412
Closing balance December 31, 2007	97,650	438,632	-563	14,014	312,531	862,264	2,300	864,564

GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

► NOTE 1 Accounting principles

GROUP ACCOUNTING PRINCIPLES

1 General information

Elanders AB (publ.), corporate identity number 556008-1621, is a limited company registered in Sweden. The parent company is registered in Mölnlycke. Elanders is listed on the OMX Nordic Exchange Small Cap list. The company's primary business and its subsidiaries are described in the Board of Directors' Report in this Annual Report.

The annual accounts for the financial year ending on 31 December 2007 were approved by the Board on 10 March 2008 and will be presented to the Annual General Meeting on 21 April 2008 for adoption.

2 Accounting principles

The Group has prepared the annual accounts according to the Annual Accounts Act, the EU approved International Financial Reporting Standards (IFRSs) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) per 31 December 2007. In addition, the Group follows the Swedish Financial Reporting Board Recommendation RFR 1.1 Supplemental Accounting Regulations for Groups, which specifies the additions to IFRSs information that are required according to the provisions in the Annual Accounts Act.

The Group reports in Swedish crowns. All amounts are given in thousands of Swedish crowns, if not otherwise specified.

In Group accounting all items are valued at acquisition value except financial instruments that are valued at their fair value. The following is a description of the accounting principles considered elemental.

Consolidated accounts

Subsidiaries

Subsidiaries are companies in which the parent company directly or indirectly holds more than 50 percent of the voting rights or in some other way has a controlling influence. Subsidiaries are included in Group accounting from the point in time that controlling influence is transferred to the Group until the point in time that controlling influence ceases.

Subsidiaries are reported in accordance with the acquisition method. Acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value based on the date of acquisition. The surplus arising from the difference between the cost of the shares in subsidiaries and the fair value of the acquired identifiable assets and liabilities is recorded as goodwill. If the acquisition price is lower than the fair value of the acquired subsidiary's net assets, the difference is booked directly in the income statement.

All internal transactions between subsidiaries and within the Group are eliminated in Group accounting.

Joint ventures

Operations classified as joint ventures are those in which Elanders, together with one or several joint owners, has a shared controlling influence. In Group annual accounts shares in joint ventures are reported according to the equity method. The equity method means that shares in a company are recorded at cost at the time of acquisition and thereafter are increased or decreased by the Group's share of the change in the company's net assets. The Group share of the joint venture company's profit/loss is recognised in the Group income statement.

In transactions between the Group and a joint venture that part of unrealised profits and losses which are equivalent to the Group's share in the jointly controlled company are eliminated.

Minority interest

Minority interest is the market value of minority shares in net assets of subsidiaries included in Group accounting at the point in time of the original acquisition and the minority owners' share of changes in equity after the acquisition.

Revenue recognition

Revenue from products and services is reported on delivery if ownership has been transferred to the buyer. Net turnover represents the sales value less VAT, returns and discounts. Service contracts in progress are reported, whenever possible, when contractual partial deliveries are made or otherwise when the final delivery is made. Net turnover includes product and service sales. Since all services are essentially integrated parts of product deliveries, a split of revenues into products and services is not meaningful.

Lease contracts

A finance lease contract involves a transfer of virtually all rights and obligations that normally characterise ownership from the lessor to the lessee. The leasing contracts that are not finance leases are classified as operating lease contracts.

An asset possessed through a finance lease contract is accounted for as a fixed asset in the balance sheet and an equivalent financial liability is entered as an interest bearing liability. The initial value of both of these items is the lowest of the asset's fair value or the current value of the minimum lease payments. The lease payments are

divided into amortisation according to plan and accrued interest on the amount of the liability and recognised so that each accounting period is charged with the fixed interest on the booked liability for the respective period.

Lease payments under an operating lease are expensed systematically over the leasing term.

Foreign currency

Items that are included in the financial reports from the various units in the Group are originally recognised in the currency used in the primary economical environment where the respective unit chiefly operates (functional currency). In Group accounting all amounts are translated to Swedish crowns, which is the parent company's functional and reporting currency.

(a) Transactions and balance sheet items

Transactions in foreign currency are reported in each unit based on the unit's functional currency according to the transaction day exchange rate. Monetary assets and liabilities in foreign currency are translated to balance sheet date rates and translation differences are reported under profit/loss for the period.

Translation differences in operating receivables and payables are recorded under operating profit/loss while differences in financial assets and liabilities are reported under net financial items.

(b) Translation of foreign subsidiaries

When preparing Group accounting the balance sheets of foreign operations are translated to Swedish crowns with balance sheet date rates while income statements are translated to the average exchange rate for the period. Translation differences are recognised as translation reserves under equity. The accumulated translation differences are redistributed and reported as part of capital gains/losses in the event of a divestiture of a foreign operation. Goodwill and adjustments to fair value attributable to acquisitions with another functional currency than Swedish crowns are reported as assets and liabilities in the acquired unit's currency and translated to balance sheet date rates.

Government funding

The Group does not report governmental funding or grants in the income statement or balance sheet before there is a reasonable assurance that the company will meet the requirements attached to the funds. Furthermore the Group recognises the funds in the same way and over the same period as the costs they are intended to cover occur.

Remuneration to employees

Remuneration to employees in the form of wages, paid vacation and sick leave, pensions and so forth is reported as it is earned. Pensions and other postemployment contributions are classified as defined contribution plans or defined benefit plans.

Defined contribution plans

In the case of defined contribution plans the company pays a fixed fee to a separate, independent legal entity and is not obligated to pay further fees. Group payments for defined contribution plans are recorded as an expense as they are earned, which is normally the same period the premium is paid.

Defined benefit plans

The expenses connected to defined benefit plan obligations are measured actuarially with the Projected Unit Credit Method and calculated on the balance sheet date. Actuarial profits and losses that exceed 10 percent of the highest of the pension obligation's market value and the fair value of plan assets are recorded in profit/loss during the expected average remaining service period of the employees in the plan. The cost of service from prior periods is recorded immediately, as long as the compensation is already untouchable. If, however, a condition of the compensation is that the employee continues to work during a specific period of time, the cost is spread out over the earning period.

The liability reported in the balance sheet referring to defined benefit plans is equivalent to the defined benefit plan obligation on the balance sheet date less the fair value of plan assets, adjusted for unrecorded actuarial profits and losses for service from prior periods. Taxes on pension costs are reported according to UFR 4 Recording of special employers' contribution and tax on returns.

In the Elanders Group there are a number of employees that have defined benefit ITP plans in Alecta, which are classified as defined benefit multi-employer pension plan. This means that a company must report their proportional share of the defined benefit pension obligation and the plan assets and expenses that are connected to this pension plan. Since Alecta cannot provide the necessary information, these pension obligations are recognised as defined contribution pension plans according to point 30 in IAS 19.

Taxes

The period's tax expense or income consists of current tax and deferred tax.

Current tax is based on the fiscal result for the year. The annual fiscal result differs

► NOTE 1 Accounting principles (cont.)

from the result reported for the year due to adjustments for non-taxable and non-deductible items.

Deferred tax is tax relating to taxable or tax deductible temporary differences that cause or reduce tax in the future. Deferred tax is calculated according to the balance sheet method based on temporary differences between booked and fiscal values of assets and liabilities. Calculation of the amounts is based on how the temporary differences are expected to reverse using enacted tax rates or tax rates announced on the balance sheet date. Deferred tax liabilities that refer to tax deficits and deductible temporary differences are only reported in cases where it is probable that tax deficits can be recognised against tax surpluses in the future. Deferred tax is reported as an income or an expense in the income statement except in cases where it refers to a transaction that is booked against equity. Then the tax effect is booked directly against equity. Deferred tax assets and liabilities are offset against each other if they refer to income tax that is charged by the same tax authority and where the Group intends to pay a net amount in tax.

Tangible assets

Tangible assets are reported at their acquisition value less accumulated depreciation and write-downs. Tangible assets are straight-line depreciated over the estimated useful life of the asset. Costs for reparation and maintenance are recorded as expenses.

The following useful lives are used to calculate depreciation according to plan:

Buildings 25–30 years
Service facilities in buildings 5–15 years
Land improvements 20 years
Press equipment – web offset 10 years
Press equipment – sheet-fed offset 7 years
Other mechanical equipment 7–10 years
Computer equipment and systems 3–5 years
Vehicles 5 years
Other equipment 5–10 years

Goodwill

Goodwill is the difference between the acquisition value and the Group's share of the fair value of the acquired subsidiary's, associated company's or joint venture's identifiable assets, liabilities or obligations on the date of acquisition.

If at acquisition the fair value of the acquired assets, liabilities or obligations exceed the acquisition price the difference is booked directly as income in the income statement.

Goodwill has an undefined useful life and is booked at acquisition value less accumulated write-downs. When a company is sold the portion of goodwill attributable to that company which has not been written-down is calculated in capital gains/losses.

Other intangible assets

Other intangible assets are favourable contracts identified at the time of an acquisition as well as the cost of purchasing and developing software.

Internally created intangible assets are reported as an asset only in cases where an identifiable asset has been created, it is fairly certain that the asset will lead to financial gains and invested expenses for developments can be calculated reliably. If it is not possible to report an internally created intangible asset the costs for development are recorded as expenses in the period in which they occur.

Other intangible assets are depreciated on a straight-line basis over a useful life period of 3–5 years.

Write-downs

Group assets are controlled at every external reporting instance to determine whether or not there are indications that write-downs are necessary. If so, the recoverable amount of the asset is calculated. Goodwill is allocated to the smallest cash generating unit and is subjected to an impairment test annually whether there is an indication of depreciation or not. However, impairment tests take place more frequently if there are signs of depreciation. The recoverable amount is the highest of the value in use or the net realisable value of the asset. The value in use is the current value of all in and out payments attributable to the asset during its estimated useful life together with the current net realisable value at the end of the assets useful life. If the calculated recoverable amount is lower than the book value a write-down is made equivalent to the asset's recoverable amount.

Prior write-downs are recovered when a change occurs in the premises that were the basis for deciding the assets' recoverable amount when it was written-down and which entails that the write-down is no longer considered necessary. Recoveries of prior write-downs are tested individually and are recorded in the income statement. Write-downs of goodwill are not recovered in a following period.

Inventory

Inventory is valued at the lower of cost and net realisable value. Costs have been calculated in accordance with the First-in, First-out method or weighted average prices. Acquisition value includes the cost of materials, direct labour costs and overhead

charges involved in production of the goods. Net realisable value is the calculated sales value less sales expenses.

Financial instruments

A financial asset or liability is recorded in the balance sheet when Elanders becomes a party in the instrument's contractual conditions. A financial asset is derecognised from the balance sheet when the rights in the contract are realised, have matured or the company loses control over them. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or resolved in some other way.

Acquisitions and divestitures of financial assets are booked on the date of business, which is the date the company pledges to acquire or sell the asset, except in cases where the company acquires or sells listed securities, in which case settlement date accounting is applied.

Financial assets are controlled at every external reporting instance to determine whether or not there are objective indications that one or a group of financial assets should be written-down.

Financial instruments are recorded at their amortised cost or fair value depending on the initial classification under IAS 39 (see below).

Calculation of fair value for financial instruments

Official quotations at year-end are used to determine the fair value of long-term derivative instruments. The market value of other financial assets and liabilities is determined by generally accepted methods such as discounting of future cash flows with the quoted interest rate corresponding to the period of the contract. The translation to Swedish crowns is based on the quoted exchange rate at year-end.

Amortised cost

Amortised cost is calculated with the help of the compound interest method, which means that premiums or discounts together with directly related expenses or income are recorded over the period the contract is valid with the help of the calculated compound interest. The amortised cost is the value generated from a present value calculation with the compound interest rate as the discount factor.

Setting off financial assets and liabilities

Financial assets and liabilities are set off against each other and presented as net amount in the balance sheet where there exists a legal right to set off and where the intention is to settle the items with a net amount or realise the asset and liability at the same time.

Liquid funds

Liquid funds are cash in financial institutions and short-term liquid placements with a term of less than three months that run no real risk of fluctuations in value. They are reported as loan payables.

Accounts receivable

Accounts receivable are categorised as "Loan receivables and receivables", which means they are recorded at amortised cost. Accounts receivables are booked in the amount expected to be received taking into consideration that doubtful receivables are judged individually. Accounts receivables are booked at their nominal value without a discount due to their anticipated short-term. Write-downs of accounts receivables are reported under operating expenses.

Long-term receivables, current receivables and other receivables

The receivables above are categorised as "Loan receivables and receivables", which means they are recorded at amortised cost. In the case the term of a receivable is short it is booked at its nominal value without a discount according to the method for amortised cost.

Derivative instruments

Derivative instruments are booked at their fair value in the balance sheet. Changes in the value of derivative instruments that are not recorded as hedges and derivative instruments that are included in a fair value hedge are recorded in the income statement. Changes in the value of cash flow hedges are reported in particular categories under shareholders' equity until the hedged item is booked in the income statement. Any profits or losses on hedge instruments attributable to the effective part of the hedge are recorded as equity under hedge provisions. Any profits or losses on hedge instruments attributable to the ineffective part of the hedge are recorded in the income statement. Hedges of net investments in foreign subsidiaries are recorded in the same way as cash flow hedges, with the exception that any effects from the hedge is recorded in the translation reserve.

Accounts payable

Accounts payable are categorised as "Other financial liabilities" which means they are reported at amortised cost. Accounts payable are booked at their nominal value without a discount due to their expected short-term.

► NOTE 1 Accounting principles (cont.)

Other financial liabilities

Debts to credit institutions and facilities are categorised as "Other financial liabilities" which means they are reported at amortised cost and directly related expenses such as arrangement fees are distributed throughout the period of the loan with the help of the compound interest method. Long-term liabilities mature after the period of one year while current liabilities fall due within one year.

Provisions

Provisions are recorded in the balance sheet when a company has a formal or informal obligation as a result of a past event and it is likely that an outflow of resources will be necessary to resolve the obligation and a reliable estimation of the amount can be made. Provisions for restructuring costs are reported when the Group has an established, detailed restructuring plan that has been announced to the parties concerned. Provisions are reconsidered every time an external report is made.

Reporting on segments

The Group has been managed and organised into two lines of business during the year, Infologistics and User Manuals. These business areas make up the Group's primary segments. Secondary segments are geographical areas. The segments' income, operating profit/loss, assets and liabilities include directly related items as well as items that can be reasonably allocated to a specific segment. Items that are not allocated are primarily interest bearing assets and liabilities, interest income/expenses and taxes.

When presenting geographical sales the customer's location has determined which geographical area sales are allocated to.

Changed accounting principles that came into effect on 1 January 2007

On 1 January 2007 Elanders adopted the following new or changed accounting standards and interpretations. They had no material effect on the Group's profit/loss or its financial position, but in some cases have led to additional information in the Group's financial reports.

IFRS 7

Financial instruments: Disclosures. The standard replaces IAS 30, Disclosure in the Financial Statements of Banks and Similar Financial Institutions, and states the principles for the presentation of financial assets and liabilities that supplement the principles stated in IAS 32, Financial Instruments: Presentations and IAS 39, Financial Instruments: Recognition and Measurement. IFRS 7 is applicable for annual periods beginning on or after 1 January 2007.

Amendment to IAS 1

Disclosures about an entity's capital. The amendment requires companies to provide information that makes it possible for users of their financial reports to assess the company's goals, policies and methods involved in managing its capital. The amendment is applicable for annual periods beginning on or after 1 January 2007.

IFRIC 7

Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies. The interpretation concludes that in the period when the economy of an entity's functional currency becomes hyperinflationary, the entity shall apply the requirements of IAS 29 as though the economy had always been hyperinflationary. The interpretation is applicable for annual periods beginning on or after 1 March 2006.

IFRIC 8

Scope of IFRS 2. The interpretation entails that a company must calculate the value of unidentifiable products or services, received as payment for the company's equity instruments, as the difference between the fair value of the share-based payment and the fair value of the received identifiable products or services. The interpretation is applicable for annual periods beginning on or after 1 May 2006.

IFRIC 9

Reassessment of Embedded Derivatives. The interpretation entails that the company must decide to what extent an embedded derivative should be separated from host contracts and recognised as a derivative when the contract is entered into, and that a revaluation may not be made thereafter, unless changes in the terms of the contract significantly alter the cash flows otherwise needed to fulfil the contract, in which case a new assessment should be made. The interpretation is applicable for annual periods beginning on or after 1 June 2006.

IFRIC 10

Interim Financial Reporting and Impairment. The interpretation concludes that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The interpretation is applicable for annual periods beginning on or after 1 November 2006.

New accounting principles effective from 1 January 2008

IASB has issued a number of new standards and interpretations, as well as amendments to standards and interpretations, which will be applied by Elanders from 1 January 2008. A complete evaluation of the extent to which the Group will be affected by the adoption of the new standards, interpretations and amendments has not yet been made, but they are not expected to have any material effect on the Group's profit/loss and financial position.

Revised IFRS 2 – Share-based payment ¹¹

The revised IFRS 2 contains certain clarifications and is applicable for annual periods beginning on or after 1 January 2009.

Revised IFRS 3 – Acquisitions ¹¹

The revised IFRS 3 contains some essential changes compared with the previous standard. One such change is that costs in connection with acquisitions, such as lawyer's and consultant's fees, must be written-off instead of as was previously the case they could have been added on to the purchase price. The changes in IFRS 3 cause changes in IAS 27, IAS 28 and IAS 31. The revised IFRS 3 is applicable for annual periods beginning on or after 1 January 2009.

IFRS 8 – Operating Segments

IFRS 8 contains further disclosure requirements concerning financial and descriptive information related to operating segments. As a result of the adoption of IFRS 8 IAS 14, Segment Reporting, is no longer valid. The standard is applicable for annual periods beginning on or after 1 January 2009.

Revised IAS 1 – Presentation of Financial Statements ¹¹

The change means the presentation of income and expenses may not be presented in the statement of changes in equity. The revised IAS 1 is applicable for annual periods beginning on or after 1 January 2009.

Revised IAS 23 – Borrowing costs ¹¹

The revised parts in IAS 23 concerns capitalization of borrowing costs which are directly attributable to purchases, construction or production of an asset that takes an extremely long time to prepare for its intended application or sales. As a result of the revised IAS 23 it is no longer possible to choose whether or not a borrowing cost will be capitalized or not. It is now mandatory. The revised IAS 23 is applicable for annual periods beginning on or after 1 January 2009.

Revised IAS 32 – Financial Instruments – Presentation ¹¹

Changes concerning the presentation of financial instruments in connection with liquidation. The revised IAS 32 is applicable for annual periods beginning on or after 1 January 2009.

IFRIC 11

Group and Treasury Share Transactions. The interpretation clarifies how to present share-based payments when the entity buys treasury shares to settle its share-based payment obligation as well as how to report option programs in subsidiaries that apply the IFRS. The interpretation became effective on 1 March 2007.

IFRIC 12 ¹¹

Service Concession Arrangements. The interpretation deals with the arrangements in which a private company is going to construct an infrastructure to provide a public service for a specific amount of time. The entity is paid for this service during the contract period. The interpretation became effective on 1 January 2008.

IFRIC 13

Customer Loyalty Programmes. This interpretation is valid for entities that have, for example, a loyalty points system. The interpretation becomes effective on 1 July 2008.

IFRIC 14 ¹¹

The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation is effective for annual periods beginning on 1 January 2008 or later.

3 Important estimations and assessments

When preparing the accounts according to IFRSs and good accounting practice estimations and assumptions are made about the future that affect balance and income statement items in the annual accounts. These assessments are based on historic experience and the various assumptions that Executive Management and the Board of Directors consider plausible under existing circumstances. In cases where it is not possible to ascertain the book value of assets and liabilities through information from other sources these estimations and assumptions form the basis of the valuation. If other assumptions are made or other circumstances influence the matter the actual outcome

¹¹ This standard or interpretation has not yet been approved for application in the EU.

► **NOTE 1 Accounting principles (cont.)**

can differ from these assessments. Assessments can have a particularly significant effect on Elanders' profit/loss and position in the areas of the value of goodwill and taxes.

Assessing the need to write-down goodwill

Goodwill is subject to annual impairment test according to the described accounting principle in section 2 above. The assessment requires an estimation of parameters that affect future cash flow and ascertaining the discounting factor. Essential assumptions when assessing the need of write-downs for goodwill and a description of the effect of plausible, possible changes in these assumptions that are basis of the calculations are found in Note 15.

Valuing the deficit deduction

Deferred tax receivables concerning deficit deductions reported by the Group amount to MSEK 56 per 31 December 2007. The recorded value of these tax receivables have been tested at year-end and it is deemed probable that the deductions can be set off against a surplus in future taxation.

The tax receivables refer to Swedish deficit deductions that can be utilised for an unlimited amount of time. The Group's Swedish operations, with the exception of the operations in Kungsbacka disposed of in 2007, have been profitable for the past three financial years and are expected to continue to generate a considerable surplus. Elanders therefore believes it is safe to say that it will be possible to set off the deficit deduction which the tax receivables stem from, against future taxable surpluses.

Valuing pension obligations

Booked pension provisions for defined benefit pension plans are based on actuarial calculations based on assumptions concerning discount rates, anticipated returns on plan assets, future wage increases, inflation and demographic factors. The assessments made concerning these assumptions affect the value of the entire pension obligation and major changes in the assessments could have a significant effect on the Group's profit/loss and financial position. This is also true in the case a different assessment is made in the matter of whether pension plans in Alecta shall be reported as defined contribution pension plans or not.

PARENT COMPANY ACCOUNTING PRINCIPLES

The parent company has prepared its annual accounts according to the Annual Accounts Act and the Swedish Financial Reporting Board Recommendation RFR 2.1

Accounting for legal entities and where applicable statements made by the Swedish Financial Reporting Board. RFR 2.1 requires the parent company to, in the annual accounts for the legal entity, use all the EU approved IFRSs and interpretations as far as possible within the framework of the Annual Accounts Act and the Security Law, taking into consideration the connection between accounting and taxation.

The parent company generally follows the same previously described principles as the Group. Differences between Group and parent company accounting principles are presented below.

Intangible assets

The parent company amortises goodwill according to plan, which is not permitted for the Group. Goodwill is amortised on a straight-line basis over a twenty-year period since it relates to acquisitions of a strategic nature.

Taxes

Tax laws allow provisions for special reserves and funds that are reported separately in the parent company. This allows companies within limits to allocate and retain recorded profits in operations without them being immediately taxed. The untaxed reserves are not subject to taxation until they are dissolved. If companies loose money the untaxed reserves can be used to cover the losses without being taxed.

Group and shareholder contributions

Group and shareholder contributions are recognised according to the Swedish Financial Reporting Board statement UFR 2. This requires group and shareholder contributions to be reported according to the substance of the transaction. Contributions are reported as capital movement, i.e. an increase or decrease in unrestricted equity. As a result of this method of accounting only tax attributable to revenues and expenses are reported in the income statement.

Pensions

The parent company's pension obligations have been calculated and reported based on the Job Security Law. Application of the Job Security Law is a prerequisite for fiscal deductions.

► NOTE 2 Information per business area and geographical area

Profit/loss per business area	Infologistics		User Manuals		Other items that cannot be allocated ¹⁾		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Income								
External sales	1,616,740	1,367,595	418,876	312,484	–	–	2,035,616	1,680,079
Total income	1,616,740	1,367,595	418,876	312,484	–	–	2,035,616	1,680,079
Profit/loss								
Operating profit/loss	91,300	102,020	94,900	72,026	40,620	–	226,820	174,046
Financial items (not allocated)	–	–	–	–	–42,699	–21,782	–42,699	–21,782
Taxes (not allocated)	–	–	–	–	–11,930	–37,127	–11,930	–37,127
Profit/loss for the year from remaining operations	91,300	102,020	94,900	72,026	–14,009	–58,909	172,191	115,137
Profit/loss for the year from discontinued operations, net after	–	–	–	–	–	–1,641	–	–164,162
Profit/loss for the year	–	–	–	–	–14,009	–223,071	172,191	–49,025

¹⁾ The discontinued operations in Kungsbacka are included in the figures for 2006 under Other items that cannot be allocated.

Balance sheet per business area	Infologistics		User Manuals		Other items that cannot be allocated ¹⁾		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Assets								
Goodwill	766,830	454,525	77,826	77,826	–	–	844,656	532,351
Other intangible assets	10,275	8,577	8,994	915	2,152	166	21,421	9,658
Tangible assets	210,068	132,141	234,140	146,194	776	67,060	444,984	345,395
Share in joint venture	–	–	12,414	11,486	–	–	12,414	11,486
Other fixed assets	19,275	12,613	2,375	1,831	46,252	29,706	67,902	44,150
Inventory	77,397	55,820	48,333	18,289	–	18,764	125,730	92,873
Current receivables	372,563	321,230	148,137	105,149	121,242	104,325	641,942	530,704
Liquid funds	23,372	19,466	41,794	54,940	63	55	65,229	74,461
Total assets	1,479,780	1,004,372	574,013	416,630	170,485	220,076	2,224,278	1,641,078
Liabilities								
Long-term liabilities referring to operations	52,878	24,867	9,224	7,705	8,425	11,933	70,527	44,505
Other long-term liabilities (not allocated)	–	–	–	–	266,254	71,749	266,254	71,749
Current liabilities referring to operations	304,389	252,618	89,392	39,670	27,811	95,024	421,592	387,312
Other current liabilities (not allocated)	–	–	–	–	601,341	581,156	601,341	581,156
Total liabilities	357,267	277,485	98,616	47,375	903,831	759,862	1,359,714	1,084,722
Net investments	292,294	17,380	104,235	42,150	5,944	10,237	402,473	69,767
Depreciation	54,539	38,082	26,235	20,456	2,735	36,539	83,509	95,077
Write-downs on fixed assets	–	–	–	167	1,026	135,765	1,026	135,932

¹⁾ The discontinued operations in Kungsbacka are included in the figures for 2006 under Other items that cannot be allocated.

► NOTE 2 Information per business area and geographical area (cont.)

Sales per geographic area

SEK '000	2007	2006
Sweden	939,159	1,016,711
Germany	296,654	9,242
Great Britain	283,109	248,021
Hungary	190,150	168,124
China	97,428	29,558
Other countries	229,116	208,423
Total	2,035,616	1,680,079

Assets per geographic area

SEK '000	2007	2006
Sweden		
Goodwill	407,291	407,291
Other intangible assets	8,174	7,691
Tangible assets	90,770	172,614
Other fixed assets	65,238	40,990
Inventory	46,561	65,910
Current receivables	351,617	348,835
Liquid funds	4,984	7,971
Total	974,635	1,051,302
Germany		
Goodwill	303,019	—
Other intangible assets	4,017	—
Tangible assets	75,836	—
Other fixed assets	85	—
Inventory	13,244	—
Current receivables	62,469	—
Liquid funds	16,086	—
Total	474,756	—
Hungary		
Goodwill	77,826	77,826
Other intangible assets	8,356	—
Tangible assets	91,451	38,046
Share in joint venture	12,414	11,486
Inventory	29,108	9,530
Current receivables	73,771	65,597
Liquid funds	18,637	35,860
Total	311,563	238,345

Great Britain

SEK '000	2007	2006
Goodwill	45,428	47,234
Other intangible assets	—	1,052
Tangible assets	35,477	23,563
Other fixed assets	—	742
Inventory	16,196	7,850
Current receivables	65,029	67,168
Liquid funds	1,755	11,276
Total	163,885	158,885

China

SEK '000	2007	2006
Other intangible assets	397	219
Tangible assets	101,368	73,692
Other fixed assets	503	330
Inventory	10,470	2,915
Current receivables	37,644	20,301
Liquid funds	17,355	7,660
Total	167,737	105,117

Other countries

SEK '000	2007	2006
Goodwill	11,092	—
Other intangible assets	477	696
Tangible assets	50,082	37,480
Other fixed assets	503	2,088
Inventory	10,151	6,668
Current receivables	51,412	28,803
Liquid funds	6,412	11,694
Total	131,702	87,429
Total group	2,224,278	1,641,078

Investments per geographic area

SEK '000	2007	2006
China	26,589	23,555
Sweden	5,261	23,435
Great Britain	23,701	1,236
Germany	260,409	—
Hungary	68,950	14,768
Other countries	17,563	6,773
Total	402,473	69,767

► NOTE 3 Other operating income and other operating expenses

Other operating income	2007	2006
Exchange rate gains	3,967	12,593
Capital gains from the sales of property	40,565	—
Capital gains from the sales of other assets	13,153	6,186
Other	10,018	2,303
Total other operating income	67,703	21,082

Other operating expenses	2007	2006
Exchange rate losses	-4,990	-13,044
Capital losses	-868	-611
Other	-4,604	-194
Total other operating expenses	-10,462	-13,849

► NOTE 4 Shares in joint ventures

SEK '000	2007	2006
Opening book value	11,486	9,504
Investments	—	—
Share in joint venture's profit/loss	489	2,843
Translation difference	439	-861
Closing book value	12,414	11,486

Company	Registered office	Shareholding in percent
Hansprint Elanders Hungary Kft	Hungary	50

Financial information in summary for joint ventures (50 %)

SEK '000	2007	2006
Total assets	15,019	13,834
Total liabilities	2,605	2,348
Net turnover	13,290	15,104
Pre-tax profit/loss	978	2,843

► NOTE 5 Personnel

Average no. of employees	2007			2006		
	Women	Men	Total	Women	Men	Total
Parent company						
Sweden	4	7	11	4	6	10
Total in parent company	4	7	11	4	6	10
Subsidiaries						
Sweden	228	450	678	272	638	910
Germany	40	98	138	—	—	—
Poland	37	89	126	37	79	116
Great Britain	33	123	156	37	119	156
Hungary	132	124	256	100	100	200
China	77	96	173	28	61	89
Other countries	12	13	25	1	8	9
Total in subsidiaries	559	993	1,552	475	1,005	1,480
Group total	563	1,000	1,563	479	1,011	1,490
of which attributable to discontinued operations	—	—	—	33	172	205
Salaries and other remuneration						
	2007			2006		
	Board and CEO	Whereof variable remuneration	Other employees	Board and CEO	Whereof variable remuneration	Other employees
Parent company						
Sweden	6,074	1,050	8,800	5,144	600	6,114
Total in parent company	6,074	1,050	8,800	5,144	600	6,114
Subsidiaries in Sweden	4,830	150	237,065	7,390	750	299,027
Subsidiaries abroad						
Germany	3,431	1,110	60,668			
Poland	1,103	120	12,774	1,174	147	14,164
Great Britain	2,882	325	67,438	2,824	—	60,641
Hungary	2,155	481	27,245	1,842	500	24,911
China	1,011	—	8,642	877	—	4,073
Other countries	1,179	—	7,557	726	—	3,641
Total in subsidiaries	16,591	2,186	421,389	14,833	1,397	406,457
Group total	22,665	3,236	430,189	19,977	1,997	412,571
of which attributable to discontinued operations	—	—	—	1,303	—	66,209
Salaries and other remuneration						
	2007			2006		
	Salaries and other remuneration	Social security contributions	whereof pension cost	Salaries and other remuneration	Social security contributions	whereof pension cost
Parent company	14,874	9,729	3,697	11,258	8,021	3,159
Subsidiaries	437,980	151,055	43,198	421,290	161,479	37,335
Group total	452,854	160,784	46,895	432,548	169,500	40,494
of which attributable to discontinued operations	—	—	—	67,512	28,023	2,405
Remuneration to the Board, Chief Executive Officer and other senior officers						
SEK '000	Basic wage/ Board remuneration	Variable remuneration	Other benefits	Pension contributions	Remuneration for committee work	
Carl Bennet, Chairman	420	—	—	—	20	
Tore Åberg, Vice Chairman	290	—	—	—	20	
Ingegerd Gréen	210	—	—	—	20	
Göran Johnsson	210	—	—	—	40	
Hans-Olov Olsson	210	—	—	—	20	
Kerstin Paulsson	210	—	—	—	40	
Johan Stern	210	—	—	—	40	
Total remuneration to the Board	1,760	—	—	—	200	
Patrick Holm, Chief Executive Officer	3,000	1,050	52	1,581	—	
Other senior officers (4)	7,870	2,245	977	2,076	—	
Total remuneration to CEO and senior officers	10,870	3,295	1,029	3,657	—	

Basic wage/Board remuneration

The Chairman of the Board and Board members receive compensation for their participation on the Board and committee work from the total remuneration sum for the Board determined by the Annual General Meeting. Board members and deputies employed in the Group did not receive any fees or benefits in addition to those pertaining to their employment. The Chairman of the Board has not received any compensation other than Board and committee remuneration. Remuneration to the Chief Executive Officer and other senior officers consists of a basic salary, variable remuneration, other benefits and pension. Senior officers are the four people who, together with the Chief Executive Officer, comprised Executive Management in 2007.

Variable remuneration

The proportion between basic salary and variable remuneration corresponds to the officer's responsibility and authority. For the Chief Executive Officer variable remuneration may not exceed 35 percent of his annual salary. For the other senior officers variable remuneration may not exceed 30 percent of their annual salary. Variable remuneration is based on results in relation to individually targeted goals.

Pension benefits as well as other benefits to the Chief Executive Officer and senior officers are part of the total remuneration. Variable remuneration is carried as an expense for the financial year 2007 and paid out in 2008.

Bonus for the Chief Executive Officer is based on goals established by the Board.

► NOTE 5 Personnel (cont.)

The amount equalled 35 percent of his current annual basic salary. For other senior officers variable remuneration was based on goals established by the President together with the remuneration committee. The amounts equalled 0–30 percent of basic salaries. There was no variable remuneration or any other kind of remuneration with a dilution effect.

Other benefits

Other benefits are mainly company cars.

Pensions

The Group has both defined benefit and defined contribution pension plans. Pension cost is the cost that affects profit/loss for the year. The Chief Executive Officer and one person in Group Management have both defined benefit and defined contribution pension plans. The present value of the defined benefit obligation under those plans was MSEK 6.7 on the balance sheet date.

Defined contribution pension: The retirement age for the Chief Executive Officer is 65 years. The pension premium must correspond with the cost of ITP. The salary pension is based on its basic wage and an average of the last three years' variable remuneration. The retirement age for other senior officers is 65 years. The pension contract stipulates that pension premiums must correspond with the cost of ITP.

Defined benefit pension: The retirement age for the Chief Executive Officer is 60 years. Between the ages 60 to 65 the pension level is 70 % of the salary pension is based on and from the age of 65 for life it is 32.5 %. Basic wage is the only salary pension is based on. Survivor pension is approximately 16.25 % of basic wage.

The retirement age for one of the other officers is 60 years. Between the ages 60 to 65 the pension level for this person is 70 % of the salary pension is based on and from the age of 65 for life it is 32.5 %. Basic wage is the only salary pension is based on. Survivor pension is approximately 16.25 % of basic wage.

For the other senior officers the retirement age is 65 years. The pension premium must correspond with the cost of ITP.

All pensions are fully vested, i.e. there is no dependency on future employment.

Financial instruments

There is no compensation or benefits in the form of financial instruments.

Other remuneration

No other remunerations have been distributed.

Severance pay

The period of notice for termination of the Chief Executive Officer by the company is 18 months.

The period of notice from the Chief Executive Officer is 6 months. The period of notice for termination of other senior officers by the company varies between 3 to 18 months. Severance pay is paid no matter which party gives notice. Normal wages are paid during the period of notice.

Division between women and men in management

Position	Women 2007		Men 2007		Women 2006		Men 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Board member	2	25	6	75	2	29	5	71
Executive Management	–	–	5	100	–	–	5	100
Management	33	28	85	72	34	27	94	73

Attendance in 2007 of the members of the Board

	Board meetings		Committee meetings		
	Number held	Present	Number held	Present	Attendance in percent
Carl Bennet, Chairman	12	12	1	1	100
Tore Åberg, Vice Chairman	12	12	3	3	100
Ingegerd Gréen	12	12	1	1	100
Göran Johnsson	12	11	2	2	93
Gunilla Jönson ²⁾	6	3	–	–	50
Patrick Holm	12	12	–	–	100
Hans-Olov Olsson ¹⁾	6	3	1	–	43
Kerstin Paulsson ¹⁾	6	6	2	2	100
Johan Stern	12	12	2	2	100
Total					92

¹⁾ Hans-Olov Olsson and Kerstin Paulsson were elected to the Board by the Annual General Meeting on 26 April 2007.

²⁾ Gunilla Jönson resigned from the Board at the Annual General Meeting on 26 April 2007.

Preparation and decision process

The remuneration committee has during the year presented the Board with recommendations concerning principles for the remuneration of senior officers. The recommendations have included proportions between fixed and variable remuneration as well as the size of possible raises. In addition, the remuneration committee has proposed criteria for deciding on variable remuneration as well as pension terms and severance pay. The Board has discussed the remuneration committee's proposals and made its decisions guided by their recommendations.

The Board has determined the remuneration for the Chief Executive Officer for the financial year of 2007 based on the remuneration committee's proposals. The Chief Executive Officer has determined the remuneration for other senior officers after consultation with the Chairman of the remuneration committee.

Members of the remuneration committee during the year were Carl Bennet, Chairman, Ingegerd Gréen, Hans-Olov Olsson and Tore Åberg. The remuneration committee meets when necessary but at least once a year to prepare proposals for the remuneration of the Chief Executive

Officer and approve or deny his proposals for remuneration of and terms for the officers that report directly to him. In addition, the remuneration committee draws up principles for salary levels and employment terms for Executive Management. The remuneration committee proposes remuneration, terms and principles to the Board that then decides on these matters. The remuneration committee has met once in 2007. The committee has been supported by external expertise in matters concerning compensation levels and structures.

Absence due to illness in the Group (Swedish companies), percent	2007	2006
Total absence due to illness	3.2	4.9
Short time absence due to illness	1.6	2.1
Long time absence due to illness	1.6	2.1
Absence due to illness, men	1.9	4.0
Absence due to illness, women	3.7	6.8
Absence due to illness, employees under 30 years	3.6	5.7
Absence due to illness, employees between 30–49 years	2.8	4.6
Absence due to illness, employees 50 years and over	3.5	5.4

The total absence due to illness is given in percent of the employees' combined ordinary working hours. Long time absence due to illness means absence during a continuous period of 60 days or more.

▶ NOTE 6 Fees to the auditors

SEK '000	2007	2006
Audit fees	2,129	1,527
Fees for other consultations ¹⁾	816	132
Total	2,945	1,659

¹⁾ Included in the consulting fees in 2007 is a fee of 625 for a certificate requiring an auditor's signature and other work connected to the Rights Issue. These fees have not been expensed, but have instead been booked as a reduction in the capital contributed by the Rights Issue.

The above fees were paid primarily to the accounting firm Deloitte AB. Audit fees are defined as fees for auditing the annual accounts, the book-keeping and the administration of the Board, and other tasks that company accountants are responsible for as well as consultation or other assistance stemming from observations made during the audit or when carrying out other such activities. Anything else is other consultation.

The audit fees for discontinued operations amounted to 0 (149) in 2007.

▶ NOTE 7 Expenses allocated per type of cost

SEK '000	2007	2006
Depreciation and write-downs	84,535	62,095
Cost for remuneration to employees	622,608	514,858
Changes in work-in-progress and finished products	-25,408	-3,638
Cost of paper	337,531	277,114
Other material	193,040	175,851
Cost of sub-contracted work	280,833	136,602
Other production costs	168,394	199,018
Transport costs	64,017	59,594
Cost of sales and marketing	43,676	30,059
Other costs	97,300	64,556
Total cost for products and services sold, sales costs and administration costs	1,866,526	1,516,109

▶ NOTE 10 Taxes

Tax on profit/loss for the year

SEK '000	2007	2006
Current tax on profit/loss for the year	-27,447	-20,405
Correction of previous years' current tax expense	-4,210	-
Deferred tax	19,727	-16,722
Recorded tax	-11,930	-37,127

The company won a tax case in 2007, which resulted in a reduction of the period's deferred tax cost of MSEK 21.1.

Deferred tax receivables

SEK '000	2007	2006
Regarding tax loss carried forward	56,076	70,078
Regarding restructuring reserves	468	1,286
Regarding temporary differences attributable to depreciation and write-downs	-	38,400
Other	7,851	5,187
Less unrecorded deferred tax receivables	-1,932	-79,190
Total booked deferred tax receivables	62,463	35,761

Unrecorded deferred tax receivables for the year refer to tax losses carried forward in Italy that have not been valued.

Deferred tax liabilities

SEK '000	2007	2006
Regarding untaxed reserves	6,189	6,129
Regarding temporary differences in fixed assets	12,273	6,018
Regarding other items	5,515	3,635
Total booked deferred tax liabilities	23,977	15,782

Reconciliation of recorded Group tax

SEK '000	2007	2006
Pre-tax profit/loss	184,121	152,264
Tax according to Swedish tax rate of 28 % (28 %)	-51,554	-42,634
Tax effect of:		
Differences in tax rates for foreign subsidiaries	13,057	5,281
Non-taxable capital gains	10,658	-
Non-deductible costs	-682	-1,239
Change in unrecorded deferred tax receivables	18,837	1,760
Correction of previous years' tax expense	-3,929	-
Other	1,683	-295
Recorded tax on profit/loss for the year	-11,930	-37,127

Change in deferred tax

SEK '000	2007	2006
Opening value, net	19,979	17,943
Divestiture/acquisition of subsidiaries	-1,243	-
Recorded deferred tax on profit/loss for the year	19,727	-16,722
Tax items booked directly against equity ¹⁾	167	-1,293
Translation differences	-144	120
Deferred tax on profit/loss for the year attributable to disposed operations	-	19,931
Closing value, net	38,486	19,979

¹⁾ Tax items booked directly against equity refer to the Group's hedge reserve, attributable to forward exchange agreements.

Discontinued operations

Tax attributable to discontinued operations amounted to MSEK 0 (MSEK -19.9). There was no tax generated as a result of the disposal.

▶ NOTE 9 Financial income and expenses

Interest income	2008	2009–2012	thereafter
SEK '000	2007	2006	
Interest income	2,120	833	
Total	2,120	833	
Other financial income			
Exchange rate profits	3,292	2,934	
Total	3,292	2,934	
Interest expenses			
Interest expenses	-41,656	-20,035	
Total	-41,656	-20,035	
Other financial expenses			
Exchange rate losses	-4,284	-3,658	
Other	-2,171	-1,856	
Total	-6,455	-5,514	

► NOTE 11 Discontinued operations

On 16 February 2007 the disposal of the shares in Elanders Tryckeri AB (now Kungsbacka Graphic AB) in Kungsbacka to the MD of the company was approved of by an Extra General Shareholders' Meeting. This meant Elanders no longer produced directories; segment Directories. Operations were consolidated into Group accounts until the end of January 2007. All figures below regarding disposed operations are attributable to the disposed Kungsbacka operations.

Income statement

SEK '000	2007	2006
Net turnover ¹⁾	23.2	380.6
Cost of products and services sold ¹⁾	-21.1	-535.8
Gross profit/loss	2.1	-155.2
Sales and administration costs	-1.9	-27.2
Other operating income	-	7.6
Other operating costs	-	-8.0
Operating profit/loss	0.2	-182.8
Net financial items	-0.2	-1.3
Profit/loss after net financial items	0.0	-184.1
Taxes	-	20.0
Profit/loss from discontinued operations for the period	0.0	-164.1
Profit from disposal of operations	-	-
Tax on profit from disposal of operations	-	-
Profit/loss for the period	0.0	-164.1
Profit/loss per share from discontinued operations, SEK ³⁾⁴⁾	-	-18.53
Average number of shares (in thousands)	9,537 ²⁾	8,855 ²⁾
Outstanding shares at the end of period (in thousands)	9,765	8,370

¹⁾ Figures include transactions with remaining units.

²⁾ Average number of outstanding shares after adjustment for the bonus issue element of the Rights issue.

³⁾ Earnings per share before and after dilution.

⁴⁾ Earnings per share calculated by dividing profit/loss by the average number of outstanding shares during the period.

Cash flow attributable to discontinued operations

SEK '000	2007	2006
Cash flow from operating activities	7.5	11.5
Cash flow from investing activities	0.0	-11.2
Cash flow from financing activities	-7.5	-0.3
Operating cash flow	7.7	1.5

Assets and liabilities in disposals

At the point of disposal the operations in Kungsbacka had the following assets and liabilities:

SEK '000	
Other fixed assets	4.1
Inventory	39.5
Accounts receivable	64.9
Other current assets	19.9
Liquid funds	-
Non-interest bearing long-term liabilities	-
Interest bearing long-term liabilities	-36.7
Non-interest bearing current liabilities	-82.5
Interest bearing current liabilities	-9.2
Identifiable net assets	0.0
Capital gains/losses	0.0
Received purchase sum	0.0
Liquid funds in divested operations	0.0
Effect on Group liquid funds	0.0

► NOTE 12 Earnings per share

Earnings per share is calculated by dividing the profit/loss attributable to the parent company's shareholders with the average number of outstanding shares during the year.

SEK '000	2007	2006
Profit/loss attributable to shareholders	172,087	-49,025
Average number of outstanding shares (in thousands) ¹⁾	9,537	8,855
Earnings per share, SEK²⁾	18.06	-5.54

¹⁾ The average number of outstanding shares after adjustment for the bonus issue element from the Rights issue.

²⁾ Earnings per share before and after dilution.

► NOTE 13 Additional information concerning cash flow

Liquid funds

Liquid funds consist primarily of cash and bank transactions. Short-term placements are classified as liquid funds when:

- the risk of changes in their fair value is insignificant.

- they are easily converted.

- they mature in less than three months from the date they were acquired.

Adjustment for items not included in cash flow

SEK '000	2007	2006
Depreciation and write-downs of intangible and tangible assets	84,535	231,009
Write-downs on current assets	-	10,723
Share of profit/loss in joint venture	-489	-2,843
Changes in provisions that do not affect cash flow	1 985	-8,134
Unrealised exchange rate gains (-)/exchange rate losses (+)	4,053	2,451
Profit/loss from the sales of operations	-49	-
Profit/loss from the disposal of tangible assets	-52,801	-5,678
Total	37,234	227,528

Paid and received interest

SEK '000	2007	2006
Paid interest	-43,929	-21,175
Interest received	2,120	908
Total	-41 809	-20,267

► NOTE 14 Operating cash flow

Operating cash flow is defined as cash flow from current operations, excluding financial items and paid taxes, and cash flow from investing activities.

SEK '000	2007	2006
Cash flow from current operations	97,467	167,101
Adjustment for financial items	42,699	23,040
Adjustment for paid taxes	32,288	20,782
Acquisitions and sales of operations	-247,845	-
Other items included in cash flow from investing activities	-154,628	-72,709
Operating cash flow	-230,019	138,214

► NOTE 15 Intangible assets

SEK '000	Goodwill		Other intangible assets		Total	
	2007	2006	2007	2006	2007	2006
Opening acquisition value	557,056	557,817	16,976	11,030	574,032	568,847
Acquisitions, incl. acquisition of operations	300,775	–	18,406	6,143	319,181	6,143
Adjustment of additional purchase price	–	–	–	–	–	–
Divestitures, incl. disposal of operations/discards	-24,705	–	-2,463	-93	-27,168	-93
Translation difference	11,530	-761	856	-104	12,386	-865
Closing acquisition values	844,656	557,056	33,775	16,976	878,431	574,032
Opening accumulated depreciation	–	–	-6,016	-4,607	-6,016	-4,607
Divestitures, incl. disposal of operations/discards	–	–	1,437	93	1,437	93
Depreciation for the year	–	–	-5,020	-1,571	-5,020	-1,571
Translation difference	–	–	-427	69	-427	69
Closing accumulated depreciation	–	–	-10,026	-6,016	-10,026	-6,016
Opening write-downs	-24,705	–	-1,302	-1,302	-26,007	-1,302
Write-downs for the year	–	-24,705	-1,026	–	-1,026	-24,705
Divestitures, incl. disposal of operations/discards	24,705	–	–	–	24,705	–
Closing accumulated write-downs	–	-24,705	-2,328	-1,302	-2,328	-26,007
Closing net book value according to plan	844,656	532,351	21,421	9,658	866,077	542,009

All depreciation for 2007 of intangible assets has been recognised in its entirety under the entry Cost of products and services sold. The cost of software developed by Elanders is capitalized when it is clear that the investments can lead to financial advantages for the company. The costs are written off on a straight-line basis over the period of use. Capitalized development expenditures for software amounted to 6,110 (5,440) in 2007. Intangible assets attributable to discontinued operations amounted to 0 per 31 December 2006.

Impairment test on goodwill

Goodwill is allocated amongst Group units identified per country and business area according to the following:

SEK '000	2007		2006	
	Infologistics	User Manuals	Infologistics	User Manuals
Sweden	407,291	–	407,291	–
Germany	303,019	–	–	–
Hungary	–	77,826	–	77,826
Other countries	56,520	–	47,234	–
Book value	766,830	77,826	454,525	77,826

Goodwill is subjected to impairment tests annually and when there are indications that a write-down may be necessary.

The recoverable amount for cash generating units is based on a calculation of useful value. Impairment tests are performed on the lowest identified cash generating level.

Useful value of goodwill attributable to Elanders' cash generating units is based on discounted cash flows for a period of 20 years. Cash flows for the first 2 years are based on budget. In the following period cash flows attributable to all the items that contain goodwill are fixed at a growth rate of 7–10 % for Infologistics and 10 % for User Manuals. Based on the assumptions shown below the useful value is higher than the book value for all the cash generating units.

Fundamental assumptions in the calculation of useful values:

SEK '000	Infologistics			User Manuals
	Sweden	Germany	Other countries	Hungary
Operating margin ¹⁾	8 %	10 %	8–15 %	12 %
Growth rate ²⁾	7 %	7 %	7–10 %	10 %
Discount rate ³⁾	9 %	9 %	9–12 %	12 %

¹⁾ The budgeted operating margin used was determined by Executive Management based on historical margins and anticipated market development.

²⁾ Growth rate used for cash flows after the two year budget period.

³⁾ Pre-tax discount rate used as the discount factor for estimated future cash flows.

Negative changes of 20 % in the three variables would have such an effect that each one individually or all together would reduce the recoverable amount to the equivalent of or under the book value for cash generating units.

► NOTE 16 Tangible assets

SEK '000	Buildings and land ¹⁾		Plant and machinery		Equipment, tools, fixtures and fitting		Fixed assets under construction ²⁾		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Opening acquisition value	192,132	183,759	1,052,447	1,009,550	117,142	125,288	8,546	59,984	1,370,267	1,378,581
Purchases/investments	44,823	988	142,881	40,826	15,693	8,341	56,946	28,742	260,343	78,897
Sales/discards, incl. disposal of companies	-160,115	-1,303	-571,153	-49,795	-66,378	-20,702	-	-	-797,646	-71,800
Reclassifications	3,655	9,647	43,453	61,621	494	5,179	-47,602	-76,447	-	-
Translation difference	2,397	-959	13,014	-9,755	1,642	-964	550	-3,733	17,603	-15,411
Closing acquisition value	82,892	192,132	680,642	1,052,447	68,593	117,142	18,440	8,546	850,567	1,370,267
Opening accumulated depreciation and write-downs	-97,399	-91,780	-835,464	-705,273	-92,009	-90,630	-	-	-1,024,872	-887,683
Depreciation for the year	-6,808	-6,131	-61,911	-77,052	-9,770	-10,323	-	-	-78,489	-93,506
Write-downs for the year	-	-	-	-103,955	-	-7,272	-	-	-	-111,227
Sales/discards, incl. disposal of companies	92,852	380	548,111	46,079	65,738	15,746	-	-	706,701	62,205
Translation difference	-497	132	-7,370	4,737	-1,056	470	-	-	-8,923	5,339
Closing accumulated depreciation and write-downs	-11,852	-97,399	-356,634	-835,464	-37,097	-92,009	-	-	-405,583	-1,024,872
Closing net book value according to plan	71,040	94,733	324,008	216,983	31,496	25,133	18,440	8,546	444,984	345,395

¹⁾ Buildings and land include land with a book value of 508 (2,596).

²⁾ Fixed assets under construction include advances related to tangible assets of 568 (0).

Depreciation during the year amounting to 78,489 (93,506) has been charged to the cost of products and services sold in the income statement by 68, 579 (83,297), sales expenses by 1,269 (1,002) and administration expenses by 8,641 (9,207).

The total tax assessment value of the Group's property in Sweden is MSEK 6.5 (MSEK 89.0), of which MSEK 1.8 (MSEK 12.4) relates to land.

The book value of tangible assets that are possessed through finance lease contracts amounts to 27,710 (31,536). All tangible assets financed under finance leases are reported as plant and property.

In the figures for 2006 there are, at the end of the year, fixed assets of SEK 0 attributable to discontinued operations.

Future minimum lease payments for finance leases

SEK '000	2007	2006
Within 1 year	6,674	8,285
Between 1 and 5 years	27,085	22,702
More than 5 years	-	1,760
Total	33,759	32,747
Future interest expenses for finance leases	-3,941	-4,227
Present value of finance lease liability	29,818	28,520

► NOTE 17 Other investments held as fixed assets

SEK '000	2007	2006
Opening book value	70	70
Sales	-50	-
Investments	2,178	-
Closing book value	2,198	70

Included in investments during the year was the paid purchase price of 2,083 for 7 % of the shares in Webtop Solution A/S in Norway.

► NOTE 18 Other long-term receivables

SEK '000	2007	2006
Opening acquisition value	8,319	9,611
Increase for the year	692	3,480
Acquisition/disposal of subsidiary	-4,000	-
Reduction for the year	-1,778	-4,717
Translation difference	8	-55
Closing book value	3,241	8,319

► NOTE 19 Financial instruments and financial risk management

The major purpose of Group financial risk management is to identify and control the Group's financial risks. Risk management is centralised to the parent company treasury and finance function. All current or future financial risks in the Group's subsidiaries are managed by the central treasury and finance function that acts as an internal bank. The exception is commercial credit risks, which are handled by each subsidiary.

The greatest financial risks the Group is exposed to are exchange risk, interest risk, capital risk, financing risk and credit risk.

Exchange risk

Elanders runs into an exchange risk primarily through export sales (transaction exposure), in the conversion translation of balance sheet items in foreign currency or when converting net profit and net assets from foreign subsidiaries (translation exposure).

TRANSACTION EXPOSURE

In accordance with the Group's financial policy normally contracted payment flows are hedged but expected and budgeted flows are not. Contracted net inflows within a twelve month period are hedged at 100 percent while contracted net inflows for longer periods are normally hedged at 80 percent.

The Group uses forward exchange contracts to handle exchange risk exposure and hedge accounting for contracted future payment flows as well as translation of financial assets and liabilities. The hedge reserve per 2007-12-31 amounted to -598 (35) and will be returned to the income statements in 2008.

Elanders' net inflow of foreign currency consists primarily of EUR, CNY, GBP and PLN, of which EUR is the most important. A change in the currency rate up or down by 5 percent in EUR would affect profit/loss by MSEK 9 without taking existing forward exchange contracts into consideration. For the other three currencies the effect would be MSEK 3. This is without taking existing forward exchange contracts into consideration.

Translation differences on operating receivables and payables as well as forward exchange contracts that are held for hedging purposes are reported as other operating income or expenses. Translation differences on financial liabilities and assets are reported under net financial items.

TRANSLATION EXPOSURE

In accordance with our established policy financial assets and liabilities are hedged at 100 percent while translation differences connected to net profit/loss are not hedged. The net assets in the newly acquired German subsidiary have been hedged.

Interest risk

Interest risk is defined as the risk of lower profits caused by a change in interest rates. The Group's financial policy provides the guidelines for interest duration. The objective of interest management is to minimise the negative effects of changes in interest rates. The Group strives to achieve a balance between cost efficient borrowing and the risk exposure of a negative influence on profits if a sudden, substantial interest rate change should occur.

A change in the interest rate up or down of 1 percentage unit would have an estimated affect on Group profit/loss of MSEK 8.

INTEREST BEARING AND NONINTEREST BEARING FINANCIAL ASSETS AND LIABILITIES

SEK '000	Interest bearing		
	Fixed interest	Floating interest	Non-interest bearing
Current receivables	–	–	576
Long-term receivables	–	–	5
Liquid funds	–	65	–
Current liabilities	–	-601	-241
Long-term liabilities	–	-281	-28
Total	–	-817	312

In the previous table provisions for pensions are included in interest bearing liabilities. In the table regarding categorisation of financial instruments on the next page they are included in non-financial liabilities.

Hedges

To handle the Group's transaction exposure future contracted payment flows in foreign currency are hedged with forward exchange contracts. The duration of a contract corresponds to the underlying contracted orders and payment flows. The table below shows a compilation over the Group's outstanding forward exchange contracts per 31 December 2007.

SEK '000	2007			2006		
	Nominal amount	Book value	Fair value	Nominal amount	Book value	Fair value
Forward exchange contracts	19	-1	-1	73	0	0

Calculated fair value is based on market quotations and generally accepted valuation methods.

Currency allocation

SEK '000	Nominal amount	Average hedging rate	Due within a year	Due between 1–2 years	Due between 3–5 years	Due after 5 years or more
EUR/SEK	1	9.45	1	–	–	–
GBP/SEK	2	14.04	2	–	–	–
EUR/GBP	16	0.70	16	–	–	–
Total	19		19	–	–	–

Capital risk

The company's goals regarding its capital structure are in part to secure its ability to continue operations in order to be able to generate returns to shareholders and be useful to other interested parties and in part that its capital structure is optimal in relationship to the cost of the capital. Dividends to shareholders, redemption of shares, issues of new shares or the sales of assets are examples of steps the Group can take to adjust its capital structure.

Financing risk

Financing risk is defined as the risk of not being able to meet payment obligations as a result of insufficient liquid funds or difficulties in finding financing. The Group aims to always have several sources of credit that are willing to offer financing on market terms. The Group's policy specifies a liquidity buffer of around MSEK 50.

Credit risk

Credit risk or counterparty risk is defined as the risk of a counterparty not meeting their obligations. The most crucial credit risk arises when trading exchange derivative instruments and investing surplus liquidity.

The financial policy stipulates that financial credit risks must be limited and controlled through the sole usage of well-known financial institutions with high credit ratings. The policy lists counterparty limits and approved counterparties. On 31 December 2007 the total counterparty exposure in derivative instruments (calculated as net receivables per counterparty) was MSEK 19, taking the ISDA contracts into consideration.

The commercial credit risk consists of the payment ability of customers and is handled by the subsidiaries through careful monitoring of payment ethics, follow up of customers' financial reports and good communication. The Group's total credit risk is spread out over many different companies. However, in actuality a few customers represent a large part of the Group's accounts receivable. These customers are for the most part large, listed companies that have been thoroughly investigated.

The total commercial credit exposure is equivalent to the book value of long-term receivables, accounts receivable and other current receivables. The Group has also taken out a credit insurance that covers bad debt losses up to MSEK 50 with an excess of MSEK 2.

Fair value

If the fair value differs from book value the fair value is noted in the note concerned.

Hedge reserve

Hedge reserves are forward exchange contracts as well as hedging of net investments abroad, specifically the German subsidiary.

Sensitivity analysis

In the table below is a summary of how some variables, such as a change in the price of paper or wages, would affect Group profit/loss.

Variable	Effect on profit/loss Change after financial items, MSEK
Net turnover	+/- 1 % unit
Paper cost	+/- 1 % unit
Personnel cost	+/- 1 % unit
Sick leave	+/- 1 % unit
Electricity cost	+/- 1 % unit
Interest level	+/- 1 % unit

► NOTE 19 Financial instruments and financial risk management (cont.)

Categorisation of financial instruments

The allocation of financial instruments in the balance sheets for 2007 and 2006 is presented in the tables below.

2007	Derivative instruments in designated hedge accounting relationships						Other financial assets	Non-financial assets	Total
	SEK '000	Fair value through P&L	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets				
Intangible assets	–	–	–	–	–	–	–	866,077	866,077
Tangible assets	–	–	–	–	–	–	–	444,984	444,984
Financial assets	–	–	–	–	20	5,419	74,877	80,316	
Current assets									
Inventory	–	–	–	–	–	–	125,730	125,730	
Accounts receivable	–	–	–	450,623	–	–	–	450,623	
Current tax assets	–	–	–	–	–	–	10,023	10,023	
Other receivables	–	–	–	125,195	–	–	6,024	131,219	
Prepaid expenses and deferred income	–	–	–	–	–	–	50,077	50,077	
Liquid funds	–	–	–	65,229	–	–	–	65,229	
Total current assets	–	–	–	641,047	–	–	191,854	832,901	
Total assets	–	–	–	641,047	20	5,419	1,577,792	2,224,278	
2007									
Liabilities									
SEK '000	Fair value through P&L	Derivative instruments in designated hedge accounting relationships		Available-for-sale financial liabilities	Other financial liabilities	Non-financial liabilities		Total	
Long-term liabilities and provisions	–	–	–	294,205	42,577	–	336,782		
Current liabilities and provisions									
Liabilities to credit institutions	–	–	–	601,341	–	–	601,341		
Advances from customers	–	–	–	9,830	–	–	9,830		
Accounts payable	–	–	–	211,739	–	–	211,739		
Tax liabilities	–	–	–	–	14,642	14,642			
Other liabilities	–	782	–	19,577	30,803	51,162			
Deferred expenses and prepaid income	–	–	–	–	122,248	122,248			
Provisions	–	–	–	–	11,970	11,970			
Total current liabilities and provisions	–	782	–	842,487	179,663	1,022,932			
Total liabilities and provisions	–	782	–	1,136,692	222,240	1,359,714			
2006									
Assets									
SEK '000	Fair value through P&L	Derivative instruments in designated hedge accounting relationships	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Other financial assets	Non-financial assets	Total	
Intangible assets	–	–	–	–	–	–	542,009	542,009	
Tangible asset	–	–	–	–	–	–	345,395	345,395	
Financial assets	–	–	–	8,319	70	–	47,247	55,636	
Current assets									
Inventory	–	–	–	–	–	–	92,873	92,873	
Accounts receivable	–	–	–	456,843	–	–	–	456,843	
Current tax assets	–	–	–	–	–	–	7,763	7,763	
Other receivables	–	1,198	–	21,632	–	–	1,649	24,479	
Prepaid expenses and deferred income	–	–	–	–	–	–	41,619	41,619	
Liquid funds	–	–	–	74,461	–	–	–	74,461	
Total current assets	–	1,198	–	552,936	–	–	143,904	698,038	
Total assets	–	1,198	–	561,255	70	–	1,078,555	1,641,078	
2006									
Liabilities									
SEK '000	Fair value through P&L	Derivative instruments in designated hedge accounting relationships		Available-for-sale financial liabilities	Other financial liabilities	Non-financial liabilities		Total	
Long-term liabilities and provisions	–	–	–	79,069	37,185	–	116,254		
Current liabilities and provisions									
Liabilities to credit institutions	–	–	–	62,710	–	–	62,710		
Advances from customer	–	–	–	518,446	–	–	518,446		
Accounts payable	–	–	–	21,554	–	–	21,554		
Tax liabilities	–	–	–	178,459	–	–	178,459		
Aktuella skatteskulder	–	–	–	–	3,198	3,198	3,198		
Other liabilities	–	1,504	–	5,073	32,344	38,921			
Deferred expenses and prepaid income	–	–	–	–	135,154	135,154			
Provisions	–	–	–	–	10,026	10,026			
Total current liabilities and provisions	–	1,504	–	786,242	180,722	968,468			
Total liabilities and provisions	–	1,504	–	865,311	217,907	1,084,722			

► NOTE 19 Financial instruments and financial risk management (cont.)

Financial instruments and financial risk management – additional information

RECEIVABLES OVERDUE BUT NOT WRITTEN-DOWN

SEK '000	2007	2006
Less than 30 days overdue	65,213	44,582
30–60 days overdue	18,864	10,595
61–90 days overdue	4,194	3,551
91–120 days overdue	1,679	8,349
More than 120 days overdue	10,357	7,347
Total	100,307	74,424

Only accounts receivable are included in the table above. No other overdue receivables existed per 31 December 2007 or in 2006.

The provision for bad debts was 7,079 (6,410) per 31 December 2007.

INTEREST INCOME AND EXPENSES STEMMING FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES
The table below shows interest income and expenses for all financial assets and liabilities.

SEK '000	2007	2006
Interest income from financial assets	2,120	2,934
Interest expenses due to financial liabilities	-40,761	-19,126
Total	-38,641	-16,192

The reason the profit/loss is not the same as the interest profit/loss recorded under net financial items is mainly due to the fact that net financial items stemming from pensions have been excluded.

NET PROFITS AND LOSSES FOR FINANCIAL INSTRUMENTS REPORTED IN THE INCOME STATEMENT
The table below contains the following items that have been reported in the income statement:

- Profits and losses stemming from exchange rate differences, including profits and losses attributable to hedge accounting.
- Profits and losses stemming from financial instruments where hedge accounting is applied.

SEK '000	2007	2006
Loans and receivables	8,568	-3,115
Other financial liabilities	-12,228	-485
Total	-3,660	-3,600

INEFFECTIVITY IN HEDGE ACCOUNTING

The table below shows the results of the loans and hedge instruments recorded at fair value.

Forward exchange contracts SEK '000	Net profit/loss 2007	Net profit/loss 2006
Financial assets (hedged item)	-491	-3,796
Forward exchange contract	491	3,796
Total (inefficiency)	–	–
Net investment abroad SEK '000	Net profit/loss 2007	Net profit/loss 2006
Net investment abroad	4,944	–
Hedging instrument	-4,944	–
Total (inefficiency)	–	–

DEBT/ EQUITY RATIO AND TOTAL CAPITAL

The debt/equity ratio per 31 December 2007 amounted to 95 % (107 %). The debt/equity ratio is defined as interest-bearing liabilities reduced by liquid funds in relation to equity, including minority interests.

The total capital per 31 December 2007 was MSEK 1,682 (MSEK 1,150), of which equity amounted to MSEK 856 (MSEK 556).

► NOTE 20 Inventory

	2007	2006
Raw materials and supplies	53,733	46,284
Work in progress	38,922	39,606
Finished products	33,075	6,983
Total	125,730	92,873

Costs relating to obsolescence are included in the entry costs of products and services sold and amounted to 122 (276). In the 2006 figures above, inventory attributable to discontinued operations is included in the amount of 18,764.

► NOTE 21 Other receivables

Other current receivables contains the receivable regarding the purchase price of MSEK 111 (MSEK 0) for the sold property in Kungsbacka. The amount was due on 4 February 2008.

► NOTE 22 Prepaid expenses and accrued income

	2007	2006
Machine rent paid in advance	1,993	1,999
Premise rent paid in advance	9,397	13,456
Other prepaid expenses	38,687	26,164
Total	50,077	41,619

Items attributable to the discontinued operations are included in the amount of 2,399 in prepaid expenses and accrued income per 31 December 2006.

► NOTE 23 Liquid funds

SEK '000	2007	2006
Cash and bank	65,229	74,461
Liquid funds	65,229	74,461

Translation differences in liquid funds for the year were 2,528 (-1,398).

► NOTE 24 Share capital

Number of registered shares in the parent company	2007	2006
Issued per 1 January	8,370,000	8,370,000
Rights Issue	1,394,999	–
Issued per 31 December	9,764,999	8,370,000

	Number of votes	Number of shares	Share capital
A shares	10	583,333	5,833,330
B shares	1	9,181,666	91,816,660
Total		9,764,999	97,649,990

All shares are completely paid for. The number of outstanding shares has changed during the year in connection with the Rights Issue, whereby 83,333 A shares and 1,311,666 B shares were issued.

No shares are reserved for transfer according to option agreements or other contracts.

► NOTE 25 Debts to credit facilities

The Group has signed contracts with banks which guarantee financing on the same terms until the end of 2008. The credit contracts contain so-called negative clauses that allow creditors to cancel loans or adjust interest as a result of Elanders' financial key ratios.

The Group had a total of MSEK 1,182 (MSEK 834) per 31 December 2007 in credit facilities that are primarily used for financing operations in the form of bank overdraft facilities. The financing cost is priced according to a fixed interest term and an agreed margin. The Group's average effective interest during the year was 5.0 % (3.2 %).

Long-term liabilities

SEK '000	2007	2006
Long-term portion of finance lease liabilities	24,177	21,406
Long-term loans	242,077	50,349
Total	266,254	71,749

Current liabilities

SEK '000	2007	2006
Bank overdraft facilities, utilised	421,256	518,446
Current portion of long-term loans	53,052	–
Current portion of finance lease liabilities	5,642	7,120
Other interest bearing liabilities to credit facilities	121,391	55,590
Total	601,341	581,156

Due date structure

Due date structure for Group interest bearing liabilities to credit facilities, not including utilised bank overdraft facilities, is as follows:

SEK '000	2007	2006
Within 1 month	3,309	3,476
Within 1–3 months	6,894	5,401
Within 3–12 months	169,882	53,833
Within 2–5 years	251,741	66,113
After 5 years	14,513	5,636
Total	446,339	134,459

Bank overdraft facilities

SEK '000	2007	2006
Bank overdraft facilities, utilised amount	421,256	518,446
Bank overdraft facilities, granted amount	705,316	685,123
Unutilised amount	284,060	166,677

► NOTE 26 Provisions for pensions and similar obligations

Defined benefit pension plans

Defined benefit pension plans mainly cover retirement pensions and widow pensions where the employer has an obligation to pay a lifelong pension corresponding to a certain guaranteed percentage of wages or a certain annual sum. Retirement pensions are based on the number of years a person is employed. The employee must be registered in the plan for a certain number of years in order to receive full retirement pension. For each year at work the employee earns an increasing right to pension, which is recorded as pension earned during the period as well as an increase in pension obligations. These plans are financed through payments made regularly by the employer.

Actuarial assumptions

The actuarial measurement of pension obligations and costs for defined benefit plans are based on the following actuarial assumptions:

	2007	2006
Discount rate	4.5 %	4 %
Anticipated future annual raises in wages	3 %	3 %
Anticipated inflation	2 %	2 %
Anticipated personnel turnover	5 %	5 %
Anticipated return on plan assets	5 %	5 %

Provisions in balance sheet

The following provisions for pension obligations have been recognised in the Group balance sheet:

SEK '000	Funded plans	Unfunded plans	Total
Present value of pension obligations	6,696	12,276	18,972
Less: The fair value of plan assets	-7,493	–	-7,493
Unrecognised actuarial gains (+) losses (–)	2,302	1,318	3,620
Provisions for pensions recognised in the balance sheet	1,505	13,594	15,099

The actuarial profits and losses are not recorded in the income statement or balance sheet for 2007 since the Group applies the rules for the "corridor". These rules stipulate that actuarial profits and losses are entered in the income statement or balance sheet for future periods if they exceed 10 % of the current value of pension obligations or 10 % of the plan asset's fair value.

Change in pension liability for the year

SEK '000	2007	2006
Net pension obligation at the beginning of the year	15,654	14,665
Net cost recorded in the income statement	3,851	3,822
Disposal of operations	-2,395	–
Pensions paid out	-372	-773
Contributions paid	-1,639	-2,060
Net pension obligation at year-end	15,099	15,654

Net expense recognised in the income statement regarding defined benefit plans

SEK '000	2007	2006
Current year service cost	2,802	2,543
Interest on the obligation	895	909
Actuarial profits (–)/losses (+)	483	640
Anticipated return on plan assets	-329	-270
Pension costs for defined benefit plans	3,851	3,822

Defined contribution pension plans

These plans mainly cover retirement, sick and family pensions. The premiums are paid regularly during the year by individual Group companies to different insurance companies. The size of the premiums is based on wages. Pension costs for the period are included in the income statement and amount to 41,956 (36,672).

The obligations for retirement and sick pensions for white-collar workers for several of the Swedish companies have been safeguarded through insurance in Alecta. According to an opinion from the Swedish Financial Reporting Board, UFR 3, this is a defined benefit multi-employer plan. The Group has not had access to the information necessary to report these plans as defined benefit pension plans for the financial year 2007. Pension plans that are safeguarded through insurance in Alecta according to ITP are therefore reported as a defined contribution plan. Fees for 2007 for pension insurance from Alecta totalled 7,849 (11,692). Alecta's surplus can be passed on to the insurance-takers and/or the insured. At the end of 2007 Alecta's surplus in the form of the collective consolidation level was 152 % (143 %). The collective consolidation level is the market value of Alecta's assets as a percentage of insurance obligations measured according to Alecta's actuarial assumptions, which are not in agreement with IAS 19.

Allocation of pension expenses in the income statement

	2007	2006
Cost of products and services sold	59 %	49 %
Administration expenses	28 %	25 %
Sales expenses	13 %	26 %

► NOTE 27 Other provisions

SEK '000	2007	Provisions for the year	Utilized during the year	Reversal of unutilized amounts	Translation effects	2006
Provisions for restructuring measures						
– regarding personnel	3,811	3,811	–	–	–	–
– regarding premise costs	2,763	1,413	–7,127	–	–	8,477
– regarding other items	–	–	–873	–	–	873
Other provisions						
Other	8,897	4,400	–928	–1,000	–	6,425
Total	15,471	9,624	–8,928	–1,000	–	15,775

Provisions for personnel costs are primarily due to shutdowns and reorganisations. The provisions are expected to be used in 2008.

Provisions for premise costs are primarily due to shutdowns and reorganisations. The provisions are expected to be used in 2008.

Provisions for other costs are primarily due to restoration of premises and moving expenses. The closing provisions are expected to be used in 2008. Other provisions are, to a large extent, expected to be used in 2008 and are provisions for environmental measures of MSEK 1.5 (MSEK 2.5) as well as provisions for a settlement with a customer of MSEK 4.2 (MSEK 0).

► NOTE 28 Accrued expenses and deferred income

SEK '000	2007	2006
Holiday pay liability	37,935	39,091
Accrued social security contributions	24,329	30,167
Accrued salaries and remuneration	9,539	8,459
Other accrued expenses and deferred income	50,445	57,437
Total	122,248	135,154

Accrued expenses and deferred income attributable to discontinued operations amounted to 21,773 per 31 December 2006.

► NOTE 30 Transactions with related parties

Internal Group transactions and dealings have been eliminated in Group accounts and are therefore not included in the figures below concerning the Group.

Transactions with related parties

During the year the following transactions with related parties have taken place:

Sales of products and services	2007	2006
Joint ventures	2,025	1,073
Carl Bennet AB	199	428
Total	2,224	1,501
Purchase of products and services		
Joint ventures	2,035	263
Carl Bennet AB	329	–
Total	2,364	263

The transactions between subsidiaries have taken place with normal business terms and at market prices. During the year Group internal turnover amounted to MSEK 158 (MSEK 189.7) and a subsidiary has been sold to the subsidiary's MD, please see the section on disposal of operations in Kungsbacka below. The transactions with Carl Bennet AB primarily concern costs stemming from his role as Chairman of the Board in Elanders AB. Carl Bennet AB took over some of the services the costs stem from per 1 January 2007.

The following transactions existed at the end of the year:

Receivables from related parties	2007	2006
Joint ventures	1,213	51
Carl Bennet AB	17	–
Total	1,230	51
Liabilities to related parties		
Joint ventures	474	138
Carl Bennet AB	144	–
Total	618	138

No reserve has been required during 2007 or 2006 for the loans granted to joint ventures.

No Board member or senior officer has or has had direct or indirect participation in any business transactions, between themselves or the Group that are or were of an unusual nature concerning the terms. Remuneration to Board members and Executive Management is reported in Note 5 to Group financial reports.

Divestiture of operations in Kungsbacka

On 26 January 2007 Elanders signed a contract to divest its shares in Elanders Tryckeri AB in Kungsbacka. The buyer was Leif Axelsson, MD of the company. The purchase sum amounted to MSEK 46 including overtaken net debt. Profit from the sales was SEK 0. The Board has requisitioned an opinion from Nordea Corporate Finance and according to it the terms are fair. On 16 February 2007 the sales was approved of by an Extra General Meeting of Elanders' shareholders. Elanders Tryckeri AB was consolidated into Group accounts until the end of January 2007.

► NOTE 31 Events after the balance sheet date

Acquisition of Seiz Printing Inc.

On 8 February 2008 Elanders signed a contract to acquire 100 % of Seiz Printing Inc. in Acworth, Atlanta, Georgia, USA. The company is specialised in high quality offset print, fulfilment and logistic services. Seiz has already been handling deliveries to the Group's automotive customers in the US. The acquisition is a vital platform for Elanders to be able to offer its global customers deliveries in the important North American market. The purchase price was MUSD 3 together with the assumption of net debt in the company of some MUSD 8. The goodwill and other fair value adjustments had not been determined at the time this Annual Report was printed but it is expected to be around MUSD 2.

► NOTE 32 Aquisitions

In 2007 the Elanders Group acquired the following operations:

INFOLOGISTICS

- All the shares in Sommer Corporate Media GmbH & Co KG, Germany, a strategic acquisition of a leading supplier of information solutions in the segments Automotive, Industry & Trade and the Service Sector.
- 80 % of the shares in Artcopy Reproduçao de Imagens Ltda., Brazil, a local supplier of information solutions.

USER MANUALS

- All the shares in San Marco Hungary Kft, Hungary, a real estate company that owned the property where some of our Hungarian operations are located. During the latter part of the year the company has merged with the Hungarian subsidiary.

Fair value of acquired net assets

SEK '000	2007	2006
Intangible assets	18,324	–
Tangible assets	86,267	–
Other fixed assets	81	–
Inventory	11,523	–
Accounts receivable	36,832	–
Other current assets	1,890	–
Liquid funds	51,525	–
Minority interests	–2,172	–
Interest bearing long-term liabilities	–43,114	–
Non-interest bearing current liabilities	–91,954	–
Interest bearing current liabilities	–23,187	–
	46,015	–
Goodwill	287,629	–
Purchase sum	333,644	–
Deducted:		
Unpaid purchases sums	–34,274	–
Liquid funds in acquired operations	–51,525	–
Negative effect on Group liquid funds	247,845	–

Assets and Liabilities in acquisitions

– Sommer Corporate Media GmbH & Co KG

In January 2007 Elanders acquired the German company Sommer Corporate Media in Waiblingen, close to Stuttgart, Germany. The company is a leading supplier of information solutions in the segment Automotive, Industry & Trade and the Service Sector. Through this acquisition Elanders has reinforced its position as a leading European supplier of publishing solutions. During the year Sommer Corporate Media has contributed MSEK 299 in turnover and MSEK 46.4 in operating profit.

The total purchase sum, including acquisition costs, amounted to MSEK 287 together with overtaken net debt of MSEK 43. This acquisition, in addition to acquisition goodwill, resulted in intangible assets of MSEK 18. Most of these assets, MSEK 13, stem from the goodwill recognised in the legal entity and the remainder, MSEK 5, relates to the capitalized development expenditures for software, which has an estimated usable period of 3 years. Minor adjustments to fair value have also been made on machines and inventory.

Expenses of MSEK 9.1, which are primarily consulting costs connected to the acquisition, are included in the purchase sum below.

SEK '000	Book value	Fair value adjustments	Fair value
Intangible assets	15.6	2.7	18.3
Tangible assets	41.8	0.8	42.6
Other fixed assets	0.1	–	0.1
Inventory	10.8	0.6	11.4
Accounts receivable	36.1	–	36.1
Other current assets	1.6	–	1.6
Liquid funds	50.3	–	50.3
Interest bearing long-term liabilities	–41.6	–	–41.6
Non-interest bearing current liabilities	–84.0	–1.5	–85.5
Interest bearing current liabilities	–23.2	–	–23.2
Identifiable net assets	7.5	2.6	10.1
Goodwill			277.0
Total consideration			287.1
Less:			
Unpaid purchase sums			–31.1
Liquid funds in acquired operations			–50.3
Cash outflow on acquisition			205.7

Assets and Liabilities in acquisitions – Other

The goodwill generated through the acquisition of other operations is primarily attributable to future market shares and synergies. In general the recorded values are believed to be fair value. Expenses of MSEK 1.4 connected to the acquisition are included in the purchase sum below.

SEK '000	Book value	Fair value adjustments	Fair value
Intangible assets	0.0	–	0.0
Tangible assets	43.6	–	43.6
Inventory	0.1	–	0.1
Accounts receivable	0.8	–	0.8
Other current assets	0.2	–	0.2
Liquid funds	1.2	–	1.2
Minority interests	–2.2	–	–2.2
Interest bearing long-term liabilities	–1.5	–	–1.5
Non-interest bearing current liabilities	–6.4	–	–6.4
Identifiable net assets	35.8	–	35.8
Goodwill			10.6
Total consideration			46.5
Less:			
Unpaid purchase sums			–3.2
Liquid funds in acquisitions			–1.2
Cash outflow on acquisition			42.1

► NOTE 33 Investment obligations

Investment obligations

Contracted investments on the balance sheet date which have not yet been recorded in the financial reports are shown in the amounts below:

SEK '000	2007	2006
Tangible assets ¹⁾	1,607	54,011
Total	1,607	18,201

¹⁾ All of the investment obligations per 31 December 2006 are tangible assets and attributable to the subsidiaries in China and Hungary. Investment obligations in 2007 are attributable to the subsidiary in Germany.

Obligations relating to operating lease contracts

Group obligations relating to operating lease contracts are reported in Note 8.

PARENT COMPANY INCOME STATEMENTS

INCOME STATEMENTS

SEK '000	Note	2007	2006
Net turnover	1	3,735	5,172
Cost of products and services sold		-2,756	-4,788
Gross profit/loss		979	384
Administration expenses		-26,751	-28,219
Other operating income	2	7,753	14,137
Other operating expenses	2	-6,342	-14,290
Operating profit/loss	3, 4	-24,361	-27,988
Profit/loss from financial investments			
Profit/loss from shares in subsidiaries	5	76,058	-115,708
Interest income	5	9,422	1,036
Other financial income	5	8,348	1,171
Interest expenses	5	-30,663	-17,580
Other financial expenses	5	-13,497	-2,585
Profit/loss after financial items		25,307	-161,654
Appropriations	6	-	13,282
Taxes on profit/loss for the year	7	34,813	8,201
Profit/loss for the year		60,120	-140,171
Dividend per share		SEK 4.50 ¹⁾	SEK 2.50

¹⁾ Proposed dividend by the Board

PARENT COMPANY BALANCE SHEETS

PARENT COMPANY BALANCE SHEETS

SEK '000	Note	2007	2006
ASSETS			
Fixed assets			
Intangible assets	8	3,719	1,831
Tangible assets	9	776	67,060
Shares in subsidiaries	10	1,082,857	962,595
Share in joint venture	11	9,641	9,641
Other investments held as fixed assets	12	2,093	–
Receivables from Group companies		195,152	20,188
Other receivables		1,396	1,606
Deferred tax assets	7	41,914	27,753
Total fixed assets		1,337,548	1,090,674
Current assets			
Accounts receivable		133	738
Receivables from Group companies		130,070	206,462
Current tax assets		992	1,265
Other receivables	13	113,107	4,925
Prepaid expenses and accrued income		6,965	4,175
Liquid funds		63	35
Total current assets		251,330	217,600
TOTAL ASSETS		1,588,878	1,308,274

PARENT COMPANY BALANCE SHEETS

PARENT COMPANY BALANCE SHEETS

SEK '000	Note	2007	2006
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Restricted equity			
Share capital		97,650	83,700
Statutory reserve		332,383	332,383
		430,033	416,083
Unrestricted equity			
Share premium reserve		132,500	–
Profit/loss brought forward		106,622	227,641
Profit/loss for the year		60,120	–140,171
		299,242	87,470
Total equity		729,275	503,553
Untaxed reserves		–	–
Provisions			
Provisions for pensions and similar obligations	14	1,833	1,926
Other provisions		3,282	5,106
Deferred tax liabilities		–	3,711
Total provisions		5,115	10,743
Long-term liabilities			
Debts to credit institutions	15	159,155	–
Other liabilities		103	103
Total long-term liabilities		159,258	103
Current liabilities			
Debts to credit institutions	15	458,584	580,850
Accounts payable		10,380	2,636
Liabilities to Group companies		211,756	194,949
Other liabilities		502	646
Accrued expenses and deferred income	16	14,008	14,794
Total current liabilities		695,230	793,875
TOTAL EQUITY, PROVISIONS AND LIABILITIES		1,588,878	1,308,274
Pledged assets	17	237,750	203,250
Contingent liabilities	17	110,740	103,865

PARENT COMPANY

CASH FLOW STATEMENTS

PARENT COMPANY CASH FLOW STATEMENTS

SEK '000	Note	2007	2006
Operating activities	18		
Profit/loss after financial items		25,307	-161,654
Adjustments for items not incl. in cash flow		-36,112	145,136
Paid taxes		273	695
Cash flow from current operations before changes in working capital		-10,532	-15,823
<i>Cash flow from changes in working capital</i>			
Increase (-)/decrease (+) in operating receivables		71,946	24,426
Increase (+)/decrease (-) in operating liabilities		23,271	-41,050
Cash flow from current operations		84,685	-32,447
Investing activities			
Acquisition of tangible and intangible assets		-6,970	-171
Sales of tangible assets		56	3,048
Investment in subsidiaries		-120,328	-29,554
Investment in other shares		-2,093	-
Change in long-term receivables		210	120
Lending		-174,964	-
Cash flow from investing activities		-304,089	-26,557
Financing activities			
Changes in long and short-term borrowing		36,889	-6,566
Dividends paid to shareholders		-24,412	-20,925
Rights Issue		146,450	-
Group contributions		60,505	86,500
Cash flow from financing activities		219,432	59,009
Cash flow for the year		28	5
Liquid funds at the beginning of the year		35	30
Liquid funds at year-end		63	35
Change in net debt			
Net debt at the beginning of the year		582,741	542,634
Change in interest bearing liabilities and liquid funds		36,768	40,107
Net debt at year-end		619,509	582,741
Operating cash flow			
Cash flow from current operations, excl. financial items and paid taxes		34,744	100,524
Net investments		-304,089	-26,557
Operating cash flow		-269,345	73,967

PARENT COMPANY CHANGES IN EQUITY

► CHANGES IN PARENT COMPANY EQUITY

SEK '000	Share capital ¹⁾	Statutory reserve	Share premium reserve	Profit brought forward and profit/loss for the year	Total
Opening balance Jan 1, 2006	83,700	332,383	–	94,114	510,197
Profit/loss for the year	–	–	–	–140,171	–140,171
Dividends	–	–	–	–20,925	–20,925
Result from mergers	–	–	–	92,172	92,172
Group contribution received	–	–	–	86,500	86,500
Tax effect on group contribution received	–	–	–	–24,220	–24,220
Closing balance Dec 31, 2006	83,700	332,383	–	87,470	503,553
Profit/loss for the year	–	–	–	60,120	60,120
Rights Issue	13,950	–	132,500	–	146,450
Dividends	–	–	–	–24,412	–24,412
Group contribution received	–	–	–	60,505	60,505
Tax effect on group contribution received	–	–	–	–16,941	–16,941
Closing balance Dec 31, 2007	97,650	332,383	132,500	166,742	729,275

¹⁾ Number of shares is presented in note 24 to Group financial reports.

PARENT COMPANY

NOTES

Please see note 1 to the Group's financial statements for the accounting principles of the parent company.

► NOTE 1 Net turnover

The parent company's net turnover consists primarily of rent revenue that has been invoiced in Sweden.

► NOTE 2 Other operating income and expenses

Other operating income

SEK '000	2007	2006
Exchange rate profits	6,925	13,250
Other	828	887
Total	7,753	14,137

Other operating expenses

SEK '000	2007	2006
Exchange rate losses	-6,342	-13,095
Capital losses	-	-904
Other	-	-291
Total	-6,342	-14,290

► NOTE 3 Fees to auditors

SEK '000	2007	2006
Audit fees	359	359
Consulting fees ¹¹	661	102
Total	1,020	461

¹¹ Included in the consulting fees in 2007 is a fee of 625 for a certificate requiring an auditor's signature and other work connected to the Rights Issue. These fees have not been expensed, but have instead been booked as a reduction in the capital contributed by the Rights Issue.

The above fees were paid primarily to the accounting firm Deloitte AB. Audit fees are defined as fees for auditing the annual accounts, the book-keeping and the administration of the Board, other tasks that company accountants are responsible for as well as consultation or other assistance stemming from observations made during the audit or when carrying out other such activities. Anything else is other consultation.

► NOTE 4 Personnel

Please see note 5 to Group financial reports for personnel related information.

► NOTE 5 Financial income and expenses

SEK '000	2007	2006
Profit/loss from shares in subsidiaries		
Dividends from subsidiaries	38,311	18,538
Capital gains/loss from sales of shares in subsidiaries	38,063	-
Write-downs of shares in subsidiaries	-316	-134,246
Total	76,058	-115,708
Interest income		
Interest income, external	126	83
Interest income, subsidiary	9,296	953
Total	9,422	1,036
Other financial income		
Exchange rate profits	8,348	1,171
Other	-	-
Total	8,348	1,171
Interest expenses		
Interest expenses, external	-28,145	-15,499
Interest expenses, subsidiary	-2,518	-2,081
Total	-30,663	-17,580
Other financial expenses		
Exchange rate losses	-13,224	-2,459
Other	-273	-126
Total	-13,497	-2,585

► NOTE 6 Appropriations and untaxed reserves

SEK '000	2007	2006
Appropriations		
Dissolution of tax allocation reserves	-	-
Difference between book depreciation and depreciation according to plan	-	13,282
Total	-	13,282
Untaxed reserves		
Tax allocation reserves	-	-
Accumulated additional depreciation	-	-
Total	-	-

► NOTE 7 Taxes

Tax on profit/loss for the year

SEK '000	2007	2006
Tax effect on group contribution	16,941	24,220
Deferred tax	17,872	-16,019
Recorded tax	34,813	8,201

In 2007 the company won disputes with the Swedish Tax Authority, making a tax loss carried forward of MSEK 74.6 available for offset against future taxable profits.

Deferred tax receivables

SEK '000	2007	2006
Tax loss carried forward	36,899	44,256
Other items	5,015	4,612
Less unrecorded deferred tax receivables	-	-21,115
Total booked deferred tax receivables	41,914	27,753

Deferred tax liabilities

SEK '000	2007	2006
Regarding untaxed reserves	-	-
Other	-	3,711
Total booked deferred tax liabilities	-	3,711

Reconciliation of recorded parent company tax

SEK '000	2007	2006
Pre-tax profit/loss	25,306	-148,372
Tax according to average tax rate 28 % in Sweden (28 %)	-7,086	41,544
Tax effect of:		
- non-deductible goodwill depreciation	-27	-27
- change in assessment of deferred tax receivables	20,879	-
- correction of previous years' tax expense	-	-504
- non-taxable dividends from subsidiaries	10,727	5,191
- non-taxable capital gains from the sales of shares	10,658	-
- non-deductible write-downs of shares in subsidiaries	-88	-37,589
- contribution, representation and association costs	-227	-80
- other	-23	-334
Recorded tax	34,813	8,201

► NOTE 8 Intangible assets

Goodwill

SEK '000	2007	2006
Opening acquisition value	1,959	1,959
Purchases	-	-
Sales incl. disposals/discards	-	-
Closing acquisition value	1,959	1,959
Opening accumulated depreciation	-294	-196
Sales incl. disposals/discards	-	-
Depreciation for the year	-98	-98
Closing accumulated depreciation	-392	-294
Closing net book value according to plan	1,567	1,665
Other intangible assets		
SEK '000	2007	2006
Opening acquisition value	935	769
Purchases	3,218	166
Sales incl. disposals/discards	-	-
Closing accumulated acquisition value	4,153	935
Opening accumulated depreciation	-769	-769
Sales incl. disposals/discards	-	-
Depreciation for the year	-206	-
Closing accumulated depreciation	-975	-769
Opening accumulated write-downs	-	-
Write-downs for the year	-1,026	-
Closing accumulated write-downs	-1,026	-
Closing net book value according to plan	2,152	166

► NOTE 9 Tangible assets

SEK '000	Buildings and land ¹¹⁾		Plant and machinery		Equipment, tools, fixtures and fitting		Fixed assets under construction		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Opening acquisition value	153,636	153,636	-	3,392	14,610	18,431	-	834	168,246	176,293
Purchases/investments	3,582	-	-	5	170	-	-	-	3,752	5
Sales/discards	-157,218	-	-	-3,397	-13,240	-3,896	-	-759	-170,458	-8,052
Reclassifications	-	-	-	-	-	75	-	-75	-	-
Closing acquisition value	-	153,636	-	-	1,540	14,610	-	-	1,540	168,246
Opening accumulated depreciation and write-downs	-87,978	-83,523	-	-1,007	-13,208	-15,607	-	-	-101,186	-100,137
Depreciation for the year	-1,856	-4,455	-	-	-366	-694	-	-	-2,222	-5,149
Write-downs for the year	-	-	-	-	-	-	-	-	-	-
Sales/discards	89,834	-	-	1,007	12,810	3,093	-	-	102,644	4,100
Closing accumulated depreciation and write-downs	-	-87,978	-	-	-764	-13,208	-	-	-764	-101,186
Closing acquisition value	-	65,658	-	-	776	1,402	-	-	776	67,060

^{11) Buildings and land include land at a recorded value of 0 (2,596).}

Depreciation during the year amounting to -2,222 (-5,149) has been charged to cost of products and services sold in the income statement by -1,969 (-4,690) and administration expenses by -253 (-459). There has been no finance lease agreements.

Operating leases

Leasing expenses for the year, not including rent, were 739 (496).

► NOTE 10 Shares in subsidiaries

SEK '000	2007	2006
Opening book value	962,595	910,269
Investments in subsidiaries	120,328	29,554
Shareholders' contribution	350	–
Acquisition of subsidiaries from other Group companies	–	169,541
Acquisition of subsidiaries in connection with merger	–	13,677
Absorption of subsidiaries in connection with merger	–	–26,200
Write-downs of shares in subsidiaries	–316	–134,246
Sales of subsidiaries	–100	–
Closing book value	1,082,857	962,595

Name	Identity no	Registered office	Number of shares	Owned share in percent	Book value of holding
Elanders Anymedia AB	556559-5922	Stockholm, Sweden	6,000	100	13,614
Elanders Infologistics AB	556121-8891	Gothenburg, Sweden	314,330	100	536,765
Elanders Tofters AB	556055-8693	Heby, Sweden	–	100	–
Elanders Sverige AB	556262-1689	Härryda, Sweden	–	100	–
Elanders Gummesson AB	556096-4404	Falköping, Sweden	–	100	–
Elanders Gotab AB	556029-0719	Stockholm, Sweden	–	100	–
Elanders Berlings AB	556187-2127	Malmö, Sweden	–	100	–
Elanders Germany GmbH	–	Waiblingen, Germany	–	100	108,576
Sommer Corporate Media GmbH & Co. KG	–	Waiblingen, Germany	–	100	–
Elanders Infoprint AB	556099-5663	Kungsbacka, Sweden	30,000	100	187,061
Elanders Polska Sp.zo.o	–	Plonsk, Poland	–	100	39,869
Elanders Uk Ltd.	–	Harrogate, Great Britain	–	100	923
Elanders Hindson Ltd	–	Newcastle, Great Britain	–	100	31,403
Elanders Hungary Kft	–	Zalalövö, Hungary	–	100	86,112
Elanders Beijing Printing Co Ltd	–	Beijing, China	–	100	66,564
Elanders International AB	556058-0622	Kungsbacka, Sweden	1,000	100	155
Elanders Infomedia AB	556229-6938	Kungsbacka, Sweden	1,000	100	100
Elanders do Brasil Ltda	–	São Paolo, Brazil	–	100	11,559
Elanders Artcopy Ltda	–	São Paolo, Brazil	–	80	–
Elanders Italy S.r.l.	–	Ponzano Veneto, Italy	–	100	93
Novum Grafiska A/S	–	Oslo, Norway	–	52	63
Total					1,082,857

No book value is given for the companies not directly owned by the parent company (50 %).

► NOTE 11 Shares in joint ventures

SEK '000	2007	2006
Opening book value	9,641	9,641
Investments	–	–
Closing book value	9,641	9,641

Company	Registered office	Share of capital, %
Hansprint Elanders Hungary Kft	Hungary	50

Financial information in summary for joint ventures (50 %)

SEK '000	2007	2006
Total assets	15,019	13,834
Total liabilities	2,605	2,348
Net turnover	13,290	15,104
Pre-tax profit/loss	978	2,843

► NOTE 12 Other investments held as fixed assets

SEK '000	2007	2006
Opening book value	–	–
Investments	2,093	–
Closing book value	2,093	–

Of the investments made during the year 2,083 was paid for 7 % of the shares in Webtop Solution A/S in Norway.

► NOTE 13 Other receivables

Included in Other current receivables is the receivable for the purchase price of MSEK 111 (MSEK 0) for the sold property in Kungsbacka. The amount was due on 4 February 2008.

► NOTE 14 Other provisions

SEK '000	2007	Provisions for the year	Utilised during the year	Reversal of unutilized amounts	2006
Environmental commitments	1,500	–	–	–1,000	2,500
Other	1,782	–	–824	–	2,606
Total	3,282	–	–824	–1,000	5,106

The environmental commitments relate to commitments that at year-end were still outstanding.

► NOTE 15 Debts to credit institutions

Due date structure

The due date structure for parent company long-term interest bearing liabilities is as follows:

SEK '000	2007	2006
2007	–	–
2008	53,052	–
2009	53,052	–
2010	53,051	–
Total	159,155	–

Current liabilities:

SEK '000	2007	2006
Current portion of long-term loans	53,052	–
Utilised bank overdraft facilities	405,532	580,850
Total	458,584	580,850

Granted bank overdraft facilities amounted to 653,189 (653,269).

The interest rate on the loans was between 5,415–5,430 % per 31 December 2007.

► NOTE 18 Further information concerning cash flow

Liquid funds

Liquid funds consist primarily of cash and bank transactions.

Short-term investments are classified as liquid funds when:

- the risk for changes in their fair value is insignificant.
- they are easily converted.
- they mature in less than three months from the date they were acquired.

Adjustment for items not included in cash flow

SEK '000	2007	2006
Depreciation and write-downs of intangible and tangible assets	3,552	5,247
Write-downs on shares in subsidiaries	316	134,246
Changes in provisions that do not affect cash flow	-1,917	3,806
Profit/loss from selling shares and shares in joint ventures	-38,063	–
Profit/loss from the disposal of tangible assets	–	904
Net profit/loss from merged companies	–	933
Total	-36,112	145,136

Paid interest

SEK '000	2007	2006
Paid interest	-30,584	-17,580
Interest received	9,422	1,036
Total	-21,162	-16,544

Dividends received

	2007	2006
Dividends received	38,311	18,538

► NOTE 19 Transactions with related parties

Transactions with related parties

During the year the following transactions with related parties have taken place:

SEK '000	2007	2006
<i>Sales of products and services</i>		
Subsidiaries	305	4,103
Carl Bennet AB	158	428
Total	463	4,531
<i>Purchase of products and services</i>		
Subsidiaries	3,553	1,022
Carl Bennet AB	329	–
Total	3,882	1,022

Parent company sales to subsidiaries amounts to MSEK 0.3 (MSEK 4.1) and consists of rental income. The parent company also invoices subsidiaries for outlays for services for the entire Group such as auditing and insurance. Invoicing for such outlays and the costs they stem from was booked net. During 2007 parent company invoicing for outlays was MSEK 28.3 (MSEK 24.5).

The transactions with Carl Bennet primarily concern costs stemming from his role as Chairman of the Board in Elanders AB. Carl Bennet AB took over some of the services the costs stem from per 1 January 2007.

The following transactions existed at year-end:

SEK '000	2007	2006
<i>Receivables from related parties</i>		
Subsidiaries	325,222	226,650
Carl Bennet AB	17	–
Total	325,239	226,650
<i>Liabilities to related parties</i>		
Subsidiaries	211,756	194,949
Carl Bennet AB	144	–
Total	211,900	194,949

No reserve has been required during 2007 or 2006 for the loans granted to subsidiaries.

No Board member or senior officer has or has had direct or indirect participation in any business transactions, between themselves or the Group that are or were of an unusual nature concerning the terms. Remuneration to Board members and Executive Management is reported in note 5 to Group financial reports.

Regarding the divestiture of operations in Kungsbacka to its MD, please see note 30 to Group financial reports.

APPROPRIATION OF PROFITS

The Board of Directors have proposed a dividend of SEK 4.50 per share, i.e. a total of 44 million Swedish crowns. As a result of the dividend unrestricted equity will change as given below. The company's and Group's position is good. The proposed dividend is more than accommodated for in unrestricted equity and is in line with the company's dividend policy. The financial strength and liquidity of the Group will continue to be satisfactory even after the dividend. For these reasons and the information presented in the Board of Directors' report together with all that is otherwise known to the Board, the Board of Directors believes the proposed dividend is justifiable taking into consideration the requirements Group operations have concerning the size of company and Group equity in terms of scope and risk as well as the need to strengthen the balance sheet, liquidity and position in general of the company and the Group.

The number of shares entitled to dividends is expected to be 9,764,999 on the record date.

No amount in the parent company's equity on the balance sheet date stemmed from assets and liabilities valued at fair value according to 4 Capital 14 § of the Annual Accounts Act.

Group equity includes unrealised changes in the value of financial instruments amounting to the net sum of MSEK -0.6.

The Board of Directors and Chief Executive Officer propose that the profits at the disposition of the General Annual Meeting of SEK 299,241,620 from the parent company should be dealt with accordingly:

- ▶ to the shareholders, a dividend of SEK 4.50 per share, totalling SEK 43,942,495.
- ▶ balance to be carried forward, SEK 255,299,125.

It is proposed that the record date for the payment of dividends to VPC registered shareholders be 29 April 2008.

This Annual Report will be presented at the Annual General Meeting 21 April 2008 for adoption.

The Board of Directors and Chief Executive Officer hereby certify that the Annual Report has been prepared in accordance with the Annual Accounts Act and RFR 2.1 and gives a true and fair view of the company's financial position and profit/loss, and that the Board of Directors' Report gives true and fair view of the development of Group operations, financial position and profit/loss as well as describes significant risks and uncertainties that the company faces.

The Board of Directors and the Chief Executive Officer hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Community, and that they give a true and fair view of the Group's financial position and profit/loss, and that the Board of Directors' Report gives a true and fair view of the development of Group operations, financial position and profit/loss and describes significant risks and uncertainties that the companies within the Group face.

Mölnlycke on 10 March 2008



Carl Bennett

Chairman of the Board



Tore Åberg

Vice Chairman of the Board



Ingegerd Gréen



Göran Johnsson



Hans-Olov Olsson



Kerstin Paulsson



Carianne Röjerås



Johan Stern

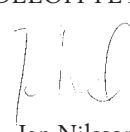


Marie Trollius



Patrick Holm

Chief Executive Officer



Jan Nilsson

Authorised Public Accountant

DELOITTE AB

Our audit report was presented on 10 March 2008

DELOITTE AB

AUDITORS' REPORT

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF ELANDERS AB (PUBL)

(A direct translation of the Swedish Auditors' Report)

Corporate identity number 556008-1621

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Elanders AB (publ) for the financial year 2007. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 70–110. The Board of Directors and the Managing Director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director and significant estimates made by the Board of Directors and the Managing Director when preparing the annual accounts and the consolidated accounts as well as

evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Managing Director. We also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Gothenburg, March 10, 2008

DELOITTE AB



Jan Nilsson
Authorized Public Accountant

ELANDERS BOARD OF DIRECTORS

ORDINARY BOARD MEMBERS



CARL BENNET b. 1951

Chairman of the Board

► **Elected in:** 1997.

► **Education:** Bachelor of Science (Econ.) Dr. Technol. h.c.

► **Appointments on the Elander's Board:**

Chairman of the nominating committee.

Chairman of the remuneration committee.

► **Other appointments:**

Chairman of Getinge AB, the University of Gothenburg and Lifco AB. Vice Chairman of Boliden AB. Board member of SSAB and member of the Swedish Government's Research Advisory Board.

► **Shareholding:** 583 333 A shares and, 925 456 B shares.



TORE ÅBERG b. 1942

Vice Chairman of the Board

► **Elected in:** 2001.

► **Education:** Bachelor of Science (Econ.)

► **Main occupation:** Chief Financial Officer and Administrative Director at Investment AB Latour.

► **Appointments on the Elander's Board:**

Chairman of the Audit Committee.

Member of the remuneration committee.

► **Other appointments:**

Member of the boards of Autolube AB, FOV Fabrics AB, Hultafors AB, Nordiska Industri AB, Latour Industrier AB, Specma AB, Specma Hydraulic AB, Swegon AB, CH Metal AB and Tellbe AB.

► **Shareholding:** 6 000 B shares.



INGEGERD GRÉEN b. 1960

Member of the Board

► **Elected in:** 2003.

► **Education:** Master of Arts in Literature and Language, including teaching credentials.

► **Main occupation:** Consultant in her own business.

► **Appointments on the Elander's Board:**

Member of the remuneration committee.

► **Other appointments:**

Member of the boards of IFP Research AB, Team Lexö AB, Askengren & Co., Applied Composites AB, The Swedish Institute for Growth Policy Studies.

► **Shareholding:** 466 B shares.



PATRICK HOLM b. 1962

Member of the Board

► **Elected in:** 2003.

► **Education:** Graphical Engineer (DGI).

► **Main occupation:** President and Chief Executive Officer at Elanders AB.

► **Shareholding:** 18 700 B shares.



CARIANNE RÖJERÅS b. 1977

Employee representative, ordinary

► **Elected in:** 2005.

► **Education:** Bachelor of Science (Marketing) at BI Norwegian School of Management.

► **Main occupation:** Marketing Manager at Elanders Sverige AB.

► **Shareholding:** 0.



JOHAN STERN b. 1951

Member of the Board

► **Elected in:** 1998.

► **Education:** Bachelor of Science (Econ.).

► **Appointments on the Elander's Board:**

Member of the Audit Committee.

► **Other appointments:**

Chairman of Health Invest Partners AB. Member of the board of Carl Bennet AB, Getinge AB, Lifco AB, Sigtuna School's Humanistic Educational Institution and Strand Kapitalförvaltning AB.

► **Shareholding:** 30 000 B shares.



GÖRAN JOHNSSON *b. 1945*

Member of the Board

► **Elected in:** 2006.

► **Appointments on the Elander's Board:**

Member of the Audit Committee.

► **Other appointments:**

First vice chairman of EKN. Member of the boards of the Fourth Swedish National Pension Fund, Swedish Foundation for Strategic Research and the Foundation for Universum in Gothenburg, SVT (Swedish Television), Swedbank and the University of Umeå.

► **Shareholding:** 1 033 B shares.



HANS-OLOV OLSSON *b. 1941*

Member of the Board

► **Elected in:** 2007.

► **Education:** Master of Science (Political Science) at the University of Gothenburg.

Made an Honorary Doctor of Economics in 2006 by the School of Business, Economics and Law at the University of Gothenburg.

► **Appointments on the Elander's Board:**

Member of the remuneration.

► **Other appointments:** Chairman of the business organisation Teknik-företagen and the Advisory Board of the School of Business, Economics and Law in Gothenburg. Vice Chairman in the Confederation of Swedish Enterprises, Vattenfall AB, Lindab International AB, Höganäs AB, SKF AB and the Anna Lindh Memorial Fund.

► **Shareholding:** 850 B shares.



KERSTIN PAULSSON *b. 1963*

Member of the Board

► **Elected in:** 2007.

► **Education:** Master of Science in Engineering from the University of Lund.

► **Main occupation:** MD and partner in Netsoft Lund AB.

► **Appointments on the Elander's Board:**
Member of the Audit Committee.

► **Other appointments:**

Member of the boards of the Swedish Defence Materiel Administration, NUTEK. Member of the board of education at Lund's Faculty of Engineering.

► **Shareholding:** 500 B shares.



MARIE TROLLIUS *b. 1955*

Employee representative, ordinary

► **Elected in:** 2005.

► **Main occupation:** Graphic Art Designer at Elanders Sverige AB.

► **Shareholding:** 0.

DEPUTY MEMBERS



PER HANSSON *b. 1951*

Employee representative, deputy

► **Elected in:** 2005.

► **Education:** Typographer. Graphic college education.

► **Main occupation:**

Sales support in system solutions at Elanders Sverige AB.

► **Shareholding:** 0.



TOMAS SVENSSON *b. 1957*

Employee representative, deputy

► **Elected in:** 2007.

► **Education:** Typographer.

► **Main occupation:** Printer operator at Elanders Sverige AB.

► **Shareholding:** 0.

ELANDERS EXECUTIVE MANAGEMENT



PATRICK HOLM b. 1962

President and Chief Executive Officer.

► **Education and Background:**

Graphical Engineer (DGI). Active in the graphic industry since 1982, holding management positions since 1989. Came to Elanders via the acquisition of the Graphic Systems Group in 1997.

► **Shareholding:** 18 700 B shares.



MATS ALMGREN b. 1956

Chief Financial Officer.

► **Education and Background:**

Bachelor of Science (Econ.). Accountant 1980–1997. Authorised Public Accountant in 1986 and partner in an accounting firm in 1990. Employed since 1997.

► **Shareholding:** 5 850 B shares.



PER BRODIN b. 1961

Business area User Manuals Manager.

Managing Director at Elanders Hungary.

► **Education and Background:**

Graphical Engineer (DGI). Active in the graphic industry since 1976. Came to Elanders via acquisition of the Skogs Group in 1998.

► **Shareholding:** 0.



JIMMY LUNDBECK b. 1959

Business Area Infologistics Manager, Managing Director at Elanders Sverige AB until 1 May 2008.

► **Education and Background:**

Active in the Graphics Industry since 1981, specialised in digital documentation. Came to Elanders via the acquisition in 1999 of Pennon.

► **Other appointments:** Member of the board of The Graphic Industry Confederation.

► **Shareholding:** 2 266 B shares.



PETER SOMMER b. 1957

Managing Director Sommer Corporate Media GmbH & Co. KG.

► **Education and Background:**

Graphical Engineer. Sole founder of Sommer Corporate Media. Came to Elanders via the acquisition of Sommer Corporate Media in 2007.

► **Shareholding:** 0.

AUDITORS & NOMINATING COMMITTEE

► THE AUDITORS

Deloitte AB with the authorised public accountant

► **Jan Nilsson:** b. 1962. Auditor of Elanders since 2004. **Other appointments:** Getinge AB, Mölnlycke Healthcare AB, Coop Norden AB.

► THE NOMINATING COMMITTEE

► **Carl Bennet:** Chairman and contact, represents Carl Bennet AB, telephone +46 300-503 00.

► **Gustaf Douglas:** Principal owner of and representative for Investment AB Latour, telephone +46 8-679 56 00.

► **Göran Erlandsson:** Member of Aktiespararna in Kungsbacka and representative of the minority shareholders, telephone +46 300-130 64.

► **Hans Hedström:** MD and responsible for owner matters in HQ Funds, telephone +46 8-696 17 00.

► **Nils Petter Hollekim:** Portfolio administrator in and representative of Odin Funds AS, telephone +47 22-01 02 03.

► **Stefan Roos:** Fund administrator and representative of SEB funds, telephone +46 8-788 63 11.

► **Caroline af Ugglas:** Responsible for owner matters in, and representative of, Skandia, telephone 08-788 33 50.

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SPECIFIC TERMS

COMMERCIAL PRINTING Printing production provided by printers that only produce for external customers as opposed to publishing and newspaper printers that produce their own material.

COMPUTER-TO-PLATE, CTP Information that is digitally received from our customers is registered, processed and directly transferred to printing plates in a CTP system. This eliminates filmsetting and the use of film, see premedia.

DIGITAL PRINT AND DIGITAL PRINT TECHNIQUE The transfer of information to paper via a digital file that is then printed out with the help of a high-speed printer. This technique is a prerequisite for Print-on-Demand and makes quick deliveries in small editions possible. Offset technique is still more efficient for larger editions and colour production.

DOCUMENTS AND DISTRIBUTION CENTRE, DDC Unit that stores, distributes just-in-time and provides digital printing (see Print-on-Demand) for customers.

FULFILMENT This term is increasingly used, particularly in the automotive industry, to describe a number of steps in the process between printing and distribution. They can include packaging for end customers, bar-coding, adding other objects such as plastic cards etc.

INFOMEDIA A concept that encompasses all the products and activities found in the customer's information flow. These are outlined on page 6. Infimedia is information solutions for every need, independent of publishing form. Our customers generate the information itself and the infimedia company designs, structures, enriches, maintains, diversifies, completes and distributes it.

JUST-IN-TIME Delivery precision – delivery exactly when the need arises. The concept also entails that customers do not need to store their publications. Often includes digital printing, see Print-on-Demand.

MASTER VENDOR® Elanders' concept for a combination of services that cover the entire value chain in the publishing process, from idea/content to distribution. Customers can order their own special combination of services that includes all, some or just a few segments of the value chain.

MEDIA INDEPENDENT PUBLISHING This entails publishing information in several media at the same time without reworking it. It's possible, for example, to publish an encyclopaedia as a CD, via the Internet and as printed matter. This is also called parallel publishing.

OFFSET TECHNIQUE A printing method in which ink and water are spread out on a printing plate that is then pressed against a rubber blanket. This absorbs the ink and transfers it to the paper. The expression offset comes from the fact that the printing plate never touches the paper. For smaller editions (1,000 – 30,000) sheet-fed offset is used. In this process the paper is fed into the press page by page. Web offset is usually more efficient for larger editions (over 30,000). The press is fed from a roll of paper and the printed paper is then cut into sheets.

OUTSOURCING Companies or organisations choose to let an external part handle an activity or a process. This activity or process is then said to be outsourced.

PARALLEL PUBLISHING See Media independent publishing.

PREMEDIA, PREPRESS This is the work done before printing or other types of publishing. It includes registration, filmsetting (ripping), film development, montage, and printing plate production (see also CTP). Premedia also includes the production of images, illustrations and text as well as layout and design.

PRINT-ON-DEMAND, POD With the help of high-speed printers printed matter can be produced as needed and in very small editions.

SUPPLY CHAIN MANAGEMENT The term is used to describe managing and coordinating the activities in an entire supply chain of services and products that includes procurement, purchasing and logistics.

TIME-TO-MARKET Normally the time it takes between the moment a product or service is conceived until it reaches its recipient on the market. It can be expressed in time, in an exact schedule, in minimising resources needed or in the flexibility to adapt to sudden fluctuations in the market.

ECONOMIC DEFINITIONS

ADDED VALUE Net turnover minus forward invoiced disbursements for outwork and material.

ADDED VALUE RATIO Added value in relation to net turnover.

AVERAGE NUMBER OF EMPLOYEES The number of employees at the end of each month divided by twelve.

AVERAGE NUMBER OF SHARES The number of shares at the end of each month divided by twelve.

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

CAPITAL TURNOVER RATE Net turnover in relation to average total assets.

DEBT/EQUITY RATIO Interest bearing liabilities less liquid funds in relation to recorded equity, including minority interests.

DIVIDEND YIELD Dividends in relation to average share price.

EARNINGS PER SHARE Profit/loss for the year divided by the average number of shares.

EBIT Earnings before interest and taxes; operating profit/loss.

EBITDA Earnings before interest, taxes, depreciation and amortisation; operating profit/loss plus depreciation and write-downs of intangible assets and tangible assets.

EBIT-MULTIPLE Enterprise value divided by operating profit/loss.

ENTERPRISE VALUE Market value at year-end plus net debt and minority shares.

EQUITY RATIO Equity (including minority shares) in relation to total assets.

INTEREST COVERAGE RATIO Operating profit/loss plus interest income divided by interest costs.

NET DEBT Interest bearing liabilities less liquid funds.

OPERATING CASH FLOW Cash flow from operating activities and investing activities, adjusted for paid taxes and financial items.

OPERATING MARGIN Operating profit/loss in relation to net turnover.

OPERATING PROFIT/LOSS Earnings before financial items; EBIT.

P/CE RATIO Share price at year-end in relation to EBITDA per share.

P/E RATIO Share price at year-end in relation to earnings per share.

PROFIT MARGIN Profit/loss after financial items in relation to net turnover.

PROPORTION OF RISK CAPITAL Risk capital in relation to total assets.

P/S RATIO Share price at year-end in relation to net turnover per share.

RETURN ON CAPITAL EMPLOYED Profit/loss in relation to average capital employed.

RETURN ON EQUITY Profit/loss for the year in relation to average equity.

RETURN ON TOTAL ASSETS Operating profit/loss plus financial income in relation to total assets.

RISK CAPITAL Equity plus deferred tax debt.



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