

# ELANDERS

## ANNUAL REPORT 2008

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## UPCOMING REPORTS FROM ELANDERS

Interim report January-March:  
23 April 2009

Interim report January-June:  
14 July 2009

Interim report January-September:  
22 October 2009

Annual accounts 2009:  
29 January 2010

Annual Report 2009:  
31 March 2010



## DEAR READER

We have just begun the second century of Elanders' history and even though we wish market prospects had been brighter, the past year has strengthened the Group's capacity to meet the future. We have expanded our base in Germany, created an important platform in the U.S.A. and the success of our packaging manufacturing in China has proven this service has a given place in the Group. Elanders has also carried out essential if painful rationalisations to improve the competitive capacity of the Group, particularly in Sweden and Hungary. At the same time we continued to prove ourselves worthy of our global undertakings. Although some of our customers are experiencing a temporary drop in demand, their interest in seamless publishing over borders has grown. Our ability to meet this interest is what sets us apart from almost all other graphic companies – we are a global partner that can deliver locally.

When you read our 100<sup>th</sup> Annual Report I hope it will provide you with a good understanding of our business, the challenges and changes on our markets and how we will meet them by building Elanders into a leading global supplier of solutions for information logistics.

Welcome to Elanders Annual Report 2008!

Mölnlycke, February 2009

Patrick Holm  
President and Chief Executive Officer

## PRODUCTION FACTS

**Production:** Elanders AB. • **Other texts:** Rubrik AB • **Photo:** Johannes Berner, Nick Otto, Sofia Brolin, Martin von Brömssen, Scott Gilchrist, Scanpix • **Print:** Elanders in Mölnlycke • **Paper:** Cover MultiArt Silk 250g, insert MultiArt Silk 130g. • **Finishing cover:** Matte lamination and foiling **Translation:** Camille Forslund • Some copies, sent to shareholders and others, have been personalised with their name on the covers.

This document is essentially a translation of the Swedish language version. In the event of any discrepancies between this translation and the original Swedish document, the latter shall be deemed correct.

## ECOLABELLED

There have been tremendous developments concerning the environment in the past few years and ecolabelled printed matter has become standard. Elanders makes every effort to further this development. We do it for the environment, for our customers, for ourselves and for the future. Naturally this Annual Report is both Swan ecolabelled and FSC labelled.



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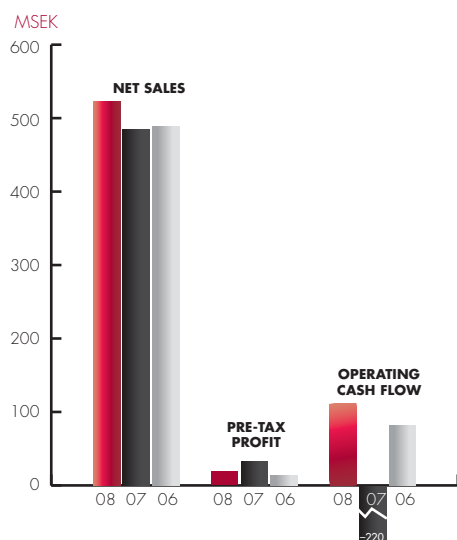
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## THE FINANCIAL REPORTS



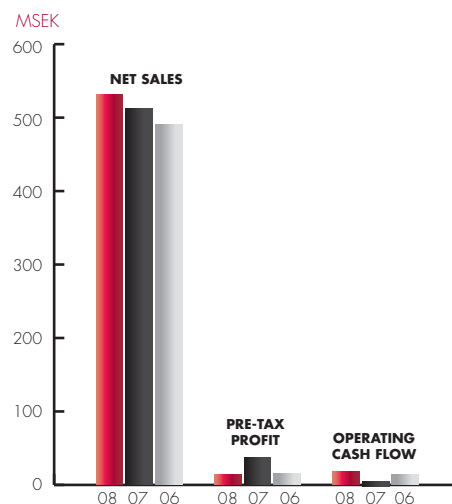
## READING INSTRUCTIONS

In the Annual Report 2008 the Elanders Group is called Elanders. Swedish crowns in millions are abbreviated to MSEK. Numbers in parenthesis refer to the fiscal year 2007 and are expressed as MSEK if not otherwise stipulated. The information sources on the geographic markets abroad (Markets, page 34) are Elanders. 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 for 2006 are reported the same way they have been reported in previous Annual Reports, i.e. including the in 2007 disposed operations in Kungsbacka. In the financial report section of the Annual Report the figures are presented according to IFRS.



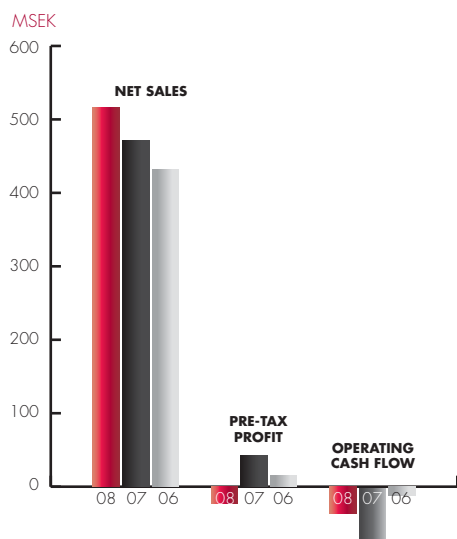
### FIRST QUARTER

- Fewer production days, further unplanned establishment expenses for our operations in Italy, operating losses during the shutdown of production in Östervåla and temporary problems with production of educational material in Hungary had a total negative effect of MSEK 19 on profits during the period, compared to the previous year.
- In the beginning of February Seiz Printing Inc. in Atlanta, U.S. was acquired. They are an important platform for deliveries to the Group's customers in the North American market.



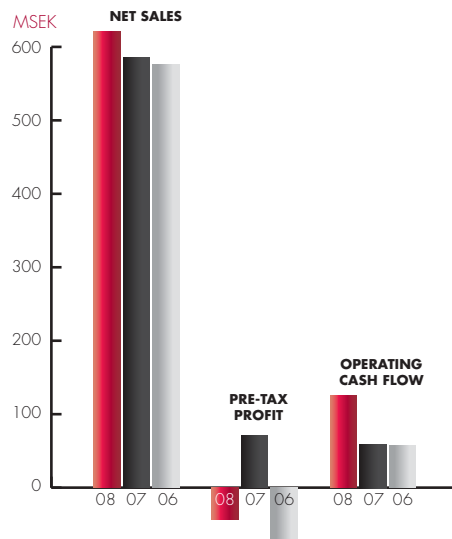
### SECOND QUARTER

- In the second quarter there was a drastic decrease in deliveries to customers in consumer electronics in Europe and the calculated effect on profits compared with the previous year was MSEK 20.
- The Group was successful in making new deals with Audi, GE Moneybank and Flextronics, just to mention a few.
- In May the printing company Mairs Graphische Betriebe GmbH & Co KG in Stuttgart was acquired. The acquisition was consolidated from June and led to new deals with BMW, Volkswagen and Siemens.



### THIRD QUARTER

- Weakening demand from customers in consumer electronics, automobiles and white goods in Sweden and Hungary.
- During the third quarter measures to adjust to the change in order volumes were initiated in Sweden and Hungary, which entailed reducing the number of employees by 75 people in Sweden and one-off costs of MSEK 24 in Hungary.
- Continued success in Germany and China.



### FOURTH QUARTER

- Continued weakening demand from customers in consumer electronics, automobiles and white goods in Sweden, Hungary and Italy.
- Measures were taken mainly in Sweden and Hungary in the fourth quarter to adjust costs to lower order volume, resulting in some 250 employees in Europe being given notice of redundancy. This led to one-off costs of MSEK 65.
- Continued success in Germany and China that won new orders with NEC and Sanyo among others.

# Full year 2008



- Net sales increased by 8 percent and totalled MSEK 2,191 (MSEK 2,036).
- Operating profit/loss increased to MSEK 16.0 (MSEK 226.8), after one-off items MSEK –89 (MSEK 20).
- Pre-tax profit/loss was MSEK –34.3 (MSEK 184.1)
- Net profit was MSEK –25.7 (MSEK 172.2), or SEK –2.62 per share (SEK 18.06 per share)<sup>1)</sup>.
- Operating cash flow increased to MSEK 217 (MSEK –230).
- Weakening demand from customers in consumer electronics, automobiles and white goods in Sweden, Hungary and Italy is the main reason for the decrease in profit.
- Measures were taken mainly in Sweden and Hungary in the fourth quarter to adjust costs to lower order volume, resulting in some 250 employees in Europe being given notice of redundancy.
- Continued success in China and Germany that made several new deals with Audi, Siemens, Volkswagen, NEC and Sanyo, just to mention a few.
- During the year Elanders acquired Seiz Printing Inc. in the U.S. and Mairs Graphische Betriebe GmbH in Germany.
- The Board of Directors proposes no dividend be distributed for 2008 (SEK 4.50 per share).

<sup>1)</sup> There was no dilution during the given periods.

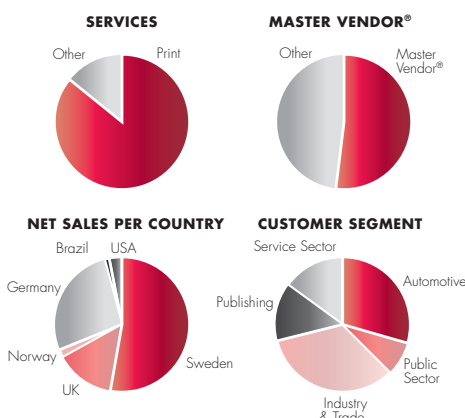
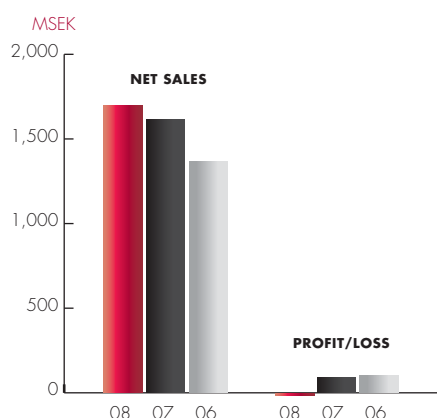
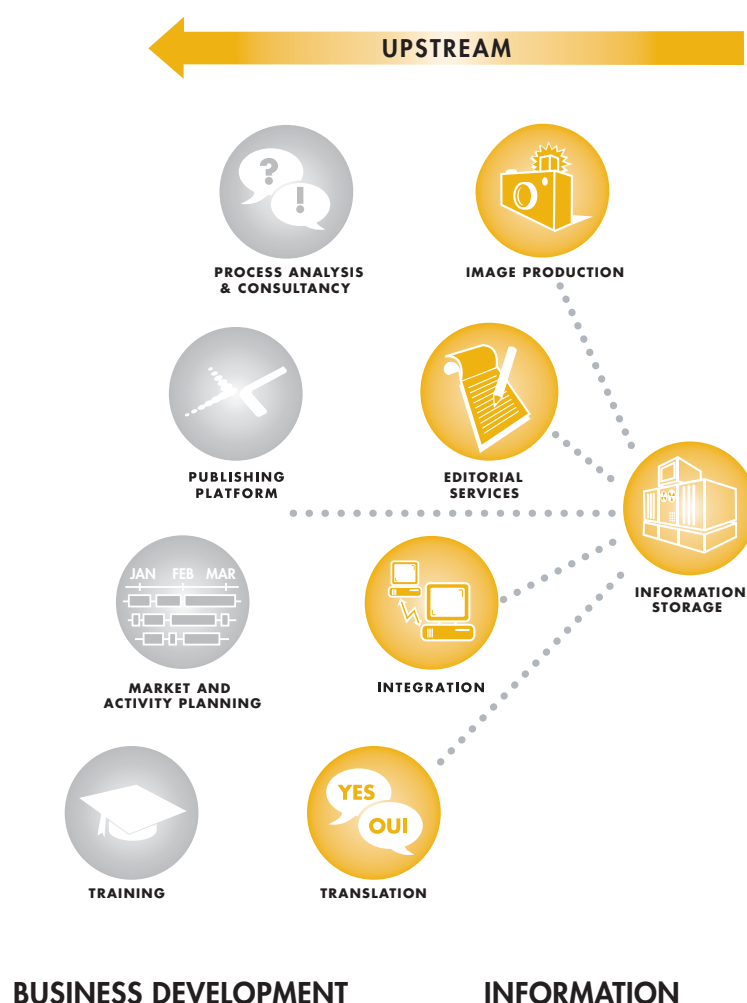
## FINANCIAL HIGHLIGHTS IN 2008

	2008	2007	2006	2005	2004
Net sales	2,191.2	2,035.6	1,988.2	1,952.6	1,780.4
Operating profit/loss	16.0	226.8	–8.8	121.8	137.1
Pre-tax profit/loss	–34.4	184.1	–31.8	105.3	113.0
Average number of employees	1,809	1,579	1,490	1,478	1,434
Earnings per share, SEK	–2.62	18.06	–5.85	9.27	11.49
Dividend per share, SEK	0.00 <sup>1)</sup>	4.50	2.50	2.50	2.00

<sup>1)</sup> Proposed by the Board.

# INFOMEDIA IN PRACTICE

The strategic journey Elanders has embarked upon – from a conventional printer to an infomedia 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.



## OPERATIONS IN:

- Sweden:** Falköping, Lund, Malmö, Mölnlycke, Gothenburg, Stockholm, Uppsala, Vällingby, Västerås
- Norway:** Oslo
- Great Britain:** Harrogate, Newcastle, Luton
- Germany:** Stuttgart
- Brazil:** São Paulo
- U.S.A.:** Atlanta

## BUSINESS AREA INFOLOGISTICS

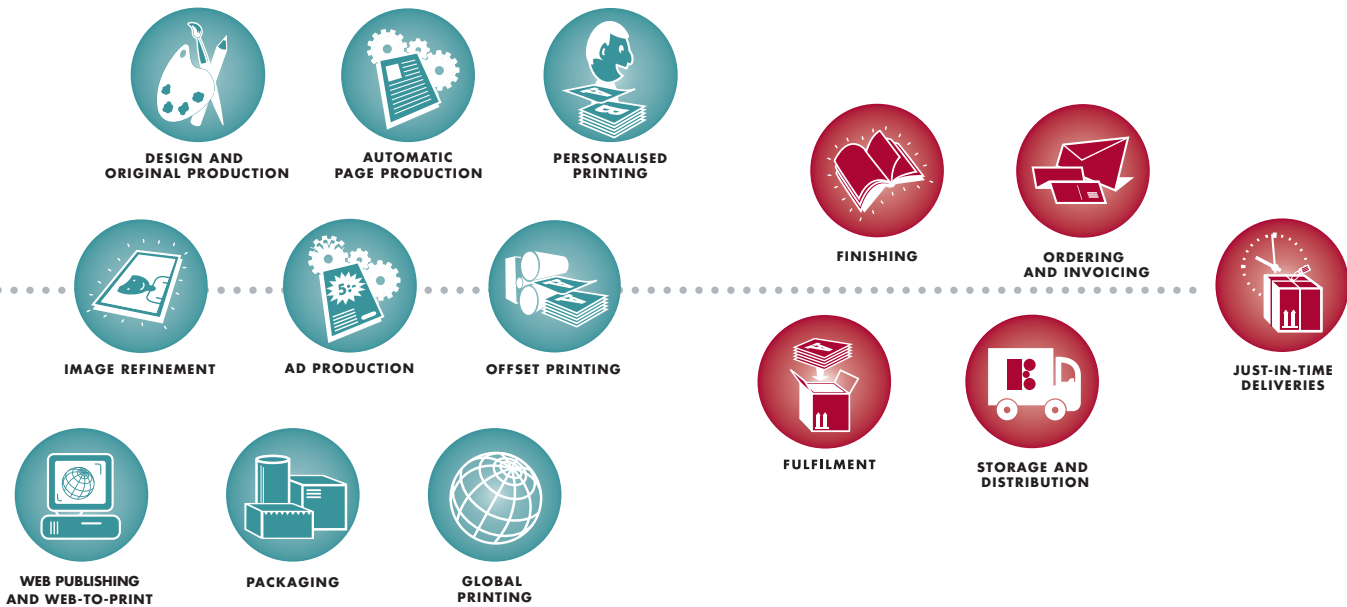
Infologistics handles customers' outsourcing activities, i.e. tailor-made publishing solutions that cover the customer's entire value chain. Content is created and structured in services upstream and after printing or publishing in another form and various solutions for packaging and spreading

the information are offered downstream. This customised service is called Master Vendor®. 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.



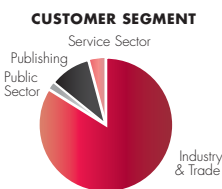
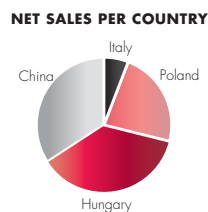
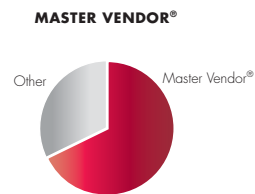
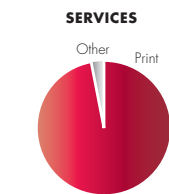
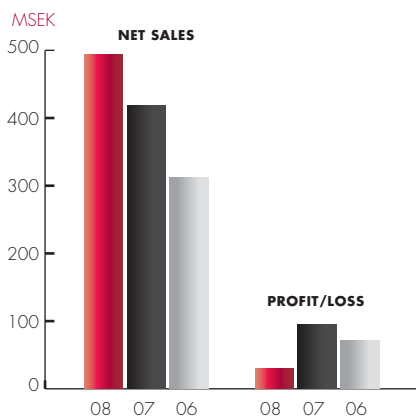
## GRAPHIC PRODUCTION

## DOWNSTREAM



## PRODUCTION

## DISTRIBUTION



### OPERATIONS IN:

- **China:** Beijing
- **Poland:** Płońsk
- **Hungary:** Budapest, Jászberény, Komárom, Nyíregyháza, Zalaötvő
- **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 expansion in User Manuals will come through establishments close to global customers, foremost in Eastern Europe and Asia, normally via volume growth downstream in the value chain.

*Flanders 100 years*

# A GRAPHIC JOURNEY OVER A CENTURY

The story goes that the name Elanders is an homage of love to the farmer couple from Skåne, Elna Nilsdotter and Jöns Andersson, whose son Per (1831-1920) cleverly created the name from his parents' names, El and ander.

Per was a resourceful boy who learned to read at the age of four from his older brother. He later trained his reading skills by reading old letters, auction announcements and district court protocols. Per finished school at the age of 13 and started his own small school where he accepted 20 students for two shillings a week per student. After his years at the seminary in Lund he began his 17 year long career as a high school teacher in Marieholm. He received a pittance of SEK 400 per year plus free room and board. Per augmented this income by cleaning the school, shovelling snow in the cemetery and working as a navvy the summer the railroad was built. Playing psalms at a wedding paid one Swedish crown and reading or writing letters earned him half a Swedish crown.

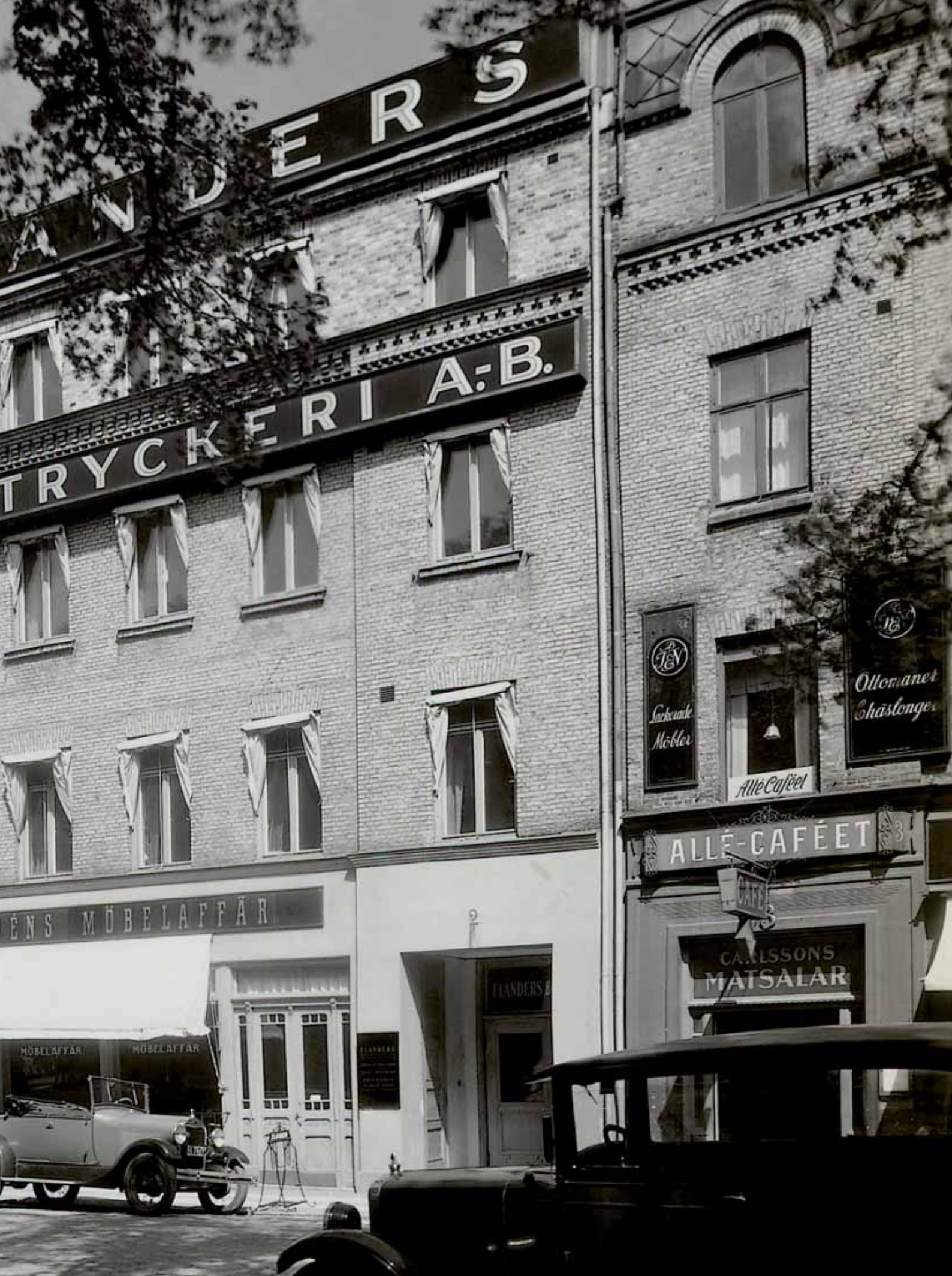
In 1852 Per got married. They lived in one room and a kitchen plus the attic in the schoolhouse. The couple had 13 children, of which three died early. They also took care of four nieces and nephews for shorter and longer periods of time. They had little money and chairs were expensive so until around the age of 12 the children had to stand and eat during meals.

In 1870 the Elander family left their self-subsistent household in the countryside and moved to Gothenburg where they lived in several different apartments in the city district Majorna. This was probably so that their children could get a better education and Per received a job as a teacher there. He worked on the side as deputy headmaster and was responsible for the high school's summer school until the turn of the century.

Per received a royal medal for civic duty after 50 years of teaching high school before he retired in 1900. However, he continued to take on new jobs and died in 1920. He lived the last years of his life with his youngest son Otto (1867-1944). This young Otto emigrated 20 years old, after completing his math and chemistry studies in Lund, to the U.S. to make a better life for himself. Ten years later he returns home.









# STABLE SUPPLIER IN A SHAKY WORLD

2008 was a turbulent year for Elanders, one in which the Group's different markets developed in completely different directions. We had our best results ever in Germany and China while in Sweden, Hungary and Italy profits dropped significantly when the automotive and consumer goods markets slumped.

"We have taken the necessary steps to get through troubled times. We put on the brakes going into the curve and are ready to step on the gas when the economy turns around," states Patrick Holm, President and Chief Executive Officer for Elanders AB.



*Text: Jan-Olof Ekelund Photo: Sofia Brolin*

**WE MET AT ELANDERS HEADQUARTERS** in Mölnlycke to look back on the tumultuous year 2008 and what actually happens to a Group that is affected early on by a downturn in the business cycle. Patrick Holm has just spoken with a customer and can confirm that problems for the automotive industry will continue. Elanders has, however, started better in 2009 than it ended in 2008. Customers clearly appreciate the complete communication and distribution solutions that Elanders can offer. Chinese operations in particular show good results and there is a strong demand for more exclusive packaging by, among others, consumer electronic producers.

"Even if 2008 is a lost year, the heavy problems have only affected a few markets. We've had a tough time in Hungary, Italy and Sweden but we've reacted quickly to adjust our operations to the considerably lower demand."

"Other units in Elanders have performed according to our expectations and Germany and China delivered their best results ever! It's also worth noting that we charged the cost of cutbacks to 2008 but in reality our business was profitable."

"A good cash flow gives us room to manoeuvre. We grew by eight percent in 2008 and we approached net sales of SEK 2.2 billion for the first time."

**ELANDERS JUBILEE YEAR BEGAN** on a positive note but then the trouble started.

"After a strong 2007 we had great expectations

for 2008 and it started out exactly as we'd planned. Then we saw the first signs in April/May and after the summer there was a drastic slowdown. It was nearly impossible to predict the magnitude of the drop."

"The consumer electronic market, primarily in Eastern Europe, was hit hard and we were forced to close a unit in Hungary and write down the value of ready-made product stores in several units."

"In the beginning of autumn not only did sales in automobiles fall but in mobile telephones as well. This is an industry which has always had stable growth, even when the economy was slow."

"Since we are in the front line of changes in the business cycle we knew what was coming and warned for lower profits for the year already in July. Then the bottom fell out of the automotive market completely and since it represents thirty percent of Elanders' net sales we put out a new profit warning in December and were forced to announce new redundancies before year-end."

**THERE WERE THREE PROFIT WARNINGS** altogether in 2008 and more than 250 people were given notice of redundancy. Does Elanders have the right cost structure now?

"We have carried out cost adjustments in all our units, but above all in Hungary and Sweden where we are dependent on how the automotive industry develops. There are no signs yet that there will be a quick turnaround for this important customer segment." ►►





“The slump in the economy we are experiencing now and the difficulty to get credit from banks and machine suppliers will accelerate the structural changes in the industry.”

► “Nonetheless I feel confident with the measures we have taken. Volumes in almost all our units are good and in some markets our order books are full.”

“Now we have to show we can deliver and I’m sure we will.”

**NEW BUSINESS OPPORTUNITIES** open up in times of structural changes. Do you see any for Elanders?

“Family owned companies in which many of the owners were born in the 40s are still typical for our industry worldwide. The slump in the economy we are experiencing now and the difficulty to get credit from banks and machine suppliers will accelerate the structural changes in the industry. Many small and middle-sized players won’t survive or will be bought out and this will

undoubtedly provide Elanders with good acquisition opportunities.”

“A substantial portion of Elanders’ customers are multinational companies with well-known, strong brands that purchase comprehensive solutions from us without any middlemen. More and more companies need to cut their costs and we can offer solutions that are efficient, reach the right target group and save money.”

“The trend of buying from larger printing companies that offer total solutions will grow stronger as a result of the structural changes necessary in the industry.”

**ELANDERS HAS WORKED** with sustainable development for years and is considered the leader on environmental action in the graphic industry. Why is Elanders so committed?

“We believe in the importance of being a company that contributes to a better society and we work on several levels. One example is our facility in Malmö which became the first Swedish climate neutral printing plant. Another example is the global general agreement we signed with UNI (Union Network International). The agreement guarantees international work standards in our workplaces and the employees’ right to organise themselves on the markets where Elanders is active.”

“We are pioneers when it comes to environmental investment in the graphic industry. We want to take the same leading role and set a new standard for the working environment and trade union rights. We have already received very positive reactions from both our employees and customers. I want our all our employees and customers to feel proud about working in and with Elanders.”

**THE RATE OF ACQUISITIONS** has been quite high since the start of the 21st century and Elanders is represented on every continent except Australia. During 2008 you bought Seiz Printing Company in the U.S. How has that turned out?

“The fact that the American car industry came to a halt at the same time the country stood still because of the Presidential election has naturally had an affect on business. In actuality we are primarily suppliers to Daimler-Benz in the U.S. and not to the domestic brands. We appointed new management in the company and we are working on selling our American operations to our existing global customers. We expect this work to be fully effective during 2009.”

“It’s a big challenge to transfer Elanders’ collective knowledge to the American printing industry so that we can win new market shares.”



**WHAT DO YOU THINK** about development in the near future for the segment Automotive?

"We expect it to drop substantially in 2009 which will hit the Swedish operations hard since we are the only ones in our industry supplying Volvo, Scania and Saab with manuals. On the other hand we have adjusted our operations and if the decline isn't too steep we will have an advantage. If it's severe we will have to cut back even more."

"Elanders won't have the same downturn on the German market because besides manuals, we print car manufacturers' other marketing information, for example brochures and exhibition material."

"On top of that the German government has been quick to set in measures that will keep the sales of new and used cars on respectable levels, which is good for Elanders."

**INDUSTRY & TRADE** is Elanders' largest customer segment. How has it developed and what lies ahead?

"Manuals and packaging for the consumer electronic industry, which is one part of it, has been affected by the economic slowdown while the other part that produces catalogues and brochures for industrial and trading companies is not as sensitive to dips in the economy. The furniture, fashion and pharmaceutical industries still need catalogues and I'm pretty sure that the mobile phone industry will come back strong with new models and platforms during the autumn of 2009."

"We see very positive developments in Industry & Trade and will concentrate on three product segments. One is a combination of manuals and packaging that we have begun to print in the same machines. We are printing more and more exclusive packaging on our existing equipment. We are very successful with this in China where these kinds of packaging dominate orders and we are now going to spread these skills to our other facilities, starting with Hungary in 2009. First and foremost we will serve our customers that need even more exclusive consumer packaging. Presentation is becoming more and more important to attract customers and function as display units and window-dressing."

"The other two product segments are personalised



information and marketing information, both of which have a growing demand in several countries and this segment allows us to better utilise capacity in our machines."

**ELANDERS' PRINTING PLANT** in China is only a few years old but it has developed rapidly. Do you plan on further expanding in Asia, and in particular China?

"Work on winning new customers in China has accele-

"A substantial portion of Elanders' customers are multinational companies with well-known, strong brands that purchase comprehensive solutions from us without any middlemen."

rated. Sanyo and NEC are Elanders' most recent major clients. In addition, we hope we can further evolve our production of packaging in China.

**FINALLY, WHAT CAN WE EXPECT IN 2009?**

"It's difficult for Elanders and most everyone else in business to predict what will happen in 2009. What I can say for certain is that we are well-equipped and we put on the brakes in time going into the curve in order to be quickest out of it when the economy turns up. Our industry is affected early in the business cycle and we will be among the first to move ahead when the economy moves on."



## OWNERSHIP STRUCTURE AND THE SHARE

# NO DIVIDEND PROPOSED AFTER TURBULENT YEAR

### HISTORY

Elanders' B shares were first listed on the Stockholm Stock Exchange on 9 January 1989. On 31 December 2008 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 on page 17.

### DEVELOPMENT DURING THE YEAR

The market value of B shares fell by 82 percent during 2008 while the general index of the OMX Nordic Exchange fell by 34 percent during the same period. During 2008 a total of 2,278,722 Elanders shares (3,382,919 shares) were traded, which is equivalent to an average trading rate of approximately 0.23 times (0.36 times). The total turnover rate of the OMX Nordic Exchange was 1.32 times (1.31 times) during the same period. The lowest share price was SEK 25.30 on 30 December and the highest was SEK 147.50 on 4 January. The final share price in 2008 was SEK 25.50 (SEK 139.00), which means that Elanders' stock market value at yearend was approximately MSEK 249 (approx. MSEK 1,357).

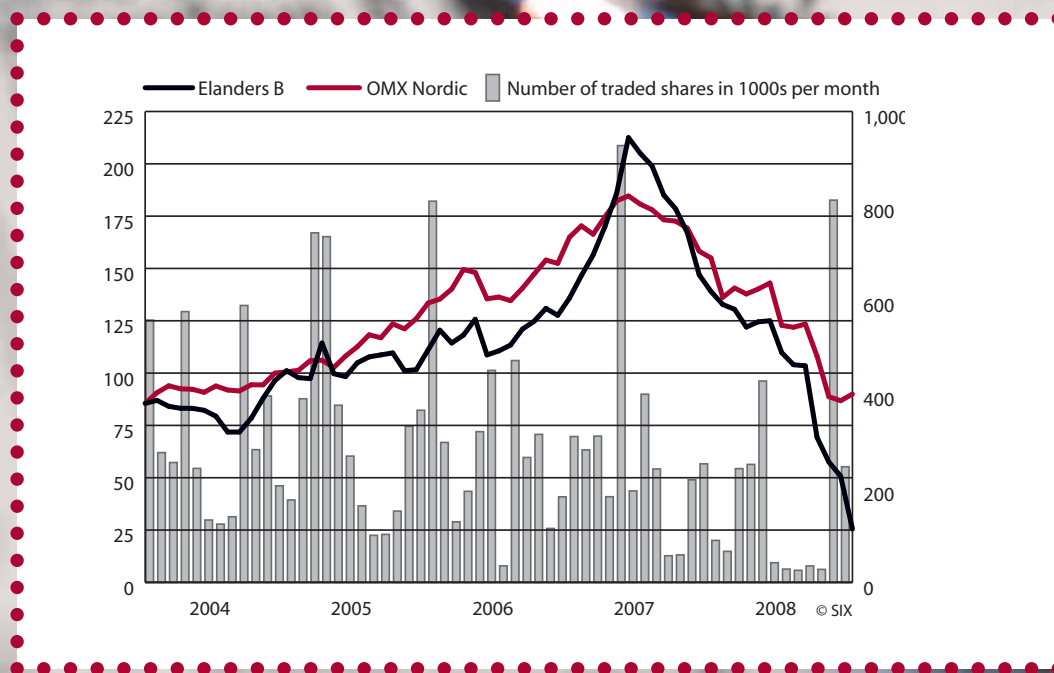
### CLASS OF SHARES

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. All shares are entitled to the same dividend. See the tables on the following page for share capital and voting disposition. The B share is covered by a liquidity guarantee and Re-mium AB is the guarantor.

### SHARE ALLOCATION

There were 2,492 (2,586 shareholders) Elanders shareholders at year-end and 2 511 shareholders per 28 February 2009. The allocation is analysed in the tables on the following pages. ➔

Carmanha	
Comsilium B	
CTT Systems	
Cybercom	
Dagon	
DGC One	
Diamyd Medical B	
Digital Vision	
Din Bostad	
Diös Fastig.	
DORO	
Duroc	
Elanders B	
Elektr BK B	
Elos	
Enea	
EpiCept	
Feelgood	
Fenix Outdoor	
Fingerprint	
Genesys B	
Global Health Part	



**►► 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**

Elanders' financial information can be found at [www.elanders.com](http://www.elanders.com).  
Questions can also be asked Elanders directly via e-mail

at [info@elanders.com](mailto: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.

An analyst continuously monitors our development and regularly publishes analyses of Elanders:

Remium AB  
Equity Research  
Johan Edberg, telephone +46 8-454 32 38

**MAJOR SHAREHOLDERS**

Ownership structure 28 February 2009	A shares	B shares	Percent of votes	Percent of share capital
Carl Bennet AB	583,333	1,671,456	49.98%	23.09%
Investment AB Latour		2,210,000	14.72%	22.63%
HQ Funds		829,433	5.52%	8.49%
Skandia Liv		603,341	4.02%	6.18%
Odin Funds, Norway		507,453	3.38%	5.20%
Carnegie Funds		415,204	2.77%	4.25%
SEB Funds		231,973	1.54%	2.38%
Radar Fund		142,200	0.95%	1.46%
The AP4 Fund		118,000	0.79%	1.21%
Swedbank Robur Funds		105,777	0.70%	1.08%
Other shareholders		2,346,829	15.63%	24.03%
<b>Total</b>	<b>583,333</b>	<b>9,181,666</b>	<b>100.00%</b>	<b>100.00%</b>

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	1,874		306,546	3.14	2.04
501-1,000	269		202,620	2.07	1.35
1,001-2,000	180		256,062	2.62	1.71
2,001-5,000	107		332,539	3.41	2.21
5,001-10,000	30		209,955	2.15	1.40
10,001-20,000	15		222,421	2.28	1.48
20,001-50,000	15		453,463	4.64	3.02
50,001-100,000	6		480,872	4.92	3.20
100,001-	15	583,333	6,717,188	74.77	83.59
<b>Total</b>	<b>2,511</b>	<b>583,333</b>	<b>9,181,666</b>	<b>100%</b>	<b>100%</b>

Sources: VPC and SIS Ägarservice

## SHAREHOLDER CATEGORIES PER 29 FEBRUARY 2008

Percent	Percent of share capital	Percent of votes
Swedish institutions and investment companies	47 %	30 %
Swedish companies and private persons	41 %	62 %
Foreign institutions	12 %	8 %
Foreign companies and private persons	0 %	0 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

Sources: VPC and SIS Ägarservice

## 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 Gummessons		350,000	4,914,000	49,140,000
1997 Rights issue 1:4 in connection with the acquisition of the Minab Group	100,000	1,128,500	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	9,370,000	97,649,990
Outstanding shares and share capital on 31 December 2008	583,333	9,181,666	9,764,999	97,647,990

## DATA PER SHARE

	2008	2007	2006	2005	2004
Profit, SEK	-2.62	18.06	-5.54	8.77	10.86
Share price at yearend, SEK	25.50	139.00	135.87	111.06	101.13
P/e ratio	-9.7	7.7	neg.	12.7	9.3
P/s ratio	0.1	0.7	0.6	0.5	0.5
P/ce ratio	2.0	4.3	5.4	4.5	3.8
Dividend, SEK	0.00 <sup>1)</sup>	4.50	2.36	2.36	1.89
Dividend yield, %	0.0	2.6	2.0	2.3	2.0
Share price/equity, times	0.3	1.6	2.2	1.5	1.6
Equity, SEK	89.88	88.54	62.80	72.00	64.00
Risk capital, SEK	92.96	90.99	64.60	78.20	70.50
EBITDA, SEK	12.50	32.65	25.10	24.70	26.60
Operating cash flow, SEK	22.24	-24.12	15.90	2.40	7.70
Average number of outstanding shares, in thousands	9,765	9,537	8,855	8,855	8,855
Turnover rate	0.23	0.36	0.40	0.44	0.45

<sup>1)</sup> Proposed by the Board.



FIVE YEARS IN SUMMARY

# SUCCESSFUL PACKAGING DEVELOPMENT

**2008.** A major source of joy during our Jubilee Year was our operations in China which surpassed all expectations through the successful development of packaging production. The Group also did well in Germany, not least thanks to the acquisition of Mairs Graphische Betriebe which gave us access to new technology and important customers. Seiz Printing Co in Atlanta, U.S. was also acquired with the aim of creating a platform on the important North American market. The year, particularly the latter half, was characterised by a general downturn in orders from consumer electronics customers, white goods and automobiles. This downturn is calculated to have charged the Group's results with about MSEK 75, above all in Sweden and Hungary. Business in the U.S., Poland and Italy did not meet expectations either. Measures were taken to adjust costs in Sweden and Hungary. Costs for these measures amounted to a total of MSEK 89.

Group net sales increased by 8 percent (1 percent not including acquisitions) and operating profit was down by 93 percent (93 percent not including acquisitions).

**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. ....>







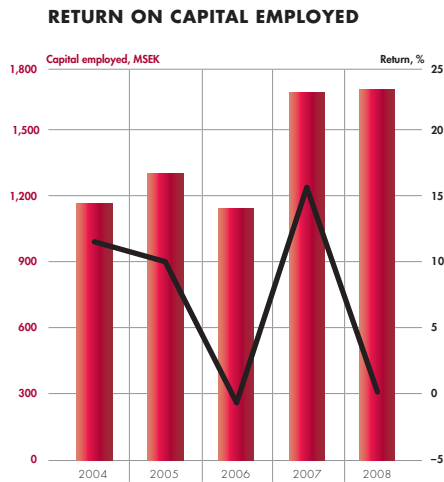
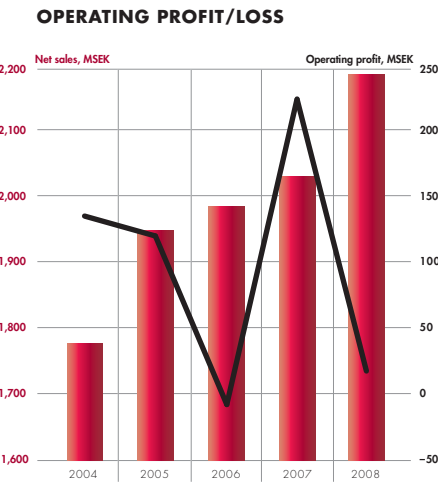
► In addition, 80 percent of Artcopy in São Paulo, Brazil was acquired. Tax costs were reduced by MSEK 21.1 after Elanders won a tax case in the Swedish administrative court of appeal. Operations in Kungsbacka were sold according to plan in February, which did not affect profit/loss and in December the property in Kungsbacka was sold generating capital gains of MSEK 40.6.

In comparable units Group net sales 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 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 Net sales and profit. Ope-

rations in Mölnlycke in Infologistics showed the highest profits ever due to successes with full-service solutions for larger customers in the segments Automotive 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 net sales rose by 4.8 percent and operating profit rose by 23.6 percent.

**2005.** Group net sales grew organically by 5 percent. Operations in Mölnlycke fell into place well and met



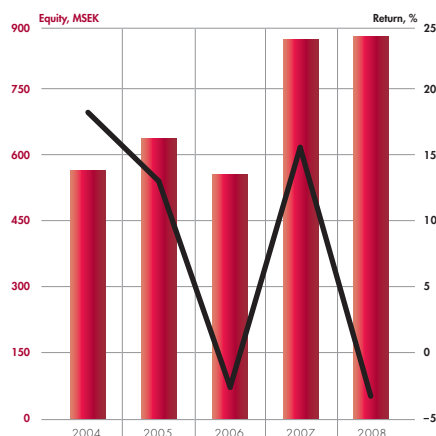
expectations. All other Swedish Infologistics units were more prosperous than during the previous year.

The English companies stood still. Poland and Hungary continued to be very successful; both had all-time-high profits. Net sales 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.

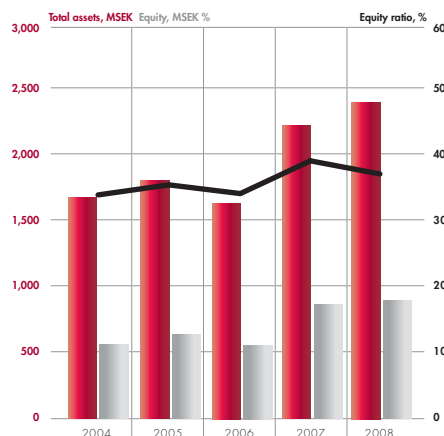
**2004.** Group net sales rose by 3.8 percent, half of which was organic and half through acquisitions. In July Skövde Offset was acquired to supplement the plant in Falköping in organisation and marketing. At the same time AB Volvo's document and distribution unit in Gothenburg was acquired. The purchase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

RETURN ON EQUITY



EQUITY RATIO



## SUMMARY OF THE INCOME STATEMENTS - ELANDERS GROUP

	2008	2007	2006	2005	2004
Net sales	2,191.2	2,035.6	1,988.2	1,952.6	1,780.4
Operating expenses	-2,175.2	-1,808.8	-1,997.0	-1,830.8	-1,643.3
EBIT	16.0	226.8	-8.8	121.8	137.1
Net financial items	-50.3	-42.7	-23.0	-16.5	-24.1
Profit/loss after financial items	-34.3	184.1	-31.8	105.3	113
Profit/loss for the year	-25.7	172.2	-49.0	77.6	96.2
EBITDA	122.1	311.4	222.2	218.6	235.8

All compared years are shown as they are presented in the Annual Report each year.

## CASH FLOW IN SUMMARY - ELANDERS GROUP

	2008	2007	2006	2005	2004
Cash flow from operating activities	120.6	89.9	167.1	45.6	127.7
Paid taxes	-31.7	-32.3	-20.8	-44.7	-21.7
Investments	14.5	-402.5	-72.7	-89.2	-105.4
Operating cash flow	217.2	-237.8	138.2	17.5	68.1
Change in net debt	25.8	222.2	-74.1	65.4	-12.5

All compared years are shown as they are presented in the Annual Report each year.

## KEY RATIOS - ELANDERS GROUP

	2008	2007	2006	2005	2004
Operating margin, %	0.7	11.1	-0.4	6.2	7.7
Profit margin, %	-1.6	9.0	-1.6	5.4	6.3
Gross profit/loss/Added value, %	36.7	46.2	37.9	34.7	35.5
Capital turnover rate, times	1.0	1.1	1.2	1.1	1.1
Equity ratio, %	36.8	38.9	33.9	35.3	33.7
Risk capital ratio, %	38.8	40.0	34.9	38.4	37.1
Interest coverage ratio, times	0.4	5.5	-0.4	5.5	5.5
Debt/equity ratio, times	1.0	0.9	1.1	1.0	1.1
Return on equity, %	-3.0	24.2	-8.2	13.2	18.9
Return on capital employed, %	0.9	16.0	-0.7	10.1	12.2
Return on total assets, %	1.7	12.0	-0.3	7.5	8.6
EBIT-multiple	68.2	3.6	-204.5	13.6	10.9
Average number of employees	1,809	1,563	1,490	1,478	1,434
Net debt/EBITDA, times	6.9	2.6	2.7	3.1	2.6

All compared years are shown as they are presented in the Annual Report each year.

### ONE OF THIS YEAR'S ACQUISITIONS

*With the acquisition of Seiz Printing in February 2008 Elanders entered the U.S. Seiz, which has cooperated with Sommer Corporate Media for many years, contributed production for global automotive customers such as Daimler, and specifically Mercedes Benz. With the acquisition, which is in line with our global strategy, Elanders can follow customers to North America as well.*



### SUMMARY OF THE BALANCE SHEETS - ELANDERS GROUP

	2008	2007	2006	2005	2004
Goodwill	917.7	844.7	532.4	557.8	556.5
Other fixed assets	660.5	546.7	410.6	588.3	553.5
Inventory	120.1	125.7	92.9	95.3	93.3
Accounts receivable	470.9	450.6	456.8	456.7	373.5
Other current assets	75.9	191.4	73.9	83.6	64.6
Cash and cash equivalents	141.7	65.2	74.5	24.9	39.7
Equity, not including minority share	875.6	862.3	556.4	637.8	566.5
Minority share	2.1	2.3	0.0	0.0	0.0
Interest bearing liabilities	985.1	882.7	668.5	637.8	644
Non-interest bearing liabilities	524.0	477.0	416.2	397.8	470.6
Total assets	2,386.8	2,224.3	1,641.1	1,806.6	1,681.1
Enterprise Value	1,092.3	2,174.8	1,797.7	1,652.9	1,497.9
Risk capital	907.7	888.5	572.1	692	624.4
Capital employed	1,721.7	1,682.0	1,150.5	1,306.6	1,170.8
Net debt	843.3	817.5	594.1	669.4	602.3
Average number of outstanding shares (in thousands)	9,765	9,537	8,370	8,370	8,370

*All compared years are shown as they are presented in the Annual Report each year.*



## GOALS AND STRATEGIES

# IT AND GRAPHIC EXPERTISE CREATES ADDED VALUE

### 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 28. In order to achieve our external goals operations must be guided by a number of internal goals. Our environmental objectives are described on page 56. 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 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 unique products:

- Automotive
- Publishing
- 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 in the entire value chain

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, packaging production in China as well as our acquisitions in Germany and Brazil 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



## ELANDERS' BUSINESS CONCEPT

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

## 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.*



as knowing what expectations, demands and requests 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 2007.

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

In the Annual Report 2007 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 34 and strategies for growth under Goals and strategies on page 24 as well as on the pages concerning the three business areas on pages 67 and 77.

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 2007

### 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 Publishing and the Public Sector in Sweden. In Germany the leading segments in the Group are in the Automotive and Service Sector. The segment Service Sector shows good growth, but the market shares are still relatively small. The group is a world leader in certain parts of consumer electronics sector in the Industry & Trade segment.

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 65 % (58 %) of the Group's total Net sales.

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 2008 stemmed from acquisitions. The acquired unit in Germany improved its profitability while the financial situation in the U.S. leads to a non-satisfactory profit for this year. Because of the situation on the market, particularly in the latter part of the year, the other units in the Group have not shown any growth, apart from China that has grown with continued profitability.

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, before one-off costs, amounted to 4.8 % (11.1 %), for Infologistics to 2.5% (5.6 %) and for User Manuals to 12.6% (22.6 %).

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 before one-off costs amounted to 0.9 % (16.0 %).

A return on capital employed of at least 14%.

**6.** An equity ratio of at least 30 %.

The equity ratio was 36.8 % (38.9 %).

An equity ratio of at least 30 %.

**7.** SA debt/equity ratio of less than 1.

The debt/equity ratio on the balance sheet date amounted to 1.0 (1.0).

A debt/equity ratio of less than 1.

**8.** Over time investments will not exceed depreciation or 5 % of net sales.

Investments in production etc. were 57% (183%) of depreciation and 2.7% (7.6%) of net sales.

Over time investments will not exceed depreciation or 5 % of Net sales.

#### GROWTH GOALS

**9.** Net sales and operating profit will increase annually 8–12 % which for the business areas means: Infologistics 7–10 %, User Manuals 15–20 %

Net sales increased by 6% (21%) and operating profit before one-off costs decreased by 44% (increased by 30%). Net sales for the business area Infologistics increased by 5 % and operating profit fell to negative. Net sales for the business area User Manuals increased by 18 % and operating profit decreased by 68 %.

Net sales 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.

Net sales in 2008 grew by 1.0% (3.3%) organically and operating profit decreased by 93 % (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 2008 on page 56.

See environmental and quality goals for 2008 on page 56.

To set goals for sustainable development and clarify Elanders' internal processes.



## 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 net sales 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 30. We set the goal at 60 percent mainly because, especially in Publishing and the Public Sector, we will still be selling printing without very many related services for some years to come.

**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 Net sales. 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 before one-off costs was 4.8 percent. The goal of 8-12 percent is therefore still realistic in the long term, but the present situation in the world economy and the insecurities in the present year need to be considered in this context.

**5.** Return on employed capital before one off costs was 0.9 % (16.0). The goal of 14 percent is therefore still realistic in the long term, but the present situation in the world economy and the insecurities in the present year need to be considered in this context.

**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 net sales over time. 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 one-off costs operating profit decreased by 44 percent. The goal is still realistic in the long term, but the present situation in the world economy and the insecurities in the present year need to be considered in this context.

**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.** 11 The environmental and quality goals are found on page 56.

## BUSINESS MODEL AND SERVICES

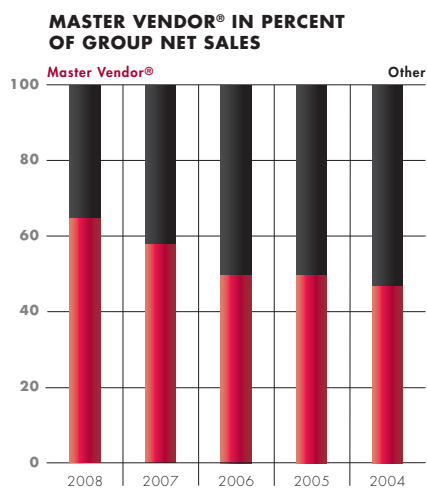
# ONE-STOP SHOPPING SAVES MORE THAN TIME

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.

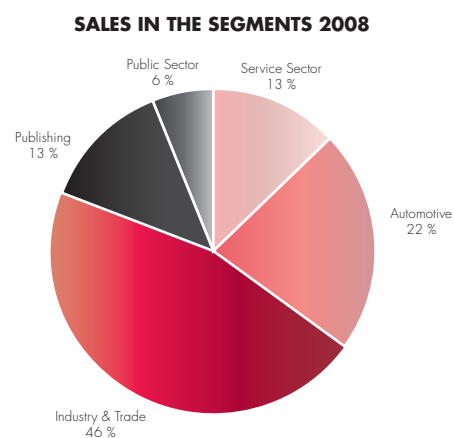
### THE GROUP'S PRIMARY BUSINESS

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 develops Web-based order interfaces, one-to-one marketing solutions and handles all production and distribution in the most cost effective way. Besides user information, we also produce packaging in smaller, specialised series for manufacturers of consumer electronics. It saves another step in the purchasing process, in other words it's one-stop shopping. 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 ►►





**FIGURE 1.** Master Vendor® share of net sales continues to grow.



**FIGURE 2.** The Service Sector, Automotive and Industry & Trade can be considered industrial customers which represented 81 % (75 %) of Group net sales in 2008, while the remaining 19 % can be said to be other customers.



- 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 65 percent of Group net sales in 2008 (58 percent).

#### SEGMENTS PRIORITISED BY THE GROUP

At the moment Elanders has focused on five main segments; Automotive, Publishing, Industry & Trade, the Public Sector and the Service Sector. From a business point of view, and somewhat simplified, these segments can be separated into two main groups; industrials and other customers. Publishing and the Public Sector make up the other customer group and the remaining three segments are industrials. Allocation of Group net sales between the segments is shown in figure 2 on page 31. 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

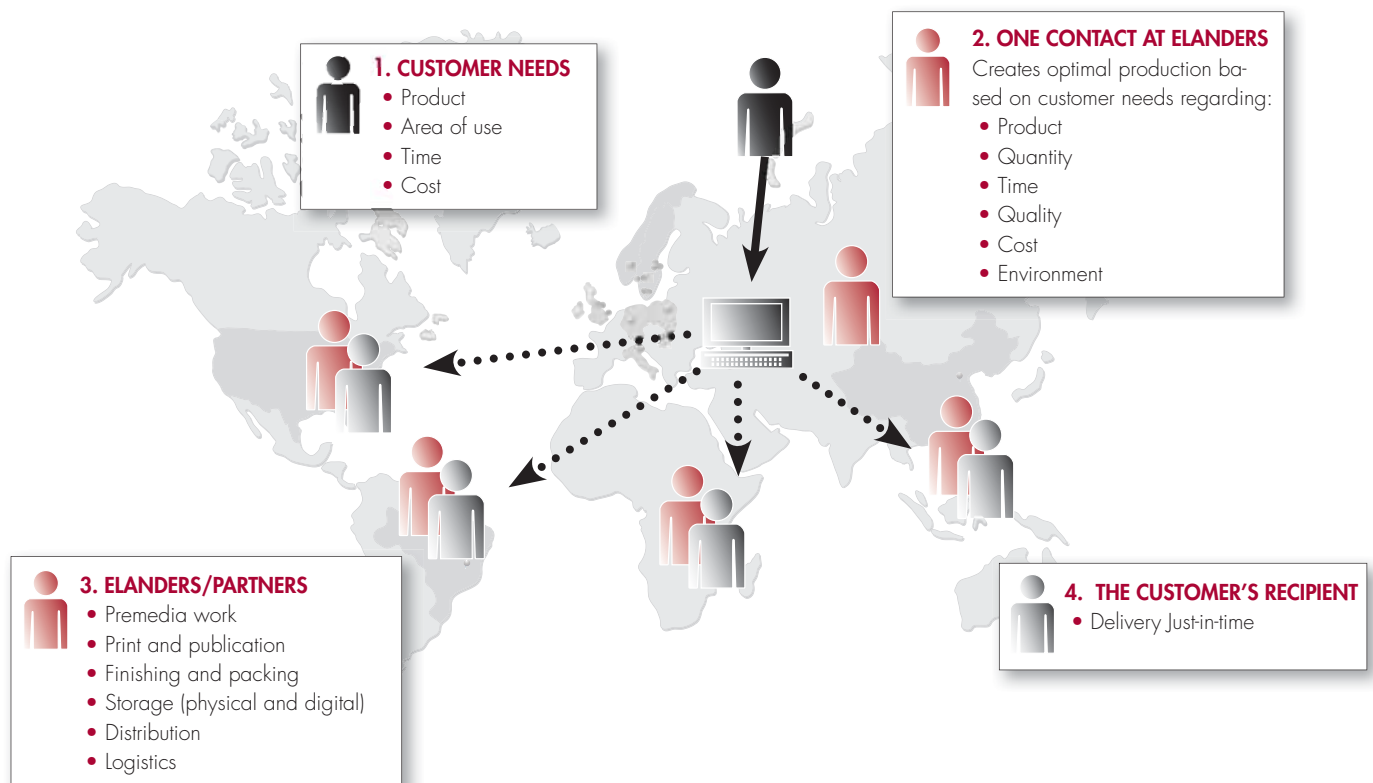
by specialised external players – as few as possible.

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 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 pressure. 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 a multinational presence, delivery precision, uniform quality, flexibility and quality in our relationship with the customer. The price for a printed item that isn't too complicated 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



**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.

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 constructing 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 138,000 orders (approx. 167,000) in 2008. The average value of an order was SEK 16,000 (SEK 12,000) divided between around SEK 25,000 (approx. SEK 10,000) in Master Vendor® orders and all other orders approx. SEK 9,000 (approx. SEK 18,000). Around 88 percent (around 82 percent) of Group revenue in 2008 was conventional print production, either as a sole product or part of a Master Vendor® deal. Other services made up the rest.



## MARKETS

# THE GLOBAL GRAPHIC MARKET

In 2000 the world market for graphic production amounted to nearly SEK 3,000 billion. During 2008 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 2000–2008 was some 4 percent while growth during 2007–2011 is calculated at approx. 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 just over half respectively a third of the global market in 2008. 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 (so called one-to-one marketing), 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, who are expected to maintain stores, extend credit, etc.

#### 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 16 billion in 2008. Printed matter consumption is turning more and more towards 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 shrunk towards the end of the year, but the public sector was stable.

We see changes in the industry due to structural trends rather than economic fluctuations, while the present downturn in the economy will probably increase structural changes. 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.

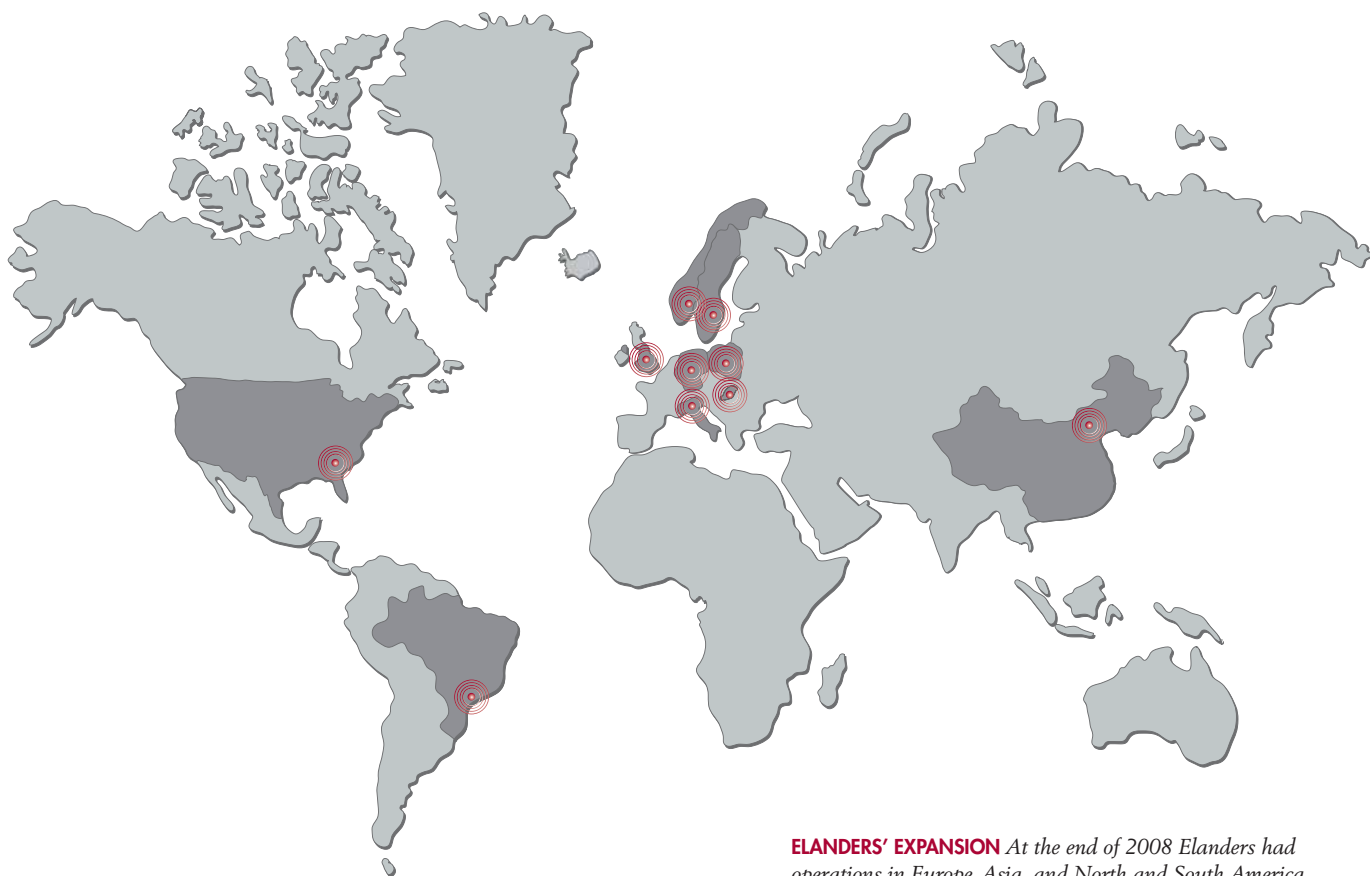
There are a number of uncertainties in 2008 associated with the effect of developments in the economy and interest rates on employment and demand. We expect a decrease in demand from the section of industry that caters to the consumer market. Investments in the industry in Sweden have on the average 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 110 and on the average 84 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. Furthermore, our global presence is particularly interesting for international companies that have their headquarters in Sweden.

#### EUROPE

The total European graphic market amounted in 2001 to SEK 1,320 billion and was expected to grow to approximately SEK 1,500 billion in 2008. This means a yearly average growth of about 2 percent. In 2011 the market forecast is for only slightly more than SEK 1,500 billion. Western Europe still represents almost 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



**ELANDERS' EXPANSION** At the end of 2008 Elanders had operations in Europe, Asia, and North and South America.

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 disap-

pearance 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 over SEK 130 billion in 2010, which is an annual growth rate of a little more than 3 percent. Offset print is expected to have an average annual growth of just below one 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. Furthermore, digital printing is the only technology that enables efficient orders through a Web-interface for products that are created by the customer in templates, such as office material, photo albums, etc. ➤

►► The following trends have been noted in Europe:

- The European graphic industry consists of around 120,000 companies that employ some 800,000 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. The present downturn in the economy will probably increase structural changes.

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 300 billion in 2008. 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 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.

## U.S.A.

The graphic market in the U.S.A. was an estimated SEK 1,000 billion in 2000. It has grown at a moderate average rate of some 2 percent annually since then to



**DIGITAL PRODUCTION** is, next to packaging print, the fastest growing segment in the European market, but it still only accounts for some 8 percent of the total market. Therefore digital printing has a great long-term growth potential. The possibility to create photo prints and photo albums from digital image material via Web sites and so called kiosks is expected to result in rapidly growing demand for digitally produced photographs and printing material.



just under SEK 1,200 billion in 2008.

The U.S. market is only expected to grow by a further percent per year to just over SEK 1,200 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 together. 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 U.S. 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 200 billion in 2008 and is expected to land just under SEK 300 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 2008. 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 Mediasystem and Strålfors (The Swedish Post Office) are the major companies the size of Elanders in Sweden. JMS Mediasystem 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, Publishing 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

## THE COMPETITORS

	JMS Mediasystem	Edita (SE och FI) inkl Citat	RR Donnelley (US)	Strålfors Svenska AB
Elanders segments where we meet	Industry & Trade Service Sector	Industry & Trade Service Sector	Industry & Trade	Service Sector
Major strengths	Full service solutions Web offset Digital print	Offset print Digital print Distribution Communication	Global Web offset Digital print	Document flows Smart cards Logistic services
Concentration	Covers the retail trade with direct mail, distribution and marketing material.	DM/DR solutions Marketing material/ communication.	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.
Net sales MSEK	771	1 100	78 328	2 108
Pre-tax profit MSEK	-10	35 <sup>1)</sup>	615	60
Financial figures for	2007	2008	2007	2007
Estimated market share in Sweden	<5 %	<10 %	<5 % (Europe)	<10 %
Elanders Estimated market share in Sweden	<10 %	<10 %	<5 % (Europe)	<5 %

<sup>1)</sup> Refers to operating result

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 (Publishing) 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 Edita and Intellecta. Once again capacity, technology and long experience are our greatest competitive edge. We are practically the only infomedia 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 in Denmark and Hansaprint and Edita in Finland. The latter also includes the marketing communication company Citat. Stibo is in the vanguard of information structuring (chiefly Publishing, Industry & Trade). Hansaprint has a highly modern production of magazines (Publishing) 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, Publishing and the Service Sector and Wyndeham Westway in Automotive. In Germany

we run into companies like Infowerk, Victor Bück and Bosch Druck in Automotive and Industry & Trade.

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 packaging industry we meet Stora Enso, Frontpac, SCA, Inpac and others. You will find further descriptions of our competitors on pages 64 and 74, in the sections concerning our business areas.

## 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 page 40 shows some of our major competitors in an attempt to gauge their strengths and shares in mutual segments and geographic markets.



RISK AND SENSITIVITY ANALYSIS

# READY FOR QUICK ADAPTATION

## **CIRCUMSTANTIAL RISKS**

### **The future of printed matter**

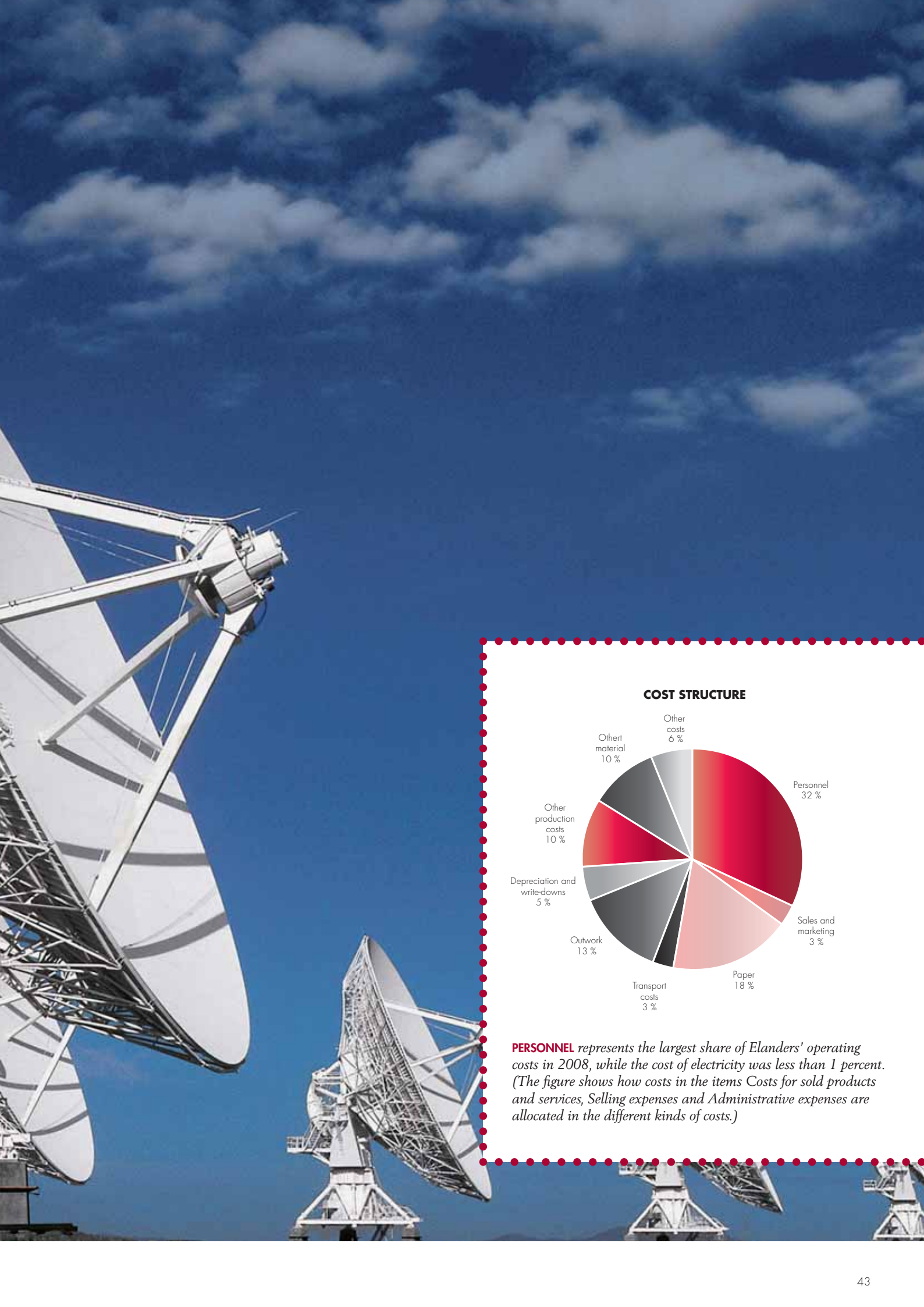
Printed matter will continue to grow as a bearer of information in coming decades although to a lesser degree as time passes. We believe an increase at the rate of 2–4 percent annually is plausible.

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.

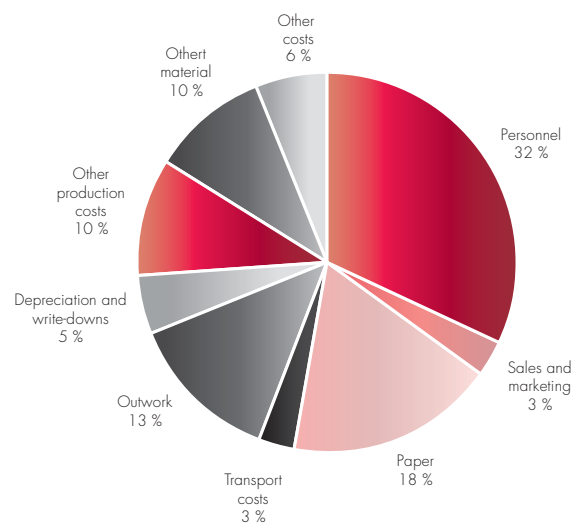
### **Business cycle sensitivity**

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. ►





### COST STRUCTURE



**PERSONNEL** represents the largest share of Elanders' operating costs in 2008, while the cost of electricity was less than 1 percent. (The figure shows how costs in the items Costs for sold products and services, Selling expenses and Administrative expenses are allocated in the different kinds of costs.)



### ►► Structural sensitivity

In the segment Publishing 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 rationalise 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. 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.

### The Competition

A thorough account of Elanders' competitors is given on page 40 as well as for each business area on pages 71 and 79.

### 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.

A change in the currency rate up or down by 5 percent in EUR (SEK 0.55) would affect pre-tax profits by MSEK 2 and in other currencies by MSEK 4 without forward exchange contracts. Existing forward exchange contracts per 31 December 2008 are reported in note 19 to the financial reports. The translation exposure of net assets in foreign subsidiaries is sometimes hedged through a currency mix in the loan portfolio.

### 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 February 2009 the Group signed new financing contracts that run until February 2010.

### 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 2008 totalled MSEK 3.

### BUSINESS RISKS

#### Customer concentration

During 2008 the Group's ten largest customers represented some 37 percent (32 percent) of net sales and the 50 largest customers stood for 64 percent of net sales (58 percent), which is shown divided into market segments on the diagram on page 31. At the beginning of 2008 the Group had around 3,800 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 51,000 tons of paper during 2008. 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 32 percent of operating costs, which means that changes in the Group's health ratio has a direct effect on profits. Developments in the Group's health ratio are presented on page 62.

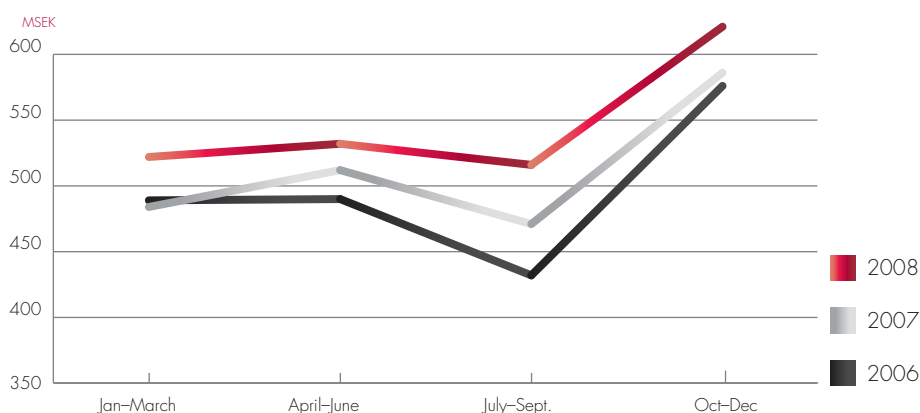
##### ELECTRICITY COSTS

The Group consumes around 30 GWH of electricity annually, of which some 11 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



#### SEASONAL VARIATIONS IN ELANDERS'

*sales have pretty much followed the same patterns the past few years. Close to 46 % of the Group's net sales 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 53 % of net sales. The fourth quarter is the strongest with 28 % of the net sales.*



a certain price. This takes into consideration seasonal variations and utilises the instruments available on the Electricity Exchange in Norway. The cost of electricity was under 1 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 46.

#### 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 2008 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 Net sales 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 sales	+/- 1 % unit	10.0
Paper cost	+/- 1 % unit	1.5
Personnel cost	+/- 1 % unit	6.1
Sick leave	+/- 1 % unit	1.5
Electricity cost	+/- 1 % unit	0.1
Interest level	+/- 1 % unit	6.7

## STRUCTURAL CAPITAL

# PREREQUISITES FOR FULL-SERVICE SUPPLIERS

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 60 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 developing services, 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

Developing services, 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 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 2008 were 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. EPP is Elanders' instrument to ensure that the Group's development of publishing tools proceeds in a structured and professional manner. The mission of development operations is to supply the Group's customers with systems and solutions for efficient information management and publishing in different media and reports to management in Infologistics. It is also responsible for documenting processes and tools efficiently to guarantee a high service level and facilitate a continual exchange of knowledge in the Group as well as monitoring external factors and furnishing the necessary know-how in this area. Development operations 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. 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 60, 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.

### 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 54. 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 55. 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 57. 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. This standard will be progressively 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 supported by a Group IT council. The council consists of representatives from the Group's operative units and the Swedish 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 2008 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 12.

## **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 auditing 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

# STRONG ADVANTAGES: PERSONNEL AND ENVIRONMENT

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.

An increasingly important question is how Elanders plans to progressively adapt the company to future, more stringent emission regulations and higher ethical standards. Another aspect is 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 bad will 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.





#### **ENVIRONMENTAL POLICY**

*Elanders is serious about its environmental work and continually strives to improve processes, production methods and products to reduce environmental impact. We will meet or exceed legislation and other regulation.*

#### **QUALITY POLICY**

*Elanders will be known as a serious supplier and partner with broad expertise in infomedia. This means our focus is on our customers' and other interested parties' demands and needs as well as on continuously developing our processes, products and services in order to achieve total quality – which means we perform correctly and efficiently at each stage of the process.*



# SUSTAINABILITY WORK TO MEET NEW REQUIREMENTS

Elanders is continually faced with higher demands to specify which sustainability goals it has established, and which processes and policies Elanders plans to use to achieve these goals.

Work on a structured process for sustainability, which was initiated in 2008, has unfortunately not come as far as planned. Naturally part of the reason for this is the current economic slump which began to affect Elanders early in the summer of 2008. The company was forced to prioritise and this meant that process work had to take a backseat.

However, the survey phase is expected to begin in serious in 2009 and in the coming years Elanders plans to work on risks and goal formulation concerning the environment, ethics and social issues as well as report on the goal achievement progress.

## FROM RISK ASSESSMENT TO ACTION PLAN

The process will begin with a survey, in which Elanders will make a general assessment of the challenges and

opportunities the company faces in different 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.

After that the company can prioritise a number of sustainability issues that will be focused on in the coming years. 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.

Based on this cohesive view Executive Management can adopt sustainability goals and decide which measures and policies 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?

## ENVIRONMENTAL RESPONSIBILITY

- The Environment
- Quality



## SOCIAL RESPONSIBILITY

- Leadership
- Personnel
- Diversity

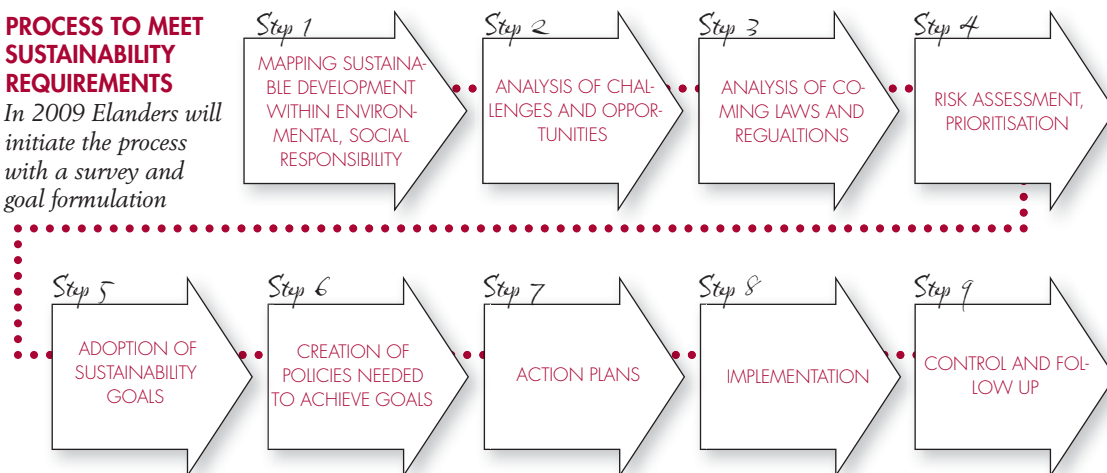


## SUSTAINABILITY

*Several areas regarding sustainable development that we can influence were identified in 2008. We will take the next step in this process in 2009.*

## PROCESS TO MEET SUSTAINABILITY REQUIREMENTS

*In 2009 Elanders will initiate the process with a survey and goal formulation*



Our ambition is in future reports to describe how far Elanders has come in the sustainability process and give an idea of the focus areas that lie ahead.

It is important to mention here that although we have not yet gone through the structured sustainability process there are a number of sustainable projects in all out units in the Group. Here are a few examples:

- Customers' interest in and demand for FSC (Forest Stewardship Council) certified printed matter has grown tremendously. The number of companies within the Group that can offer FSC marked products increased during 2008. Sommer Corporate Media and Elanders Seiz have an "environmental package" they offer customers.
- Elanders has signed a general agreement with UNI (Union Network International). The agreement gives trade unions guaranteed rights and a stronger position in all Elanders units around the world. The companies in the EU have created a EWC (European Work Council) to further union cooperation across borders.
- Sustainability is a critical factor in IT purchasing. Energy conserving products are prioritised. We are also working on converting to more "thin users" and centralising servers, storage and back-up. Fewer computers means lower environmental impact.

### FINANCIAL RESPONSIBILITY

- Finance
- Shareholders
- Purchasing
- Legal Requirements
- Sales



### PROFESSIONAL RESPONSIBILITY

- Customers
- Deals



### LOGISTIC RESPONSIBILITY

- It
- Logistics
- Communication



# ENVIRONMENTAL CONSIDERATION IN EVERYTHING WE DO

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 they are an integral part of the Group's strategy and operations.

Environmental and quality work go hand in hand. The overall goal is to minimise the company's environmental impact without affecting the quality of the finished product. Reduced paper waste, reduced greenhouse gas emissions, less use of solvents and lower energy consumption are just a few of the tools that Elanders uses to reduce its ecological footprint.

## ELANDERS' ENVIRONMENTAL AND QUALITY ORGANISATION

Each company in Elanders has appointed someone responsible for environmental and quality work. On Group level the work is carried out by a group consisting of 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.

## 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.

## CERTIFICATION

Sommer Corporate Media was certified according to ISO 14001 in 1 February 2008. Elanders Artcopy will also be certified according to ISO 14001 shortly. Elanders Seiz is now certified according to ISO 9001 and Elanders Artcopy is expected to be certified in autumn 2009.

## ENVIRONMENT

There is a strong tradition of environmental consideration at Elanders which was reflected in the fact that Elanders' environmental reports won the listed companies' competition twice in the beginning of the '90s. The growing awareness in society concerning environmental matters has influenced Elanders' work considerably. The company is continuously setting goals and performing follow-ups in order to reduce 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 in which minimal environmental impact is becoming an increasingly common request. 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.

Above all, customers' interest and demand for FSC has grown enormously. FSC is an international organisation •►



## CLIMATE NEUTRAL

Our operations in Malmö are currently classified as climate neutral. The company has reduced carbon dioxide emissions by 45 percent and is currently compensating for the remaining emissions by supporting a project in India promoting small-scale production of electricity from agricultural waste. The operation has completely shifted to hydroelectric power and in 2008 all company cars and transports were changed to more environmentally friendly alternatives.



## ENVIRONMENTAL ACCOUNTS

	2008	2007	2006	2005	2004
Environmentally related expenses, SEK '000	5,276	5,037	3,361	3,885	3,244
Waste expenses and treatment	4,051	3,846	1,754	2,103	1,994
Ecolabelling fees, net <sup>1)</sup>	141	104	158	311	107
Fees, insurance & carbon dioxide tax	1,084	1,087	1,449	1,471	1,143
Environmentally related income					
Paper waste	5,922	6,614	10,975	11,081	9,325
Environmentally related investments					
Investments for the purpose of minimising environmental impact or conserving resources	48	238	3,605	301	1,176

<sup>1)</sup> Up until 2007 only fees related to the Swedish ecolabel the Swan were presented. Currently FSC and PEFC are also included, so the sums cannot be compared.

## ENVIRONMENTAL RATIOS

	2008	2007	2006	2005	2004
Solvent consumption, kilos per MSEK in turnover	115	107	95	85	90
Solvent consumption per ton product	6.3	6.5	3.8	2.9	2.7
Electricity per ton product	800	848	823	685	706
Hazardous waste, tons	473	383	339	313	310
Hazardous waste, kg per ton product	12.9	11.4	5.6	5.4	5.3
Proportion of vegetable cleansers	1.4	1.9	1.9	6.1	6.5

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 isn't 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

	2008	2007	2006	2005	2004
Financial effect of the change in paper waste through lower purchase costs, (SEK '000)	7,127	3,996	-3,862	-5,669	-395
Paper waste compared with previous years, (%)	-8.0	-5.1	3.5	5.8	0.5

- ▶ that promotes environmentally friendly and sustainable forestry. Volvo recently took the decision to FSC certify all their drivers' manuals, which Elanders produces for all their markets. Estimated paper consumption is over 250 tons annually.

Elanders is also an active environmentalist close to the ground. In 2008 the company became a Nordens Ark sponsor for the endangered fire-bellied toad.

#### ENVIRONMENTAL IMPROVEMENTS DURING THE YEAR

- Sommer Corporate Media has launched an environmental package, "Green Solution", which has attracted a lot of attention from customers. Sommers' ISO 14001 certification is naturally a part of this, as well as FSC-labelled paper and environmentally friendly transportation through Deutsche Post.
- Elanders Seiz has put together a similar package called "Going Green". The offer contains FSC-labelling, and certification from Sustainable Forestry Initiative (SFI), among other things.
- In China environmental demands on the companies in the Beijing region due to the Summer Olympic Games were raised, a positive trend that is hopefully here to stay. Elanders installed a device for cleaning outgoing air (active coal filter) in order to meet the new requirements. The emissions of solvents have approached the levels equal to companies in the EU, making Elanders one of the cleanest companies in the Chinese graphic industry.
- We have continued to measure our companies' carbon dioxide emissions, although not as extensively as we had hoped. The economic crisis has made it hard to reach all our goals.
- Elanders in Malmö is a climate neutral company. Compensation for remaining emissions is made by

#### ENVIRONMENTAL AND QUALITY GOALS

GOALS FOR 2008	ACHIEVEMENT OF GOALS 2008	GOALS FOR 2009
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 customer claims are measured, but the conditions for measuring delivery precision vary from company to company. The goal has been partly met.	All companies will work towards reducing costs due to shortcomings in quality.
In 2008 Elanders will formulate strategies for environmental and quality work and long-term goals.	The goal has been met.	
All companies will work with goals to save energy.	The goal has almost been met. All large companies except one work with energy goals.	All companies will work with saving energy and/ or carbon dioxide reduction goals.
Half of Elanders' production units will calculate their carbon emissions in 2008. The rest will follow in 2009.	The goal has not been met.	Half of companies will calculate their carbon dioxide emissions.
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.	Implemented in Sweden and other companies have started – the goal has been met.	All companies will work along the lines of the 5S concept.
Percentage of environmental company cars (according to each country's definition) shall be at least 80 % within 2 years.	The goal is to met during the period 2008 to 2010. Presently true for 50% of cars.	The goal remains, valid 2008-2010.
		All production companies will offer FSC certified printed matter by 2010.
		All companies will work with goals to increase customer satisfaction.

## 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



financing a project in India for small-scale production of electricity from agricultural waste.

- All companies have lower or unchanged levels of paper waste.
- The companies that have had the consumption of solvents (China, Hungary and Poland) have greatly reduced their consumption through substitution and better routines.
- Electricity consumption, which has been on the rise for several years due to more digital printing, is currently decreasing. Several facilities have worked actively with reducing energy consumption. This is an ongoing process.

## COMMENTS ON THE STATISTICS

The amount of solvent consumption per ton product is decreasing in spite of an increased demand for digital printing and generally smaller editions, which results in more frequent cleaning and increased use of solvents. The reduction is a result of better routines and a shift towards less volatile alternatives.

The amount of hazardous waste increased because of equipment moves which led to extra oil changes and discards in connection with these moves and 5S work.

## COOPERATION OVER BORDERS

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 learn from each other and also 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, U.S.A. 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. In 2008 the award was divided into three equal parts between the American environmental scientist Theo Colburn, EU commissioner Margot Wallström and Jan Ahlbom together with Ulf Duus, both from Gothenburg.

Elanders also holds seminars and film showings for their customers concerning environmental issues.

## INCIDENTS

No major incidents or accidents have taken place this year.

## THE FUTURE

In the coming years all Swedish units will calculate their total carbon dioxide emissions. More and more fine-tuned tools are being developed. In cooperation with Chalmers, Elanders is developing a tool that can calculate the carbon dioxide emission for each individual product, something that will substantially improve the ability to perfect production and minimise emissions. The tool is expected to be ready for use in 2009.

## QUALITY

Increasingly stringent quality demands are being made by Elanders' customers, above all in the automotive and manufacturing industries. Information in manuals is more and more customised to individual customers and just-in-time deliveries are becoming increasingly • ➤



- important in order to avoid delays in production lines. The downturn in the economy has further increased demands on production.

In order to be an international leader and the most competent partner in infomedia 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.

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 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.

#### QUALITY IMPROVEMENTS DURING THE YEAR

The work to train personnel in using 5S techniques in Elanders Ltd, Great Britain and Elanders Sverige AB has continued. When sources of errors and problem areas have been identified and eliminated Lean Production, in which production processes are optimised, will be initiated.

Hungary has begun to work actively with 5S in production and all employees have gone through training. Checklists for daily revisions have been developed from a PDCA (Plan-Do-Check-Act) perspective. All deviations are logged. If possible, deviations are corrected instantly, otherwise they are listed on activity plans. Weekly summaries and meetings are held with personnel and all results are visualised on 5S boards.

Elanders Ltd, Great Britain, has started working towards certified graphic production according to a standard that

ensures product quality over time. At the same time they have been actively working with colour management.

#### CUSTOMER SATISFACTION

Elanders' system in Sweden to regularly measure customer satisfaction with consequent follow-ups is currently fully functional. The survey is done by an external company that measures attitudes of Elanders' existing customers through a Web-based questionnaire. The 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. Measuring takes place regularly in 6-7 weeks' intervals.

Customers' still have an overall high opinion of Elanders, albeit somewhat lower than last year. Areas that need improving are information on deliveries, 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 Ltd, Great Britain and Elanders Sverige AB targeting clear visualisation of our work. Elanders Sverige will also continue to coordinate a common operational system.

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. Certified graphic production can be expanded to other companies.



klimatneutralt  
företag  
www.klimatneutral.se

**CLIMATE NEUTRAL COMPANY:**

*In order to participate in the program it is necessary to calculate CO2 emissions with a structured and limited method. It is also necessary to set goals and take action in order to reduce the company's impact on the climate.*



**THE EU FLOWER:**

*EU's ecolabel for paper, paint, hotels etc. Criteria for printed matter is under development and a final draft exists.*



**FSC (FOREST STEWARDSHIP COUNCIL)**

*Certification for responsible forestry. Forest products made, entirely or partly, from lumber from FSC certified forests may be FSC labelled. This is also possible for printed matter.*



**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.*



**PRINT COMPENSATION.**

*Printing Manufacturers Association in Germany has developed a "climate calculator" that calculates CO2 emissions for each individual product. Elanders invests in certificates that support of projects working with recycled energy. These certificates are later offered to our customers.*

# PROFESSIONAL PRIDE FOR THE CUSTOMER'S BENEFIT

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

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 are 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.

## 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.

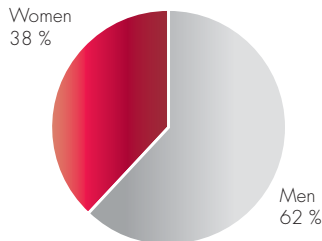
Our company culture, values and work methods are also promoted through the intranet, the personnel magazine *Inside* that comes out three to four times a year and a monthly letter. These channels are vital culture bearers within Sweden and internationally and contribute to the transparency Elanders endeavours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

## INCREASED INTERNATIONAL TRADE UNION COOPERATION

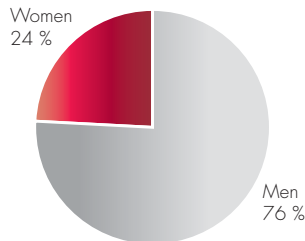
During 2008 negotiations with Union Network International (UNI), an international organisation for unions with a total of 20 million members, were initiated. The negotiations resulted in the signing of a general agreement on 1 January 2009, which gives the union, among other things, the right to organise all of Elanders' units worldwide and prohibits employers from using child and forced labour. This agreement makes Elanders the first multinational Swedish company in the graphic



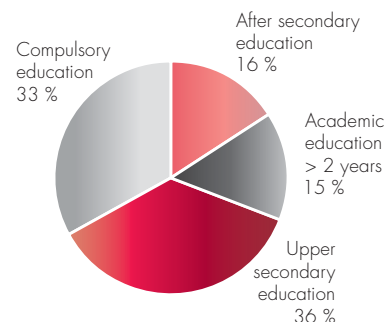
**AVERAGE NUMBER OF  
EMPLOYEES, RELATIONSHIP  
BETWEEN MEN AND WOMEN**



**MEN AND WOMEN IN  
LEADING POSITIONS**



**EDUCATIONAL LEVELS IN  
THE ELANDERS GROUP**



industry to have this kind of global accord.

At the same time an EWC agreement was signed, which gives employees in Elanders' companies operating in EU the right to jointly form an Elanders European Work Council. This EWC will be an inter-professional organ for all employees in Elanders' European companies. It will serve as Executive Management's link to the employees in international matters concerning communication, consultation and negotiations.

A similar inter-professional organ, Elanders Svenska Företagsråd (SFR), has also been established for Elanders' Swedish units.

### THE SWEDISH MERGER

On 1 January 2008 all Swedish companies in the Group, with the exception of Elanders Infomedia Systems, were merged in Elanders Sverige AB. The merger resulted in Sweden's largest and most multi-faceted infomedia company. Naturally the consolidation required hard work and many challenges, but after the first six months of 2008 the new organisation is in place and fully functional. A great deal of effort has gone into uniting all the companies in a common work method and finding the best way to move jobs between units.

### AN ORGANISATION THAT PROMOTES FLEXIBILITY

Our decentralised organisation is flexible. The closeness created between leadership and other employees shortens

decision-making and promotes direct communication.

In Sweden the merger has provided employees with greater opportunities to practice in other production units. The company is actively searching for new synergy effects; in part opportunities for personal and business development and in part more cooperation between the units. Distance project work is just one of many examples of the new possibilities.

### 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 Försäljningsakademien and the IHM Business Group.

As Elanders has branched out into more countries the ►►

## SICK LEAVE IN THE GROUP'S SWEDISH COMPANIES IN PERCENT

Percent	2008	2007	2006
Total sick leave	3,3	3,2	4,9
Short-term sick leave	1,7	1,6	2,1
Long-term sick leave	1,6	1,6	2,1
Sick leave, men	2,8	1,9	4,0
Sick leave, women	4,1	3,7	6,8
Sick leave, employees under 30 years	3,8	3,6	5,7
Sick leave, employees 30-49 years	2,8	2,9	4,6
Sick leave, employees 50 years and over	3,8	3,9	5,4

The total sick leave is given in percent of employees' total ordinary working hours.

Long-term sick leave is absence during a continuous period of 60 days or more.

## HUMAN CAPITAL RATIOS

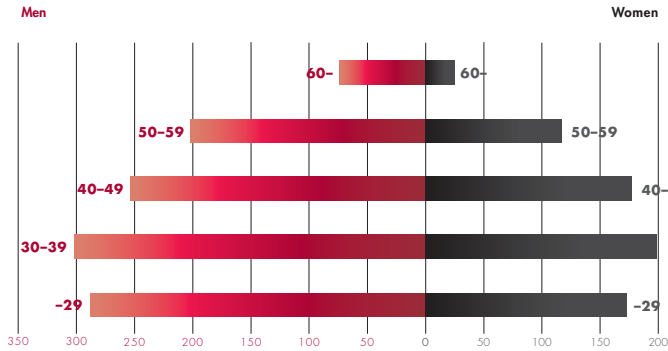
	2008	2007	2006
Average number of employees	1,809	1,579	1,490
Number of employees per 31 December	1,812	1,723	1,553
Average age	39.7	39.2	42.0
Personnel turnover, %	12.6	11.6	9.6
Revenues per employee, SEK	1,211	1,300	1,334
Added value per employee, SEK	675	748	765
Operating profit/loss per employee, SEK	9	144	-6
Academic education more than 2 years, %	14.7	10.7	10.5
Upper secondary education, %	36.4	58.6	59.6
Other education, %	51.1	30.8	29.9
Competence development cost per employee, SEK	2.4	3.2	3.6

## ELANDERS' POLICIES

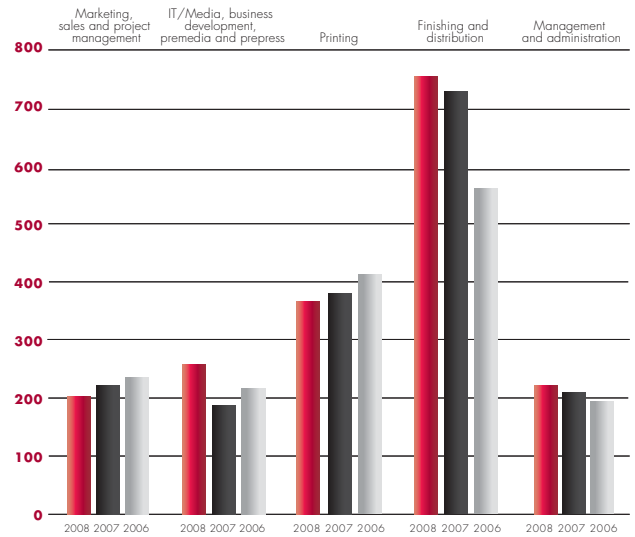
At the beginning of 2008 there were twenty policies and guidelines. The company works continuously to implement values, policies and guidelines among employees and different groups through education and information.

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	

**AGE DIVISION, NUMBER OF EMPLOYEES**



**ROLE IN THE ORGANISATION, NUMBER OF EMPLOYEES**



- ▶ opportunity to make an international career has increased. In 2008 a document, Elanders' International Assignment Policy, was prepared and employees are encouraged to work abroad.

The Group profits significantly from spreading knowledge about the Elanders culture among companies. For the individual it is an excellent opportunity to develop his or her career, experiences and knowledge, something that is beneficial for all in the end.

### HEALTH RATIOS STILL HIGH

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 2008 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 different 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. In 2008 the challenge was doing activities as many times as possible, which generated better chances to win health promoting prizes in a drawing at the end of the year.

Elanders 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.



## BUSINESS AREA INFOLOGISTICS

# COMPREHENSIVE SOLUTIONS ARE CUSTOMERS' COMPETITIVE EDGE

### 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.

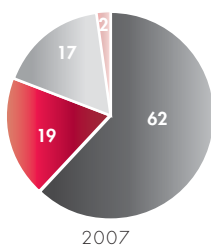
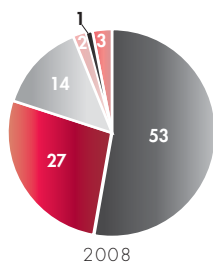
Geographical expansion will be in the first place in Western Europe and the American continents. In those cases the business area's customers require print production at a lower cost and can accept longer delivery times the capacity in User Manuals in Eastern Europe and Asia is used.

The business area has its base in the Group's Infomedia Centres in Atlanta (U.S.A.), Mölnlycke (Sweden), Newcastle (UK) and Stuttgart (Waiblingen and Ostfildern, Germany). Elanders' Infomedia Centres offer information structuring, advanced premedia, digital printing, offset printing and fulfilment services. There are digital printing units in Malmö, Oslo, São Paulo and Stockholm 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 and Oslo.

### THE PAST YEAR

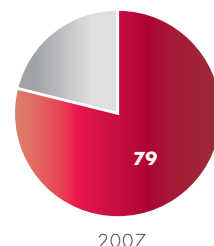
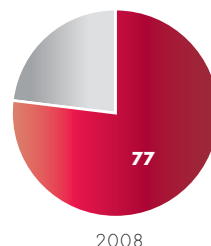
The year contained a mixture of challenges from a decrease in demand and cost adjustments at home at the end of the year to international expansion in the U.S. and Germany. In February Seiz Printing Co in Acworth, Atlanta, Georgia, U.S. was acquired. The business has some 70 employees and offers digital and offset print and fulfilment in its capacity as the Group's infomedia centre for the •►

**INFOLOGISTICS  
PERCENT OF NET SALES**

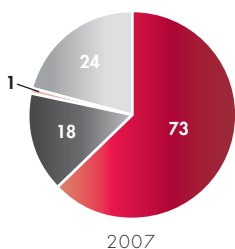
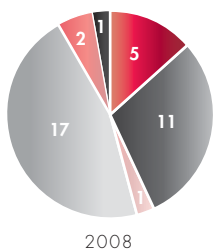


■ SWEDEN  
■ NORWAY  
■ GREAT BRITAIN  
■ GERMANY  
■ BRAZIL  
■ U.S.A.

**INFOLOGISTICS,  
PERCENT OF GROUP NET SALES**



**INFOLOGISTICS,  
GROSS INVESTMENTS (MSEK)**



■ SWEDEN  
■ NORWAY  
■ GREAT BRITAIN  
■ GERMANY  
■ BRAZIL  
■ U.S.A.

**INVESTMENTS DURING THE YEAR** mainly concern offset equipment for better capacity and efficiency in Sweden and Great Britain.

**THE ACQUISITION** in Germany increased Germany's share of the business area's net sales.

- U.S. The acquisition is an important platform for the Group's deliveries to existing and potential customers on the North American continent and the operations are well placed in the expansive southeast U.S.A. In May Mairs Graphische Betriebe GmbH in Ostfildern (Stuttgart), Germany was acquired. The business with some 60 employees had been a part of Mairs Dumont, the leading publisher of maps and travel books in Europe. The company was successfully integrated into German operations and has made Elanders more competitive through its access to large format production in sheet-fed offset, thereby providing the Group with new customers such as Siemens, BMW and Volkswagen.

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. Germany and Great Britain in particular developed positively in customised solutions for Web-based digital print for publishers and banks as well as consumers where the production of photo albums reached an all-time high. The downturn in the economy influenced the market in the U.S. and therefore results in 2008 did not meet expectations. Elanders is also active in the global network for distributed digital printing that it is a member of, particularly regarding solutions for the automotive industry.

All the new, large business deals are in line with the business area strategy of helping large companies and organisations to rationalise their publishing process.

## INFOLOGISTICS – FINANCIAL HIGHLIGHTS

	2008	2007	2006
Net sales, MSEK	1,697	1,617	1,293
EBITDA, MSEK	52	146	136
Operating profit/loss, MSEK	-14	91	101
Capital employed, MSEK	1,170	1,100	700
Return on capital employed, %	-1	10	14
Average number of employees	1,102	994	792
Investments not including acquisitions, MSEK	36	79	17
Percent of Group net sales	77	79	65
Percent of Group operating profit/loss	n.a	40	n.a

## THE BUSINESS AREA'S OPERATIVE COMPANIES AND THEIR OPERATIONS

	Sales	Premedia	Media-independent solutions	Sheet-fed offset	Web offset	Digital printing	Ad and page production	Bindery	Fulfilment and distribution	Out-sourcing
Atlanta, U.S.A.	•	•		•		•	•	•	•	•
Falköping, Sweden		•		•	•			•		
Harrogate, Great Britain	•	•	•				•			
Lund, Sweden						•				•
Malmö, Sweden			•			•		•	•	
Gothenburg/Mölndal, Sweden		•	•	•		•	•	•	•	•
Newcastle, Great Britain	•	•	•	•		•	•	•	•	•
Oslo, Norway	•	•	•	•		•			•	
São Paulo, Brazil	•	•				•		•	•	
Stockholm, Sweden	•	•	•	•		•	•	•	•	•
Stuttgart/Waiblingen, Ostfildern, Germany	•	•	•				•			•
Uppsala, Sweden	•	•	•	•		•	•	•	•	
Stockholm/Vällingby, Sweden		•				•			•	•
Västerås/Ludvika, Sweden										



Swedish operations have been sluggish this year due to, among other things, lower volumes than anticipated from the automotive industry and a certain transfer of volumes to units in User Manuals. The work to merge the Swedish operations was 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 has strengthened Infologistics' marketing organisation and improved 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. This led to moving offset production from Malmö and a planned move in 2009 from Stockholm to other Swedish units as well as other cost adjustments, which led to 135 employees being given notice of redundancy at the end of the year. These latter measures led to costs of MSEK 65. From 1 January 2009 all Swedish operations are run in one subsidiary, Elanders Sverige AB.

#### **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 electronic 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 pre-media 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 (interface for Web-order of photo albums and other printed matter, 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, Publishing, Industry & Trade, the Public Sector and the Service Sector. The net sales breakdown during the current year is shown in the table on page 70.

#### **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 40 and also in the diagram on page 70.

#### **GROWTH TARGETS**

The rate of growth for digital printing in Sweden and Western Europe is still good. For sheet-fed printing the rate of increase is only about one 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 a larger content of services in everything offered (Master Vendor®). 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. Several risk factors in connection with the economic slump this year must, however, be taken into account when considering these long-term goals.

#### **GROWTH STRATEGIES**

Several of the business area's operations dominate their market segment in Sweden and Germany. Expansion therefore must be international and primarily in the lar- ►

- ger industrials 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. In Publishing we will endeavour to defend our market share by, apart from other things, offering production at a lower cost in Eastern Europe and we are going to take the offensive in this segment in Germany.

The trend in larger companies to reduce the number of suppliers 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 in 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 in AB Volvo and Volvo Car Corporation worldwide. Another is Elanders' Seiz in Atlanta that provides Daimler with user information in their North American operations, which is coordinated with Daimler's headquarters in Stuttgart by our German unit. 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 produc-

tion 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 and reduces time-to-market. Examples of this are orders with Daimler, Postbank, ABB, Volvo, IKEA, If, Saab Automobile, Scania, Sandvik, Tetra Pak, Vauxhall (GM), Land Rover, SEB, Svenska Handelsbanken, Husqvarna and Gambro.
- 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, and if necessary connected to interactive Web-interfaces in one-to-one marketing solutions.
- Continue to invest in products that are ordered and created by customers in templates via Web-interfaces.
- Expand further in Western Europe with existing customers through acquisitions or new units.
- Intensify the work in 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 strengthen its competitiveness in the Swedish units in 2009.

**ELANDERS REPEATS** its success with last year's acquisition of Sommer Corporate Media in Stuttgart by acquiring 100 percent of the shares in Mairs Graphische Betriebe GmbH & Co KG (MGB) in Ostfildern, Stuttgart, Germany. MGB has 60 employees and net sales of around MEUR 15. The company was formerly owned by Mair Dumont, which is the leading publisher of maps and travel guides in Europe, with brands such as Falk, Marco Polo, Baedeker and Hallwag. MGB is a well invested business and its main production method is offset print in large format. Currently this unit produces approximately 1.8 million travel guides each year, and some of these are completely customer unique.



Mairs Geographische Betriebe – a vital, new part of Elanders

# ELANDERS ADVANCES IN GERMANY






The acquisition of Mairs Geographische Betriebe GmbH & Co in June 2008 entailed a significant strategic expansion in Germany - both technically and marketwise. Elanders' German business is now one of the top companies on the German market with net sales of nearly 50 million Euros. Mairs Geographische Betriebe, with its production site in Ostfildern just south of Stuttgart, is a specialised in high quality large format sheet-fed offset printing for catalogues, maps, travel guides, posters, annual reports etc. Elanders Germany (Sommer Corporate Media) was already a leading company in publishing solutions with digital printing and the acquisition brought a strategic addition to its product portfolio and substantially reinforced Elanders market presence in Germany

in general, and in the industrial region of Stuttgart in particular. Both companies work for different top class global companies, with hardly any overlap between them.

During the year the operations were integrated efficiently under the leadership of Peter Sommer, MD of Elanders Germany and Elanders U.S.A., and contributed such important customers as BMW, Siemens, Volkswagen and Mair Dumont. Elanders Germany can now offer a comprehensive range of services that very few other companies on the German market can compete with. The acquisition is an excellent example of Elanders ability to discover expansion opportunities and increase its competitive capacity in a market characterised by increasing pressure on prices and structural challenges.



## INFOLOGISTICS IMPORTANT CUSTOMER SEGMENTS

Customer segment	Percentage of net sales	Products and services	Processes
<b>AUTOMOTIVE</b>			
	29 % (30 %)	Print Management, (outsourcing in after sales and marketing), duplicating (manuals, product information, service information, DVD/CD), premedia/prepress (image management, design, scanning etc.), fulfilment centre (packing, storage, order office, logistics, help-desk, project management), database solutions (image managements solutions, project management modules, electronic data storage etc.), personalised marketing material, editorial tools with publishing modules	Design and management of databases and Web-interface, premedia, sheet-fed and web offset, digital print and filing, binding, logistics with just-in-time deliveries directly to production lines
<b>PUBLISHERS</b>			
	14 % (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
<b>INDUSTRY &amp; TRADE</b>			
	34 % (31 %)	System support, manuals, product information, marketing material, databases, transaction, fulfilment, education, logistics	Design and management of databases and Web interface, 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
<b>PUBLIC SECTOR</b>			
	8 % (9 %)	Parliamentary printing, papers, tax tables, information, reports	Premedia, sheet-fed offset, digital print, binding, storage and logistics
<b>SERVICE SECTOR</b>			
	15 % (11 %)	System support, customer information, insurance policies, fund reports, distribution, publication storage	Premedia, design, database and Web interface management, sheet-fed offset, digital print and filing, binding, storage and logistics

<sup>1)</sup> Refers to local markets where the Group is active.

#### Major customers

**Sweden:** AB Volvo globally (Buss, Penta, Parts, Trucks, IT, CE), Scania globally, Toyota, GME (Saab Automobile, Cadillac), Ford Europe, Volvo Car Corporation, Honda **Germany:** Porsche, BMW, Daimler, BMW, Volkswagen, Audi, Hyundai **Great Britain:** Vauxhall, Land Rover, Bentley, Nissan **Brazil:** Scania, AB Volvo, **U.S.A.:** Daimler, AB Volvo

#### Competition

**Great Britain:** Xerox, Wyndeham Westway, Williams Lea, SP Group **Germany:** Zetweka, Infowerk, Bosch Druck **Holland:** Calenbach **Japan:** Maruboshi, **U.S.A.:** Smaller local printers

**Sweden:** Liber, Natur och Kultur, Berling Media, Bonniers, Rabén & Sjögren **Great Britain:** CGP, **U.S.A.:** Promethean, **Germany:** MairDumant

**Sweden:** Fälth & Hässler, Kristianstads Boktryckeri, JMS Media-system Alfaprint **Germany:** publishing printers, and smaller local commercial printers **U.S.A.:** Smaller local printers

**Sweden:** Sandvik, IKEA, ABB, Flextronics, Tetra Pak, SKF, Sony Ericsson, Elektroskandia, Atlas Copco, Electrolux, Husqvarna, Kinnarps **Germany:** Marccain, Ritter Sport, Siemens, Hugo Boss, Bosch, EWGE **Great Britain:** Vaillant, Bosch

**Sweden:** Intellecta **Denmark:** Stibo **Great Britain:** Pindar **Germany:** Victor Bück, Bosch Druck, smaller local printers **Finland:** Edita **U.S.A.:** Xerox, smaller local printers

**Sweden:** The Cabinet Office and Ministries, Government services, SIS, VHS, municipalities and county councils, The United Nations **Great Britain:** Labour Party, NHS

**Sweden:** Edita, Alfaprint, Intellecta, Taberg group

**Sweden:** IF property and casualty insurance, KPA, Nordea, Swedbank, SEB, Folksam, Svenska Handelsbanken **Germany:** Fotokasten, Postbank, Lufthansa, IBM **Brazil:** Armo Bank, Disney **Norway:** IF property and casualty insurance

**Sweden:** Strålfors, Intellecta **Finland:** Itella **Germany:** Smaller local printers **U.S.A.:** Smaller local printers

# A small selection of Elanders Business unit Infologistics

## WEB-TO-PRINT CREATES FASTER PROCESSES



The Web-to-print market is growing rapidly making presentation and user-friendliness more and more important. Currently Elanders helps its customers with order interfaces for products such as:

- ◆ Personalised marketing material
- ◆ Personalised brochures
- ◆ Photo albums and calendars
- ◆ Educational material



### Did you know that...

...Elanders distributes 3,000 personalised calendars a day to German Postbank customers?



### Did you know that...

... Elanders produces 1.8 million travel guides on a yearly basis. Some of them are customer unique?



Car-maker Volvo

## FSC certifies its manuals

When producing cars even small parts make for large volumes. One of the specifications of the new Volvo model XC60 was that at least 15 kg of the car's total weight should be made from recycled material. Now Volvo is demanding that the printed manuals for the more than 400,000 cars produced annually are made out of renewable material and FSC labelled. At Elanders we are of course happy to see that Volvo continues our years of cooperation and will now also let us deliver their FSC labelled car manuals.

We at Elanders see environmental matters as long-term investments, not only for the environment, but also for our customers and for ourselves. Nowadays customers have higher demands on environmentally friendly printed material and we are here to offer sustainable solutions for their communication, like Volvo's manuals.





# Magazines

Cap & Design, a magazine for creative designers, is just one of many magazines that Elanders in Falköping produces. Cap & Design is published nine times per year.



## MORE AND MORE CLIMATE NEUTRAL SOLUTIONS

Elanders works with quality and environmental questions in many places. In Malmö we became Sweden's first climate neutral printer in 2008. This means that we have made every possible effort to reduce our emissions. We have compensated for the part that we have not yet been able to fix by investing in a project in India. We have done the same in Germany and are currently creating more and more "green solutions" for our customers who receive a "green solution certificate" that they can use in their PR and marketing. This is a strong proof of our ability to take initiative and our desire to create a sustainable future. Solutions that don't cost more than other print productions.



## HOW PERSONAL DO YOU DARE TO BE?

Personalised photo albums and calendars are increasing in popularity. Our customers create their albums themselves using a simple and user-friendly program where they upload their own images, backgrounds and texts. The documents are then sent for production in Elanders' units in Germany and England. In 2008 Elanders produced 340,000 photo albums and 635,000 calendars (all personalised). If, in addition, you want your customers to feel chosen and special we can do for you what we do for many of our customers, personalise your printed matter and marketing material. What better way to receive higher response frequency and more satisfied customers?

## Premium Print

Elanders produces increasingly more sales, marketing and other informative material which customers in turn use in their battle to win new customers. This growing product segment at Elanders is increasing our market shares in many of our markets. The range covers sales brochures, product catalogues, annual reports, maps and other types of printed matter.



BUSINESS AREA USER MANUALS

# WINNING MARKET SHARES IN EXCLUSIVE PACKAGING

## 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 is customer-steered and 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, Płońsk, Poland and Zalaötvő, Hungary. In addition, we have DDCs in Treviso, Italy, Komárom (50/50 joint venture with Hansaprint OY), Nyiregyháza 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 unit in Beijing has been very successful and packaging currently represents half of its production volume. Polish operations did not quite meet expectations and Hungary had problems with a drop in volumes from customers in consumer electronics and white goods. The result in Hungary was further influenced by costs for the shutdown of the legal entity in Budapest and discarding obsolete stock.

These costs, together with other one-off costs, amounted to MSEK 32. During the year some 90 employees were made redundant in Hungary. These actions are expected • ➤



SM

huos

06M

Sony Ericsson  
Cyber-shot

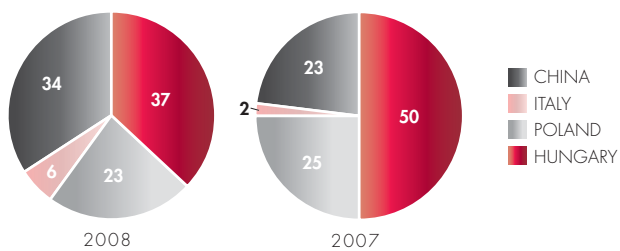
V850

C905

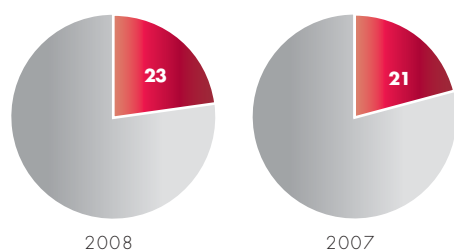
Sony Ericsson

megapixel

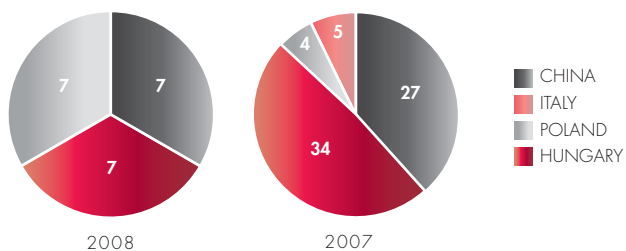
USER MANUALS  
PERCENT OF NET SALES



USER MANUALS,  
PERCENT OF GROUP NET SALES



USER MANUALS,  
GROSS INVESTMENTS (MSEK)



**INVESTMENTS** were distributed evenly between China, Hungary and Poland.

**EXPANSION IN CHINA** and the slowdown in Hungary resulted in Chinese operations representing more than one third of business area net sales.



- to increase the competitive capacity of the plant in 2009. The Italian unit did not meet expectations and structural measures have been taken in order to correct the problems in 2009. During the year the business area received important business from NEC and Sanyo for production of user information and packaging. Elanders and Electrolux continued to develop our collaboration on all user documentation (manuals, etc.) for products manufactured by Electrolux' European units. Deliveries are in progress in Sweden, Switzerland, Germany, Poland, Italy, Hungary and Romania. The process is expected to be completed 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 produ-

ced 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 Publishing 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 net sales breakdown for 2008 is shown on the diagram on page 78.

#### 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 40 and in a diagram on page 79.

#### USER MANUALS - FINANCIAL HIGHLIGHTS

	2008	2007	2006
Net sales, MSEK	494	419	312
EBITDA, MSEK	69	121	93
Operating profit/loss, MSEK	30	95	73
Capital employed, MSEK	492	433	314
Return on capital employed, %	6	25	26
Average number of employees	692	558	405
Investments not including acquisitions, MSEK	22	69	42
Percent of Group net sales	23	21	16
Percent of Group operating profit/loss	188	42	E/T

#### THE BUSINESS AREA'S OPERATIVE COMPANIES AND THEIR OPERATIONS

	Sales	Premedia	Sheet-fed offset	Web offset	Digital printing	Bindery	Fulfilment and distribution
Beijing, China	•	•	•		•	•	•
Budapest, Hungary	•						
Zalalövő, Hungary	•	•	•	•		•	•
Komárom, Hungary		•	•		•	•	•
Płońsk, Poland	•	•	•	•	•	•	•
Treviso, Italy	•	•			•	•	•

## 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 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. In other cases the establishment may initially be made through a DDC with efficient project management that secures quality and delivery precision, but purchases larger volumes from local manufacturers of printed material and packaging. 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. 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 Płońsk, Poland and Zalalövő, 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. Packaging manufacturing is planned to start in Hungary in 2009. A unit for digital production has been created in China in order to produce photo albums and Web-to-print solutions and production of these is expected to start up in 2009. 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 manufactures of consumer electronics and similar products over borders and establish new units for just-in-time deliveries of user information and packaging.
- Invest in digital production of photo albums, among other things, in China.
- 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 or local external printers.

## 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. 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. We need however to be careful about the short-term prognosis as there is insecurities about the impact that the downturn in the economy will have in 2009.

## USER MANUALS IMPORTANT CUSTOMER SEGMENTS.

Customer segment	Percentage of net sales	Products and services	Processes
<b>AUTOMOTIVE</b>			
	<1 % (1 %)	Manuals and product information	Premedia, sheet-fed and web offset, digital print, bindings, fulfilment, storage and logistics
<b>PUBLISHERS</b>			
	10 % (12 %)	Magazines, direct mail, educational material, books	Premedia, sheet-fed and web offset, digital print, binding, storage and logistics
<b>INDUSTRY &amp; TRADE</b>			
	84 % (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,
<b>PUBLIC SECTOR</b>			
	2 % (0 %)	Newspapers, magazines, catalogues	Premedia, sheet-fed and web offset, binding
<b>SERVICE SECTOR</b>			
	4 % (5 %)	Marketing material, catalogues, customer information	Premedia, sheet-fed and web offset, digital print, binding storage and logistics

<sup>1)</sup> Refers to local markets where the Group is active.



Major customers	Competition
<b>Hungary:</b> Vauxhall <b>China:</b> Volvo, Daimler	<b>Great Britain:</b> Wyndeham Westway, Williams Lea, SP Group <b>Germany:</b> Zetweka, Infowerk, Victor Bück, BoschDruck
<b>Hungary:</b> Glerups, Studentlitteratur <b>Poland:</b> Polskie Wydawnictwo Rolnicze, Wydawnictwo Naukowe PWN, Stentor, Grupa Wydawnicza Infor	<b>Poland:</b> RR Donnelley, small local printers, Winkowski
<b>Hungary:</b> Philips, Vaillant, Flextronics, Electrolux, SKF, Bosch, Alfa Laval, Gambro <b>Poland:</b> Sercom, Braun, Electrolux, Philips, Sharp, Fuji <b>China:</b> Sony Ericsson, NEC, Sanyo <b>Italy:</b> Electrolux	<b>Poland:</b> RR Donnelley, Xerox, small local printers <b>Hungary:</b> RR Donnelley, Uniprint <b>China:</b> RR Donnelly, Inpack
<b>Poland:</b> Krajowa Izba Lekarsko-Weterynaryjna, Okregowa Izba Lekarska <b>Hungary:</b> EUMC (European Union Agency for Fundamental Rights)	<b>Poland:</b> Small local printers
<b>Poland:</b> Polinvest, Pola Design, Lekarska, Naczelna Izba Lekarska, EIM Agencja Wydawnicza	<b>Poland:</b> Small local printers

# A small selection of Elanders Business unit User Manuals

## NEW PACKAGING

Elanders has been producing manuals and packaging for the home electronics industry in China since the beginning of 2007. The production is continuously growing and currently Elanders also offers to design packaging. More and more frequently customers ask us to test different kinds of packaging. After approval we design it and produce it. Elanders also takes care of production and outsourcing of the components included in packaging, such as inlays in boxes, PET and foam. Elanders has entered the packaging industry chiefly to produce for customers with high demands on quality, short lead times and "customised packaging" rather than for mass production.



## LARGER VOLUMES

20,000,000 cartons and packaging are produced, packed and distributed each year by Elanders in China.



## *Did you know that...*

... Elanders currently produces **100,000,000** manuals for the home electronics industry each year.



## FROM DESIGN TO PRODUCTION



**1 Time and money can be saved** in the manufacture of customers' die cutting tools now that Elanders in Beijing has invested in a cutting board where die cutting drawings and packaging functions are tested. A sketch or a drawing is all we need in order to be able to design and create samples.



**2 Testing different solutions** is simplified since no ready-made die cutting tool is necessary. Besides packaging, the machine can also cut Styrofoam and similar material for signs and other uses.



**3 Automated tool changes** enables the machine to quickly cut and crease packaging. Shortly afterwards you can glue and fold the packaging.



**4 The function of the box** is tested to make sure the die cutting drawing meets specifications. After you can move on to artwork and order the die cutting tool for volume production.



## One-stop-shopping

It is very valuable, and often decisive, for our global customers to be able to handle their entire print logistics via one contact at Elanders. We are here to help you, regardless of the scope, number of languages, kinds of media and places in the world in which the information needs to be published.

## Did you know that...

.... Elanders is a world leader in delivering manuals and packaging to the home electronics business?

## MORE global businesses ELECTROLUX IS AN EXAMPLE

Electrolux, the world's largest provider of white goods, has 57,000 employees all over the world and 19 factories in Europe. In 2008 Elanders produced 999,000,000, A5 pages for their product manuals. For Electrolux it was imperative for their production to have:

- a single supplier in Europe
- a consistent quality level for all the different product manuals
- a project team for implementation in all of Europe
- a compilation of production statistics for their entire graphic production in Europe

Elanders developed a custom-designed Web database where Electrolux now collects all their documents. It currently contains about 35,000 print files for different products in different countries and in different languages. Elanders handles the production of manuals from Italy, Germany, Switzerland, Poland, Hungary, Romania and Sweden. Deliveries from France, Russia and Spain will start in 2009. With Elanders' global presence and internal processes we can guarantee delivery safety, quality and service level.



ELANDERS BOARD OF DIRECTORS' REPORT

# OUR 100<sup>TH</sup> YEAR FULL OF SUCCESS AND SETBACKS

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 2008, the Company's hundredth 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. Group operations were focused on five prioritised customer segments; automotive, Publishing, Industry & Trade, the Public Sector and the Service Sector. On 31 December 2008 the Group's business areas operated in 13 companies in ten countries. The former two operative legal entities in Sweden have been merged into one legal entity as of 1 January 2009.

### Net sales and profit

Group net sales increased by 8 percent to MSEK 2,191 (MSEK 2,036). The increase is a result of acquired businesses and the development in China. The year has been characterised by good demand in China, Germany, Great Britain and Poland while the Swedish, Italian, Hungarian and U.S. units have been sluggish. In these units a decrease in volumes from customers in automotives, white goods and consumer electronics resulted in unsatisfactory profitability. During the year the operations in Sweden were radically restructured in order to adapt capacity to the market and coordinate production and marketing. Measures to adjust expenses and streamline administration were also taken in Hungary. These measures entailed total costs of MSEK 89, of which MSEK 65 in the fourth quarter. All told this resulted in a loss of Group operating profit by MSEK 210.8 to MSEK 16.0 (MSEK 226.8). The Group's net financial expenses rose as a result of acquisitions, and •►







- repeated rises in interest rates and amounted to MSEK -50.3 (MSEK -42.7). The Group's pre-tax profit totalled MSEK -34.3 (MSEK 184.1). Net profit was MSEK -25.7 (MSEK 172.2).

### Investments and depreciation

During the year investments amounted to MSEK 116 (MSEK 435), of which MSEK 57 (MSEK 248) was the acquisition of companies. Other investments, MSEK 59, were on a normal level and are chiefly connected to production equipment in Great Britain, Sweden and Poland. Depreciation amounted to MSEK 103 (MSEK 84).

### Financial position, cash flow and equity ratio

At year-end Group net debt amounted to MSEK 843 (MSEK 817). Unused credit facilities amounted to MSEK 191 (MSEK 284). Operating cash flow rose to MSEK 274 (MSEK 18) together with MSEK -57 (MSEK -248) attributable to the acquisition of companies. Increase in cash flow was due to the fact that the payment for the property in Kungsbacka, sold during 2007 for, MSEK 110, was received during the first quarter of 2008 as well as a general improvement of working capital and lower investment levels. The equity ratio on the balance sheet date amounted to 36.8 percent (38.9 percent).

### Research and development

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 1,809 (1,579) of which 628 (706) were in Sweden. The total number of employees at year-end amounted to 1,812 (1,723). 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 provided joint Group services. No external sales took place. Investments in 2008 amounted to MSEK 98 (MSEK 128), of which MSEK 97 (MSEK 121) were investments in subsidiaries. The average number of employees during the year was 14 (11) and the number at year-end amounted to 12 (13). 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

The business area offers information structuring, advanced premedia, user-adapted digital printing, offset print, logistics and fulfilment services. Our operations can be

found in Gothenburg, Mölnlycke, Falköping, Malmö, Uppsala, Vällingby and Västerås (Sweden) as well as in Oslo (Norway), Stuttgart (Germany), Newcastle and Harrogate (UK) and São Paulo (Brazil). We also acquired Seiz Printing Inc., Acworth, Atlanta, Georgia, (U.S.A.) (7 February) and Mairs Graphische Betriebe GmbH & Co, Ostfildern, Stuttgart, (Germany) (21 May). The U.S. acquisition is an important platform from which we can provide deliveries for the Group's customers in the North American market and in Germany the acquisition provided Elanders access to technology and clients that have helped increase our competitiveness in the Group's German operations.

Net sales rose by MSEK 80 or 5 percent to MSEK 1,697 (MSEK 1,617) and operating profit for the period amounted to MSEK -14.3 (MSEK 91.3). Investments totalled MSEK 93 (MSEK 325) and depreciation MSEK 66 (MSEK 55).

The increase in net sales is completely due to the U.S. and German acquisitions made this year. The worsening in profit is primarily due to the Swedish operations. The business area's operating profit has been charged with MSEK 57 for the cost of merging the Swedish operations.

The Swedish section of the business area has been sluggish this year due to, among other things, lower volumes than anticipated from automotive industry 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 begun in 2007 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 (since January 2009 in one legal entity) and another is that production and marketing organisations have been coordinated. 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 result of this was production in Malmö and Vällingby has been moved in 2009 to other Swedish units. In the fourth quarter the decline in demand continued, particularly from the automotive industry, leading to further cost adjustments and 135 employees were given notice of redundancy. In connection with this, business area profit was charged with MSEK 57 in one-off costs.

Elanders did well in Great Britain, despite declining demand and in Germany the decline in orders from the automotive industry was compensated by the acquisition, a successful marketing drive and high growth in digitally printed material directed at the customer, particularly photo albums.

During the year the business area acquired new business with, among others, Audi, BMW, Siemens, Volkswagen and GE Moneybank.

## User Manuals

The main focus of the business area is highly efficient deliveries of user information and packaging for mobile telephones and other consumer electronics. User Manuals operates in Beijing (China), Płońsk (Poland), Treviso (Italy), Zalaölő and Komárom (Hungary), the latter is a 50/50 joint venture with Hansaprint Oy. Net sales rose by MSEK 75 or 18 percent to MSEK 494 (MSEK 419) while operating profit decreased by 67 percent to MSEK 30.3 (MSEK 94.9). Investments totalled MSEK 22 (MSEK 104) and depreciation MSEK 36 (MSEK 26). The increase in net sales is due to developments in China and the fact that the unit in Italy operated the entire year, compared to only six months last year. The decrease in profit is mainly due to one-off costs of MSEK 32 in Hungary in connection to the shutdown of a legal entity, a decrease in profit by MSEK 40 in Hungary due to fewer orders from customers in consumer electronics and unsatisfactory progress in the Italian operation. The unit in Beijing was very successful and surpassed expectations. Packaging went particularly well. The Polish unit had a weaker year and did not meet expectations while the Italian unit wrestled with delivery problems and a delayed takeover of volumes from previous suppliers. The problems in Italy affected the operating profit of the business area negatively by MSEK 15. During the year the business area made important deals with Sanyo and NEC.

## 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 2008 that required permits accounted for 46 percent (50 percent) of Group net sales. In 2008 the unit in Elanders Sverige AB that was obliged to submit a report was Vällingby and the three required to have permits were Falköping, Malmö and Mölnlycke. Outside of Sweden Elanders has operations that require permits, of varying scope, in Great Britain, Poland, Hungary, China, Germany and Brazil. The operations acquired in 2008 in the U.S. also requires a permit. Elanders in Malmö received an injunction in 2007 concerning a soil investigation where an oil tank previously stood. An investigation has been initiated but this matter is not expected to result in any material consequences. In 1999 a limited area of ground contamination was

discovered under a building in one of Elanders' previous locations. 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, global financial situation, 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 Net sales. 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 6 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. ....>



- The Group renegotiated most of its loan portfolio in February 2009 and renegotiations will be held at the end of 2009. 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 eight percent of net sales. The ten largest customers represented 37 percent of its net sales. 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 32 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 these 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 2009 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 28 February 2009 Carl Bennet AB (49.98 percent) and Investment AB Latour (14.7 percent). No shares are owned by personnel through pension foundations or the like.

### CONTRACT WITH CLAUSES ABOUT OWNERSHIP CHANGES

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.

### 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 21 April 2008. 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 six times to discuss matters concerning 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 and Italian 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 2008 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 21 April 2008. 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, 50 percent of his/her basic wage. For other senior officers variable remuneration may amount to, at most, 40 percent of his/her basic wage. Pension benefits may be defined benefits and defined contribution benefits or a combination thereof. Pensions may be both defined benefit and defined contribution pension plans, or a combination of both. The companies have not issued, and will not issue, any option program.

#### **Auditing committee**

The auditing 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 auditing committee in 2008 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 Publishing and the Public Sector and therefore growth is expected to be lower here, but there are new opportunities opening in Great Britain, Germany and the U.S. in Publishing.

The challenges in the coming years are to keep the Group's cost structure adapted to the lower volumes that are a result of the downturn in the economy in some segments. Equally important is to develop customised and professional comprehensive solutions containing a high level of information structuring, graphic expertise and distribution for prioritised customer segments quickly enough. 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 Elanders Seiz and Mairs Graphische Betriebe are strategically important and strengthen Elanders in Infologistics, but are also expected to enable more efficient use of 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 internal forecasts on the economy worsening this year, on business area Infologistics continuing to win market shares and on User Manuals continuing to expand internationally. Considering the numerous uncertainties related to the economic slump in 2009 we provide no forecast for this year.

#### **EVENTS AFTER THE BALANCE SHEET DATE**

No important events have taken place that affect the content of this Annual Report from 31 December 2008 until the date of the signing of this Annual Report.

## CONSOLIDATED INCOME STATEMENTS

SEK '000	Note	2008	2007
Net sales		2,191,180	2,035,616
Cost of products and services sold		-1,742,475	-1,493,938
<b>Gross profit</b>		<b>448,705</b>	<b>541,678</b>
Selling expenses		-151,412	-132,571
Administrative expenses		-272,257	-240,017
Other operating income	3	30,620	67,703
Other operating expenses	3	-39,733	-10,462
Income from jointly controlled entities	4	103	489
<b>Operating income/loss</b>	<b>5, 6, 7, 8</b>	<b>16,026</b>	<b>226,820</b>
<b>Income/loss from financial items</b>			
Financial income	9	22,000	5,412
Financial expenses	9	-72,392	-48,111
<b>Income/loss after financial items</b>		<b>-34,366</b>	<b>184,121</b>
Taxes	10	8,662	-11,930
<b>Income/loss for the year from continuing operations</b>		<b>-25,704</b>	<b>172,191</b>
Income/loss for the year from discontinued operations, net after tax	11	-	0,0
<b>Income/loss for the year</b>		<b>-25,704</b>	<b>172,191</b>
<b>Attributable to:</b>			
Parent company shareholders		-25,559	172,087
Minority interests		-145	104
Earnings per share incl. discontinued operations, SEK <sup>1)</sup>	12	-2.62	18.06
Earnings per share from continuing operations, SEK <sup>1)</sup>	12	-2.62	18.06

<sup>1)</sup> There have been no dilution effects.

### Comments on the consolidated income statements

The Group's net sales rose by MSEK 155 or 8 % compared to the previous year, of which the acquired units Mairs Graphische Betriebe in Germany and Seiz Printing in the U.S.A. generated MSEK 136.

Operating income/loss for the year included one-off items of MSEK -89 (20) due primarily to restructuring costs in Sweden of MSEK -57 and Hungary of MSEK -24. Consolidated capital gains of MSEK 41 from the sales of Group's property were reported under Other operating income in 2007. There is no corresponding item in 2008.

CONSOLIDATED STATEMENTS OF CASH FLOW INCLUDING DISCONTINUED OPERATIONS <sup>1)</sup>

SEK '000	Note	2008	2007
<b>Operating activities</b>			
Income/loss after financial items	13	-34,366	184,121
Adjustments for items not incl. in cash flow	13	134,489	37,234
Paid taxes		-31,669	-32,288
<b>Cash flow from operating activities before changes in working capital</b>		<b>68,454</b>	<b>189,067</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in inventory		25,368	-59,530
Increase (-)/decrease (+) in operating receivables		53,034	-42,029
Increase (+)/decrease (-) in operating payables		-26,240	9,959
<b>Cash flow from operating activities</b>		<b>120,616</b>	<b>97,467</b>
<b>Investing activities</b>			
Acquisition of intangible and tangible assets	15, 16	-59,213	-187,304
Divestment of tangible assets		127,328	33,683
Acquisition of operations	32	-56,798	-247,845
Changes in long-term receivables		3,185	1,086
Acquisition of shares and interests		-	-2,093
<b>Cash flow from investing activities</b>		<b>14,502</b>	<b>-402,473</b>
<b>Financing activities</b>			
Changes in long-term and short-term borrowing		-34,144	171,208
Rights Issue		-	146,450
Dividends paid to parent company shareholders		-43,942	-24,412
<b>Cash flow from financing activities</b>		<b>-78,086</b>	<b>293,246</b>
<b>Cash flow for the year</b>		<b>57,032</b>	<b>-11,760</b>
Cash and cash equivalents at the beginning of the year		65,229	74,461
Translation difference in cash and cash equivalents		19,480	2,528
<b>Cash and cash equivalents at year-end</b>		<b>141,741</b>	<b>65,229</b>
<b>Change in net debt</b>			
<b>Net debt at the beginning of the year</b>		<b>817,465</b>	<b>594,098</b>
Net debt in acquired/divested operations		48,200	-1,899
Translation difference		11,029	1,248
Change in interest bearing liabilities and cash and cash equivalents		-33,355	224,018
<b>Net debt at year-end</b>		<b>843,339</b>	<b>817,465</b>
<b>Operating cash flow</b>	14	<b>217,179</b>	<b>-230,019</b>

<sup>1)</sup> Cash flow for 2007 includes cash flow from the discontinued operations up to the date they were discontinued. See note 11 for further information.

**Comments on the consolidated statements of cash flow**

The cash flow from operating activities before changes in working capital decreased by MSEK 121 compared to 2007, primarily as a result of lower operating income.

Cash flow from investing activities for the current year was affected positively by MSEK 111 by the sales of property in Kungsbacka in 2007, but which was settled in February 2008.

Outflows attributable to acquisitions of operations totalled MSEK -57 (-248) and referred to Seiz Printing Inc. in Atlanta, U.S.A and Mairs Graphische Betriebe GmbH & Co KG in Stuttgart, Germany.

The investments in production equipment in 2008 were mainly related to the operations in Great Britain, Sweden and Poland.

## CONSOLIDATED BALANCE SHEETS

SEK '000	Note	2008	2007
<b>ASSETS</b>			
<i>Fixed assets</i>			
Intangible assets	15	957,186	866,077
Tangible assets	16	513,372	444,984
Share in joint ventures	4	13,647	12,414
Other investments held as fixed assets	18	2,221	2,198
Other receivables	17	1,998	3,241
Deferred tax assets	10	89,649	62,463
<b>Total fixed assets</b>		<b>1,578,073</b>	<b>1,391,377</b>
<i>Current assets</i>			
Inventory	20	120,062	125,730
Accounts receivable	19	470,894	450,623
Current income tax assets		19,709	10,023
Other receivables	21	14,278	131,219
Prepaid expenses and accrued income	22	41,980	50,077
Cash and cash equivalents	23	141,741	65,229
<b>Total current assets</b>		<b>808,664</b>	<b>832,901</b>
<b>TOTAL ASSETS</b>		<b>2,386,737</b>	<b>2,224,278</b>

## Comments on the consolidated balance sheets

## ASSETS

The Group's total assets increased by MSEK 162 to MSEK 2,387 and the capital employed on the balance sheet date amounted to MSEK 1,721 (1,594). The increase in total assets and capital employed for the most part stems from acquisitions made during the year as well as an increase in deferred tax receivables due to the tax deficit generated in Sweden.

## EQUITY AND LIABILITIES

Equity increased net by MSEK 13 despite dividends of MSEK 44 and a negative result of MSEK -26. The increase is entirely due to the translation of the balance sheets in foreign operations, above all in Germany and Hungary.

Long-term liabilities connected to the general contracts with our banks have been classified as current liabilities to credit institutes since the term of the main contract ran out at the end of the year. A new contract has been signed with the banks and it will be renegotiated at the end of 2009, which is why the debts continue to be reported as current.



## CONSOLIDATED BALANCE SHEETS

SEK '000	Note	2008	2007
<b>EQUITY</b>			
Equity attributable to parent company shareholders	24	875,588	862,264
Equity attributable to minority interests		2,088	2,300
<b>Total equity</b>		<b>877,676</b>	<b>864,564</b>
<b>LIABILITIES</b>			
<i>Long-term liabilities</i>			
Liabilities to credit institutions	25	107,922	266,254
Other liabilities		17,884	27,951
Provisions for post-employment benefits	26	14,416	15,099
Other provisions	27	4,519	3,501
Deferred tax liabilities	10	30,051	23,977
<b>Total long-term liabilities</b>		<b>174,792</b>	<b>336,782</b>
<i>Current liabilities</i>			
Liabilities to credit institutions	25	862,742	601,341
Advances from customers		7,065	9,830
Accounts payable		231,832	211,739
Current income tax liabilities		5,947	14,642
Other liabilities		67,780	51,162
Accrued expenses and deferred income	28	119,129	122,248
Other provisions	27	39,774	11,970
<b>Total current liabilities</b>		<b>1,334,269</b>	<b>1,022,932</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,386,737</b>	<b>2,224,278</b>
Pledged assets	29	306,918	443,020
Contingent liabilities	29	18,031	33,889

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Other contributed kapital	Hedge reserves	Translation reserves	Retained earnings	Total equity of parent company shareholders	Minority interests	Total equity
<b>Opening balance Jan 1, 2007</b>	<b>83,700</b>	<b>306,132</b>	<b>35</b>	<b>1,633</b>	<b>164,856</b>	<b>556,356</b>	<b>-</b>	<b>556,356</b>
Translation differences	-	-	-	17,325	-	17,325	-	17,325
<i>Hedging of net investment</i>							-	
- Change in fair value of hedge on net investments abroad	-	-	-	-4,944	-	-4,944	-	-4,944
<i>Cash flow hedges</i>								
- Valuation changes charged to equity	-	-	-339	-	-	-339	-	-339
- Charged to the income statement	-	-	-491	-	-	-491	-	-491
- Tax effect on cash-flow hedges	-	-	232	-	-	232	-	232
<b>Income and costs booked against equity for the period</b>	<b>-</b>	<b>-</b>	<b>-598</b>	<b>12,381</b>	<b>-</b>	<b>11,783</b>	<b>-</b>	<b>11,783</b>
Income/loss for the year	-	-	-	-	172,087	172,087	104	172,191
<b>Total income and costs for the period</b>	<b>-</b>	<b>-</b>	<b>-598</b>	<b>12,381</b>	<b>172,087</b>	<b>183,870</b>	<b>104</b>	<b>183,974</b>
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
<b>Closing balance Dec 31, 2007</b>	<b>97,650</b>	<b>438,632</b>	<b>-563</b>	<b>14,014</b>	<b>312,531</b>	<b>862,264</b>	<b>2,300</b>	<b>864,564</b>
Translation difference	-	-	-	91,456	-	91,456	-67	91,389
<i>Hedging of net investment</i>								
- Change in fair value of hedge on net investments abroad	-	-	-	-8,694	-	-8,694	-	-8,694
<i>Cash flow hedges</i>								
- Valuation changes charged to equity	-	-	1,217	-	-	1,217	-	1,217
- Charged to the income statement	-	-	-1,130	-	-	-1,130	-	-1,130
- Tax effect on cash-flow hedges	-	-	-24	-	-	-24	-	-24
<b>Income and expenses booked against equity for the year</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>82,762</b>	<b>-</b>	<b>82,825</b>	<b>-67</b>	<b>82,758</b>
Income/loss for the year	-	-	-	-	-25,559	-25,559	-145	-25,704
<b>Total income and costs for the year</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>82,762</b>	<b>-25,559</b>	<b>57,266</b>	<b>-212</b>	<b>57,054</b>
Dividends	-	-	-	-	-43 942	-43 942	-	-43 942
<b>Closing balance Dec 31, 2008</b>	<b>97,650</b>	<b>438,632</b>	<b>-500</b>	<b>96,776</b>	<b>243,030</b>	<b>875,588</b>	<b>2,088</b>	<b>877,676</b>

**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 Stockholm 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 2008 were approved by the Board on 6 March 2009 and will be presented to the Annual General Meeting on 23 April 2009 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) endorsed by the European Union as of 31 December 2008. 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 the consolidated financial statements 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. The cost of the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. 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 income/loss is recognised in the Group income statement.

In transactions between the Group and a joint venture the part of unrealised profits and losses which are equivalent to the Group's share in the jointly controlled entity 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. The Group applies the principle of recording transactions with minority interests as transactions with a third party.

**Revenue recognition**

Revenue from products and services is reported on delivery if ownership has been transferred to the buyer. Net sales represent 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 sales include 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 the consolidated financial statements 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 the consolidated financial statements 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 support**

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 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

## NOTE 1 Accounting principles (cont.)

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:

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

The residual value and useful life of assets are tested on every closing day. Capital gains/losses from the sale of tangible assets are recorded as Other operating income respectively Other operating expenses.

### Intangible assets

#### 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. The need to write-down goodwill and other intangible assets is, however, tested at least once a year. 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 (FIFO) 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. Financial instruments are valued the first time at fair value plus transaction costs, which applies to all financial assets and liabilities not recognised at fair value through profit or loss. Financial assets and liabilities recognised at fair value through profit or loss are valued the first time at fair value, while attributable transaction costs are valued through profit or loss.

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 yearend 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 yearend.

#### 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 is 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.

#### Cash and cash equivalents

Cash and cash equivalents 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. Write-downs of accounts receivables are included in 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.

#### 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.

#### Financial guarantees

The Group has financial guarantee contracts in which the Group has a commitment to reimburse the holder of a debt instrument for loss it incurs because a specified debtor



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

fails to make payment when due in accordance with the original or modified contract terms. Financial guarantee contracts are initially recognised at fair value. Financial guarantee contracts are then recognised continuously at the higher amount of the best estimate of the present value of anticipated net fees to settle the guarantee commitment, and the original amount booked as a liability.

**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 lines of business make up the Group's primary segments. Secondary segments are geographical areas. The segments' income, operating income/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.

**Standards, amendments and interpretations of existing standards that came into effect on 1 January 2008**

During the year the following interpretations or changes of existing standards have come into effect:

*Amendment to IAS 39 and IFRS 7, "Financial instruments: Reclassification" (valid from 1 July 2008).*

The amendment in IAS 39 allows companies in certain situations to reclassify financial assets held-for-sale. The amendment has not had any effect on Group accounts.

*IFRIC 11, IFRS 2 "Group and treasury share transactions"*

This refers to share repurchasing and transactions between Group companies. The interpretation clarifies how to classify 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 application of IFRIC 11 has not had any effect on Group accounts since there are currently no share-based payments in the Group.

*IFRIC 14, IAS 19 "Limit on a defined benefit asset, minimum funding requirements and their interaction"*

IFRIC 14 clarifies limits in the value of plan assets regarding future demands on minimum funding of defined benefit plans.

*IFRIC 12 "Service concession arrangements" <sup>1)</sup>* is not relevant to Group operations.

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.

**Standards, amendments and interpretations of existing standards that have not yet come into effect**

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 2009 or later.

*Amendment to IAS 23 – Borrowing costs*

The amendment requires an entity to capitalise borrowing costs directly attributable to acquisition, construction or production of a qualifying asset that takes a substantial period of 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. This amendment is not relevant to Group accounts since there are no assets for which borrowing expenses can be activated.

*Revised IAS 1 – Presentation of Financial Statements*

This is an amendment in the presentation of income and expenses that were previously presented in the statement of changes in equity. The Group will apply this recommendation from 1 January 2009 and it is expected to have an effect the financial reports.

*Amendment to IFRS 2 – Share-based payment <sup>1)</sup>*

The revised IFRS 2 contains certain clarifications and is applicable for annual periods beginning on or after 1 January 2009. However, the amendment is not expected to have any effect since there are currently no share-based payments in the Group.

*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, "Operating segments", is no longer valid. The standard is applicable for annual periods

beginning on or after 1 January 2009.

*Revised IFRS 3 – Acquisitions <sup>1)</sup>*

The new 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, having the option to add them on to the purchase price. The revised IFRS 3 is applicable for annual periods beginning on or after 1 July 2009 and will be applied in the future on all acquisitions from 1 January 2010.

*Amendment to IAS 32, IAS 1 – "Puttable financial instruments and obligations arising on liquidation" Classification of financial instruments in connection with liquidation*

The amendment concerns classification of financial instruments in connection with liquidation. The amendment in IAS 32 is applicable for annual periods beginning on or after 1 January 2009 and will be applied by the Group but is not expected to have any effect on Group accounts.

*Amendment to IAS 39 – "Financial instruments: Recognition and measurement" – "Eligible Hedged Items" <sup>1)</sup>*

The amendment in IAS 39 is effective from 1 July 2009 and clarifies how existing principles for hedge accounting are applied in two specific situations. The amendment is not expected to have any effect on Group financial reports.

*Amendment to IFRS 1 – "First time adoption of IFRS," and IAS 27 "Consolidated and separate financial statements"*

The amendment concerns the presentation of subsidiaries, jointly controlled entities and associates upon the transition to IFRS. The amendment is effective from 1 January 2009 and is not expected to have any effect on Group financial reports.

*Revised IAS 27 "Consolidated and separate financial statements" <sup>1)</sup>*

The revised standard requires that the effects of all transactions with minority shareholders to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting if control is lost. The Group will apply this amendment prospectively to transactions with minority shareholders from 1 January 2010.

*Amendment to IFRS 5 – "Non-current assets held-for-sale and discontinued operations" and consequential amendment to IFRS 1 <sup>1)</sup>*

The amendment in IFRS 5 clarifies that all of a subsidiary's assets and liabilities are classified as held-for-sale if a partial disposal sale plan results in loss of control. The Group will apply this amendment prospectively from 1 January 2010.

*Amendment to IAS 23 – "Borrowing costs"*

The definition of borrowing costs has been amended so that interest expense is calculated as using the effective interest method defined in IAS 39. This amendment is not relevant to Group accounts since there are no assets for which borrowing expenses can be activated.

*Amendment to IAS 28 – "Investments in associates" with consequential amendments in IAS 32 and IFRS 7 <sup>1)</sup>*

An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. The amendment is not expected to have any effect on Group accounts.

*Amendment to IAS 36 "Impairment in assets" <sup>1)</sup>*

Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will provide the disclosure where applicable from 1 January 2009.

*Amendment to IAS 38 "Intangible assets" <sup>1)</sup>*

A prepayment may only be recognised in the event that payment has been made in advance of the Group obtaining right of access to goods or receipt of services. The Group will apply the amendment in IAS 38 from 1 January 2009. The amendment is not expected to have any effect on Group accounts.

*Amendment to IAS 19 "Employee benefits" <sup>1)</sup>*

The amendment in IAS 19 concerns the following:

- a clarification on how to present a benefit promise or change in benefits regarding defined benefit plans
- a change in the definition of plan assets
- the distinction between short and long term employee benefits
- IAS 19 has been amended to be consistent with IAS 37 which requires contingent liabilities to be disclosed, not recognised.

The Group will apply IAS 19 from 1 January 2009.

*Amendment to IAS 39 – "Financial instruments: Recognition and measurement" <sup>1)</sup>*

<sup>1)</sup> This standard or interpretation has not yet been approved for application in the EU.

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

This amendment to IAS 39 clarifies that it is possible for there to be movements into and out of fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

Furthermore it clarifies the definition of a financial asset or financial liability valued at fair value through profit or loss as it relates to items held-for-trading.

The amendment also contains certain adaptations to IFRS 8 "Operating segments" in regards to hedge reporting and clarifies that when remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, revised effective interest rates are used.

The Group will apply the amendment in IAS 39 from 1 January 2009. The amendment is not expected to have any effect on Group financial reports.

*Amendment to IAS 1 "Presentation of financial instruments" <sup>1)</sup>*

Financial assets and liabilities classified as held-for-trading in accordance with IAS 39 "Financial instruments: Recognition and measurement" are examples of current assets and liabilities respectively.

The Group will apply the amendment in IAS 1 from 1 January 2009. The amendment is not expected to have any effect on Group financial reports.

*IFRIC 16 "Hedges of a net investment in a foreign operation" <sup>1)</sup>*

The interpretation clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The Group will apply the interpretation from 1 January 2009 and it is not expected to have any material effect on Group financial reports.

*Interpretations and amendments to existing standards that are not yet effective and not relevant to Group operations*

The interpretations and adjustments listed below has been published and is applicable for annual periods starting 1 January 2009 or later. However, they have not been deemed relevant for the group:

- IFRIC 13 – "Customer loyalty programmes"
- Amendment to IAS 16 "Property, plant and equipment" <sup>1)</sup> – companies active in renting and subsequent sales
- Amendment to IAS 27 "Consolidated and separate financial statements" <sup>1)</sup> – subsidiaries held-for-sale
- Amendment to IAS 28 "Investments in associates" <sup>1)</sup> – concerns investments in associates that are accounted for according to IAS 39
- Amendment to IAS 29 "Financial reporting in hyperinflationary economies" <sup>1)</sup>
- Amendment to IAS 31 "Interests in joint ventures" <sup>1)</sup> – concerns investments in joint ventures accounted for according to IAS 39
- Amendment to IAS 38 – "Intangible assets" <sup>1)</sup> – applicable when using amortisation other than straight-line
- Amendment to IAS 40 "Investment property" <sup>1)</sup>
- Amendment to IAS 41 "Agriculture" <sup>1)</sup>
- Amendment to IAS 20 "Accounting for government grants and disclosure of government assistance" <sup>1)</sup> – the benefit of a below-market rate government loan
- IFRIC 15 "Agreements for the construction of real estates" <sup>1)</sup>
- IFRIC 17 "Distributions of non-cash assets to owners" <sup>1)</sup>
- IFRIC 18 "Transfer of assets from customers"

**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 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.

*Gross value of tax loss carried forward*

Deferred tax receivables concerning tax loss carried forward reported by the Group amount to MSEK 69 per 31 December 2008. 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 tax loss carried forward that can be utilised for an unlimited amount of time. The Group's Swedish operations, with the exception of the operations in Kungälv 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. See note 26 for further information.

**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 Swedish Security Law. Application of the Swedish Security Law is a prerequisite for fiscal deductions.

<sup>1)</sup> This standard or interpretation has not yet been approved for application in the EU.

**NOTE 2** Information per business area and geographical area

## Income statement per business area

	Infologistics		User Manuals		Other items that cannot be allocated		Total	
Revenues	2008	2007	2008	2007	2008	2007	2008	2007
External sales	1,697,271	1,616,740	493,909	418,876	–	–	2,191,180	2,035,616
<b>Total revenues</b>	<b>1,697,271</b>	<b>1,616,740</b>	<b>493,909</b>	<b>418,876</b>	<b>–</b>	<b>–</b>	<b>2,191,180</b>	<b>2,035,616</b>
<b>Income/loss</b>								
Operating income/loss	–14,300	91,300	30,326	94,900	–	40,620	16,026	226,820
Financial items (not allocated)	–	–	–	–	–50,392	–42,699	–50,392	–42,699
Taxes (not allocated)	–	–	–	–	8,662	–11,930	8,662	–11,930
<b>Income/loss for the year from continuing operations</b>	<b>–14,300</b>	<b>91,300</b>	<b>30,326</b>	<b>94,900</b>	<b>–41,730</b>	<b>–14,009</b>	<b>–25,704</b>	<b>172,191</b>

## Balance sheet per business area

	Infologistics		User Manuals		Other items that cannot be allocated		Total	
Assets	2008	2007	2008	2007	2008	2007	2008	2007
Goodwill	823,644	766,830	94,040	77,826	–	–	917,684	844,656
Other intangible assets	8,649	10,275	28,133	8,994	2,720	2,152	39,502	21,421
Tangible assets	267,443	210,068	245,215	234,140	714	776	513,372	444,984
Interest in joint venture	–	–	13,647	12,414	–	–	13,647	12,414
Other fixed assets	11,358	19,275	2,433	2,375	80,077	46,252	93,868	67,902
Inventory	79,259	77,397	40,803	48,333	–	–	120,062	125,730
Current receivables	382,012	372,563	158,210	148,137	6,639	121,242	546,861	641,942
Cash and cash equivalents	23,012	23,372	118,011	41,794	718	63	141,741	65,229
<b>Total assets</b>	<b>1,595,377</b>	<b>1 479,780</b>	<b>700,492</b>	<b>574,013</b>	<b>90,868</b>	<b>170,485</b>	<b>2 386,737</b>	<b>2,224,278</b>
<b>Liabilities</b>								
Long-term liabilities referring to operations	47,196	52,878	10,840	9,224	28,833	8,425	66,869	70,527
Other long-term liabilities (not allocated)	–	–	–	–	107,922	266,254	107,922	266,254
Current liabilities referring to operations	355,114	304,389	79 447	89,392	16,967	27,811	471,528	421,592
Other current liabilities (not allocated)	–	–	–	–	862,742	601,341	862,742	601,341
<b>Total liabilities</b>	<b>402,310</b>	<b>357,267</b>	<b>90,287</b>	<b>98,616</b>	<b>1,016,464</b>	<b>903,831</b>	<b>1,509,061</b>	<b>1,359,714</b>
Net investments	93,058	324,970	21,601	104,235	1,352	5,944	116,011	435,149
Depreciation	66,020	54,539	35,834	26,235	846	2,735	102,700	83,509
Write-downs on fixed assets	3,410	–	–	–	–	1,026	3,410	1,026

## Sales per geographical area

SEK '000	2008	2007
Sweden	839,347	939,159
Germany	453,315	296,654
Great Britain	248,088	283,109
Hungary	141,451	190,150
Poland	119,167	105,606
U.S.A.	67,845	–
China	165,533	97,428
Other countries	156,434	123,510
<b>Total</b>	<b>2,191,180</b>	<b>2,035,616</b>

## Investments per geographical area

SEK '000	2008	2007
China	7,046	26,589
Germany	41,162	280,312
Sweden	11,550	18,034
Great Britain	16,577	23,701
Poland	7,303	3,988
Hungary	7,098	68,950
U.S.A.	23,425	–
Other countries	1,850	13,575
<b>Total</b>	<b>116,011</b>	<b>435,149</b>

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

**Assets per geographical area**

Sweden	2008	2007
Goodwill	405,812	407,291
Other intangible assets	8,512	8,174
Tangible assets	63,491	90,770
Other fixed assets	87,170	65,238
Inventory	34,302	46,561
Current receivables	190,602	351,617
Cash and bank	5,788	4,984
<b>Total</b>	<b>795,677</b>	<b>974,635</b>
<b>Germany</b>	<b>2008</b>	<b>2007</b>
Goodwill	350,493	303,019
Other intangible assets	2,822	4,017
Tangible assets	113,335	75,836
Other fixed assets	98	85
Inventory	20,438	13,244
Current receivables	110,964	62,469
Cash and bank	9,066	16,086
<b>Total</b>	<b>607,216</b>	<b>474,756</b>
<b>Hungary</b>	<b>2008</b>	<b>2007</b>
Goodwill	94,040	77,826
Other intangible assets	24,354	8,356
Tangible assets	81,229	91,451
Other fixed assets	13,647	12,414
Inventory	16,709	29,108
Current receivables	62,653	73,771
Cash and bank	48,204	18,637
<b>Total</b>	<b>340,836</b>	<b>311,563</b>

**Assets per geographical area (cont.)**

Great Britain	2008	2007
Goodwill	40,284	45,428
Tangible assets	35,227	35,477
Inventory	14,441	16,196
Current receivables	50,207	65,029
Cash and bank	2,013	1,755
<b>Total</b>	<b>142,172</b>	<b>163,885</b>
<b>China</b>	<b>2008</b>	<b>2007</b>
Other intangible assets	195	397
Tangible assets	122,704	101,368
Other fixed assets	0	503
Inventory	12,813	10,470
Current receivables	51,401	37,644
Cash and bank	64,324	17,355
<b>Total</b>	<b>251,437</b>	<b>167,737</b>
<b>Other countries</b>	<b>2008</b>	<b>2007</b>
Goodwill	27,055	11,092
Other intangible assets	3,619	477
Tangible assets	97,386	50,082
Other fixed assets	6,600	2,076
Inventory	21,359	10,151
Current receivables	81,034	51,412
Cash and bank	12,346	6,412
<b>Total</b>	<b>249,399</b>	<b>131,702</b>
<b>Group total</b>	<b>2,386,737</b>	<b>2,224,278</b>

**NOTE 3** Other operating income and other operating expenses

**Other operating income**

SEK '000	2008	2007
Exchange rate gains	9,696	3,967
Capital gains from the sales of property	–	40,565
Capital gains from the sales of other assets	6,038	13,153
Other	14,886	10,018
<b>Total other operating income</b>	<b>30,620</b>	<b>67,703</b>

**Other operating expenses**

SEK '000	2008	2007
Exchange rate losses	–10,396	–4,990
Capital losses	–1,063	–868
Other	–28,274	–4,604
<b>Total other operating expenses</b>	<b>–39,733</b>	<b>–10,462</b>

**NOTE 4** Interests in joint ventures

SEK '000	2008	2007
Opening book value	12,414	11,486
Investments	–	–
Share of profit / loss in joint venture	103	489
Translation difference	1,130	439
<b>Closing book value</b>	<b>13,647</b>	<b>12,414</b>

The Group's interest in joint ventures consists of the following companies:

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

**Financial information in summary for joint ventures**

SEK '000	2008	2007
Share of (50 %):		
- total assets	16,776	14,607
- total liabilities	3,541	2,605
- net sales	19,126	13,305
- income/loss after tax	103	489



## NOTE 5 Personnel

Average no. of employees	2008			2007		
	Women	Men	Total	Women	Men	Total
Parent company						
Sweden	5	9	14	4	7	11
Total in parent company	5	9	14	4	7	11
Dotterbolag						
Sweden	211	403	614	228	450	678
Germany	53	138	191	40	98	138
Poland	44	92	136	37	89	126
Great Britain	42	134	176	33	123	156
Hungary	138	131	269	132	124	256
China	102	154	256	77	96	173
Other countries	64	89	153	12	13	25
Total in subsidiaries	654	1,141	1,795	559	993	1,552
Group total	659	1,150	1,809	563	1,000	1,563

Salaries and other remuneration	2008			2007		
	Board and CEO	of which variable remuneration	Other employees	Board and CEO	of which variable remuneration	Other employees
Parent company						
Sweden	5,588	–	11,299	6,074	1,050	8,800
Total in parent company	5,588	–	11,299	6,074	1,050	8,800
Subsidiaries in Sweden	1,701	–	230,274	4,830	150	237,065
Subsidiaries abroad						
Germany	4,755	961	85,758	3,431	1,110	60,668
Poland	1,627	–	16,949	1,103	120	12,774
Great Britain	2,310	–	60,770	2,882	325	67,438
Hungary	2,027	–	24,974	2,155	481	27,245
China	1,604	273	13,537	1,011	–	8,642
Other countries	3,711	–	36,782	1,179	–	7,557
Total in subsidiaries	17,735	1,234	469,044	16,591	2,186	421,389
Group total	23,323	1,234	480,343	22,665	3,236	430,189

Salaries and other remuneration	2008			2007		
	Salaries and other remuneration	Social security contributions	of which pension contributions	Salaries and other remuneration	Social security contributions	of which pension contributions
Parent company	16,887	10,788	4,437	14,874	9,729	3,697
Subsidiaries	486,778	147,069	35,832	437,980	151,055	43,198
Group total	503,665	157,857	40,269	452,854	160,784	46,895

Remuneration to the Board, Chief Executive Officer and other senior officers	Basic wage/ Board remuneration	Variable remuneration	Other benefits	Pension contributions	Remuneration for committee work
Carl Bennet, Chairman	500	–	–	–	50
Tore Åberg, Vice Chairman	250	–	–	–	125
Ingegerd Gréen	250	–	–	–	25
Göran Johnsson	250	–	–	–	50
Hans-Olov Olsson	250	–	–	–	25
Kerstin Paulsson	250	–	–	–	50
Johan Stern	250	–	–	–	50
Total remuneration to the Board	2 000	–	–	–	375
Patrick Holm, Chief Executive Officer	3,150	–	97	1,939	–
Other senior officers (4,5)	9,166	1,081	1,307	2,901	–
Total remuneration to CEO and senior officers	12,316	1,081	1,404	4,841	–
Total remuneration to the Board, CEO and senior officers	14,316	1,081	1,404	4,841	375

## 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 5 (4) people who, together with the Chief Executive Officer, comprised Executive Management in 2008.

## Variable remuneration

The proportion between basic salary and variable remuneration corresponds to the officer's responsibility and authority. For the Chief Executive Officer and the Chief Financial Officer variable remuneration may not exceed 50 percent of their annual salary respectively. For the other senior officers variable remuneration may not exceed 40 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 2008 and paid out in 2009.

**NOTE 5 Personnel (cont.)**

Bonus for the Chief Executive Officer is based on goals established by the Board. For other senior officers variable remuneration was based on goals established by the President together with the remuneration committee. 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 income/loss for the year. The Chief Executive Officer and one person in Executive Management have both defined benefit and defined contribution pension plans. The present value of the defined benefit obligation under those plans was MSEK 9.5 (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 is 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. No severance pay is paid no matter which party gives notice. Normal wages are paid during the period of notice.

**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 2008 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 Gr  n, Hans-Olov Olsson and Tore   berg. 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 twice in 2008. 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**

	2008	2007
Total absence due to illness	3.3	3.2
Short time absence due to illness	1.7	1.6
Long time absence due to illness	1.6	1.6
Absence due to illness, men	2.8	1.9
Absence due to illness, women	4.1	3.7
Absence due to illness, employees under 30 years	3.8	3.6
Absence due to illness, employees between 30-49 years	2.8	2.8
Absence due to illness, employees 50 years and over	3.8	3.5

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.

**Management by gender**

Position	Women 2008		Men 2008		Women 2007		Men 2007	
	Number	%	Number	%	Number	%	Number	%
Board member	2	25	6	75	2	25	6	75
Executive Management	–	–	5	100	–	–	5	100
Supervisors	32	24	99	76	33	28	85	72

**NOTE 6 Fees to the auditors**

SEK '000	2008	2007
PricewaterhouseCoopers AB		
Audit fees	2,168	–
Fees for other consultations	150	–
Other <sup>2)</sup>		
Audit fees	325	2,129
Fees for other consultations <sup>1)</sup>	426	816
<b>Total</b>	<b>3,069</b>	<b>2,945</b>

<sup>1)</sup> Included in the consulting fees in 2007 is a fee of SEK 625,000 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..

<sup>2)</sup> These fees were paid primarily to the accounting firm Deloitte AB.

Audit fees are defined as fees for auditing the annual accounts, the book-keeping, 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.

**NOTE 7 Expenses allocated per type of cost**

SEK '000	2008	2007
Depreciation and write-downs	106,110	84,535
Cost for remuneration to employees	689,880	622,608
Changes in work-in-progress and finished products	1,584	–25,408
Cost of paper	392,572	337,531
Other material	223,694	193,040
Cost of sub-contracted work	286,374	280,833
Other production costs	212,349	168,394
Freight costs	66,704	64,017
Cost of sales and marketing	50,745	43,676
Other costs	136,112	97,300
<b>Total cost for products and services sold, sales costs and administration costs</b>	<b>2,166,124</b>	<b>1,866,526</b>

**NOTE 8 Operating lease contracts**

SEK '000	Annual cost	
	2008	2007
Computer equipment	6,791	3,627
Machinery and other equipment	60,702	42,657
Rental contracts, premises	71,839	62,764
<b>Total</b>	<b>139,332</b>	<b>109,048</b>

SEK '000	Future leasing fees and rental costs		
	2009	2010–2013	thereafter
Computer equipment	4,407	3,643	7
Machinery and other equipment	52,781	99,040	591
Rental contracts, premises	67,312	190,436	50,571
<b>Total</b>	<b>124,500</b>	<b>293,119</b>	<b>51,169</b>

The information above is for the Group. Lease agreements normally run between 1–8 years. No significant lease agreement for machinery or equipment were signed during the year. Normally leasing agreements for machines are based on the number of impressions made. Future leasing costs are based on the number of impressions made at normal capacity.

**NOTE 9 Financial income and expenses****Financial income**

SEK '000	2008	2007
Interest income	2,054	2,120
Exchange rate income	19,946	3,292
<b>Total</b>	<b>22,000</b>	<b>5,412</b>

**Financial expenses**

Interest expenses	–51,119	–41,656
Exchange rate losses	–20,252	–4,284
Other	–1,021	–2,171
<b>Total</b>	<b>–72,392</b>	<b>–48,111</b>

**NOTE 10 Taxes****Tax on income/loss for the year**

SEK '000	2008	2007
Current tax on income/loss for the year	–14,950	–27,447
Correction of previous years' current tax expense	–	–4,210
Deferred tax	23,612	19,727
<b>Recorded tax</b>	<b>8,662</b>	<b>–11,930</b>

The company won a tax case in 2007, which resulted in a reduction of deferred tax cost for 2007 of MSEK 21.1.

**Deferred tax assets and liabilities by nature**

SEK '000	2008	2007
Tax loss carry forwards	80,409	56,076
Restructuring reserves	13,406	468
Untaxed reserves	–	–6,189
Fixed assets	–23,881	–12,273
Other	–1,907	2,336
	<b>68,027</b>	<b>40,418</b>
Less: Deferred tax assets not valued	–8,429	–1,932
<b>Deferred tax assets and liabilities, net</b>	<b>59,598</b>	<b>38,486</b>

Deferred tax assets not valued mainly relates to tax loss carry forwards in our subsidiary in Italy.

**Allocation of deferred tax assets and liabilities in the balance sheet**

SEK '000	2008	2007
Deferred tax assets	89,649	62,463
Deferred tax liabilities	–30,051	–23,977
<b>Total</b>	<b>59,598</b>	<b>38,486</b>

**Reconciliation of recorded tax**

SEK '000	2008	2007
Income/loss before taxes	–34,366	184,121
Tax according to Swedish tax rate of 28% (28%)	9,622	–51,554
Tax effect of:		
Differences in tax rates for foreign subsidiaries	15,611	13,057
Non-taxable capital gains	–	10,658
Non-deductible costs	–4,568	–682
Change in unrecorded deferred tax assets	–	18,837
Change in legal tax rate	–5,599	–
Tax losses carried forward not valued	–7,680	–
Correction of previous years' tax expense	–1	–3,929
Other	1,277	1,683
<b>Recorded tax on income/loss for the year</b>	<b>8,662</b>	<b>–11,930</b>

**Change in deferred tax**

SEK '000	2008	2007
Opening value, net	38,319	19,979
Divestiture/acquisition of subsidiaries	–2,932	–1,243
Recorded deferred tax on income/loss for the year	23,612	19,727
Tax items booked directly against equity <sup>1)</sup>	3,381	167
Translation differences	–2,765	–144
Deferred tax on income/loss for the year attributable to disposed operations	–17	–
<b>Closing value, net</b>	<b>59,598</b>	<b>38,486</b>

<sup>1)</sup> Tax items booked directly against equity refer to the Group's hedge reserve and hedging of net investments.

**NOTE 11 Discontinued operations**

No operations were disposed of in 2008. Disposed operations in the Annual Report refer to the directories operations Elanders Tryckeri AB (now Kungsbacka Graphic AB) in Kungsbacka that were sold to the MD of the company in 2007. 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 discontinued operations are attributable to the disposed Kungsbacka operations.

**Income statement**

MSEK	2008	2007
Net sales <sup>1)</sup>	–	23,2
Cost of products and services sold <sup>1)</sup>	–	–21,1
<b>Gross profit</b>	–	<b>2,1</b>
Selling and administrative costs	–	–1,9
Other operating income	–	–
Other operating costs	–	–
<b>Operating income/loss</b>	–	<b>0,2</b>
Net financial items	–	–0,2
<b>Income/loss after net financial items</b>	–	<b>0,0</b>
Taxes	–	–
<b>Income/loss from discontinued operations for the period</b>	–	<b>0,0</b>
Income from disposal of operations	–	–
Tax on income from disposal of operations	–	–
<b>Income/loss for the period</b>	–	<b>0,0</b>
<b>Earnings per share from discontinued operations, SEK <sup>3) 4)</sup></b>	–	–
<b>Average number of shares (in thousands)</b>	–	<b>9 537 <sup>2)</sup></b>
<b>Outstanding shares at the end of period (in thousands)</b>	–	<b>9 765</b>

<sup>1)</sup> Figures include transactions with remaining units.

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

<sup>3)</sup> Earnings per share before and after dilution.

<sup>4)</sup> Earnings per share calculated by dividing income/loss by the average number of outstanding shares during the period.

**Cash flow attributable to discontinued operations**

MSEK	2008	2007
Cash flow from operating activities	–	7,5
Cash flow from investing activities	–	0,0
Cash flow from financing activities	–	–7,5
<b>Operating cash flow</b>	–	<b>7,7</b>

**Assets and liabilities in disposals**

There were no assets or liabilities attributable to disposed operations on per 31 December 2008 or 31 December 2007.

**NOTE 12 Earnings per share**

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

SEK '000	2008	2007
Income/loss for the year attributable to shareholders	–25 559	172 087
Average number of outstanding shares (in thousands) <sup>1)</sup>	9 765	9 537
<b>Earnings per share, SEK <sup>2)</sup></b>	<b>–2,62</b>	<b>18,06</b>

<sup>1)</sup> The average number of outstanding shares after adjustment for the bonus issue element from the Rights Issue.

<sup>2)</sup> Earnings per share before and after dilution.

**NOTE 13 Supplementary information - Cash-flow statement****Cash and cash equivalents**

Cash and cash equivalents consist primarily of cash and bank transactions. Short-term placements are classified as cash and cash equivalents 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	2008	2007
Depreciation and write-downs of intangible and tangible assets	106,107	84,535
Income/loss in jointly controlled entities	–103	–489
Changes in provisions that do not affect cash flow	39,510	1,985
Unrealised exchange rate gains (–) / exchange rate losses (+)	–4,987	4,053
Capital gain/loss from the sale/disposal of operations	–	–49
Capital gain/loss from the disposal of tangible assets	–6,038	–52,801
<b>Total</b>	<b>134 489</b>	<b>37,234</b>

**Paid and received interest**

SEK '000	2008	2007
Paid interest	–51,044	–43,929
Interest received	1,992	2,120
<b>Total</b>	<b>–49,052</b>	<b>–41,809</b>

**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	2008	2007
Cash flow from operating activities	120,616	97,467
Adjustment for financial items	50,392	42,699
Adjustment for paid taxes	31,669	32,288
Acquisitions and sales of operations	–56,798	–247,845
Other items included in cash-flow from investing activities	71,300	–154,628
<b>Operating cash flow</b>	<b>217,179</b>	<b>–230,019</b>



**NOTE 15 Intangible assets**

SEK '000	Goodwill		Other intangible assets		Total	
	2008	2007	2008	2007	2008	2007
Opening acquisition value	844,656	557,056	33,775	16,976	878,431	574,032
Acquisitions, incl. acquisition of operations	14,608	300,775	8,765	18,406	23,373	319,181
Adjustment of additional purchase price	-1,480	-	-	-	-1,480	-
Disposals incl. disposal of operations/discards	-	-24,705	-413	-2,463	-413	-27,168
Reclassification	-	-	21,869	-	21,869	-
Translation difference	59,900	11,530	5,572	856	65,472	12,386
<b>Closing acquisition values</b>	<b>917,684</b>	<b>844,656</b>	<b>69,568</b>	<b>33,775</b>	<b>987,252</b>	<b>878,431</b>
Opening accumulated depreciation	-	-	-10,026	-6,016	-10,026	-6,016
Accumulated depreciation in acquired operations	-	-	-364	-	-364	-
Disposals incl. disposal of operations/discards	-	-	413	1,437	413	1,437
Depreciation for the year	-	-	-10,174	-5,020	-10,174	-5,020
Reclassification	-	-	-2,509	-	-2,509	-
Translation difference	-	-	-1,668	-427	-1,668	-427
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>-</b>	<b>-24,328</b>	<b>-10,026</b>	<b>-24,328</b>	<b>-10,026</b>
Opening balance - write-downs	-	-24,705	-2,328	-1,302	-2,328	-26,007
Write-downs during the year	-	-	-3,410	-1,026	-3,410	-1,026
Disposals, incl. disposal of operations/discard	-	24,705	-	-	-	24,705
<b>Closing balance - write-downs</b>	<b>-</b>	<b>-</b>	<b>-5,738</b>	<b>-2,328</b>	<b>-5,738</b>	<b>-2,328</b>
<b>Closing net book value</b>	<b>917,684</b>	<b>844,656</b>	<b>39,502</b>	<b>21,421</b>	<b>957,186</b>	<b>866,077</b>

All depreciation for 2008 of intangible assets has been recognised in its entirety under Cost of products and services sold. Expenditures for internally generated software Elanders is capitalized when it is clear that the investments can lead to financial advantages for the company. The capitalized expenditure is depreciated on a straight-line basis over the period of use. Fixed assets for the sum of 19,362 have been reclassified in 2008 from under construction to other intangible assets.

As of December 31, 2008, the net book value for internally generated capitalized software expenditures amounted to 2,822 (6,110).

**Impairment test on goodwill**

Goodwill specification per country and business area:

SEK '000	2008		2007	
	Infologistics	User Manuals	Infologistics	User Manuals
Sweden	405,811	-	407,291	-
Germany	350,493	-	303,019	-
Hungary	-	94,040	-	77,826
Other countries	67,340	-	56,520	-
<b>Book value</b>	<b>823,644</b>	<b>94,040</b>	<b>766,830</b>	<b>77,826</b>

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 endless cash flows. Cash flows for the first 2 years (which amount to some 14 % of endless cash flows) are based on each cash generating unit's budget or forecast. In the following period cash flows are assumed to have a growth rate corresponding to inflation of 2 %, which is less than the company's targets. The discount rate 9.3 % before taxes has been used in all calculations, which was calculated based on the weighted average capital cost (WACC).

Budgeted operating margins have been based on previous profit levels, rationalisations and each company's assessment of expected developments in the market in the future. Exchange rate forecasts are based on actual exchange rates at the beginning of the year.

Impairment tests have not shown any need to write-down goodwill for any of the cash generating units. Based on the assumptions shown above, the useful value is higher than the book value for all the cash generating units per 31 December 2008. On the date this Annual Report was signed the Board of Directors had not discovered any new circumstances that affected this assessment.

An increase in the discount rate by one point or a reduction of endless cash flows for all cash generating units by 10 % would on their own or together indicate the need to write-down goodwill in the interval MSEK 10-67, based on the above conditions.

**NOTE 16 Tangible assets**

	Buildings and land <sup>1)</sup>		Plant and machinery		Equipment, tools, fixtures and fitting		Fixed assets under construction <sup>2)</sup>		Total	
SEK '000	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Opening acquisition value	82,892	192,132	680,642	1 052,447	68,593	117,142	18,440	8,546	850,567	1,370,267
Purchases/investments	24	44,823	168,746	142,881	22,184	15,693	16,456	56,946	207,410	260,343
Sales/discards, incl. disposal of companies	–	–160,115	–75,000	–571,153	–9,525	–66,378	–	–	–84,525	–797,646
Reclassifications	–11,678	3,655	13,987	43,453	9,815	494	–31,934	–47,602	–19,810	–
Translation difference	8,160	2,397	76,059	13,014	8,332	1,642	154	550	92,705	17,603
<b>Closing acquisition value</b>	<b>79,398</b>	<b>82,892</b>	<b>864,434</b>	<b>680,642</b>	<b>99,399</b>	<b>68,593</b>	<b>3,116</b>	<b>18,440</b>	<b>1,046,347</b>	<b>850,567</b>
Opening accumulated depreciation and write-downs	–11,852	–97,399	–356,634	–835,464	–37,097	–92,009	–	–	–405,583	–1,024,872
Depreciation for the year	–3,597	–6,808	–76,231	–61,911	–12,695	–9,770	–	–	–92,523	–78,489
Write-downs for the year	–	–	–61,267	–	–13,466	–	–	–	–74,733	–
Sales/discards, incl. disposal of companies	–	92,852	67,802	548,111	7,994	65,738	–	–	75,796	706,701
Reclassifications	3,053	–	2,492	–	–5,097	–	–	–	448	–
Translation difference	–1,473	–497	–29,395	–7,370	–5,512	–1,056	–	–	–36,380	–8,923
<b>Closing accumulated depreciation and write-downs</b>	<b>–13,869</b>	<b>–11,852</b>	<b>–453,233</b>	<b>–356,634</b>	<b>–65,873</b>	<b>–37,097</b>	<b>–</b>	<b>–</b>	<b>–532,975</b>	<b>–405,583</b>
<b>Closing net book value</b>	<b>65,529</b>	<b>71,040</b>	<b>411,201</b>	<b>324,008</b>	<b>33,526</b>	<b>31,496</b>	<b>3,116</b>	<b>18,440</b>	<b>513,372</b>	<b>444,984</b>

<sup>1)</sup> Buildings and land include land with a book value of 566 (508).

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

Depreciation during the year amounting to 92,523 (78,489) has charged the cost of products and services sold in the income statement by 79,591 (68,579), selling expenses by 1,401 (1,269) and administrative expenses by 11,534 (8,641). Fixed assets of 19,362 have been reclassified in 2008 from under construction to intangible assets. In addition, the net sum of MSEK 8.6 has been reclassified from buildings and land to plant and machinery.

The total tax assessment value of Group property in Sweden is MSEK 8.3 (6.5), of which MSEK 1.8 (1.8) is the tax assessment value of the land.

The book value of tangible assets that are possessed through finance lease contracts amounts to 38,326 (19,107). All tangible assets financed under finance leases are reported as plant and property.

**Future minimum lease payments for finance leases**

SEK '000	2008	2007
Within 1 year	15,706	6,674
Between 1 and 5 years	27,681	27,085
More than 5 years	–	–
<b>Total</b>	<b>43,387</b>	<b>33,759</b>
Future interest expenses for finance leases	–4,659	–3,941
<b>Current finance lease liability</b>	<b>38,728</b>	<b>29,818</b>

**NOTE 17 Other long-term receivables**

SEK '000	2008	2007
Opening acquisition value	3,241	8,319
Acquisition/disposal of subsidiary	1,868	–4,000
Reduction for the year	–3,208	–1,086
Translation difference	97	8
<b>Closing book value</b>	<b>1,998</b>	<b>3,241</b>

**NOTE 18 Other securities**

SEK '000	2008	2007
Opening book value	2,198	70
Sales	–	–50
Investments	23	2,178
<b>Closing book value</b>	<b>2,221</b>	<b>2,198</b>

Included in investments during the year was the paid purchase price of 2,083 for Other securities are primarily the shares in Webtop Solutions AS in Norway where Elanders holds 7 % of the shares. Webtop Solutions AS is not a listed company.

**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, financing risk, capital 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 2008-12-31 amounted to -500 (-563) and will be returned to the income statements in 2008.

Elanders' net inflow of foreign currency consists primarily of EUR, CNY, PLN and GBP. A change in the currency rate up or down by 5 percent in of these currencies would affect profit by MSEK 6 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 are not hedged. In regards to net assets in foreign subsidiaries, the German operations have been hedged. If the exchange rate in EUR changed by 10 percent this hedge would affect equity by MSEK 3, not considering translation differences from subsidiaries.

**NOTE 19 Financial instruments and financial risk management (cont.)****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 point would have an estimated affect on Group profit by MSEK 8.

**Interest bearing and non-interest bearing financial assets and liabilities**

MSEK	Interest bearing		Non-interest bearing
	Fixed interest	Floating interest	
Current receivables	–	–	591
Long-term receivables	–	–	4
Cash and bank	–	142	–
Current liabilities	–	–863	–280
Long-term liabilities	–	–122	–18
<b>Total</b>	<b>–</b>	<b>–843</b>	<b>297</b>

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.

**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. The debt/equity ration on 31 December 2008 amounted to 96% (95). The debt/equity ratio is defined as interest-bearing liabilities reduced by cash and cash equivalents in relation to recorded equity, including minority shares. The Group's goal is a debt/equity ratio under 100%. At the end of the year employed capital (equity and interest-bearing net debt) amounted to MSEK 1,721 (MSEK 1,682). Elanders' goal is a return on employed capital exceeding 14%. In 2008 it amounted to 0.9% (16).

**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. See note 25 concerning due date structure for liabilities to credit facilities. The Group holds a very close dialogue with its main banks in order to mutually ensure our long-term relationship and thereby reduce financing risks.

**Credit risk/ Counterparty 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 2008 the total counterparty exposure in derivative instruments (calculated as net receivables per counterparty) was MSEK 67, 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 customer debts up to MSEK 50 with an excess of MSEK 2.5.

**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.

Variable	Change	Effect on income/loss after financial items, MSEK
Net sales	+/- 1 % unit	12.3
Paper cost	+/- 1 % unit	3.9
Personnel cost	+/- 1 % unit	6.9
Sick leave	+/- 1 % unit	12.3
Electricity cost	+/- 1 % unit	0.2
Interest level	+/- 1 % unit	8.4

**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 2008 and 2007.

MSEK	2008			2007		
	Nominal amount	Book value	Fair value	Nominal amount	Book value	Fair value
Forward exchange contracts	67	–1	–1	19	–1	–1

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

**Currency allocation**

MSEK	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	2	9.00	2	–	–	–
GBP/SEK	2	11.59	3	–	–	–
USD/SEK	29	7.78	29	–	–	–
PLN/SEK	17	2.63	17	–	–	–
EUR/PLN	15	3.90	13	2	–	–
EUR/GBP	2	0.83	1	–	–	–
<b>Total</b>	<b>67</b>		<b>65</b>	<b>2</b>	<b>–</b>	<b>–</b>

**NOTE 19** Financial instruments and financial risk management (cont.)**Categorisation of financial instruments**

The allocation of financial instruments in the balance sheets for 2008 and 2007 is presented in the tables below.

<b>2008</b>								
<b>Assets</b>								
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	–	–	–	–	–	–	957,186	957,186
Tangible assets	–	–	–	–	–	–	513,372	513,372
Financial assets	–	–	–	–	128	4,091	103,296	107,515
<b>Current assets</b>								
Inventory	–	–	–	–	–	–	120,062	120,062
Accounts receivable	–	–	–	470,894	–	–	–	470,894
Tax receivables	–	–	–	–	–	–	19,709	19,709
Other receivables	–	–	–	9,515	–	–	4,763	14,278
Prepaid expenses and deferred income	–	–	–	–	–	–	41,980	41,980
Cash and cash equivalents	–	–	–	141,741	–	–	–	141,741
<b>Total current assets</b>	–	–	–	622,150	–	–	186,514	808,664
<b>Total assets</b>	–	–	–	622,150	128	4,091	1,760,368	2,386,737

<b>2008</b>								
<b>Liabilities</b>								
SEK '000	Fair value through P&L	Derivative instruments in designated hedge accounting relationships	Available-for-sale financial assets	Other financial assets	Non-financial assets	Total		
Long-term liabilities and provisions	–	–	–	140,222	34,570	174,792		
<b>Current liabilities and provisions</b>								
Liabilities to credit institutions	–	–	–	862,742	–	862,742		
Advances from customers	–	–	–	7,065	–	7,065		
Accounts payable	–	–	–	231,832	–	231,832		
Current tax liabilities	–	–	–	–	5,947	5,947		
Other liabilities	–	679	–	41,001	26,100	67,780		
Accrued expenses and prepaid income	–	–	–	–	119,129	119,129		
Provisions	–	–	–	–	39,774	39,774		
<b>Total current liabilities and provisions</b>	–	679	–	1,142,640	190,950	1,334,269		
<b>Total liabilities and provisions</b>	–	679	–	1,282,862	225,520	1,509,061		

<b>2007</b>								
<b>Assets</b>								
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	–	–	–	–	–	–	866,077	866,077
Tangible assets	–	–	–	–	–	–	444,984	444,984
Financial assets	–	–	–	–	20	5,419	74,877	80,316
<b>Current assets</b>								
Inventory	–	–	–	–	–	–	125,730	125,730
Accounts receivable	–	–	–	450,623	–	–	–	450,623
Tax receivables	–	–	–	–	–	–	10,023	10,023
Other receivables	–	–	–	125,195	–	–	6,024	131,219
Prepaid expenses and deferred income	–	–	–	–	–	–	50,077	50,077
Cash and cash equivalents	–	–	–	65,229	–	–	–	65,229
<b>Total current assets</b>	–	–	–	641,047	–	–	191,854	832,901
<b>Total assets</b>	–	–	–	641,047	20	5,419	1,577,792	2,224,278

<b>2007</b>								
<b>Liabilities</b>								
SEK '000	Fair value through P&L	Derivative instruments in designated hedge accounting relationships	Available-for-sale financial assets	Other financial assets	Non-financial assets	Total		
Long-term liabilities and provisions	–	–	–	294,205	42,577	336,782		
<b>Current liabilities and provisions</b>								
Liabilities to credit institutions	–	–	–	601,341	–	601,341		
Advances from customers	–	–	–	9,830	–	9,830		
Accounts payable	–	–	–	211,739	–	211,739		
Current tax liabilities	–	–	–	–	14,642	14,642		
Other liabilities	–	782	–	19,577	30,803	51,162		
Accrued expenses and prepaid income	–	–	–	–	122,248	122,248		
Provisions	–	–	–	–	11,970	11,970		
<b>Total current liabilities and provisions</b>	–	782	–	842,487	179,663	1,022,932		
<b>Total liabilities and provisions</b>	–	782	–	1,136,692	222,240	1,359,714		



**NOTE 19 Financial instruments and financial risk management (cont.)****Financial instruments and financial risk management – additional information****FINANSIELLA INSTRUMENT**

Financial instruments are valued the first time at fair value plus transaction costs, which applies to all financial assets and liabilities not recognised at fair value through profit or loss. Financial assets and liabilities recognised at fair value through profit or loss are valued the first time at fair value, while attributable transaction costs are valued through profit or loss.

**RECEIVABLES OVERDUE BUT NOT WRITTEN-DOWN**

SEK '000	2008	2007
Less than 30 days overdue	62,087	65,213
30-60 days overdue	18,705	18,864
61-90 days overdue	9,023	4,194
91-120 days overdue	3,778	1,679
More than 120 days overdue	9,792	10,357
<b>Total</b>	<b>103,385</b>	<b>100,307</b>

Only accounts receivable are included in the table above. No other overdue receivables existed per 31 December 2008 or in 2007.

The provision for bad debts was 9,109 (7,079) per 31 December 2008.

**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	2008	2007
Interest income from financial assets	2,054	2,120
Interest expenses due to financial liabilities	-50,362	-40,761
<b>Total</b>	<b>-48,308</b>	<b>-38,641</b>

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	2008	2007
Loans and receivables	2,738	8,568
Other financial liabilities	-4,065	-12,228
<b>Total</b>	<b>-1,327</b>	<b>-3,660</b>

**INEFFECTIVITY IN HEDGE ACCOUNTING**

Elanders has no ineffectivity in cash flow hedging or net investment hedging abroad. See the statement on changes in equity for further information.

**DUE DATE STRUCTURE REGARDING FINANCIAL LIABILITIES**

The due date structure regarding interest-bearing liabilities is presented in note 25, liabilities to credit facilities. Other financial liabilities, such as accounts payable and advance payments to customers, are due according to contract within 1-60 days.

**NOTE 20 Inventory**

SEK '000	2008	2007
Raw materials and consumables	49,881	53,733
Work in process	40,472	38,922
Finished goods	29,709	33,075
<b>Total</b>	<b>120,062</b>	<b>125,730</b>

Costs relating to obsolescence are included in the entry costs of products and services sold and amounted to -512 (-122).

**NOTE 21 Other receivables**

In 2007 other current receivables contained a receivable regarding the purchase price of MSEK 111 (MSEK 0) for the sold property in Kungsbacka which was sold at the end of 2007. The receivable was settled in February 2008.

**NOTE 22 Prepaid expenses and accrued income**

SEK '000	2008	2007
Machine rent paid in advance	3,497	1,993
Premise rent paid in advance	13,738	9,397
Other prepaid expenses	24,745	38,687
<b>Total</b>	<b>41,980</b>	<b>50,077</b>

**NOTE 23 Cash and cash equivalents**

SEK '000	2008	2007
Cash and bank	141,741	65,229
<b>Cash and cash equivalents</b>	<b>141,741</b>	<b>65,229</b>

Translation differences in cash and cash equivalents were 19,480 (2,528).

**NOTE 24 Share capital**

Number of registered shares in the parent company	2008	2007
Issued per 1 January	9,764,999	8,370 000
Rights Issue	-	1,394 999
Issued per 31 December	9,764,999	9,764 999

	Number of votes	Number of shares	Share capital, MSEK
A shares	10	583,333	5,833,333
B shares	1	9 181,666	91,816,666
		<b>9 764,999</b>	<b>97,649,999</b>

All shares are completely paid for.

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

**NOTE 25 Liabilities to credit institutions**

In the beginning of 2009 new credit contracts were signed with the banks. Renegotiations will be held at the end of 2009. 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 1,093 (MSEK 1,182) per 31 December 2008 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 6.1 % (5.0 %).

**Long-term liabilities**

SEK '000	2008	2007
Long-term portion of finance lease liabilities	29,831	24,177
Long-term loans	78,091	242,077
<b>Total</b>	<b>107,922</b>	<b>266,254</b>

**Current liabilities**

SEK '000	2008	2007
Bank overdraft facilities, utilised	575,644	421,256
Current portion of long-term loans	278,188	174,443
Current portion of finance lease liabilities		5,642
<b>Total</b>	<b>862,741</b>	<b>601,341</b>

**Due date structure**

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

Year	2008	2007
Within 1 month	2,677	3,309
Within 1-3 months	28,364	6,894
Within 3-12 months	256,056	169,882
Within 2-5 years	96,932	251,741
After 5 years	10,990	14,513
<b>Total</b>	<b>395,019</b>	<b>446,339</b>

For more than 75% of the liabilities to credit institutions interest expenses are charged to Elanders quarterly in arrears.

**Bank overdraft facilities**

Utilised amounts and available credit in bank overdraft facilities:

SEK '000	2008	2007
Bank overdraft facilities, utilised amount	575,644	421,256
Bank overdraft facilities, granted amount	766,304	705,316
Unutilised amount	190,660	284,060

**Pledged assets**

See note 29 for information on pledged assets.

**NOTE 26 Provisions for post-employment benefits****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:

Percent	2008	2007
Discount rate	4.0	4.5
Anticipated future annual raises in wages	3.0	3.0
Anticipated inflation	2.0	2.0
Anticipated personnel turnover	5.0	5.0
Anticipated return on plan assets	3.5	5.0

**Provisions in balance sheet**

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

SEK '000	Funded plans	Unfunded plans	Total
Present value of pension obligations	9,467	13,715	23,182
Less: The fair value of plan assets	-9,676	-	-9,676
Unrecognised actuarial gains (+) losses (-)	1,151	-241	910
Provisions for pensions recognised in the balance sheet	942	13,474	14,416

The actuarial profits and losses are not recorded in the income statement or balance sheet for 2008 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 obligation for the year**

SEK '000	2008	2007
Net pension obligation at the beginning of the year	15,099	15,654
Net cost recorded in the income statement	1,150	3,851
Disposal of operations	-	-2,395
Pensions paid out	-135	-372
Contributions paid	-1,698	-1,639
<b>Net pension obligation at year-end</b>	<b>14,416</b>	<b>15,099</b>

**Net expense recognised in the income statement regarding defined benefit plans**

SEK '000	2008	2007
Current year service cost	980	2,802
Interest on the obligation	757	895
Actuarial profits (-)/losses (+)	-417	483
Anticipated return on plan assets	-170	-329
<b>Pension costs for defined benefit plans</b>	<b>1,150</b>	<b>3,851</b>

**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 40,188 (43,745).

The obligations for retirement and sick pensions for white-collar workers for several of the Swedish companies have been safeguarded through insurance in Alecia. 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 2008. Pension plans that are safeguarded through insurance in Alecia according to ITP are therefore reported as a defined contribution plan. Fees for 2008 for pension insurance from Alecia totalled 4,488 (7,849). Alecia's surplus can be passed on to the insurance-takers and/or the insured. At the end of 2008 Alecia's surplus in the form of the collective consolidation level was 1.12 % (1.52%). The collective consolidation level is the market value of Alecia's assets as a percentage of insurance obligations measured according to Alecia's actuarial assumptions, which are not in agreement with IAS 19.

**Allocation of pension costs in the income statement**

Percent	2008	2007
Cost of products and services sold	52	59
Administrative expenses	33	28
Selling expenses	15	13

**NOTE 27 Other provisions**

SEK '000	2008	Provided for during the year	Utilized during the year	Reversal of unutilized amounts	Translation effects	2007
<b>Provisions for restructuring measures</b>						
regarding personnel	36,091	35,938	-4,211	-	553	3 811
regarding premise costs	2,920	2,920	-2,763	-	-	2 763
regarding other	1,800	1,800	-	-	-	-
<b>Other provisions</b>						
Other provisions	3,482	298	-5,360	-400	47	8 897
<b>Total</b>	<b>44,293</b>	<b>40,956</b>	<b>-12,334</b>	<b>-400</b>	<b>600</b>	<b>15 471</b>

Provisions for personnel costs are primarily due to structural measures. The provisions are expected to be used in 2009 and 2010. Provisions for premise costs are primarily due to structural measures. The provisions are expected to be used in 2009 and 2010.

Provisions for other costs are primarily due to restoration of premises. The closing provisions are expected to be used in 2009. Other provisions are, to a large extent, expected to be used in 2009-2011 and are provisions, among other things, for environmental measures of MSEK 1.5 (MSEK 1.5).

**NOTE 28 Accrued expenses and deferred income**

SEK '000	2008	2007
Holiday pay liability	37,818	37,935
Social security contributions	29,041	24,329
Accrued salaries and remuneration	4,592	9,539
Other accrued expenses and deferred income	47,678	50,445
<b>Total</b>	<b>119,129</b>	<b>122,248</b>

**NOTE 29 Edged assets and contingent liabilities**

<b>Pledged assets</b>		
SEK '000	2008	2007
Real estate mortgages	62,586	175,935
Floating charges	159,043	232,585
Other pledged assets	85,289	34,500
<b>Total</b>	<b>306,918</b>	<b>443,020</b>
Given to:		
- Credit institutions	306,918	443,020
<b>Total</b>	<b>306,918</b>	<b>443,020</b>
<b>Contingent liabilities</b>		
Other contingent liabilities	18,031	33,889
<b>Total</b>	<b>18,031</b>	<b>33,889</b>

Other pledged assets refer to assets with ownership reservations, such as financial leasing. For further information see note 16..

Elanders continues to have guarantee commitments of MSEK 26.5 per 31 December 2008 from the sales of the operations in Kungsbacka, primarily for production equipment in Kungsbacka that is also the collateral for the commitments.

**NOTE 30 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	2008	2007
Tangible assets	-	1,607
<b>Total</b>	<b>-</b>	<b>1,607</b>

**Obligations relating to operating lease contracts**

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

**NOTE 31 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:

SEK '000	2008	2007
<b>Sales of products and services</b>		
Carl Bennet with associated company	185	199
Joint ventures	3,218	2,025
<b>Total</b>	<b>3,403</b>	<b>2,224</b>
<b>SEK '000</b>		
<b>Purchase of products and services</b>		
Carl Bennet with associated company	559	329
Joint ventures	4,620	2,035
<b>Total</b>	<b>5,179</b>	<b>2,364</b>

The transactions between subsidiaries have taken place with normal business terms and at market prices. During the year Group internal sales amounted to MSEK 94 (MSEK 158) and in 2007 a subsidiary was sold to the subsidiary's MD, please see the section on disposal of operations in Kungsbacka below. The transactions with Carl Bennet primarily concern costs stemming from his role as Chairman of the Board in Elanders AB.

The following transactions existed at the end of the year:

SEK '000	2008	2007
<b>Receivables from related parties</b>		
Carl Bennet with associated company	34	17
Joint ventures	2,104	1,213
<b>Total</b>	<b>2,138</b>	<b>1,230</b>
<b>SEK '000</b>		
<b>Liabilities to related parties</b>		
Carl Bennet with associated company	252	144
Joint ventures	340	474
<b>Total</b>	<b>592</b>	<b>618</b>

No reserve has been required during 2008 or 2007 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 management is reported in note 5 to Group financial reports.

**Disposal 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 requisitioned an opinion from Nordea Corporate Finance and according to it the terms were fair.

**NOTE 32 Acquisitions****Acquisitions in 2008**

## Infologistics

- All the shares in Seiz Printing Inc. in Atlanta, U.S.A.
- All the shares in Mairs Graphische Betriebe GmbH & Co KG

**Acquisitions in 2007**

## 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 Reprodução de Imagens Ltda., Brazil, a local supplier of information solutions.

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- 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 merged with the Hungarian subsidiary.

**Fair value of net assets acquired**

MSEK	2008	2007
Intangible assets	0.2	18.3
Tangible assets	82.3	86.3
Other fixed assets	1.9	0.1
Inventory	12.6	11.5
Accounts receivable	36.4	36.8
Other current assets	4.4	1.9
Cash and cash equivalents	2.0	51.5
Minority interests	–	–2.2
Non-interest bearing long-term liabilities	–2.9	–
Interest bearing long-term liabilities	–41.3	–43.1
Non-interest bearing current liabilities	–29.0	–91.9
Interest bearing current liabilities	–22.4	–23.2
<b>Identifiable net assets</b>	<b>44.2</b>	<b>46.0</b>
Goodwill	14.6	287.6
<b>Purchase sum</b>	<b>58.8</b>	<b>333.6</b>
Deducted:		
Unpaid purchases sums	–	–34.3
Cash and cash equivalents in acquired operations	–2.0	–51.5
<b>Negative effect on Group cash and cash equivalents</b>	<b>56.8</b>	<b>247.8</b>

**Comments on acquisitions in 2008**

In February 2008 Elanders acquired all the shares in the American company Seiz Printing Inc. ("Seiz") in Acworth, Atlanta, Georgia, U.S.A. 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 purchase price was MUS\$ 3 together with the assumption of net debt in the company of some MUS\$ 8. A group surplus value of MUS\$ 2.2 which was generated in connection with the acquisition, is related to future market shares and synergies. Seiz has generated MSEK 59 in sales and MSEK -2 in losses between the acquisition date and 31 December.

On 21 May 2008 Elanders acquired all the shares in Mairs Graphische Betriebe GmbH & Co (Mairs) in Stuttgart, Germany. The purchase price amounted to MEUR 3.8, including a financial leasing contract of MEUR 1.6. A group surplus value of MEUR 0.1, which was generated in connection with the acquisition, is related to future market shares and synergies. The company was consolidated from June 2008. Mairs has contributed an estimated MSEK 100 in sales between the acquisition date and 31 December. It is difficult to ascertain to what extent the company has contributed to the Group's profits as it was immediately integrated into the existing operations in Germany.

Acquisition expenses of around MSEK 2.8 related primarily to lawyers' and consultation fees are included in the purchase sum below.

It is our belief that if the operations had belonged to the Group from 1 January 2008 net sales would have increased by approximately MSEK 62 and lowered operating profit by MSEK 10.

**Acquisitions in 2008 - Specification of fair value adjustments**

MSEK	Recorded values in acquired operations	Adjustment to fair value	Recorded value in the Group
Intangible assets	0.2	–	0.2
Tangible assets	84.3	–2.0	82.3
Other fixed assets	1.9	–	1.9
Inventory	12.6	–	12.6
Accounts receivable	36.4	–	36.4
Other current assets	4.4	–	4.4
Cash and cash equivalents	2.0	–	2.0
Non-interest bearing long-term liabilities	–4.5	1.6	–2.9
Interest bearing long-term liabilities	–41.3	–	–41.3
Non-interest bearing current liabilities	–29.0	–	–29.0
Interest bearing current liabilities	–22.4	–	–22.4
<b>Identifiable net assets</b>	<b>44.6</b>	<b>–0.4</b>	<b>44.2</b>
Goodwill			14.6
<b>Total purchase sums</b>			<b>58.8</b>
Deducted:			
Unpaid purchase sums			–
Cash and cash equivalents in acquired operations			–2.0
<b>Negative effect on Group cash and cash equivalents</b>			<b>56.8</b>

**NOT 33 Events after the balance sheet date**

No important events have taken place from the end of the fiscal year until the date of the signing of this Annual Report.



PARENT COMPANY – INCOME STATEMENTS		Note		
SEK '000			2008	2007
Net sales			–	3,735
Cost of products and services sold			–	–2,756
<b>Gross profit</b>			<b>–</b>	<b>979</b>
Administrative expenses	1		–30,313	–26,751
Other operating income	2		9,948	7,753
Other operating expenses	2		–6,686	–6,342
<b>Operating income/loss</b>	<b>3</b>		<b>–27,051</b>	<b>–24,361</b>
<b>Income/loss from financial investments</b>	<b>4</b>			
Result from participations in group companies			–34,607	76,058
Interest income			14,808	9,422
Other financial income			39,078	8,348
Interest expenses			–38,422	–30,663
Other financial expenses			–74,444	–13,497
<b>Income/loss after financial items</b>			<b>–120,638</b>	<b>25,307</b>
Taxes	5		18,473	34,813
<b>Income/loss for the year</b>			<b>–102,165</b>	<b>60,120</b>
Dividend per share (SEK)			0.00 <sup>1)</sup>	4.50

<sup>1)</sup> Proposed dividend by the Board

## PARENT COMPANY – BALANCE SHEETS

SEK '000	Note	2008	2007
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	6	4,189	3,719
Tangible assets	7	714	776
Shares in subsidiaries	8	1,008,427	1,082,857
Interest in joint ventures	9	9,641	9,641
Other investments held as fixed assets	10	2,093	2,093
Receivables from Group companies		199,096	195,152
Other receivables		1,306	1,396
Deferred tax assets	5	75,938	41,914
<b>Total fixed assets</b>		<b>1,301,404</b>	<b>1,337,548</b>
<b>Current assets</b>			
Accounts receivable		50	133
Receivables from Group companies		127,010	130,070
Current tax assets		245	992
Other receivables	11	3,081	113,107
Prepaid expenses and accrued income		3,263	6,965
Cash and cash equivalents		836	63
<b>Total current assets</b>		<b>134,485</b>	<b>251,330</b>
<b>TOTAL ASSETS</b>		<b>1,435,889</b>	<b>1,588,878</b>

## PARENT COMPANY – BALANCE SHEETS

SEK '000	Note	2008	2007
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		97,650	97,650
Statutory reserve		332,383	332,383
		<b>430,033</b>	<b>430,033</b>
<b>Unrestricted equity</b>			
Retained earnings		215,313	239,122
Income/loss for the year		-102,165	60,120
		<b>113,148</b>	<b>299,242</b>
<b>Total equity</b>		<b>543,181</b>	<b>729,275</b>
<b>Provisions</b>			
Provisions for pensions and similar obligations		1,497	1,833
Other provisions	12	4,256	3,282
<b>Total provisions</b>		<b>5,753</b>	<b>5,115</b>
<b>Long-term liabilities</b>			
Debts to credit institutions	13	–	159,155
Other liabilities		103	103
<b>Total long-term liabilities</b>		<b>103</b>	<b>159,258</b>
<b>Current liabilities</b>			
Debts to credit institutions	13	751,334	458,584
Accounts payable		3,658	10,380
Liabilities to Group companies		99,949	211,756
Other liabilities		22,443	502
Accrued expenses and deferred income	14	9,468	14,008
<b>Total current liabilities</b>		<b>886,852</b>	<b>695,230</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>1,435,889</b>	<b>1,588,878</b>
<b>Pledged assets</b>			
Pledged assets	15	29,800	237,750
<b>Contingent liabilities</b>			
Contingent liabilities	15	146,216	110,740

## PARENT COMPANY – CASH FLOW STATEMENTS

SEK '000	Note	2008	2007
<b>Operating activities</b>			
Income/loss after financial items	16	-120,638	25,307
Adjustments for items not incl. in cash flow	16	68,264	-36,112
Paid taxes		-	273
<b>Cash flow from operating activities before changes in working capital</b>		<b>-52,374</b>	<b>-10,532</b>
<i>Cash flow from changes in working capital</i>			
Increase (-)/Decrease (+) in operating receivables		4,169	71,946
Increase (+)/Decrease (-) in operating liabilities		-9,321	23,271
<b>Cash flow from operating activities</b>		<b>-57,526</b>	<b>84,685</b>
<b>Investing activities</b>			
Acquisition of tangible assets and intangible assets	6, 7	-1,352	-6,970
Sales of tangible assets	7	110,388	56
Investment in subsidiaries	8	-21,767	-120,328
Paid shareholders' contribution		-10,886	-
Received (+)/ - paid shareholders' contribution		-55,537	60,505
Investments in other shares		-	-2,093
Change in long-term receivables		90	210
Lending to and from subsidiaries		-19,382	-174,964
<b>Cash flow from investing activities</b>		<b>1,554</b>	<b>-243,584</b>
<b>Financing activities</b>			
Changes in long and short-term borrowing		100,687	36,889
Dividends paid to shareholders		-43,942	-24,412
Rights Issue		-	146,450
<b>Cash flow from financing activities</b>		<b>56,745</b>	<b>158,927</b>
<b>Cash flow for the year</b>		<b>773</b>	<b>28</b>
Cash and cash equivalents at the beginning of the year		63	35
<b>Cash and cash equivalents at year-end</b>		<b>836</b>	<b>63</b>
<b>Change in net debt</b>			
Net debt at the beginning of the year		619,509	582,741
Change in interest-bearing liabilities and cash and cash equivalents		132,486	36,768
<b>Net debt at year-end</b>		<b>751,995</b>	<b>619,509</b>
<b>Operating cash flow</b>			
Cash flow from current operations, excl. financial items and paid taxes		-33,912	34,744
Net investments		1,554	-243,584
<b>Operating cash flow</b>		<b>-32,358</b>	<b>-208,840</b>



## PARENT COMPANY – STATEMENT OF CHANGES IN EQUITY

SEK '000	Share capital <sup>1)</sup>	Statutory reserve	Share premium reserve	Retained earnings and income/loss for the year	Total
Opening balance January 1, 2007	83 700	332 383	–	87 470	503 553
Income/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 December 31, 2007	97 650	332 383	132 500	166 742	729 275
Income/loss for the year	–	–	–	–102 165	–102 165
Dividends	–	–	–	–43 942	–43 942
Group contribution received	–	–	–	–55 537	–55 537
Tax effect on group contribution received	–	–	–	15 550	15 550
Closing balance December 31, 2008	97 650	332 383	132 500	–19 352	543 181

<sup>1)</sup> Number of shares is presented in note 24 to Group financial reports.

Please see note 1 to Group financial reports for the accounting principles of the parent company.

#### NOTE 1 Fees to auditors

SEK '000	2008	2007
<b>PricewaterhouseCoopers AB</b>		
Audit fees	650	–
Consulting fees	150	–
<b>Other <sup>2)</sup></b>		
Audit fees	–	359
Consulting fees <sup>1)</sup>	426	661
<b>Total</b>	<b>1,226</b>	<b>1,020</b>

<sup>1)</sup> 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.

<sup>2)</sup> 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 2 Other operating income and expenses

##### Other operating income

SEK '000	2008	2007
Exchange rate gains	9,396	6,925
Other	552	828
<b>Total</b>	<b>9,948</b>	<b>7,753</b>

##### Other operating expenses

SEK '000	2008	2007
Exchange rate losses	–6,686	–6,342
<b>Total</b>	<b>–6,686</b>	<b>–6,342</b>

#### NOTE 3 Personnel

The total absence due to illness in the parent company is 0.0 % of ordinary work hours. No other information concerning absence due to illness is provided since this can be traced to specific individuals.

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

#### NOTE 4 Financial income and expenses

SEK '000	2008	2007
<b>Income/loss from shares in subsidiaries</b>		
Dividends from subsidiaries	136,919	38,311
Capital gains/loss from sales of shares in subsidiaries	–	38,063
Write-downs of shares in subsidiaries	–171,526	–316
<b>Total</b>	<b>–34,607</b>	<b>76,058</b>
<b>Interest income</b>		
Interest income, external	908	126
Interest income, subsidiaries	13,900	9,296
<b>Total</b>	<b>14,808</b>	<b>9,422</b>
<b>Other financial income</b>		
Exchange rate profits	39,078	8 348
Other	–	–
<b>Total</b>	<b>39,078</b>	<b>8,348</b>
<b>Interest expenses</b>		
Interest expenses, external	–34,789	–28,145
Interest expenses, subsidiaries	–3,633	–2,518
<b>Total</b>	<b>–38,422</b>	<b>–30,663</b>
<b>Other financial expenses</b>		
Exchange rate losses	–54,151	–13,224
Other	–20,293	–273
<b>Total</b>	<b>–74,444</b>	<b>–13,497</b>

#### NOTE 5 Taxes

##### Tax on profit/loss for the year

SEK '000	2008	2007
Tax effect on group contribution	–15,550	16,941
Deferred tax	34,023	17,872
<b>Recorded tax</b>	<b>18,473</b>	<b>34,813</b>

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	2008	2007
Tax loss carried forward	66,326	36,899
Other items	9,612	5,015
Less: Unrecorded deferred tax receivables	–	–
<b>Total booked deferred tax receivables</b>	<b>75,938</b>	<b>41,914</b>

##### Reconciliation of recorded parent company tax

SEK '000	2008	2007
Pre-tax income/loss	–120,638	25,306
Tax according to average tax rate 28% in Sweden (28%)	33,779	–7,086
Tax effect of:		
Change in assessment of deferred tax receivables	–	20,879
Effect of change in company tax rate	–4,909	–
Non-taxable dividends from subsidiaries	38,337	10,727
Non-taxable capital gains from the sales of shares	–	10,658
Non-deductible write-downs of shares in subsidiaries	–48,027	–88
Contribution, representation and association costs	–109	–227
Other	–598	–50
<b>Recorded tax</b>	<b>18,473</b>	<b>34,813</b>

**NOTE 6 Intangible assets**

SEK '000	Goodwill		Other intangible assets		Total	
	2008	2007	2008	2007	2008	2007
Opening acquisition value	1,959	1,959	4,153	935	6,112	2,894
Purchases	–	–	1,159	3,218	1,159	3,218
Sales incl. disposals/discards	–	–	–	–	–	–
<b>Closing acquisition value</b>	<b>1,959</b>	<b>1,959</b>	<b>5,312</b>	<b>4,153</b>	<b>7,271</b>	<b>6,112</b>
Opening accumulated depreciation	–392	–294	–975	–769	–1,367	–1,063
Sales incl. disposals/discards	–	–	–	–	–	–
Depreciation for the year	–98	–98	–591	–206	–689	–304
<b>Closing accumulated depreciation</b>	<b>–490</b>	<b>–392</b>	<b>–1,566</b>	<b>–975</b>	<b>–2,056</b>	<b>–1,367</b>
Opening accumulated write-downs	–	–	–1,026	–	–	–
Write-downs for the year	–	–	–	–1,026	–	–1,026
<b>Closing accumulated write-downs</b>	<b>–</b>	<b>–</b>	<b>–1,026</b>	<b>–1,026</b>	<b>–1,026</b>	<b>–1,026</b>
<b>Closing net book value according to plan</b>	<b>1,469</b>	<b>1,567</b>	<b>2,720</b>	<b>2,152</b>	<b>4,189</b>	<b>3,719</b>

Depreciation of intangible assets for the year has been charged entirely to administrative expenses in the income statement. Other intangible assets refer to software.

**NOTE 7 Tangible assets**

SEK '000	Buildings and land		Equipment, tools, fixtures and fittings		Total	
	2008	2007	2008	2007	2008	2007
Opening acquisition value	–	153,636	1,540	14,610	1,540	168,246
Purchases/investments	–	3,582	193	170	193	3,752
Sales/discards	–	–157,218	–	–13,240	–	–170,458
<b>Closing acquisition value</b>	<b>–</b>	<b>–</b>	<b>1,733</b>	<b>1 540</b>	<b>1,733</b>	<b>1,540</b>
Opening accumulated depreciation and write-downs	–	–87,978	–764	–13,208	–764	–101,186
Depreciation for the year	–	–1,856	–255	–366	–255	–2,222
Write-downs for the year	–	–	–	–	–	–
Sales/discards	–	89,834	–	12,810	–	102,644
<b>Closing accumulated depreciation and write-downs</b>	<b>–</b>	<b>–</b>	<b>–1,019</b>	<b>–764</b>	<b>–1,019</b>	<b>–764</b>
<b>Closing acquisition value</b>	<b>–</b>	<b>–</b>	<b>714</b>	<b>776</b>	<b>714</b>	<b>776</b>

Depreciation totalling –255 (–2,222) during the year has been charged to cost of products and services sold in the income statement by 0 (–1,969) and administrative expenses by –255 (–253). There has been no financial leasing.

**NOTE 8 Shares in subsidiaries**

SEK '000	2008	2007
Opening book value	1,082,857	962,595
Investments in subsidiaries	21,767	120,328
Shareholders' contribution	75,328	350
Write-downs of shares in subsidiaries	-171,526	-316
Sale of subsidiaries	-	-100
<b>Closing book value</b>	<b>1,008,426</b>	<b>1,082,857</b>

During the year the following subsidiaries have received shareholders' contributions:

Company:	SEK '000
Elanders Italy S.r.l.	18,221
Elanders Infoprint AB	200
Elanders Seiz Inc.	40,521
Elanders Infomedia Systems AB	5,500
Elanders Digital Hungary Kft	10,886
	<b>75,328</b>

Write-downs during the year refers to Elanders Infoprint AB (136,919), Elanders Digital Hungary Kft (10,886), Elanders Italy s.r.l. (18,221) and Elanders Infomedia Systems AB (5,500).

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 Beijing Printing co	77765103X	Beijing, China	-	100	66,564
Elanders do Brasil Ltda	08.789936/0001-55	São Paulo, Brazil	-	100	11,559
Elanders Artcopy Ltda	51.959.310/0001-79	São Paulo, Brazil	-	80	-
Elanders Digital Hungary Kft	20-09-065926	Budapest, Hungary	-	100	0
Elanders Germany GmbH	HRB722349	Waiblingen, Germany	-	100	108,576
Mairs Graphische Betriebe GmbH & Co. KG	HRB211285	Ostfildern, Germany	-	100	-
Elanders Hindson Ltd	GB 3788582	Newcastle, Great Britain	-	100	31,403
Elanders Hungary Kft	20-09-065426	Zalalövö, Hungary	-	100	86,112
Elanders Infologistics AB	556121-8891	Kungsbäcka, Sweden	314,330	100	536,765
Elanders Sverige AB	556262-1689	Gothenburg, Sweden	-	100	-
Elanders Infomedia Systems AB	556229-6938	Kungsbäcka, Sweden	1,000	100	100
Elanders Infoprint AB	556099-5663	Kungsbäcka, Sweden	30,000	100	50,342
Elanders International AB	556058-0622	Kungsbäcka, Sweden	1,000	100	155
Elanders Italy S.r.l.	5686620963	Ponzano Veneto, Italy	-	100	93
Elanders Polska Sp.z.o.o	KRS 0000101815	Plonsk, Poland	-	100	39,869
Elanders Seiz Inc.	58-1448183	Atlanta, U.S.A.	-	100	62,288
Elanders UK Ltd.	GB 2209256	Harrogate, Great Britain	-	100	923
Novum Grafiska A/S	980849910	Oslo, Norway	-	52	63
<b>Total</b>					<b>1 008 426</b>

No book value is given for the companies not directly owned by the parent company.

**NOTE 9 Interest in joint ventures**

SEK '000	2008	2007
Opening book value	9,641	9,641
Investments	-	-
<b>Closing book value</b>	<b>9,641</b>	<b>9,641</b>

Holdings in joint ventures consist of the following:

Company	Registered office	Share of capital, %
Hansaprint Elanders Hungary Kft	Hungary	50

Financial information in summary for joint ventures

SEK '000	2008	2007
Share (50 %) of:		
- total assets	16,776	14,607
- total liabilities	3,541	2,605
- net sales	19,126	13,305
- pre-tax income/loss	103	489

**NOTE 10 Other securities**

SEK '000	2008	2007
Opening book value	2,093	-
Investments	-	2,093
<b>Closing book value</b>	<b>2,093</b>	<b>2,093</b>

Other securities are primarily shares in Webtop Solution A/S in Norway, where Elanders' holding is 7 %. Webtop Solution A/S is not listed.

**NOTE 11 Other receivables**

Included in other current receivables in 2007 is the receivable for the purchase price of MSEK 111 for the property in Kungsbäcka that was sold at the end of 2007. The receivable was settled in February 2008.



**NOTE 12 Other provisions**

SEK '000	2008	Provisions for the year	Requisitioned during the year	Return of unused amount	Translation differences	2007
Environmental obligations	1,500	–	–	–	–	1,500
Structural measures	1,450	1,900	–450	–	–	–
Other	1,306	–	–476	–	–	1,782
<b>Total</b>	<b>4,256</b>	<b>1,900</b>	<b>–926</b>	<b>–</b>	<b>–</b>	<b>3,282</b>

Environmental obligations relates to measures that at the accounting year-end were not yet completed.

**NOTE 13 Debts to credit institutions****Due date structure**

The due date structure for parent company long-term interest bearing liabilities is as follows:

SEK '000	2008	2007
2008	–	53,052
2009	–	53,052
2010	–	53,051
2011	–	–
<b>Total</b>	<b>–</b>	<b>159,155</b>

**Current interest-bearing liabilities:**

SEK '000	2008	2007
Current loans	183,716	53,052
Utilised bank overdraft facilities	567,618	405,532
<b>Total</b>	<b>751,334</b>	<b>458,584</b>

Granted bank overdraft facilities amounted to MSEK 653 (581).

The interest rate on the loans was between 3,623 – 3,670 % per 31 December 2008.

**NOTE 14 Accrued expenses and deferred income**

SEK '000	2008	2007
Holiday pay liability	2,029	3,966
Social security contributions	3,626	4,349
Other accrued expenses and deferred income	3,813	5,693
<b>Total</b>	<b>9,468</b>	<b>14,008</b>

**NOTE 15 Pledged assets and contingent liabilities****Pledged assets**

SEK '000	2008	2007
Real estate mortgages	–	132,300
Floating charges	3,300	70,950
Other pledged assets	26,500	34,500
<b>Total</b>	<b>29,800</b>	<b>237,750</b>
Given to:		
Credit institutions	29,800	237,750
<b>Total</b>	<b>29,800</b>	<b>237,750</b>

**Contingent liabilities**

SEK '000	2008	2007
Surety and contingent liabilities given for subsidiaries	146,216	110,740
<b>Total</b>	<b>146,216</b>	<b>110,740</b>

Other pledged assets refer to assets with ownership reservations.

Elanders continues to have guarantee commitments of MSEK 26.5 per 31 December 2008 from the sales of the operations in Kungsbacka, primarily for production equipment in Kungsbacka that is also the collateral for the commitments.

**NOTE 16 Supplementary information – cash flow statement****Cash and cash equivalents**

Cash and cash equivalents consist primarily of cash and bank transactions. Short-term placements are classified as cash and cash equivalents 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	2008	2007
Depreciation and write-downs of intangible and tangible assets	944	3,552
Write-downs on shares in subsidiaries	171,526	316
Dividends that do not affect cash flow	–136,919	–
Income/loss from selling shares and interests	–	–38,063
Other items	32,713	–1,917
<b>Total</b>	<b>68,264</b>	<b>–36,112</b>

**Paid interest**

SEK '000	2008	2007
Paid interest	–38,492	–30,584
Interest received	14,808	9,422
<b>Total</b>	<b>–23,684</b>	<b>–21,162</b>

**Dividends received**

SEK '000	2008	2007
Dividends received	136,919	38,311

In 2008 dividends of 136,919 were received from Elanders Infoprint AB.

**NOTE 17 Transactions with related parties**

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

SEK '000	2008	2007
<i>Sales of products and services <sup>1)</sup></i>		
Subsidiaries	–	305
Carl Bennet with associated company	185	158
<b>Total</b>	<b>185</b>	<b>463</b>
<i>Purchase of products and services <sup>2)</sup></i>		
Subsidiaries	4,619	3,553
Carl Bennet with associated company	559	329
<b>Total</b>	<b>5,178</b>	<b>3,882</b>

<sup>1)</sup> Included in Other operating income

<sup>2)</sup> Included in Other operating expenses

Parent company sales to subsidiaries amounts to MSEK 0 (MSEK 0.3) 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 2008 parent company invoicing for outlays was MSEK 45.9 (MSEK 28.3).

The transactions with Carl Bennet with associated company primarily concern costs stemming from his role as Chairman of the Board in Elanders AB. The associated company is Carl Bennet AB.

The following transactions existed at year-end:

SEK '000	2008	2007
<i>Receivables from associated companies</i>		
Joint ventures	1,640	–
Carl Bennet with associated company	34	17
Subsidiaries	326,106	325,222
<b>Total</b>	<b>327,780</b>	<b>325,239</b>
<i>Liabilities to associated companies</i>		
Carl Bennet with associated company	252	144
Subsidiaries	99,949	211,756
<b>Total</b>	<b>100,201</b>	<b>211,900</b>

Per 31 December 2008 the parent company had issued loans to subsidiaries and joint ventures for the following amounts:

	Currency	Amount	Interest rate per 31 Dec 2008
Elanders Germany GmbH	EUR	14,250	4.44 %
Elanders Seiz Inc.	USD	3,492	2.87 %
Elanders Italy s.r.l.	EUR	250	3.50 %
Hansaprint Elanders Hungary Kft	EUR	150	6.00 %
Elanders Artcopy Ltda	USD	240	3.22 %

No reserve has been required during 2008 or 2007 for the loans granted to subsidiaries. Moreover Elanders AB has a loan from Elanders Polska Sp.z.o.o of MPLN 6.5 and 6.6% interest.

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

During 2008 Elanders AB paid group contributions to the following companies:

SEK '000	2008
Elanders Anymedia AB	9,887
Elanders Infomedia Systems AB	10,500
Elanders International AB	150
Elanders Infologistics AB	19,000
Elanders Sweden AB	16,000
<b>Total</b>	<b>55,537</b>



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.

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 -0.5.

The Board of Directors and Chief Executive Officer propose that the profits at the disposition of the General Annual Meeting of SEK 113,147,800 from the parent company should be dealt with accordingly:

- balance to be carried forward, SEK 113,147,800.

This Annual Report will be presented at the Annual General Meeting 23 April 2009 for adoption.

Mölnlycke 6 March 2009



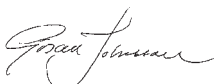
Carl Bennet  
Chairman of the Board



Tore Åberg  
Vice Chairman of the Board



Ingegerd Grén



Göran Johnsson



Hans-Olov Olsson



Kerstin Paulsson



Per Hansson



Johan Stern



Tomas Svensson



Patrick Holm  
Chief Executive Officer

Our auditor's report was presented on 6 March 2009  
PricewaterhouseCoopers AB



Mikael Eriksson  
Authorised Public Accountant  
Head Accountant



Johan Rippe  
Authorised Public Accountant



**TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF ELANDERS AB  
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 2008. The company's annual accounts and the consolidated accounts are included in the printed version on pages 82-122. 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 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 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 administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Göteborg 6 March 2009  
PricewaterhouseCoopers AB



Mikael Eriksson  
*Authorised Public Accountant*  
*Head Accountant*



Johan Rippe  
*Authorised Public Accountant*

# CORPORATE GOVERNANCE REPORT

Elanders is a public, Swedish limited liability company whose shares are registered under the symbol ELAN B on the OMX Nordic Exchange, Small Cap list.

Elanders follows *the Swedish Code of Corporate Governance* (the Code) and prepares this corporate governance report for 2008 in accordance with it. It describes Elanders' corporate governance comprising Executive Management and administration, as well as the internal control regarding financial reporting. This report is not a part of the formal Annual Report and has not been examined by the company's auditors. The following is Elanders deviations from the Code.

## APPLYING THE CODE

The code is based on the principle "follow or explain", meaning that a company following the code can deviate from certain rules, but then needs to explain the reason

- The Chairman of the Board is the Chairman of the nominating committee

This deviation is further explained in the section on the nominating committee

## CORPORATE GOVERNANCE IN ELANDERS – IN SUMMARY

The corporate governance in Elanders is based on laws, agreements with the stock exchange, guidelines and good practice.

The Elanders Group's corporate governance, management 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 nominating committee, Board of Directors and external auditors at the Annual General Meeting. The General Meeting is the company's the highest decision-making body. See figure page 127.

## ANNUAL GENERAL MEETING

At the 2008 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, Chairman of the Board and auditors. The following decisions were also taken: ►►







- adopting the Annual Report for 2007
- according to the Board's decision establish that dividends for 2007 will be SEK 4.50 per share and the record date would be 24 April 2008.
- that the members of the Board of Directors and the Managing Director be discharged from liability for 2007.
- according to a proposal in the summons, grant Board and committee remuneration for at total of SEK 2,375,000 that is to be divided in the Board, as stated in the summons.
- according to a proposal in the summons appoint the following Board Members until the Annual General Meeting in 2009:
  - Carl Bennet** (re-elected)
  - Ingegerd Gréen** (re-elected)
  - Patrick Holm** (CEO) (re-elected)
  - Göran Johnsson** (re-elected)
  - Hans-Olov Olsson** (re-elected)
  - Kerstin Paulsson** (re-elected)
  - Johan Stern** (re-elected)
  - Tore Åberg** (re-elected)
- according to a proposal in the summons appoint Carl Bennet Chairman of the Board.
- according to a proposal in the summons appoint PricewaterhouseCoopers AB as auditor.
- appoint the following to the nominating committee:
  - Carl Bennet**, Carl Bennet AB (re-elected)
  - Göran Erlandsson**, representative for the smaller shareholders (re-elected)
  - Hans Hedström**, HQ Fonder (re-elected)
  - Nils Petter Hollekim**, Odin Fonder (re-elected)
  - Stefan Roos**, SEB Fonder (re-elected)
  - Caroline af Ugglas**, Investment AB Latour and Skandia Liv (re-elected)
- approve the Board's proposal in the summons for remuneration to leading senior officers

No further Annual General Meeting was held during the year. Protocol from Annual General Meetings can be found on the company's website [www.elanders.com](http://www.elanders.com), under Investor Relations, Corporate Governance.

#### 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 twice 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

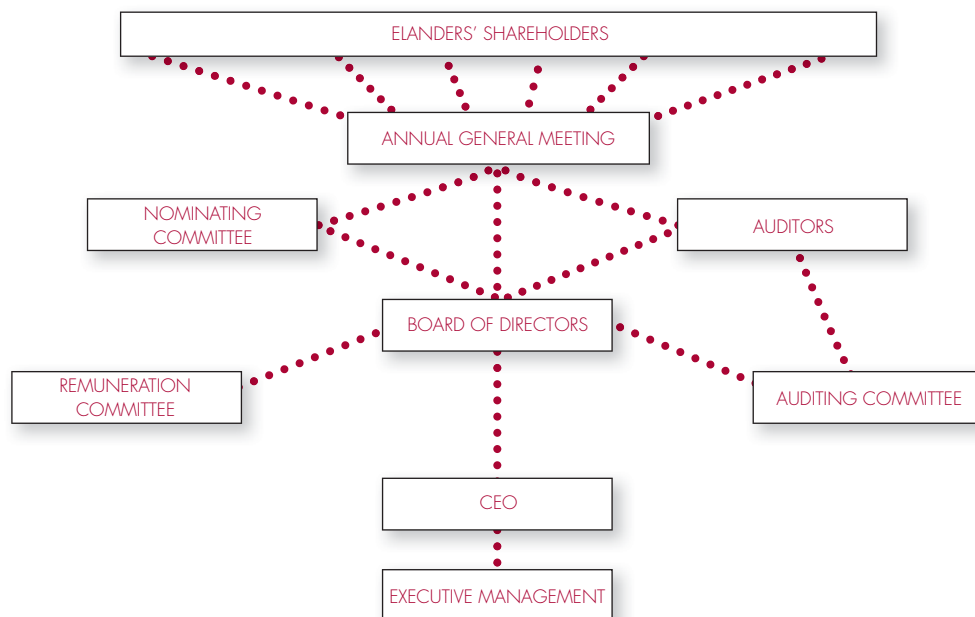
(Carl Bennet AB), Göran Erlandsson (representative for the smaller shareholders), Hans Hedström (HQ Funds), Nils Petter Hollekim (Odin Funds), Stefan Roos (SEB Funds) and Caroline af Ugglas (Investment AB Latour and Skandia Liv). All members, except Stefan Roos are active in preparing for the Annual Meeting 2009. No remunerations have been paid to the nominating committee. The Chairman of the Board is also the Chairman of the nominating committee, something that is a deviation from the Code. However, it seems reasonable that the largest shareholder, counted in number of votes, be the Chairman of the nominating committee since he would have a great influence on the nominating committee composition because he has the majority of the votes in the Annual General Meeting. 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 in the Annual Report and in the company's homepage [www.elanders.com](http://www.elanders.com) under Investor Relations, Corporate Governance.

#### THE BOARD OF DIRECTORS AND ITS WORK IN 2008

The Board is elected by the Annual General Meeting on proposal from the nominating committee. 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. 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.

In 2008 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, later replaced by Per Hansson, and Marie Trollius, later replaced by Tomas Svensson. Their deputies were Per Hansson, later permanent member, Tomas Svensson, later permanent member and Lena Hassini. 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 report for the first nine months of the year and the annual accounts to report the result of their audits.

The Board followed the meeting plan for the year. The Board also met six times to handle matters concerning investments, acquisitions and structural measures and the related communication with the stock market. Otherwise the Board has been involved primarily in assessing market conditions, external circumstances that affect business and the state of business as well as the Group's expansion strategies, particularly the acquisitions in Germany and the U.S.A. The Board has also followed in detail the developments in the Swedish and Hungarian 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 2008 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. At the meeting concerning the annual accounts the Board met the auditors without the presence of the CEO or any other member from the Executive Management. 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 2008 the Board visited operations in China. The Board Members' remuneration and presence is presented in detail in the table on page 129.

#### 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 2008 was 4.46 (4.46). 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. The Group's guidelines for remunerations to senior officers can be found in note 5 in the formal Annual Report and on the company's website, [www.elanders.com](http://www.elanders.com) under Investor Relations, Corporate Governance. The companies have not issued, and will not issue, any option programs.

### AUDITING COMMITTEE

The auditing 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 auditing 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 auditing 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 four times in 2008. The choice of auditors, the auditor's report on the audit of the nine-month report, the annual accounts, the company in relation to the Swedish Code of Corporate Governance and internal control questions in the subsidiaries were discussed. The members of the Group auditing committee in 2008 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 and provides the Board with monthly financial reports. All the managing directors in the Group's subsidiaries 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. Elanders' Executive Management consists of Patrick Holm, President and Chief Executive Officer and Business Area Infologistics Manager, Mats Almgren, CFO, Jimmy Lundbeck, Manager for operations in Poland, Great Britain and Italy, Magnus Nilsson, Business Area User Manuals Manager, Lars-Gunnar Skötte, Manager for Swedish and Norwegian operations and Peter Sommer, Manager for German and North American operations. Executive Management meets once a month, often in conjunction with a visit to a Group unit and minutes are kept.

### INTERNAL CONTROL, CONTROL ENVIRONMENT, CONTROL ACTIVITIES AND FOLLOW-UP

The purpose of internal control regarding financial reporting is to insure that it is reliable and that the financial reports follow generally accepted accounting principles and otherwise follow applicable laws and regulations concerning listed companies. The Board ultimately has responsibility for an effective, functioning internal control in the Group and the CEO is responsible for an organisation and processes that ensure the quality of financial reports to the Board and the market.

The control environment at Elanders is characterised by the proximity between Executive Management and

the operating units. Executive Management or representatives from the treasury function regularly visit these units and evaluate internal control and financial reporting. All subsidiaries use a uniform system to report in all financial information. Executive Management has a continuous dialogue with the operating units and has issued a number of steer documents and policies concerning internal control which have been dispersed to all concerned personnel. To regularly monitor that these documents are followed and that internal control functions effectively, subsidiaries make an evaluation of their internal control in relation to the Group's established goals. The result of the evaluation is then followed up by the Group's treasury function in collaboration with the external auditors. During the year all the subsidiaries made an evaluation of their internal control which led to some improvements that are now being followed up, and which mainly have to do with the documentation of existing control routines

The results of the work with internal controls are presented to the Board's auditing committee, which also provides Executive Management with guidance regarding improvements in internal control. All the members of Executive Management, except the CEO and CFO, are also managers in one of the Group's larger operating units. These units generate 70 % of Group net sales.

#### SPECIAL AUDIT FUNCTION, INTERNAL AUDIT

Elanders does not have a special internal audit function. This function is performed by Executive Management

and the Group treasury function, supported by the auditing committee and the external auditors. Because of the size of the Group and Executive Management's operative character a special audit function, internal audit, would not have any significant beneficial effect. A continuous dialogue between the company and its external auditors as well as the controls carried out by Executive Management are considered sufficient to ensure that internal controls maintain an acceptable level. This assessment is continuously evaluated and will be tested once again in 2009.

#### EXTERNAL AUDIT

Auditing is regulated by the Companies Act which requires that auditors must review the company's annual accounts and the Board's and the CEO's administration.

The Annual General Meeting 2008 chose for a period of four years the authorised public accounting company PricewaterhouseCoopers AB with authorised accountant Mikael Eriksson as head auditor, assisted by authorised accountant Johan Rippe. Mikael Eriksson is the auditor for, among others, G&L Beijer, Midway, Sveaskog, Readsoft, Beijer Electronics and Seco Tools. Johan Rippe is the auditor for, among others, Academia, Getinge, West Siberian and AB Volvo.

Once a year the auditors meet the Board in its entirety without the CEO or any other member of Executive Management present, normally at the meeting that deals with the annual accounts.

#### MEMBERS OF THE BOARD, REMUNERATIONS, ATTENDANCE, ETC.

Member	Board, presence (number of meetings)	Remuneration Committee, presence (num- ber of meetings)	Audit Committee, presence (num- ber of meetings)	Remuneration (SEK '000) Board + Committee Work	Total presence, %	Shareholding, including related parties	Independent
<b>Members chosen by the Annual Meeting</b>							
Carl Bennet	13 (13)	2 (2)	Not member	500+50	100	583,333 A 1,691,048 B	No, owner
Tore Åberg	13 (13)	2 (2)	4 (4)	250+125	100	6,000 B	No, owner
Ingegerd Gréen	12 (13)	2 (2)	Not member	250+25	93	466 B	Yes
Patrick Holm	13 (13)	Not member	Not member	Employee	100	18,700 B	No, company
Göran Johnsson	12 (13)	Not member	4 (4)	250+50	94	1,033 B	Yes
Hans-Olov Olsson	12 (13)	2 (2)	Not member	250+25	93	850 B	Yes
Kerstin Paulsson	13 (13)	Not member	4 (4)	250+50	100	500 B	Yes
Johan Stern	13 (13)	Not member	4 (4)	250+50	100	30,000 B	No, owner
<b>Employee representatives</b>							
Per Hansson	12 (12)	Not member	Not member	Employee	100		No, company
Lena Hassini	9 (9)	Not member	Not member	Employee	100		No, company
Carianne Röjerås	13 (13)	Not member	Not member	Employee	100		No, company
Tomas Svensson	12 (12)	Not member	Not member	Employee	100		No, company
Marie Trollius	4 (4)	Not member	Not member	Employee	100		No, company

## *Flanders' Ordinary Board Members*



CARL BENNET b. 1951

### CHAIRMAN OF THE BOARD

- **Elected in:** 1997.
- **Education:** Education: Bachelor of Science (Econ.) Dr. Technol. h.c.
- **Appointments on the Elanders' 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 1,671,456 B shares.



TORE ÅBERG b. 1942

### VICE CHAIRMAN OF THE BOARD

- **Elected in:** 2001.
- **Education:** Bachelor of Science (Econ.)
- **Appointments on the Elanders' Board:** Chairman of the auditing committee. Member of the remuneration committee.
- **Other appointments:** Member of the boards of Tellbe AB and Tellbe Vietnam Ltd Co.
- **Shareholding:** 6,000 B shares.



GÖRAN JOHNSSON b. 1945

### MEMBER OF THE BOARD

- **Elected in:** 2006.
- **Education:** Elementary school and education within the trade unions.
- **Appointments on the Elanders' Board:** Member of the auditing committee.
- **Other appointments:** First vice chairman of EKN. Member of the Board of the IQ Initiative AB, Swedish Foundation Strategic Research, SVT (Swedish Television), Swedbank AB and the University of Umeå, adviser in Vinnova.
- **Shareholding:** 1,033 B shares.



INGEGERD GRÉEN b. 1960

### MEMBER OF THE BOARD

- CEO and partner in Askengren & Co
- **Elected in:** 2003.
- **Education:** Master of Arts in Literature and Language, including teaching credentials.
- **Appointments on the Elanders' Board:** Member of the remuneration committee.
- **Other appointments:** Member of the boards of Team Lexö AB, Askengren & Co., The Swedish Institute for Growth Policy Studies.
- **Shareholding:** 466 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 Elanders' Board:** Member of the remuneration committee.
- **Other appointments:** Vice Chairman of the Confederation of Swedish Enterprises, member of the board of Vattenfall AB, Lindab International AB, SKF AB and the Anna Lindh Memorial Fund.
- **Shareholding:** 850 B shares.



PATRICK HOLM b. 1962

### MEMBER OF THE BOARD

- President and Chief Executive Officer at Elanders AB
- **Elected in:** 2003.
- **Education:** Graphic Engineer (DGI).
- **Other appointments:** Board Member in Bong Ljungdahl AB.
- **Shareholding:** 18,700 B shares.





JOHAN STERN b. 1951

**MEMBER OF THE BOARD**

- **Elected in:** 1998.
- **Appointments on the Elanders' Board:** Member of the auditing committee.
- **Education:** Bachelor of Science (Econ.)
- **Other appointments:** Chairman of Healthinvest Partners AB. Member of the board of Carl Bennet AB, Getinge AB, Lifco AB, Rolling Optics AB and RP Ventures AB.
- **Shareholding:** 30,000 B shares.



KERSTIN PAULSSON b. 1963

**MEMBER OF THE BOARD**

- CEO and partner in Netsoft Lund AB*
- **Elected in:** 2007.
  - **Education:** Master of Science in Engineering from the University of Lund.
  - **Appointments on the Elanders' Board:** Member of the auditing committee.
  - **Other appointments:** Member of the boards of the Swedish Defence Materiel Administration, NUTEK. Member of the board of education at the University of Lund, Faculty of Engineering.
  - **Shareholding:** 500 B shares.



PER HANSSON b. 1951

**EMPLOYEE REPRESENTATIVE**

- Sales support in system solutions at Elanders Sverige AB*
- **Elected in:** 2005.
  - **Education:** Typographer. Graphic college education.
  - **Shareholding:** 0.



TOMAS SVENSSON b. 1957

**EMPLOYEE REPRESENTATIVE**

- Printer operator at Elanders Sverige AB*
- **Elected in:** 2007.
  - **Education:** Typographer.
  - **Shareholding:** 0.

## Deputy Members



LENA HASSINI b. 1961

**EMPLOYEE REPRESENTATIVE, DEPUTY**

- Works at Premedia/Prepare in Elanders Sverige*
- **Elected in:** 2008.
  - **Other appointments:** GF deputy
  - **Shareholding:** 0.

## *Elanders' Executive Management*



PATRICK HOLM b. 1962

### **PRESIDENT AND CHIEF EXECUTIVE OFFICER, BUSINESS AREA INFOLOGISTICS MANAGER**

#### ► **Education and Background:**

Graphic 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.

► **Other appointments:** Board Member in Bong Ljungdahl AB.

► **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.



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.



LARS-GUNNAR SKÖTTE b. 1960

### **CEO, ELANDERS SVERIGE AB**

#### ► **Education and Background:**

Master of Science in Engineering from Chalmers University of Technology, Gothenburg. CEO for the Swedish and German units in Autoliv. Employed since 2007.

► **Shareholding:** 1,400 B shares.



JIMMY LUNDBECK b. 1959

### **CEO ELANDERS POLSKA SP.Z O.O**

#### ► **Education and Background:**

Business School Economist, Active in the Graphics Industry since 1981, specialised in digital documentation. Came to Elanders via the acquisition in 1999 of Pannon.

► **Other appointments:** Member of the board of The Graphic Industry.

► **Shareholding:** 3,166 B Shares.



MAGNUS NILSSON b. 1966

### **CEO ELANDERS BEIJING PRINTING CO LTD, BUSINESS AREA USER MANUALS MANAGER**

#### ► **Education and Background:**

Active in the graphical industry since 1987, started as a business developer at Elanders in 1999. Education in Graphic Technology, Design, Business Economics and Marketing.

► **Shareholding:** 1,900 B Shares.

## *The Auditors*

PricewaterhouseCoopers AB with the authorised public accountants

► **Mikael Eriksson:** b. 1955, Head auditor in the company since 2008. **Other appointments:** G&L Beijer, Midway, Sveaskog, Readsoft, Beijer Electronics and Seco Tools.

► **Johan Rippe:** b. 1968 Auditor in the company since 2008. **Other appointments:** Academedia, Getinge, West Siberian och AB Volvo.

## *The Nominating Committee*

► **Carl Bennet:** Chairman and contact, represents Carl Bennet AB, telephone +46 300-503 00.

► **Göran Erlandsson:** Member of Aktiespararna in Kungsbacka and representative of the minority shareholders, telephone +46 300-130 64.

► **Hans Hedström:** CEO 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.

► **Caroline af Ugglas:** Representative for Investment AB Latour and responsible owner matters in, and representative of, Skandia Liv, telephone +46 8-788 33 50.

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OSLO



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ATLANTA



**GERMANY**  
OSTFILDEN, WAIBLINGEN



**BRAZIL**  
SÃO PAULO





#### SWEDEN

FALKÖPING, GÖTEBORG, LUND, MALMÖ, MÖLNLYCKE,  
STOCKHOLM, UPPSALA, VÄSTERÅS



#### POLAND

POLSK



#### CHINA

PEKING



#### HUNGARY

KOMÁROM, ZALALÖVŐ



#### ITALY

TREVISO



**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.

**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.

**DIRECT MAIL, DM**, is a marketing method that targets a group, which is paved the way for a good response frequency and measurable follow up.

**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. Infomedia is information solutions for every need, independent of publishing form. Our customers generate the information itself and the infomedia 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.

**ONE-TO-ONE MARKETING** is a marketing method in which each customer is approached individually through a sales offer tailor-made for the customer.

**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. 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.

**WEB-TO-PRINT** comprises a web-based order interface as well as production and distribution of, among other things, information and marketing material based on predefined templates, available for editing via Internet.



**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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