

This past year was dramatic for many industries and businesses. For Elanders it was a year of insight and the first steps on a new journey. The graphic industry has experienced major structural changes in the last 15 years and the deep downturn in the economy in 2009 underlined the need for necessary adaptations in order to rekindle the power of Elanders. I have spent my first eight months as a President creating unity and one common perspective on the work that needs to be done to reinforce our Group. We are going to emerge stronger from this crisis through a combination of new technology, global use of our capacity and a different business focus and we are going to build "One Elanders" on these cornerstones and our global presence. A lot of work needs to be done in order to achieve our goals and our vision but I'm convinced that we are well on our way and that we will succeed.

In this Annual Report we explain our conclusions and describe the journey we have embarked on but above all, we will tell what you can expect from Elanders in the years to come.

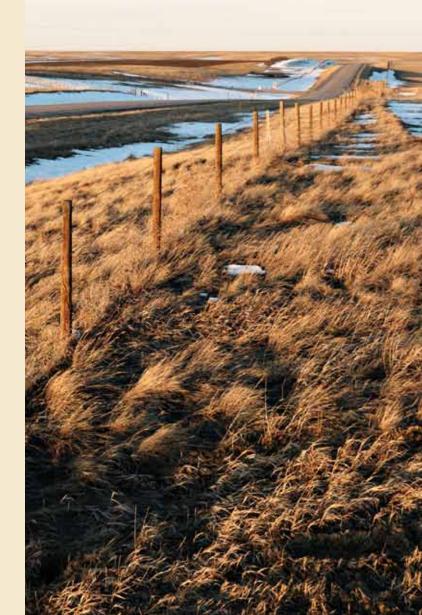
Welcome to Elanders' Annual Report 2009! Mölnlycke, March 2010



Magnus Nilsson CEO and President

#### **Upcoming reports**

Interim report Q1 – 26 April 2010 Interim report Q2 – 13 July 2010 Interim report Q3 – 21 October 2010 Annual accounts 2010 – 28 January 2011 Annual Report 2010 – 7 April 2011



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THE FINANCIAL REPORTS

**READING INSTRUCTIONS:** In the Annual Report 2009 the Elanders Group is called Elanders. Swedish crowns in millions are abbreviated to MSEK. Numbers in parenthesis refer to the fiscal year 2008 and are expressed as MSEK if not otherwise stipulated. The information sources on the geographic markets abroad (Markets, page 37) 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.

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.





#### Elanders' offer

# A Global Printer

Elanders handles customers' information and printed matter logistics via a single contact, no matter how voluminous the material or how many languages it is published in. Based on our customers' needs and competence Elanders shapes, processes, produces and then distribute information, directly to the recipient of the information when that is an advantage. We provide technical support for our customers' information management through a platform of systems that help to automate customers' information processes.



#### SOME OF OUR PRODUCTS

#### INFORMATION AND MARKETING MATERIAL

Internal and external information is combined with other media is often customized to the recipient's needs and interests. Elanders produces all kinds of information and marketing material – from a local ads to global campaigns, annual reports etc.



#### **PERIODICALS**

The number of electronic newspapers is growing yet the number of printed periodicals has never been higher. Since tailoring material to a specific group has become more and more important, periodicals are being diversified to attract the right target group. Elanders produces periodicals in both large and small editions and varying qualities that range from simple local personnel newsletters to global customer magazines or magazines focused on a particular group.



#### **PACKAGING**

Packaging is rapidly becoming a vital ingredient in helping a product stick out from the competition. Elanders has produced packaging for several years and is now taking it to the next level. Can your packaging also lead a double life? Elanders produces packaging in both Europe and Asia and we manufacture everything from plain boxes to exclusive handmade packaging in large and small editions.



#### MANUALS AND PRODUCT INFORMATION

Manuals are changing form. They may be slimmed down and simplified but they are still an important service for customers that buy products and services. The way the manual is packed together with the product is important for creating just the right feeling. Elanders helps its customers with everything from production manuals and product information to the actual packaging and distribution.



#### PHOTO PRODUCTS

Today when we are all our own photographers and technology is pretty straightforward we order more and more personalized photobooks, paintings, calendars, wallpaper etc. Elanders produces these kinds of products for consumers and businesses that want to reach out to their customers or employees with a more personal touch.



#### **BOOKS & CATALOGUES**

Book sales are actually on the rise and catalogue production has only changed in design and number of copies. Many catalogues are printed in the relevant language and only contain content that is interesting for that particular market or target group. Elanders offers a number of smart solutions to create unique catalogues for different focus groups at the best possible production price.



#### **OFFICE MATERIAL**

Office material is also a part of a brand. Elanders produces both small volumes of office material for small businesses and large volumes of the same kind of material for multinationals. The value of this is, among other things, that big or little the quality and brand of an item are ensured.



#### SHOP MATERIAL

Information and marketing material, packaging and other shop material are increasingly part of a whole program. Elanders is helping its customers with separate parts or the whole concept, which means that information can easily be reused optimally for anything in the program.





#### SOME OF OUR SERVICES



Online services Marketing and campaign planning, automated page production, Web shop etc.



Arts & Graphics services Design, artwork, image enhancement etc.



Translation Reusable with a terminology database



Personalized print Target group customized information, assortment catalogue



Global print Produced locally



Fulfilment Pick & Pack



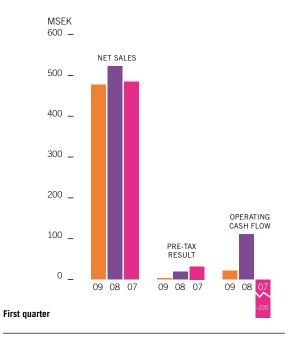
Storage & Distribution Storage management, third party logistics etc.



Order & invoicing

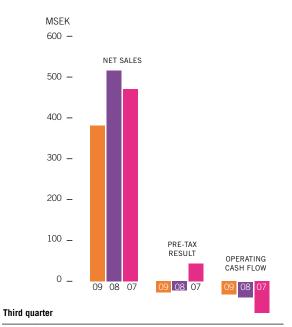


# Quarters in 2009



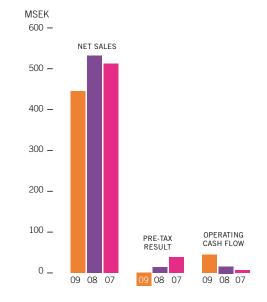
Net sales were down by 9 % and operating result was down by 61 %. Underlying cash flow was somewhat better than last year.

Low demand from the automotive industry and low activity in Hungary had a negative impact on the result. However, operations in China were somewhat better than the year before.



Net sales were down by 26 % and the result was MSEK 12 lower than the previous year.

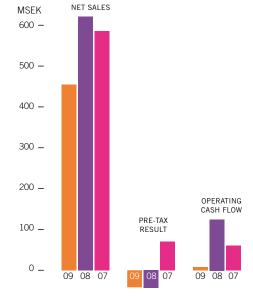
Weak demand in Hungary and Sweden continued. Another change in leadership lowered the result by a further MSEK 3.



#### Second quarter

Net sales were down by 16 % and operating result was MSEK 47 lower than last year. Operative cash flow showed continued improvement.

Magnus Nilsson took over as President. The result was charged with MSEK 13 for the change in leadership. Weak demand in Sweden and Hungary continued.



#### Fourth quarter

Net sales down by 27 % and continued negative operating

Continued weak demand from customers in the automotive industry and consumer electronics. The quarter was affected by costs of MSEK 19 for restructuring.

# Full year 2009

- Net sales fell by 20 percent and totalled MSEK 1,757 (MSEK 2,191).
- Operating result amounted to MSEK -60.1 (MSEK 16.0). The result was affected by costs of MSEK 35 (MSEK 89) for restructuring.
- Pre-tax result was MSEK -96.1 (MSEK -34.3)
- Net result was MSEK -74.4 (MSEK -25.7), or SEK -7.57 per share (SEK 2.62 per share)<sup>1)</sup>.
- Operating cash flow amounted to MSEK 42 (MSEK 107 not including property sales of MSEK 110).
- The Board of Directors and the CEO propose no dividend be distributed for 2009 (SEK 0 per share).

#### Five years in summary

|                             | 2009    | 2008    | 2007    | 2006    | 2005    |
|-----------------------------|---------|---------|---------|---------|---------|
| Net sales                   | 1,756.7 | 2,191.2 | 2,035.6 | 1,988.2 | 1,952.6 |
| Operating result            | -60.1   | 16.0    | 226.8   | -8.8    | 121.8   |
| Pre-tax result              | -96.1   | -34.4   | 184.1   | -31.8   | 105.3   |
| Average number of employees | 1,581   | 1,809   | 1,579   | 1,490   | 1,478   |
| Earnings per share, SEK     | -7.57   | -2.62   | 18.06   | -5.85   | 9.27    |
| Dividend per share, SEK     | 0.001)  | 0.00    | 4.50    | 2.50    | 2.50    |
|                             |         |         |         |         |         |

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



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



# Magnus Nilsson Leads Elanders' Cultural Evolution

Broader product range, new customer categories and a new organization. If 2009 was an eventful year for Elanders it was just the start of a much deeper transformation. Our new President, Magnus Nilsson, is leading a cultural evolution in the company.

INTERVIEW JAN-OLOF EKELUND

The year 2009 is going to be historical. For the first time most of the world experienced the unpleasant combination of a financial crisis and an economic downturn. "A really bad year" predicted the Minister of Labor Sven Otto Littorin, and how right he was. The printing industry was hit particularly hard when car sales collapsed and companies drastically reduced their marketing activities.

When I met the President of Elanders, Magnus Nilsson, in the beginning of 2010 winter still had Sweden locked in its icy grip. However, businesses all over the world were signaling a thaw and better times. There is a sense that the downturn has bottomed out and the economy is slowly but surely lifting.

#### What will you remember most from 2009?

From an Elanders perspective it has to be how hard the economic crisis hit. The first quarter was fine but then we just fell off a cliff, especially the Swedish market because of the drastic drop in automotives. Even though Elanders had made extensive rationalizations there was no way we could have predicted the depth of the crisis.

Personally I'll always remember being offered the job of president. I and my family had just come to Sweden from China and the Board contacted me on my first day of vacation. They gave me a week to answer their offer. So instead of taking vacation we held a family conference.

#### What was your reasoning?

Because Elanders was in a tough situation I felt the only alternative was to accept the position and at the

same time I knew it was a real challenge. I'd seen some of Elanders' shortcomings as a global supplier while I was working abroad. I had and have some ideas I've been gathering over the years that I got the go ahead to carry out.

## And the result of your ideas is, in part, the changes initiated in the autumn of 2009?

Yes, the most important change is that we have finally begun moving unprofitable Swedish production to other countries, in the first place to Eastern Europe and China for deliveries to our customers in Western Europe and the US.

This has in turn led to changes in Elanders' organization. Poland is now a part of the Swedish organization and Hungary part of the German. This means we will be able to take full advantage of our printing plants in low-cost countries and the competitive advantage Elanders has had for years but never fully used.

So instead of losing printing jobs in our high-cost countries we can now offer our customers an attractive alternative. The same quality, slightly longer delivery times but at a much more competitive price. In order to ensure the complete success of this reorganization we have installed new management in both Poland and Hungary.

#### How have these changes been received?

The reorganization has been well received internally. In the past, units have been suspicious about sending printing jobs outside their own country but we have removed that by giving Sweden responsibility for de-

velopments in Poland, and Germany responsibility for developments in Hungary. This is a vital step in communicating that Elanders is a company with global resources.

This reorganization will be completed in Q1 2010 and is one of several measures that will make Elanders profitable again.

Our customers have also responded positively, particularly in Germany, but we have also produced a number of new jobs successfully in Sweden as well.

#### How was 2009 on the whole?

It was a very tough year with much lower sales. Nets sales dropped by more than MSEK 400 to 1.7 billion Swedish crowns. The loss before tax was MSEK 96 thanks to the fact that we were able to reduce costs but not enough to turn a profit.

## How did Elanders do compared with the rest of industry?

Relatively well in our foreign operations while in Sweden the competition has been murderous. However, some of our competitors had an even harder time and several smaller printers went bankrupt in 2009.

Elanders would have weathered the crisis better if we had moved production and resources to our low-cost countries several years ago. We would have been better equipped to handle a downturn in the economy and our personnel and cost structures would have been different in high-cost countries.

This is particularly true for Elanders in Sweden. The companies in Germany and England, which have had approximately the same market situation as the Swedish unit, have been good at getting new work from existing customers as well as attracting new ones.

#### What were the other markets like in 2009?

Naturally Hungary, Poland and Italy felt the crisis since they deliver to large industrials that manufacture in these countries.

The US went through another very tough year with an automotive industry that won't reach previous volumes for many years to come. Nonetheless we are looking at new solutions and adapting to the changes in demands and the new situation concerning, for example, driver's manuals.

Elanders in China did well in 2009 but the downturn hit there much later. Our operations there are facing big challenges in 2010. We will continue to develop packaging for the home market and export.

In Norway and Brazil where we have a relatively small unit developments are stable. Fortunately we turned Italian operations around in 2009.

# What are the driving forces behind the changes in your industry?

Basically four components affect developments. The slow economy is just one. Prices are extremely pressed, the industry is going through restructuring while the environment has become a big consideration. All this put together is having an impact on our industry. Even when the economy recovers the playing field will be completely different for all the companies in our league.

Now we can see that predictions made years ago are coming true. Printed matter is disappearing and being replaced by digital information. Our customers have used the crisis to evaluate different channels and sometimes this leads to eliminating printed items. Although this is particularly true for manuals, information from banks and insurance companies is also taking on different forms, both in content and how it's distributed.

#### Has the crisis, restructuring and technological developments created any opportunities for Elanders?

Absolutely! Customers want to minimize the number of suppliers they use. The fact that Elanders operates in a number of countries gives a big advantage and we can offer global agreements at the right prices. With this toolbox we can beat the competition that can only offer production in one market or country.

Our industrial customers are very important but we can't let that stop us from diversifying our product range. We have to be better at taking care of middlesized and small enterprises and meeting their needs. That is our next major challenge.

#### And how are you going to do it?

We are going to expand our cooperation with our webto-print partners in the consumer market and together with them establish Elanders on other markets such as China. With these partners we'll be able to reach markets where we aren't yet established. All we have to do is change the language version for different consumer groups. Where the material is actually produced will depend on the nature of the printed matter and price level. The crucial factor here is being able to utilize our global production capacity.

## Do you mean that Elanders is going through a cultural evolution?

Yes, in as much as we are going to change our organization to better meet demands from middle-sized and small enterprises and that we've also decided to become players in the consumer market.

In order to achieve this transformation we have to complement our existing personnel with new colleagues and a different know-how profile. We are also willing to consider working with outside partners.

We're going to change our marketing and in the spring of 2010 our new brand platform will be ready. We will also alter the graphic profile of the Group. Our new logotype will exemplify our identity transition from a big, industrial printing group to a more personal one. Elanders is company working locally and globally and a pioneer in using the latest technology.

#### Does Elanders have any other new strategies?

We are going to expand our product range for customers in Western Europe and we started in 2009 with packaging in China and Eastern Europe. This is an area

where we have unique opportunities and lots of ideas we want to develop in a segment that has done well despite the economy. Smart, attractive packages are becoming an essential tool in communication between companies and customers.

## You have spotlighted the concept of "One Elanders". What does that mean?

All our decisions have to be based on what is best for Elanders as a whole. It also means we are a global player and we make the most of it. In practice, we have eliminated our former business areas to facilitate communication internally and externally. We have to take advantage of the production we have in low-cost countries when that is the right alternative for our customers and not get bogged down in old habits or national borders.

Every time we invest in new machinery we have to ask ourselves where to place it. Obviously we have to put it in the country where it will have the best effect.

We are also transforming our identity with a new brand platform, visual identity and new products and services to a broader customer base.

After working at Elanders for years I know most of us appreciate the advantage of "One Elanders" but it's been hard to implement organizationwise.

# Is there a conflict of interest in being a global printing group and a personal print supplier?

Not as far as I'm concerned. Naturally we're not going to let go of our big industrial customers and the special solutions we can offer them. Industrials are the backbone of Elanders. The change lies in the fact that we, with our expertise and machinery, can relatively easily broaden our customer base and we will do this by penetrating new markets with a new attitude. Smaller customers and consumers are important when together they generate big volumes.

## What is the biggest challenge for Elanders, and for you, in 2010?

This year, just like the previous one, will be characterized by lower volumes and an intense price press due to the continuing overcapacity in our trade. We have to keep our chin up and carry out the new strategy that the Board has adopted.

Elanders has all the right parameters to be successful in an industry struggling with fierce restructuring but which is also full of opportunities.



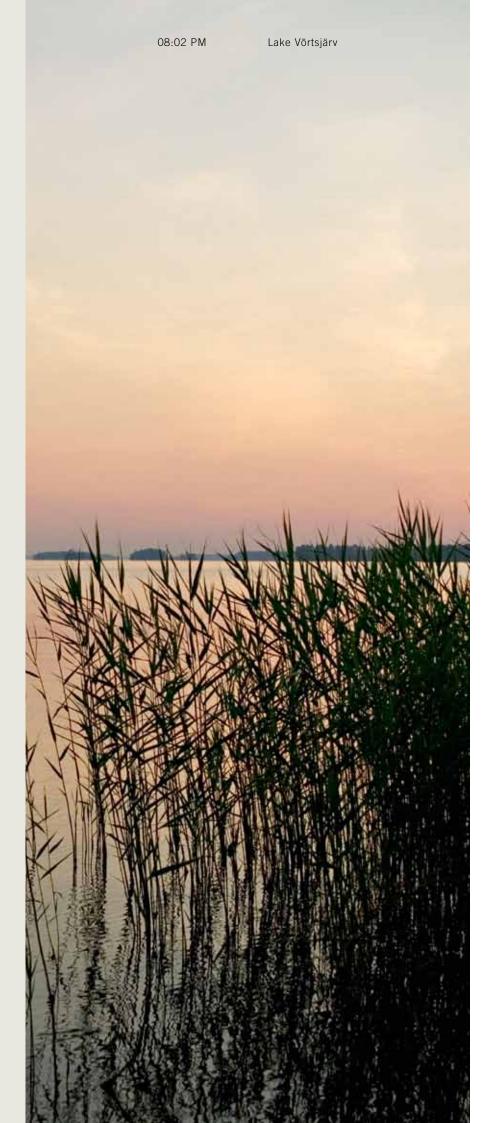
"We have to be better at taking care of middlesized and small enterprises and meeting their needs. That is our next major challenge."



"All our decisions have to be based on what is best for Elanders as a whole."

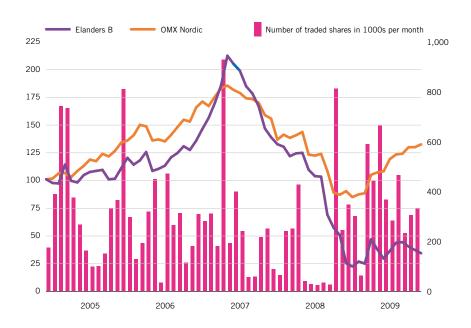


"It's crucial that we utilize our global production capacity."



Financial information about Elanders can be found in the company's homepage www.elanders.com under Investor Relations.

# Increased share turnover



#### HISTORY

Elanders' B shares were first listed on the Stockholm Stock Exchange on 9 January 1989. On 31 December 2009 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 this page.

#### DEVELOPMENT DURING THE YEAR

The market value of B shares rose by 13.5 percent during 2009 while the general index of the OMX Nordic Exchange rose by 42 percent during the same period. During 2009 a total of 4,399,576 Elanders shares (2,278,722 shares) were traded, which is equivalent to an average trading rate of approximately 0.45 times (0.23 times). The total turnover rate of the OMX Nordic Exchange was 1.07 times (1.32 times) during the same period. The lowest share price was SEK 18.60 on 30 January and the highest was SEK 55.00 on 4 May. The final share price in 2009 was SEK 34.50 (SEK 25.50), which means that Elanders' stock market value at yearend was approximately MSEK 337 (approx. MSEK 249).

CLASS OF SHARES AND LIQUIDITY GUARANTEE 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 Remium AB is the guarantor.

#### SHARE ALLOCATION

There were 2,621 (2,492 shareholders) Elanders shareholders at year-end and 2,629 shareholders per 26 February 2010. The allocation is analyzed in the tables on the following pages.

#### DIVIDEND POLICY

Regarding the dividend in years to come, the Board of Directors has taken into account the Group's development potential, the financial position and the adopted key ratio goals relating to debt/ equity ratio, equity ratio and profitability. 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 in the section Investor relations. Questions can also be asked Elanders directly via e-mail at info@elanders.com. Annual reports, quarterly reports and other information can be requested from Group headquarters at telephone number +46 31 750 00 00, our website or through the above e-mail address. We are also happy to provide information about the many occasions when we present Elanders at activities that are arranged by shareholder organizations, 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 26 February 2010 | A shares | B shares  | Percent of votes | Percent of<br>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 %                      |
| Odin Funds, Norway                   |          | 568,254   | 3.78 %           | 5.82 %                      |
| MMW Consulting AB                    |          | 333,660   | 2.22 %           | 3.42 %                      |
| Avanza Pension Försäkring AB         |          | 285,029   | 1.90 %           | 2.92 %                      |
| Skandia Liv                          |          | 231,973   | 1.54 %           | 2.38 %                      |
| The AP4 Fund                         |          | 119,345   | 0.79 %           | 1.22 %                      |
| Ålandsbanken Funds                   |          | 100,000   | 0.67 %           | 1.02 %                      |
| Nordnet Pensionsförsäkring AB        |          | 81,296    | 0.54 %           | 0.83 %                      |
| Other shareholders                   |          | 2,751,220 | 18.32 %          | 28.17 %                     |
| Total                                | 583,333  | 9,181,666 | 100.00%          | 100.00%                     |

#### Share capital development

|   | A shares | B shares  | Accumulated shares | Share<br>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  | 1,128,000 | 6,142,500          | 61,425,000            |
| 1998 Directed share issue to acquire the Skogs Group                        |          | 1,287,500 | 7,430,000          | 74,300,000            |
| 2000 Directed share issue to acquire the shares in KåPe Group               |          | 450,000   | 7,880,000          | 78,800,000            |
| 2000 Directed share issue to acquire the shares in Novum Group              |          | 490,000   | 8,370,000          | 83,700,000            |
| 2007 Rights issue 1:6 in connection with the acquisition of the Sommer      |          |           |                    |                       |
| Corporate Media Group   | 83,333   | 1,311,666 | 9,764,999          | 97,649,990            |
| Outstanding shares and share capital on 31 December 2009                    | 583,333  | 9,181,666 | 9,764,999          | 97,649,990            |

#### Shareholder statistics per 26 february 2010

| Number of shares owned | Number of<br>shareholders | Number of<br>A Shares | Number of<br>B Shares | Percent of<br>share capital | Percent of votes |
|------------------------|---------------------------|-----------------------|-----------------------|-----------------------------|------------------|
| 1 - 500                | 1,923                     |                       | 324,814               | 3.33 %                      | 2.16 %           |
| 501 - 1,000            | 302                       |                       | 235,410               | 2.41 %                      | 1.57 %           |
| 1,001 - 2,000          | 192                       |                       | 286,957               | 2.94 %                      | 1.91 %           |
| 2,001 - 5,000          | 126                       |                       | 417,610               | 4.28 %                      | 2.78 %           |
| 5,001 - 10,000         | 39                        |                       | 295,663               | 3.03 %                      | 1.97 %           |
| 10,001 - 20,000        | 13                        |                       | 202,303               | 2.07 %                      | 1.35 %           |
| 20,001 - 50,000        | 16                        |                       | 524,157               | 5.37 %                      | 3.49 %           |
| 50,001 - 100,000       | 7                         |                       | 513,711               | 5.26 %                      | 3.42 %           |
| 100,001 -              | 11                        | 583,333               | 6,381,041             | 71.32 %                     | 81.35 %          |
| Totalt                 | 2,629                     | 583,333               | 9,181,666             | 100.00%                     | 100.00%          |

Sources: SIS Ägarservice and Euroclear Sweden AB

#### Shareholder categories per 26 February 2010

| Percent                                       | Percent of<br>share capital | Percent of votes |
|---|-----------------------------|------------------|
| Swedish institutions and investment companies | 40 %                        | 26 %             |
| Swedish companies and private persons         | 49 %                        | 67 %             |
| Foreign institutions                          | 11 %                        | 7 %              |
| Foreign companies and private persons         | 0 %                         | 0 %              |
| Total   | 100 %                       | 100 %            |

Sources: SIS Ägarservice and Euroclear Sweden AB.





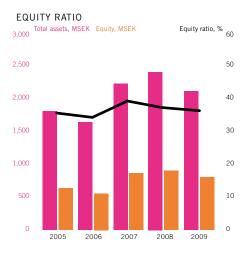
# Business increasingly connected to the entire Group

2009. The Group was generally hit hard by the downturn in the economy and the financial crisis that started in Europe and the US in the second half of 2008. The most important customer categories in industry, mainly automotive and consumer electronics, reduced their orders by up to 50 percent compared to the previous year. Swedish operations, with their main focus in the automotive industry, were hit the hardest while the foreign operations were generally spared. Nevertheless these operations experienced reduced volumes and the price press too, particularly in Germany, Hungary and China. Personnel cuts in the Group as a whole were 15 percent, mainly in Sweden and Hungary, and in Sweden in particular they were 20 percent.

Personnel reductions, together with other measures to further adjust price levels in Sweden, Germany and Hungary, amounted to MSEK 35. An extensive program to organize the Group for the best use of production capacity, mainly in low-cost countries, was initiated. The job of turning around the Swedish operations was also given the highest priority. The increasing trend towards more and more business connected to the entire Group made the former division of the Group's companies into business areas redundant and starting in the fourth quarter operations were concentrated in one business area consisting of the Group.

Group net sales fell by 20 percent and operating result dropped by MSEK 76 to MSEK -60.

**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 produc-







tion. The Group also did well in Germany, in part due to the acquisition of Mairs Graphische Betriebe, which was integrated and gave us access to new technology and important customers.

Seiz Printing Co in Atlanta, US was also acquired with the aim of creating a platform on the important North American market. The year, particularly the latter half, was characterized by a general downturn in orders from consumer electronics customers, white goods and automotives. This downturn is calculated to have charged Group result with about MSEK 75, above all in Sweden and Hungary. Business in the US, Poland and Italy did not meet expectations either and 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 result 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 the result 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 result 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 result. Operations 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 result 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 result rose by 23 percent. A new unit was established in Beijing which charged the business area's operating result 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.

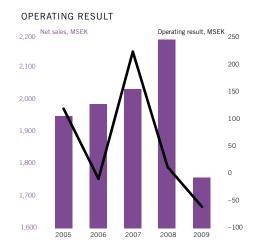


2007

2008

-5

2009



# Five year overview - Elanders Group

| Cash flow in summary                |       |       |        |       |       |
|-------------------------------------|-------|-------|--------|-------|-------|
| MSEK                                | 2009  | 2008  | 2007   | 2006  | 2005  |
| Cash flow from operating activities | 54.6  | 120.6 | 89.9   | 167.1 | 45.6  |
| Paid taxes                          | -7.9  | -31.7 | -32.3  | -20.8 | -44.7 |
| Investments                         | -52.2 | 14.5  | -402.5 | -72.7 | -89.2 |
| Operating cash flow                 | 42.1  | 217.2 | -230.0 | 138.2 | 17.5  |
| Change in net debt                  | -5.9  | 25.8  | 222.2  | -74.1 | 65.4  |

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

#### Summary of the income statement

| MSEK                         | 2009     | 2008     | 2007     | 2006     | 2005     |
|------------------------------|----------|----------|----------|----------|----------|
| Net sales                    | 1,756.7  | 2,191.2  | 2,035.6  | 1,988.2  | 1,952.6  |
| Operating expenses           | -1,816.8 | -2,175.1 | -1,808.8 | -1,997.0 | -1,830.8 |
| EBIT                         | -60.1    | 16.0     | 226.8    | -8.8     | 121.8    |
| Net financial items          | -36.0    | -50.4    | -42.7    | -23.0    | -16.5    |
| Result after financial items | -96.1    | -34.4    | 184.1    | -31.8    | 105.3    |
| Result for the year          | -74.4    | -25.7    | 172.2    | -49.0    | 77.6     |
| EBITDA                       | 41.0     | 122.1    | 311.4    | 222.2    | 218.6    |

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

#### Summary of the balance sheets

| MSEK  | 2009    | 2008    | 2007    | 2006    | 2005    |
|---|---------|---------|---------|---------|---------|
| Goodwill  | 894.9   | 917.7   | 844.7   | 532.4   | 557.8   |
| Other fixed assets                                  | 624.6   | 660.4   | 546.7   | 410.6   | 588.3   |
| Inventory   | 95.1    | 120.1   | 125.7   | 92.9    | 95.3    |
| Accounts receivable                                 | 351.5   | 470.9   | 450.6   | 456.8   | 456.7   |
| Other current assets                                | 68.8    | 75.9    | 191.4   | 73.9    | 83.6    |
| Cash and cash equivalents                           | 78.9    | 141.7   | 65.2    | 74.5    | 24.9    |
| Equity  | 765.1   | 877.7   | 864.6   | 556.4   | 637.8   |
| Interest-bearing liabilities                        | 916.3   | 970.7   | 882.7   | 668.5   | 693.8   |
| Non-interest-bearing liabilities                    | 432.4   | 538.3   | 477.0   | 416.2   | 475.0   |
| Total assets  | 2,113.8 | 2,386.7 | 2,224.3 | 1,641.1 | 1,806.6 |
|   |         |         |         |         |         |
| Enterprise Value                                    | 1,174.3 | 1,092.3 | 2,174.8 | 1,797.7 | 1,652.9 |
| Risk capital, MSEK                                  | 793.6   | 907.7   | 888.5   | 572.1   | 692.9   |
| Capital employed, MSEK                              | 1,602.5 | 1,721.0 | 1,682.0 | 1,150.5 | 1,306.6 |
| Net debt, MSEK                                      | 837.4   | 843.3   | 817.5   | 594.1   | 669.4   |
| Average number of outstanding shares (in thousands) | 9,765   | 9,765   | 9,537   | 8,370   | 8,370   |

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

|                                |       | ,     | '     | ,      |       |
|--------------------------------|-------|-------|-------|--------|-------|
| Key ratios                     |       |       |       |        |       |
|                                | 2009  | 2008  | 2007  | 2006   | 2005  |
| Operating margin, %            |       | 0.7   | 11.1  | -0.4   | 6.2   |
| Profit margin, %               | -5.5  | -1.6  | 9.0   | -1.6   | 5.4   |
| Gross profit/Added value, %    | 33.0  | 36.7  | 46.2  | 37.9   | 34.7  |
| Capital net sales rate, times  | 0.8   | 1.0   | 1.1   | 1.2    | 1.1   |
| Equity ratio, %                | 36.2  | 36.8  | 38.9  | 33.9   | 35.3  |
| Risk capital ratio, %          | 37.6  | 38.0  | 40.0  | 34.9   | 38.4  |
| Interest coverage ratio, times | -1.8  | 0.4   | 5.5   | -0.4   | 5.5   |
| Debt/equity ratio, times       | 1.1   | 1.0   | 0.9   | 1.1    | 1.0   |
| Return on equity, %            | -9.1  | -3.0  | 24.2  | -8.2   | 13.2  |
| Return on capital employed, %  | -3.6  | 0.9   | 16.0  | -0.7   | 10.1  |
| Return on total assets, %      | -2.2  | 1.7   | 12.0  | -0.3   | 7.5   |
| EBIT-multiple                  | -19.5 | 68.2  | 3.6   | -204.5 | 13.6  |
| Average number of employees    | 1,581 | 1,809 | 1,563 | 1,490  | 1,478 |
| Net debt/EBITDA, times         | 20.5  | 6.9   | 2.6   | 2.7    | 3.1   |

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

| Data per share                                     |             |       |        |        |        |
|--|-------------|-------|--------|--------|--------|
|  | 2009        | 2008  | 2007   | 2006   | 2005   |
| Result, SEK  | -7.57       | -2.62 | 18.06  | -5.54  | 8.77   |
| Share price at year-end, SEK                       | 34.50       | 25.50 | 139.00 | 135.87 | 111.06 |
| P/e ratio  | -4.5        | -9.7  | 7.7    | -24.5  | 12.7   |
| P/s ratio  | 0.2         | 0.1   | 0.7    | 0.6    | 0.5    |
| Dividend, SEK                                      | $0.00^{1)}$ | 0.00  | 4.50   | 2.36   | 2.36   |
| Dividend yield, %                                  | 0.0         | 0.0   | 2.6    | 2.0    | 2.3    |
| Share price/equity, times                          | 0.4         | 0.3   | 1.6    | 2.2    | 1.5    |
| Net asset value                                    | 78.35       | 89.88 | 88.54  | 62.80  | 72.00  |
| Risk capital, SEK                                  | 81.27       | 92.96 | 90.99  | 64.60  | 78.20  |
| EBITDA, SEK  | 4.19        | 12.50 | 32.65  | 25.10  | 24.70  |
| Operating cash flow, SEK                           | 4.31        | 22.24 | -24.12 | 15.90  | 2.40   |
| Cash flow from operating activities                | 5.60        | 22.24 | -24.12 | 15.90  | 2.40   |
| Average number of outstanding shares, in thousands | 9,765       | 9,765 | 9,537  | 8,855  | 8,855  |
| Turnover rate                                      | 0.45        | 0.23  | 0.36   | 0.40   | 0.44   |

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



Elanders' vision:
"We are going to be the world's
leading printing group"
Elanders' mission:
"Elanders creates effective global
print solutions"

# "One Elanders" unites the Group

#### ELANDERS' VISION AND CORE VALUES

# "We are going to be the world's leading printing group"

We are going to make Elanders the leading graphic company in the world. By leading we do not mean largest. We mean it is going to be the company that best meets customer demands on efficiency and delivery ability. We mean the company that is best at quickly adapting and automating processes to the continuous changes in market demands. We also mean the company that is best at delivering at competitive prices wherever customers desire, anywhere in the world.

Elanders' vision can be summarized in our three core values: Effective, Innovative and Responsible.

#### ELANDERS' MISSION

"Elanders creates effective global print solutions"
We help our customers to take control of their communication processes.

We believe in the printed word, naturally in combination with new media. With our expertise in brand management tools, premedia, print, packaging and distribution we can ensure effective solutions.

We know time is a critical factor for our customers' business. Elanders, one of the few printers that can really deliver global solutions for any kind of information, is determined to be the most effective.

Our customers will always be local, but their needs may be local or global. Our ambition is to make all our customers more competitive through our global solutions.

#### 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 57. Some of the most important internal measurements we are using or implementing are:

Sales and operating result per product type.

Sales and operating result per production type.

Proportion of net sales and operating results from automated order management and production steering.

Added value and added value ratio.

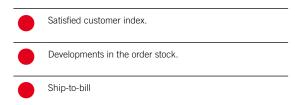
Chargeability and invoicing ratio per operating unit and employee.

Capacity utilization.

Consumption of important input goods such as paper, energy and chemicals.

Proportion of outwork.

Number of sales days in accounts receivable and stock.



#### **STRATEGIES**

Elanders' strategies to realize our goals, achieve our vision and support our mission are:



which will be the most important customer interface in the future

Develop products for future needs based on our current business

#### Create "One Elanders"

"One Elanders" is the Group's global and overriding program to ensure that the proper conditions exist to successfully carry out the other strategies. This entails speeding up the implementation of common systems and uniform processes as well as creating a common brand and processes for competence recruitment, measuring and steering. This program is in full swing. Implementation of the Group's common business system has already come a long way in Sweden and a plan for the rest of the Group is being formed. Elanders is in the process of creating our new brand and graphic profile, which will be launched during the spring. The other sections of the program have also been initiated, among them preparations for the start-up of a customer order interface for the entire Group and the creation of uniform calculation models. Eliminating the previous business areas has helped smooth the way for the program. "One Elanders" unites the Group around a shared "language" that our customers will recognize no matter where in the world they work with Elanders. We will achieve this in part by creating a homogenous terminology, which facilitates communication and sharing information within the Group. It also contributes to stimulating our employees and getting people involved. The program will run for the next three years.

# Develop local customers with global needs into global customers

Elanders has an unique position in the industry with presence in almost all of the world's interesting economic zones, which is a primary factor in why we have so many multinationals as customers. Nonetheless, marketing in Group companies is largely based on identifying and fulfilling customers' local needs. However, local customers often have global needs as well. We have not always prioritized finding ways for other companies in the Group to meet these needs. The meth-

ods previously used in the Group to measure and steer have more or less encouraged the individual companies to concentrate their efforts on services they can provide locally. By putting a global sales function in place, changing our measurement parameters and forms of compensation, and above all, by improving our information flows, all the units in the Group will begin to chart the global needs of their local customers. Naturally this also includes services that can be offered locally through the capacity and competence in some other part of the Group. For example, most of the packaging capacity and competence the Group has in China and Hungary has been used for local deliveries. This is an area where we have major opportunities to gain business in our already considerable customer portfolio as well as by working on new customers. This strategy is expected to take one or two years to implement.

## Optimize use of the Group's global production and delivery capacity

Most of Group units have similar equipment and knowhow but there is still room to improve capacity utilization. We can achieve this in part by developing an exchange of customers within the Group as well as improving our calculation of available capacity and order stock, flexible pricing and adapting our organization. Elanders' units in Sweden and Poland are now run under the same management as are the units in Germany and Hungary, which significantly increases the ability of Sweden and Germany to offer high quality deliveries at competitive prices on their home markets. Creating a flatter organization by eliminating the previous business areas also facilitates using the Group's capacity and competence in Eastern Europe and China. Another step in this direction is moving production equipment to the sites where capacity utilization is highest. This has already been done or is about to take place. For instance, equipment was recently moved from Sweden and Germany to Poland and Hungary. The Group continually evaluates new technology (for example modern digital ink-jet equipment) but the investments will only be made where they, from a Group perspective, make the most money. We are also going to take a closer look at increased specialization in our various units in order to raise quality and productivity. We have every possibility to improve profitability by more efficient use of our current capacity. We expect this strategy to be carried out within the year.

#### Automate the Group's processes and adapt to the Internet, which will be the most important customer interface in the future

Elanders has worked with many of the big customers through order portals on the Internet for years. These portals are often customized order interfaces.

The number of customers, particularly small businesses and consumers with relatively standardized needs, who order printed matter over the Internet is rapidly increasing. This is usually called W2P (Web-to-print) and means that work currently being performed





by the printer is now done by the customer who, via an order portal, decides on the design of the printed matter, pays for it and then creates print-ready material that goes directly into production. Customers can then follow the status of their orders as in most Web shops. Production and delivery is supported by a business system that handles the orders, print files and invoicing with the help of information that comes from the customer via the portal. A typical order in this case is significantly smaller but the number of orders is vastly higher.

Elanders is in the process of developing and integrating order portals with our business system in order to achieve the automation of order management needed to handle that many orders. Conventional order and project management will continue to be important in the foreseeable future, particularly for customers that need tailor-made printing. But even when it comes to conventional management fundamental processes must and will be successively automated. This is a crucial factor in our ability to remain competitive. Nonetheless we believe W2P will become more and more important and Elanders sees excellent opportunities to develop in this area over the next couple of years.

#### Develop products for future needs

#### based on our current business

Customer steered development of new offers has always been one of Elanders' strongest features and it has been one of the crucial factors in the company's development from a local Swedish company to the global printing group it is today. Sometimes our eagerness to fulfil customers' wishes has had a negative effect on short-term profitability because our existing production capacity was not suited to handle the new services. We are not going to slow down the pace of new product development. On the contrary, Elanders is going to raise the tempo but product development will, to a higher degree than previously, be based on the needs we believe our customers will have in two or three years time and take into consideration our current capacity, competence and organization. Our product development must continually address the question of how we can meet the needs our customers will have a few years ahead and what is required to do so. This does not mean, for example, that just because Elanders is not a cargo company and does not plan to become one that we will not handle our customers' transportation needs. We will always have outsourced services connected to our deliveries. However, our primary services will always be based on the capacity and competence of the Group.

#### Goals, outcome and new goals

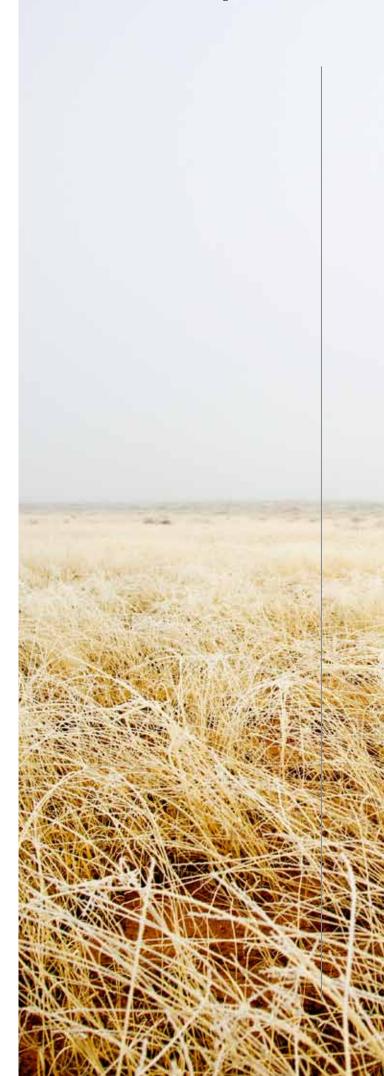
A measure of how attractive Elanders is as a customer, an investment object, supplier and employer is our capacity to fulfil the goals we have communicated externally. The table shows what has happened with the goals established in the Annual Report 2008. Elanders has divided the long-term, external goals into operational, financial, growth and sustainable goals. In the Annual Report 2008 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 37 and strategies for growth under Goals and strategies on page 23. 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 2008  | 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 prioritized customer segments the Group works with in these markets. | The Group is a leading supplier to the automotive industry in the Nordic region and Great Britain, to other industry in the Nordic region and to publishers of educational material and the public sector in Sweden. In Germany and Hungary the Group is among the leading suppliers to the automotive and other industry. In some sections of consumer electronics the Group is a world leader. | Elanders will be a global printing group with a balanced mixture of operations and be a global leader in the product and service categories that the Group prioritizes |
| 2 Master Vendor® will make up at least 60 % of the Group's total net sales.  | The Group ceased to measure and define this way. Instead work was initiated to measure net sales and profitability per product and service category as well as production type. Furthermore the first steps were taken towards measuring net sales generated by automated order management and production.   | At least 50 % of net sales will be generated from automated order management and production.   |
| 3 We will not grow at the expense of profit.   | Due to the drop in the economy in 2009 none of Group operations grew.  | We will not grow at the expense of profit.   |
| FINANCIAL GOALS  |  |  |
| 4 The operating margin for the Group will<br>be 8–12 % which for the business areas<br>means: Infologistics 7-10 %, User Manuals<br>10-15 %  | Operating margin for the Group was negative due to the downturn in the business cycle. Business areas were discontinued in 2009.   | Operating margin for the Group will be 7-10 $\%$   |
| <b>5</b> A return on capital employed of at least 14 %.  | Return on capital before costs was negative as a consequence of the downturn in the business cycle   | A return on capital employed of at least 12 %.   |
| 6 An equity ratio of at least 30 %.  | The equity ratio was 36.2 % (36.8 %).  | An equity ratio of at least 30 %.  |
| <b>7</b> A debt/equity ratio of less than 1.   | The debt/equity ratio on the balance sheet date amounted to $1.1\ (1.0).$  | A debt/equity ratio of less than 1.  |
| 8 Over time investments will not exceed depreciation or 5 % of net sales.  | 72 % (57 %) of depreciation and 4.2 % (2.7 %) of net sales.  | Over time investments in production equipment will not exceed depreciation or 4 % of net sales.  |
| GROWTH GOALS   |  |  |
| <b>9</b> Net sales and operating result will increase annually 8–12 % which for the business areas means: Infologistics 7-10 %, User Manuals 15-20 %   | Net sales decreased by 20 % as a consequence of the downturn in the business cycle. Business areas were discontinued in 2009.  | Net sales and operating result will increase annually by 8–12 $\%.$  |
| <b>10.</b> At least half of our expansion will be through organic growth.  | No acquisitions were made in 2009.   | At least half of our expansion will be through organic growth.   |
| SUSTAINABLE DEVELOPMENT GOALS  |  |  |
| 11 See environmental and quality goals for 2009 on page 57.  | See achievement of environmental and quality goals for 2009 on page 57.  | See environmental and quality goals on page 57.  |

#### Comments on the goals

- 1. Elanders uniquely combines graphic expertise, a broad range of services, global presence and a strong customer base. Therefore when we say Elanders will be a global leader in the product and service categories that we prioritize it is a perfectly feasible goal. By using new technology and optimal use of the global capacity in the Group in order to make quick and efficient deliveries Elanders should be able to achieve this goal in 5 years.
- 2. Automated order management (such as W2P and EDI) and production steering are crucial for future competitiveness and profitability. The goal, which can be seen as an intermediate goal, can realistically be achieved in 3 years.
- **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.
- **4.** The operating margin goals are expressed within the interval within which operating margins can be expected to vary at different times in the business cycle. Achieving 7-10 % is still realistic in the long term, but the present situation in the world economy and the uncertainties in the current year need to be considered in this context.
- **5.** To achieve the goal of 12 % in 3 years is still realistic in the long term, but the present situation in the world economy and the uncertainties in the current 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 4 percent of net sales over time. The goal is therefore still realistic in the long term.
- **9.** Growth goals are based on the different operations' various prerequisites. The goal to achieve this in 3 years is still realistic in the long term, but the present situation in the world economy and the uncertainties in the current 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.
- **11.** The environmental and quality goals are found on page 57.





Currently many customers face great demands to rationalize their operations. Elanders assists in making processes such as information and distribution processes more efficient.

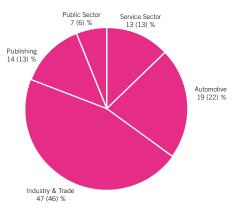
# Cost-efficient information processes

Elanders creates value for the customer by rationalizing and relieving parts of or their entire publishing process. Customer value is mainly created by producing printed matter and packaging along with related services. This means that the focal point is not in the actual printing but in the customer's processes in handling a publication, which comprises printed matter, packaging and distribution. The more of these processes we take over, the more value we can create for the customers and ourselves. Therefore it's important to form a relationship where we progressively understand the customers' business and can identify new needs. This is particularly true in smaller companies and for consumers, areas in which Elanders plans to steadily increase our market share and broaden our offers.

#### THE GROUP'S PRIMARY BUSINESS

The Group's business consists in part of single services such as the production of printed matter and packaging or database solutions and in part a combination of services which almost always include printing. The latter contains a varying number of services and we take total responsibility for printing with tailor-made related services that save customers time and money. We help the customer to 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, in which media and in which part of the world 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, specialized 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 distribution at a later date. For a car-maker that needs an instruction manual we have to produce different 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. Elanders makes things simple, trouble-free and gives

#### SALES PER CUSTOMER CATEGORY 2009





customers relief. This contributes to lower costs for information management.

It also ensures quality by requiring fewer suppliers. Through it Elanders becomes a strategic partner instead of a mere supplier.

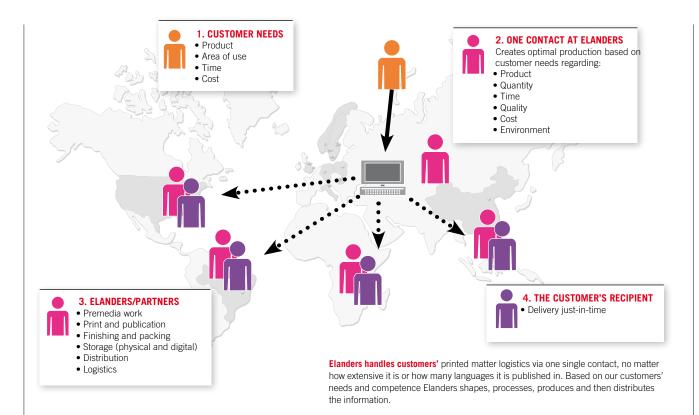
THE GROUP'S MAIN CUSTOMER CATEGORIES So far Elanders has focused on five main customer categories: Publishing, Service Sector, Automotive, Industry & Trade and Public Sector. Allocation of Group net sales between the customer categories is shown in the figure on the previous page.

Publishing customers are characterized 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 therefore they have highly specialized personnel that are very familiar with the graphic industry and printing prices. Therefore publishers have historically only been slightly interested in outsourcing more publication-related services. Recently however, many different publishers have shown a growing interest in such services. Still Elanders' deliveries to publishers are usually printed matter production only. Elanders' goal is to continue to develop affiliated services together with publishers but also to increasingly offer production in low-cost countries.

Most of our other customers are large companies in automotives, consumer electronics, the engineering industry as well as banks and insurance companies. The public sector, smaller companies and consumers belong to this group as well. For these customers the cost of producing printed items and packaging is usually minor in relation to the total consumption or cost of the products or services they provide. Although the procurement process is handled very professionally by the companies and organizations, purchasing printed matter and packaging is not part of their core operations but a necessary part of their publishing need in order to be able to communicate effectively with their customers. 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 specialized external players - as few as possible. A large part of the Group's combination business is performed for this customer category, and it also offers the greatest opportunities for growth for Elanders, particularly smaller companies and consumers. Our goal is to offer competitive multi-language and multi-national deliveries of printed matter and packaging to the latter group of customers as well through our Web-based order interfaces, more automated order management and our global organization.

#### SETTING PRICES

Printing production as a sole service is basically a commodity under constant price press. It is hard to motivate



a higher price with graphic quality when all the players in the industry have access to the same equipment and competence.

Price differentiation must therefore be built on other things that are not strictly part of the printing process such as 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 colors, type of binding and number of copies. The price is usually given for the entire edition. Price per piece falls as the number of copies rises. For an experienced purchaser it is a relatively uncomplicated procurement where the bids are easy to compare with the current rates on a transparent market.

Digital printed matter usually has a price per piece based on the cost per "click" in the often rented digital presses.

The market for the combined services is a completely different story. Each job is unique in size and content. Here it is more a matter of the customer analyzing 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 publica-

tion 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 combined businesses 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 106,000 orders (approx. 138,000) in 2009. The average value of an order was SEK 17,000 (approx. SEK 16,000). Around 89 percent (around 88 percent) of Group revenue in 2009 was conventional print production, either as a sole product or part of a combined deal. Other services made up the rest.



Christine Näsholm, Procurement Manager Electrolux Europa and Daniel Hanngren, Head of Technical Documentation, Electrolux Vitvaror Europa.



#### Facts Electrolux

Electrolux is a world leader in household appliances and equivalent equipment for professional use. Consumers buy more than 40 million Electrolux products in 150 countries each year.

Electrolux' product range contains refrigerators, dishwashers, washing machines, vacuum cleaners and stoves from well-known brands such as Electrolux, AEG-Electrolux, Eureka and Frigidaire. In 2009 Electrolux had net sales of SEK 109 billion and 51,000 employees.

Facts about Elanders' work with Electrolux on an annual basis

- 1.2 billion pages
- 34 million manuals
- Daily deliveries and print-on-demand
- Elanders' printing hubs are placed in Hungary, Italy, Poland and Sweden.

# An exceptional changing process

When the global consumer company Electrolux changed its entire process for production of manuals in Europe Elanders accepted the challenge.

### **Electrolux**

Christine Näsholm and Daniel

Hanngren are in charge of the changes in the production of manuals and other user information at Electrolux in Europe. Previously the company's 21 factories had used local printers and in some cases the factory itself had a printing division.

"The right manual for the right product and at the right time is crucial to keep our production system running smoothly. Our goal was to make production more efficient, shorten lead times, increase quality and naturally lower costs. We could do this if we found an external supplier who could deliver material to all of our factories," explains Daniel Hanngren.

Over four years ago purchasing at European level was initiated but it really only addressed global players.

"We didn't expect a mainly Swedish company to be competitive in this context. Elanders had been trying to start up business with us and so we let them participate in the procurement," says Christine Näsholm.

"An important factor was that Elanders promised to adjust capacity to our shifting factory structure and that the company's employees were flexible and sensitive to our specific demands."

We are players on a market where the competition is tough and margins are small," states Christine Näsholm. Discussions resulted in a three-year agreement that expired in 2009.

One of Electrolux' demands was 24 hour deliveries, regardless of which factory in Europe placed the order. Implementation of a unique supplier was a big job for

both Electrolux and Elanders. A completely new supplier and production system needed transparency and the work method became more of a joint venture than a traditional customer/supplier relationship.

When the time came for a new three-year agreement Electrolux went out with a new procurement.

"Electrolux' focus has always been on getting the best price, good quality, high delivery reliability and the possibility to rationalize our internal processes in product development and production," says Daniel Hanngren.

Elanders was chosen once again and an agreement for 2010-2012 was signed. For the new contract period Elanders, together with Electrolux, chose four printing hubs in as many countries that provide material for all of Electrolux' factories in Europe. On an annual basis this means producing 34 million manuals and more than 1.2 billion pages!

"Elanders has proven that the company is able to come up with innovative solutions and that it has dedicated employees. We're also pretty sure that although the demands in the agreement are high, they have developed both Elanders and Electrolux. We want our suppliers to be winners too. This is good for Electrolux in the long run," say Christine Näsholm and Daniel Hanngren.



# Packaging print is one of the driving forces in growth

The global market for commercial printing has had a fairly even development between 2004 and 2009 and this trend is expected to last in the years to come. The average annual growth rate is around 2.5 percent. In 2009 the world market for graphic production was estimated to nearly USD 410 billion (about SEK 2,900 billion) and if the trend lasts it would amount to USD 445 billion (about SEK 3,200 billion) in 2012. Currently the market is divided into roughly equal thirds between Europe, Asia and the Americas. Growth is driven mainly by developments in Asia. In Europe and North America relatively little growth is predicted with the exception of digital print, while offset will probably decline.

Of the total market for commercial printing about 40 percent consists of sheet-fed offset and digital printing which are Elanders' main production methods. Almost two thirds of the global market consists of the kind of products that Elanders produces while the rest is news and magazine print. Considering that the latter are mainly produced with other methods it is reasonable to assume that about half of the global market is available to Elanders with the present capacity and competence.

Even if prerequisites for markets differ somewhat between different parts of the world there are a number of clear global trends.

Offshore production for Western Europe and the US in countries with lower cost levels in Eastern Europe and Asia is on the rise.

- On-demand marketing through social media, search-word technology via the Internet and mobile applications underline the shift from mass communication to increasingly individual and recipient oriented communication.
- Companies have an increasing need to communicate actively and personally with customers (so called one-to-one marketing), which creates a greater demand for personalized digital print connected to interactive Web interfaces (W2P).
- Internet will continue to break down the geographical barriers making it easier for customers to choose suppliers based on a comparison of prices, speed and flexibility.
- Digital printing will have the fastest growth in Western Europe and the US and other parts of the world since it's the only production method where it is possible to use variable text and images at the same time.
- 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 to reduce time-to-market.
- Globally offset production, excluding Asia and Eastern Europe, will not noticeably grow and it's a diminishing part of the total printing production in the world.
- Interest in eco-friendly printing will increase.
- Short printing assignments (small editions) and packaging print are expected to have the best growth potential in the future.
- Purchasers of printed matter will become less and less interested in the choice of production technology this will increasingly become a matter for the printers in which time, cost-efficiency and relevance will decide the choice of production method.
- The graphic industry's consolidation will accelerate towards large comprehensive and small niche players, while it will become increasingly difficult for middle-sized traditional printers to compete.

|               | Information,<br>office & marke-<br>ting material | Packaging | Manual & produc information | t<br>Photo products | Books,<br>magazines &<br>catalogues | Online<br>services | Arts & Graphics<br>services | Personalized print | Fulfilment | Storage & distribution |
|---------------|--|-----------|-----------------------------|---------------------|-------------------------------------|--------------------|-----------------------------|--------------------|------------|------------------------|
| Brazil        | X  |           | Х                           |                     | Х                                   |                    |                             | Х                  | Х          | х                      |
| China         | х  | Х         | Х                           |                     | Х                                   |                    | Х                           | Х                  | Х          | Х                      |
| Germany       | х  |           | Х                           | Х                   | Х                                   | Х                  | Х                           | Х                  | Х          | Х                      |
| Great Britain | х  |           | Х                           | Х                   | Х                                   | Х                  | Х                           | Х                  | Х          | Х                      |
| Hungary       | х  |           | Х                           |                     | Х                                   |                    |                             |                    | Х          | Х                      |
| Italy         | Х  |           | Х                           |                     |                                     |                    |                             |                    | Х          | х                      |
| Norway        | х  |           | Х                           |                     | Х                                   |                    | Х                           | Х                  | Х          | Х                      |
| Poland        | х  | х         | Х                           |                     | Х                                   |                    |                             |                    | Х          | Х                      |
| Sweden        | Х  |           | Х                           |                     | Х                                   | Х                  | Х                           | Х                  | Х          | Х                      |
| USA           | Х  |           | Х                           | Х                   | Х                                   |                    | Х                           | Х                  | Х          | Х                      |

#### DEVELOPMENTS ON ELANDERS' MARKETS

We recognize the global trends on the markets the Group is active in today and a few more for our larger customers:

- Fewer and larger suppliers desired.
- Customers want to concentrate on core operations.
- Purchasing decisions are being made higher up in organizations and have become management issues. The larger customers give their global purchasing departments more and more influence.
- Deliveries have to be just-in-time.
- Increasing demand for help with the entire supply chain for publishing, including packaging one stop shopping.
- 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 customer categories Elanders is active in has dropped by SEK 2 billion to around SEK 15 billion in 2009. Demand weakened considerably in the first quarter but levelled out in the autumn. Printed matter consumption is turning more and more towards four-color products suitable for sheet-fed offset and digital printing. Editions are shrinking but the bulk and publishing frequency of an item is increasing. Demand for printed matter from

industries shrunk during 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 hastens structural changes. The service content in graphic production is growing and customers more frequently seek low-cost alternatives to printing. Interest in rationalizing 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 2010 associated with the effect of developments in the economy and interest rates on employment and demand. We do not expect any further decrease in demand from the section of industry that caters to the consumer market.

#### **EUROPE**

The total European graphic market amounts to approximately SEK 1,500 billion and has a yearly average growth of less than 1 percent. The growth can be found in packaging print, offset in Eastern Europe and digital printing while offset printing is decreasing in Western Europe due to capacity-related drops in prices as well as actual volume reductions.

Western Europe still represents almost 90 percent of the European market and the largest market Western European market is Germany, (about 20 percent of the European market) followed by Great Britain, France and Italy. The Eastern European market has a considerably higher growth rate than Western Europe but most of this growth originates in offshore production

|   | Xerox – Office/production<br>(US)   | Edita<br>(FI)   | RR Donnelley<br>(US)   | Strålfors Svenska AB<br>(SE)  |
|---|---|---|--|---|
| Elanders' customer categories where we meet | Industry & Trade,<br>Service Sector   | Industry & Trade,<br>Service Sector                                 | Industry & Trade   | Service Sector  |
| Major strengths                             | Full service solutions,<br>Digital printing   | Offset print,<br>Digital printing,<br>Distribution<br>Communication | Global Web offset,<br>Digital printing   | Document flows,<br>Smart cards,<br>Logistic services  |
| Concentration                               | Document management,<br>technical and consulting<br>services/outsorcing as well as<br>comprehensive solutions in<br>the industry. | DM/DR solutions,<br>Marketing material/<br>communication            | Focus on printing books,<br>magazines directories,<br>ads and labels.<br>Distribution services also. | Covers document flows<br>with associated logistics.<br>Acquired by the Swedish<br>Post Office 2006. |
| Net sales (MSEK)                            | 69,548  | 1,100   | 70,478   | 2,079   |
| Pre-tax result (MSEK)                       | Unknown   | 351)  | 665  | 131   |
| Financial figures for                       | 2009  | 2008  | 2009   | 2008  |
| 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

#### for West European countries.

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 and their integration, 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 in Eastern Europe are still growing.

Digital printing is rapidly becoming the most important technology in the trade, putting pressure on conventional players and abetting the successive disappearance of offset equipment from the Western European market. The digital market shows an average annual growth rate of a little more than 3 percent. Companies have realized 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 personalized 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 color management in digital print. Furthermore, digital printing is the only technology that enables efficient orders through a Webinterface for products that are created by the customer in templates, such as office material, photo books, etc.

The following trends have been noted in the European market:



The European graphic industry is fragmented. 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 product area in the European market and represents almost a third of the total market in the area. This area is considered to have the greatest growth potential in the near future.



Four-color 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 product area 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 photobooks 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 the ability to offer global solutions through a customized 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 is estimated to have an annual growth of 10 percent during the next few years and it is expected to reach SEK 500 billion in a few years. Almost 75 percent of the market is in southern and eastern China. Although there is no clear picture of the competition it is believed that there are close to 200,000 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 gain a position in this market as well, which is believed to be the quickest growing market in the world during the next few years.

#### USA

The graphic market in the US is estimated at SEK 1,000 billion. 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 US will primarily stem from deliveries to the Group's existing and potential global customers.

#### LATIN AMERICA

The Latin American market amounts to more than SEK 200 billion. The two largest markets are Brazil and Mexico, which together are estimated to represent 80 percent of the entire Latin American market. Books are 60 percent of the Latin American market but packaging print is driving the market as well. The market in Brazil is estimated at SEK 90 billion and it is the market believed to have the largest growth rate in the area. The development of Brazil and other Latin American countries creates a growing demand for educational material and magazines and the rising living standard keeps domestic consumption thriving and stabilizes the demand for vehicles and consumer electronics. Brazil's hosting of the 2014 FIFA World Cup and the Summer Olympics in 2016 are other positive driving forces.

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 the different operations. It varies between different customer categories, 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.

In Sweden Strålfors (The Swedish Post Office) is pretty much the only company the same size as Elanders. Sometimes we compete against them in bidding for big projects that contain, for example, digital printing, so called smart cards and document flows. Elanders has an advantage with a unique graphic expertise and access to efficient offset production. We are the absolute leaders in after sales information to major industrials like the automotive industry.

In automotives abroad our competition is usually customers' internal units for publishing and local, smaller printers. Elanders has a head start through 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 thanks to assignments from the Swedish Parliament and the government but we have competi-

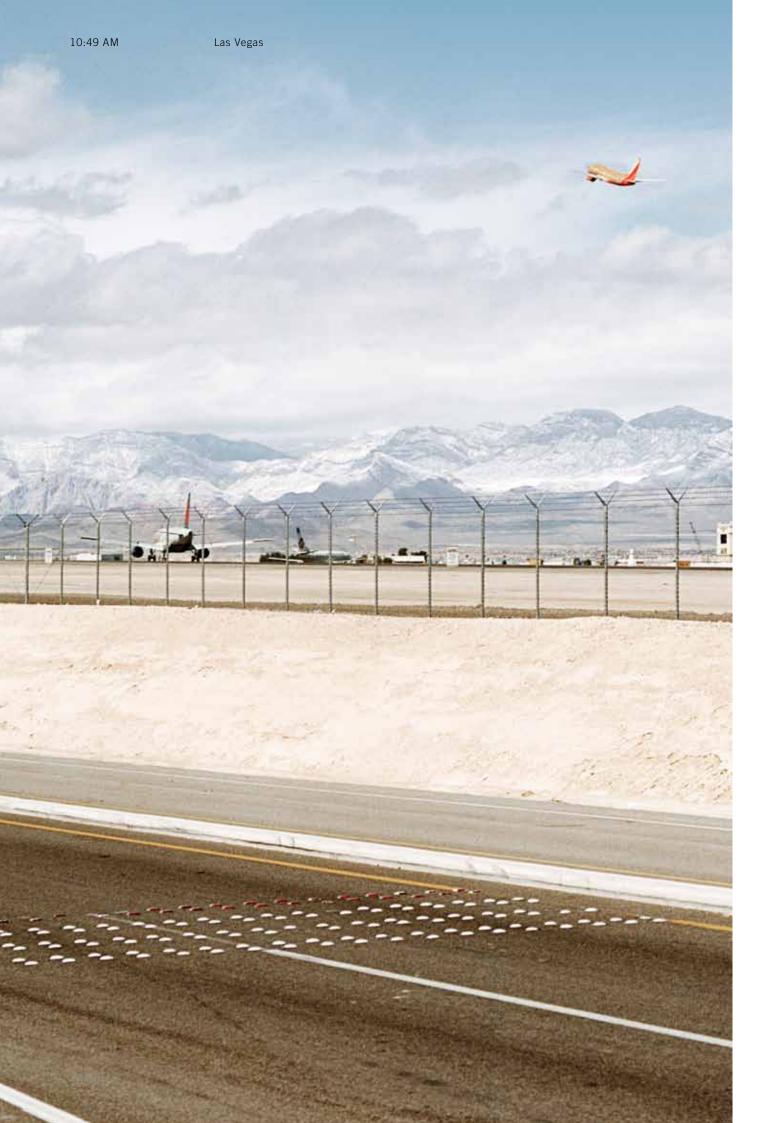
tion from Edita and Intellecta. Once again capacity, technology and long experience are our greatest competitive edge. We are practically the only company in Sweden that can cross country borders to provide large companies with full-service solutions that contain both printed matter and packaging as well as other services. In the Nordic region we find Hansaprint and Edita/ Citat in Finland. Hansaprint offers a highly modern production of magazines for publishers and manuals for industry but it's also getting into W2P and one-toone communication. Elanders has come the farthest in internationalization and can offer publishing in lowcost countries. In Great Britain we meet companies like Pindar in industry and publishing and Wyndeham Westway in automotive. In Germany we run into companies like Infowerk, Victor Bück and Bosch Druck in automotive and the industry. In the Nordic region we also face different W2P players specialized in consumers and smaller companies.

In our international expansion together with multinational industrials, particularly in just-in-time production of manuals and other after sales information, we compete with RR Donnelley and Xerox. However, 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, profile and advertising agencies, communication firms like Citat, translation companies, photo agencies, Web firms and suppliers 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 the graphic expertise and with our broad customer base we cover the entire value chain. In the packaging industry we meet Stora Enso, Frontpac, SCA and Inpac.

#### 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 39 shows some of our major competitors in an attempt to gauge their strengths and shares in mutual customer categories and geographic markets.



Kidal

## The development trend remains

#### CIRCUMSTANTIAL RISKS

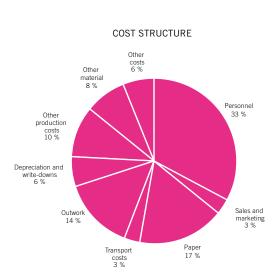
#### The future of printed matter

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. The major part of this increase will consist of packaging and digital printing. Printing capacity in the Western Europe and North America will exceed demand for some time, which will keep prices for printed matters produced with offset technology low, or even lower the levels.

Digital printing will continue to grow due to its flexibility, potential for customization and natural connection to W2P. New players are entering the arena to increase the content in their services, such as print service brokers, packaging producers and logistics companies. Elanders is in the vanguard of change with a broad range of products, services and customer steered product development. Growth in offset print will take place in Eastern Europe, Asia and Latin America while the rest of Europe and North America will decline to a certain extent. Digital print and packaging will be the source of growth in these countries. Elanders' position as a major digital player in Europe and our competitive offset capacity in Eastern Europe and Asia is right in line with this development. The Group's work on W2P is also geared towards this development.

#### Business cycle sensitivity

The greatest business cycle sensitivity is in Group operations that supply printed matter, packaging and



other services to our customers in industry, particularly automotives and consumer electronics, as well as advertising financed products to publishers. Other units supply customers that are relatively unaffected by business cycles such as publishers of educational material and the public sector. We work consciously to reduce the influence of business cycles on our company by expanding our customer base with smaller companies and consumers. This is another area in which the Group's work on creating a W2P interface for ordering standardized printed matter is crucial.

#### Structural sensitivity

Growing competition from low-cost countries is a structural threat. The competition in the offset market for conventional printed matter in Western Europe and the US is tough, which makes continued rationalizations a necessity. Increasing our ability to offer production from low-cost countries is crucial to the future of Elanders. Packaging development and investments in digital print products with better profitability are ongoing as well as the work to optimize the use of the Group's global production capacity. During the next two years this work will be one of the most prioritized activities in the Group.

#### The Competition

An account of Elanders' competitors is given on page 39.

#### 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 result 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 0.53) would affect pre-tax result by MSEK 1 and in other currencies by MSEK 1 without forward exchange contracts. Existing forward ex-

change contracts per 31 December 2009 are reported in note 17 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 result 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 six months into 2010. This contract is being renegotiated with the ambition of prolonging it by 2 years.

#### 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 followedup. The majority of the Group's customers are large, well-known companies, authorities and organizations. The Group took out credit insurance to protect against large, unforeseen credit losses. Credit losses in 2009 totaled MSEK 3 but due to payments on receivables for which almost equivalent amounts had previously been reserved credit losses were next to null.

#### BUSINESS RISKS

#### Customer concentration

During 2009 the Group's ten largest customers represented some 36 percent (37 percent) of net sales and the 50 largest customers stood for 64 percent of net sales (64 percent), which is shown divided into customer categories on the diagram on page 31. At the beginning of 2009 the Group had around 3,400 active customers.

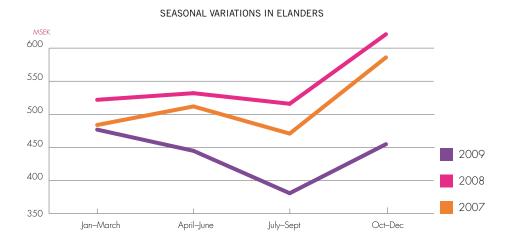
#### Functional risk

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 17 percent of operating costs. The Group consumed some 36,000 tons of paper during 2009. The Group protects itself in part against price fluctuations through a paper price clause in contracts with our customers.



#### PERSONNEL COSTS

Direct personnel costs make up around 33 percent of operating costs. The sick pay reform in Sweden meant that changes in the Group's health ratio had a direct effect on the result. Developments in the Group's health ratio are presented on page 63.

#### **ELECTRICITY COSTS**

The Group consumes around 28 GWH of electricity annually. The risk that fluctuations in the price of electricity will have a negative effect on the result is minimized by active portfolio management where some of our future need is guaranteed at a certain price. This takes into consideration seasonal variations and utilizes 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 minimize the risk of disputes Elanders normally uses the contracts prepared by our trade organizations. For example, ALG 10 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 47.

#### SENSITIVITY ANALYSIS

In note 17, page 94, under the heading Sensitivity Analysis there is a summary of an analysis of how some of the variables described above would have affected Group results after net financial items in 2009 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.



Elanders' customers are all local with local or global needs. Our goal is to make our customers more competitive through our global solutions.

## Networking – an important contribution to "One Elanders"

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 62 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 people 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 Executive Management. It coordinates 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. Last, but not least, it also means creating automated processes that effectively support business through order management and production.

Elanders has packaged a number of offers that separately or in combination, create added value while internal development can be efficiently and appropriately organized. Almost all development of products and services comes from close collaboration with our customers, based on an order and connected to a customer project.

The many solutions we have developed for our customers over the years have been systematically collected in a platform under the supervision of the Group's R&D Manager. The platform 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 the Group R&D Manager who then reports to the Executive Management. It's 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 the platform. 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 the systems that manage our customers' publishing processes.

#### SALES AND MARKETING

Marketing is handled by the heads of marketing in each country and steered by the guidelines given by the Executive Management. It is coordinated in a sales and marketing group with representatives from every company. The Group communicates continuously and meets in workshops where information and experience from customers are shared in order to create offers across borders.

#### **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 consisting of companies' purchasing managers, each one focused on a specific product and service area. Their work is coordinated by the Group Sourcing & Procurement Manager 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 62, 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 operative supervisors that, based on business plans, identify available and relevant expertise as well as the need for development and supplements in the various customer categories and units. The Group's intranet is used avidly and systematically to exchange knowledge and experience.

#### **TECHNOLOGY**

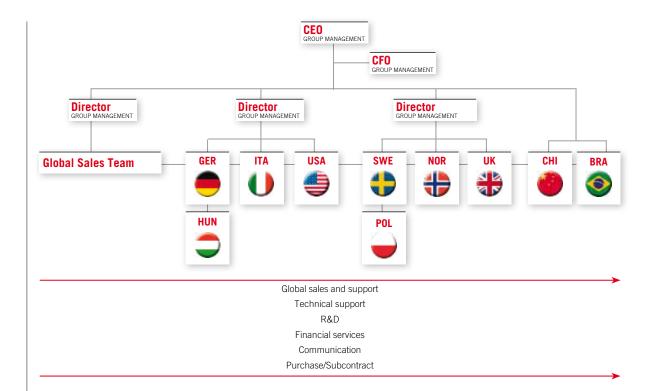
Technology is managed by specialists in the operative units. The specialists' experiences and expertise is shared through databases connected to the Group's intranet and is regularly used by those responsible for purchasing and who manage the Group's supply of production equipment.

#### 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 57. We are in the process of organizing a similar harmonization 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 54. An important activity is the evaluation of adaptation to ISO standards for commercial offset print, which includes control of color 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 con-



solidated financial reporting. Nonetheless, as existing systems are replaced Elanders strives to install uniform applications for internal administrative routines and above all to introduce a common business system that will become the hub of Group operations.

Work with IT matters in the operative units is supported by a team for the entire Group that coordinates IT with the rest of business development. The team consists of representatives from the Group's larger operative units and is managed by the Group R&D Manager as well as the Group IT Manager who, together with the Executive Management, form the goals for this work. The team which convenes when needed at meetings where minutes are kept, works to improve and coordinate the Group's IT. The team is also responsible for, in cooperation with the purchasing network, procuring hardware and applications. During 2009 the IT team 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 9.

#### 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, Head of communications and the 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 in-

tranet 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 analyzing 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 a global printing Group. In the spring of 2010 the Group will launch the new brand that embodies Elanders' vision, strategies and core values. The new brand includes a new logotype and a new graphic profile.



## Continued commitment to the environment and CSR

Even if many companies all around the world have been affected by the financial crisis and the subsequent downturn in the economy environmental issues are still a prioritized area. The same goes for the interest in the Code of Conduct, how companies define their ethical position vis-à-vis employees, customers and the society. In this context the concept Code of Conduct is a part of the more comprehensive CSR, Corporate Social Responsibility, i.e. how a company takes responsibility for its operations from a financial, environmental and social point of view.

The international concern about carbon dioxide emissions and emissions of other greenhouse gases that impact the climate, puts pressure on companies, organizations and decision-makers to act. Seen against this background it was a great disappointment for many that the international United Nations Climate Change Conference in Copenhagen, COP15, produced so few results. Power politics prevailed and the outcome was a weak political declaration.

However, the outcome of COP15 in December 2009 does not halt the current trend. Companies have to adapt their operations to accommodate future emission limits as well as customers' and consumers' demands on sustainable development. At the same time a number of social deficiencies in different countries have been spotlighted. This contributes to companies having to motivate their presence and how they live up to certain basic human rules (Code of Conduct). In short, the growing social commitment to sustainability issues puts higher demands on Elanders.

Elanders influences society in matters of equality and environmental issues. Our employees and external parties are interested in learning more about the company's ambitions in these areas. For years Elanders has been deeply involved in working with different environmental demands. Using certified forest products and reducing transportation for positive environmental effects are some examples of what has been done.

Elanders in China is one of the few printers in China certified for OHSAS 18001. This took place in 2009. It is an international standard and certification for management systems in the working environment. The standard suits all companies and organizations that want to work preventively with health and safety risks. The management system handles and provides support for identifying and following laws, identifying and handling risks, goals, programs that ensure continuous improvements and management reviews through monitoring and follow-up of the system's functionality. Through this certification Elanders gives proof to our customers that they have a serious supplier in China.

An increasingly important issue has been how Elanders plans to adapt the company in the long-run to future, tougher emission regulations and progressive ethical limits. Another important aspect is what kind of competitive advantages the company can gain as a printing Group that received environmental certification early on.

Investors have become increasingly interested in this area in the last few years since the stock market more and more clearly sees a parallel between the way a company handles sustainability issues and the long-term financial result. Since a company risks becoming contaminated by problems experienced by subcontractors, the company may have to move production from one country to another if the subcontractor receives a bad reputation. This can lead to large correction costs. That is why investors need guidance from the companies they invest in regards to the most probable risks and the effect they can have on profits.

## New tool for climate calculation

Higher demands are regularly made to specify which sustainability goals Elanders has established, and which processes and policies we plan to use to achieve these goals.

Work with a structured process for sustainability, which was initiated in 2008, has not been prioritized due to the downturn in the economy in 2009. However, even if the process is not finished Elanders has still completed a number of projects and continues to work for increased environmental awareness among employees and customers. Here are some examples.

Elanders in Germany and Sweden have access to nationally adapted tools for the calculation of greenhouse gas emissions from the production of printed matter. In Germany this tool has been developed by the national graphic industry organization and in Sweden it was developed in a thesis at Chalmers University of Technology. Climate calculations are used so that customers can make the best possible choice from an environmental point of view and climate neutralize printed matter through the purchase of certified carbon offsets.

Greenhouse gas emissions from the production of this Annual Report have been calculated using this tool. Emissions from paper and ink production, consumables, production process and transports are taken into the calculations. The emissions from this Annual Report, amounting to 6 ton CO2, have been compensated through the purchase of carbon offsets in the CDM project Sri Kalyani in India. The project enables the replacement of fossil energy by renewable energy through the use of waste from rice cultivation as fuel for electricity and high pressure steam production. The project meets the high demands on measurable reductions of CO2 emissions as well as positive social effects such as jobs, fi-

nancial growth and technical development in the region.

Otherwise all companies have had a clear focus on costs resulting from quality defects, which is one of Elanders' goals for 2009. Another goal is that Elanders will have at least 80 percent environmental company cars within two years. At the end of 2009 the percentage of environmental cars was 59 percent and the goal can be fulfilled in 2010.

Retrenchment demands in the Group in 2009 have put larger focus on reducing consumption of energy and raw materials. We will continue our climate work in 2010 following our strong conviction that better quality leads to environmental and competitive advantages.

Customers' interest in and demand for FSC (Forest Stewardship Council) certified printed matter is growing every year. More and more companies in the Group can offer FSC marked products. Only two companies remain to be certified in 2010. In addition, Elanders in Germany and Elanders in the USA offer customers an "environmental package".

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. We are also working on centralizing servers, storage and back-up. Fewer computers mean lower environmental impact. Energy conserving products are prioritized. Elanders participated in the 2009 Göteborg Book Fair together with SIS Miljömärkning in order to promote the ecolabel "the Swan" (Svanen).



## Environmental consideration in everything we do

Unflagging environmental work requires a common focus throughout the organization. The company's mission 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. Our overriding goal is to minimize 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 the ecological footprint.

## ELANDERS' ENVIRONMENTAL AND OUALITY 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. If possible this group meets once or 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 as well as internal education. 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 even on a global level.

Considering the increasing amount of global business this cooperation is becoming more and more important.

#### **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. These differences stem from both cultural and legal differences. There are differences in how much solvents can be consumed without a permit as well as the level of solvent emissions. Differences in equipment and production mixes create different conditions. For example, the number of copies determines the need for cleaning, which in turn decides how much solvents are used.

#### CERTIFICATION

- In 2009 the work to be certified was initiated at Elanders in Brazil. Certification according to ISO 9001 and ISO 14001, as well as FSC certification, are expected to be completed in 2010.
- Elanders in the USA is now ISO 9001 certified
- Elanders China achieved ISO 18001 certification and has initiated work on FSC certification which is expected to be finished in 2010.
- In 2010 Elanders in Sweden and UK will continue work on graphic production certification according to ISO 12647-2 (Graphic technology and Process control).
- Elanders in Poland initiated FSC certification in 2009 and is expected to finish in 2010.

#### **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 the 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 Forest Stewardship Council (FSC) has grown enormously. FSC is an international organization that promotes environmentally friendly and sustainable forestry.



Elanders is also a down-to-earth environmentalist. We are a Nordens Ark sponsor for the endangered fire-bellied toad.

#### ENVIRONMENTAL IMPROVEMENTS DURING THE YEAR

Measures to save energy have been taken in several companies, for instance Elanders in Newcastle has replaced lighting fixtures. Elanders in Mölnlycke has optimized machine utilization.

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 continues to be a climate neutral company. Compensation for remaining emissions is made by financing a project in India for small-scale production of electricity from agricultural waste.

Virtually all companies have reduced or unchanged amounts 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.

#### COOPERATION OVER BORDERS VIA IPN

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, something which is beneficial for the environment. Around 190 organizations are members of the network located on six continents. The regulations for membership and cooperation are rigor-





ous in order to guarantee the quality of work methods, information transference and product quality.

This collaboration has given Elanders contacts which make it possible to, for instance, reduce transports.

Printing assignments have been produced in, for example, US for local delivery, instead of printing in Sweden and transporting the material. In addition to reducing transportation this drastically reduces lead times.

Elanders also holds seminaries for their customers concerning environmental issues.

#### JUBILEE FOR THE GÖTEBORG AWARD

Elanders strives to achieve positive effects for the environment through cooperation with others. For example, Elanders is the one of the companies that together with the City of Gothenburg supports the international Göteborg Award for Sustainable Development. The laureates share one million Swedish crowns equally.

In 2009 the award was given to three people. The first one was Anna Kajumulo Tibaijuka, Tanzania, the Under-Secretary-General of the United Nations and the Executive Director of the UN-HABITAT, the world organization's settlement program. She received the award for her unrelenting work for socially and environmentally sustainable cities all over the world.

The second was Enrique Penalosa, Mayor of Bogota 1998-2001 who received the award for his innovative battle to transform Colombia's capital – formerly one of the planet's most chaotic urban environments with its slums and smog – into a model of sustainable, democratic city planning.

The third laureate was Sören Hermansen who received the award for his enthusiastic leadership in the Samsö Project. In ten years the Danish island succeeded in becoming completely self-sufficient through ocean-based wind generators as well as a number of district heating power plants driven by burning hay or wood chips.

The Göteborg Award was awarded for the tenth time. In connection to the jubilee a jubilee book was published, "Winning sustainable development". Elanders was entrusted with designing and producing the book. The text was written by the biologist and author Stefan Edman, who was also the Award Jury Chairman since it was founded in 2000.

#### **INCIDENTS**

No major incidents or accidents have taken place this year.

#### **FUTURE**

In the coming years all Swedish units will calculate their total carbon dioxide emissions. More and more fine-tuned instruments are being developed. In cooperation with Chalmers, Elanders has developed a tool that can calculate carbon dioxide emissions from the production, material and transportation of printed matter. The climate calculation helps to optimize production and transportation in order to reduce the environmental impact and provides the information necessary to make printed matter more climate neutral through the



#### Environmental and quality goals

| Goals for 2009   | Achievements of goals 2009  | Goals for 2010   |
|--|---|--|
| All companies will work towards reducing costs due to short-comings in quality.            | The goal has been met. All companies have worked towards reducing their costs, though no all have reached their local goals.  | All companies will work towards reducing costs t due to short-comings in quality.  |
| All companies will work towards reducing costs due to short-comings in quality.            | The goal has been met. All companies have worked towards reducing their costs, though not all have reached their local goals. | All companies will work towards reducing costs due to short-comings in quality.  |
| Half of companies will calculate their carbon dioxide emissions.                           | The goal has not been met. Three companies have calculated their emissions.   | Half of the companies will calculate their carbon dioxide emissions and at least two will achieve carbon neutral status.   |
| All companies will work along the lines of the 5 S concept.                                | The goal has been met.  |  |
| Percent of environmental company cars shall be at least 80 % within two years (2008-2010). | Elanders has 59 % environmental cars.<br>The goal has not been met.   | Same goal for 2010.  |
| All production companies will offer FSC certified printed matter by 2010.                  | The goal has almost been met.<br>Two companies will be certified 2010.  | Same goal for 2010.  |
| All companies will work with goals to increase customer satisfaction.                      | The goal has been met.  | The companies will benchmark each other to compare customer satisfaction.  |
|  |   | At least two companies will work with ISO 12647-2 (Graphic technology - Process control for the production of half-tone color separations, proof and production prints.) |
|  |   | All companies shall work towards reducing VOC emissions  |



#### Environmental accounts

|  | 2009  | 2008    | 2007  | 2006   | 2005   |
|--|-------|---------|-------|--------|--------|
| Environmentally related expenses, SEK '000   | 3,330 | 5,276   | 5,037 | 3,361  | 3,885  |
| Waste expenses and treatment   | 2,262 | 4,051   | 3,846 | 1,754  | 2,103  |
| Ecolabelling fees, net <sup>1)</sup>   | 116   | 141     | 104   | 158    | 311    |
| Fees, insurance and carbon dioxide tax   | 952   | 1,084   | 1,087 | 1,449  | 1,471  |
| Environmentally related income   |       |         |       |        |        |
| Paper waste  | 4,399 | 7,3742) | 6,614 | 10,975 | 11,081 |
| Environmentally related investments  |       |         |       |        |        |
| Investments for the purpose of minimizing environmental impact or conserving resources | 277   | 48      | 238   | 3,605  | 301    |

<sup>&</sup>lt;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. <sup>2)</sup> The presentation of income from paper waste 2008 has been updated as one item was incorrect in the last Annual Report.

#### **Environmental ratios**

|  | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|------|------|------|------|------|
| Solvent consumption, kilos per MSEK in net sales | 98   | 115  | 107  | 95   | 85   |
| Solvent consumption per ton product              | 6    | 6.3  | 6.5  | 3.8  | 2.9  |
| Electricity, kWh per ton product                 | 985  | 800  | 848  | 823  | 685  |
| Hazardous waste, tons                            | 396  | 473  | 383  | 339  | 313  |
| Hazardous waste, kg per ton product              | 12   | 12.9 | 11.4 | 5.6  | 5.4  |
| Proportion of vegetable cleansers %              | 1.8  | 1.4  | 1.9  | 1.9  | 6.1  |

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

|  | 2009  | 2008  | 2007  | 2006   | 2005   |
|--|-------|-------|-------|--------|--------|
| Financial effect of the change in paper waste through lower purchase costs, (SEK '000) | 4,074 | 7,127 | 3,996 | -3,862 | -5,669 |
| Paper waste compared with previous years, (%)  | -6.0  | -8.0  | -5.1  | 3.5    | 5.8    |

purchase of certified carbon offsets corresponding to the emissions caused by production.

#### INCREASING DEMANDS ON 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 customized 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 for more efficient production processes.

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

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

## QUALITY IMPROVEMENTS DURING THE YEAR The work to train personnel in using 5 S techniques

The work to train personnel in using 5 S techniques has continued in all of the Group's companies. When

sources of errors and problem areas have been identified and eliminated Lean Production, in which production processes are optimized, will be initiated. Offset printing in Mölnlycke has already started working on Lean Production. A process is analyzed and measured in order to find time thieves and other waste. The results are visualized, followed-up and ideas are realized by improvement groups.

All companies have had a clear focus on the costs connected to shortcomings in quality. For example, Elanders in the USA and Elanders in Sweden have introduced weekly meetings for the division managers that follow-up deviations and improvements.

During the year Elanders in Poland has been working with 5 S and systematic improvements in order to meet high demands from customers in consumer electronics and medical technology. Improvement workshops have been held in all departments in order to identify shortcomings, risks for mistakes as well as wastes of time and material. This has resulted in action plans that prioritize improvements taking into consideration the expected effects of the actions as well as the facility or difficulty with which they can be implemented. Measures that provide good effects and are easy to implement are prioritized.

#### CUSTOMER SATISFACTION

Elanders' system in Sweden to regularly measure customer satisfaction with consequent follow-ups is currently fully functional in Sweden. The survey is done by an external company that measures attitudes of Elanders' existing customers through telephone interviews. The choice of customers is based on those that have been invoiced for SEK 50,000 or more in the previous month.

The results, that are presented on company level, can be also be presented per business team 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, and it is even higher than last year. Areas that need improving are information on deliveries, handling complaints and information to customers.

#### **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 5 S at Elanders. This is work that started at Elanders in the UK and Sweden targeting clear visualization of our work. In 2009 Elanders in Sweden introduced a new quality management system that we will continue to build on.

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

A new business system was introduced in Swedish operations 2009 and it will be fully implemented in 2010. Other global operations will be integrated step-by-step.

Through the creation of the concept and mindset "One Elanders" the Group will be able to offer print of equally high quality regardless of unit or country.





#### The Swan (Nordic ecolabel)

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





#### FSC (Global ecolabel)

Forest Stewardship Council is a certification for responsible forestry. Forest products made from lumber from FSC certified forests may be FSC labelled. This is also possible for printed matter.





#### 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.





#### Print compensation

Printing Manufacturers Association in Germany has developed a climate calculator that calculates carbon dioxide emissions for each individual product. Elanders invests in certificates that sponsor projects for recycled energy. These certificates are then offered to our customers.





Tetra Pak has produced a graphic manual for all of the company's FSC certified products.

"FSC – a logo which indicates that the producer takes its environmental responsibilities seriously can positively influence a purchasing decision".

Lena Dahl, Global Environment, Tetra Pak International



#### Facts Tetra Pak Sweden

Tetra Pak develops, manufactures and markets systems for treatment, packaging and distribution of fluid provisions. Tetra Pak's companies based in Sweden have about 4,000 employees. About 3,500 work in Lund. Indirectly 7,000 are employed in the Swedish manufacturing and paper industry through 350 subcontractors. In 2008 net sales in Sweden were SEK 16.7 billion, of which 15.3 percent were exports.

#### Facts Tetra Pak International

- Operations in over 150 countries with more than 21,000 employees.
- Net sales EUR 8.8 billion (2008).
- Number of packaging machines in use 2009 was 9,115
- Number of liters delivered in Tetra Pak packaging was over 70 billion in 2008.
- Number of packages delivered in 2008 was over 141 billion.

## An Ecolabelled Partnership

The global packaging group Tetra Pak has had a clear environmental profile since the company was founded in the 1950s. This profile has been intensified in the past few years. This also puts demands on their choice of subcontractors.



Companies that wish to become suppliers to Tetra Pak must pass an assessment in ten different areas, the environment being one of them.

"Since we at Tetra Pak have always thought about conservation in relation to our products

it's natural that we have some basic demands on subcontractors and partners. How we and the companies that we use impact our shared environment has become increasingly important," says Lena Dahl, Environmental Specialist at Tetra Pak International and responsible for forestry issues and assessment of subcontractors.

"We consider our work with the environment an important part of CSR and a clear competitive advantage in our marketing and sales to new customers and markets."

Tetra Pak has set ambitious climate goals for its own operations. From 2005 and to 2010 the Group's carbon dioxide emissions should drop by ten percent globally.

"We'll achieve our climate goal and at the same time increase production by 16 percent during this period. I know that many other companies set climate goals in relation to their production. We have chosen to reduce our impact on the environment regardless of how much production increases."

The packaging group is involved in a number of international conservation programs together with en-

vironmental organizations. The program with the closest connection to the printing industry is FCS, Forest Stewardship Council.

"Our ambition is to use FSC paper in production whenever possible. It's not "an absolute" since availability and paper quality is still limited. However, the demand for FSC paper from us and our customers is undoubtedly on the rise," says Lena Dahl.

The cooperation between Elanders and Tetra Pak's Swedish headquarters has been evolving for years. Elanders in Malmö supplies different kinds of printed matter, everything from printed external communication to internal publications such as Tetra Pak's sustainability report or manuals for the Group's process equipment.

"Tetra Pak has a tradition of long customer and supplier relationships. We appreciate Elanders' way of working with quality and environmental issues and we feel that our two companies see eye to eye. I'm convinced that any company claiming to prioritize sustainable development must also have a long-term perspective and tenacity," says Lena Dahl.

# Focus on the employees' personal responsibility

For Elanders' employees 2009 was a turbulent year. The economic crisis resulted in absolutely necessary cutbacks, including the dismissal of personnel in several of Elanders' companies. The largest staff reductions were in Swedish operations and included co-workers in production and at different administrative levels. The reorganization into "One Elanders" was initiated at the end of 2009 and will be completed in 2010.

The newly developed organization and business plan will provide employees with an opportunity to gain new skills and increase their employability. If we do not have the right competence for new tasks in the Group we will have recruit externally.

It's also important for Elanders to provide our organization with competent leaders and managers over time. There was a clear focus on developing leadership throughout 2009. For instance, the first ever global CEO meeting was held, a meeting that can be seen as the beginning of the creation of "One Elanders".

The new work model has meant that the distribution of responsibility in the Group has changed. A result of the reorganization is that Polish operations are now sorted under Swedish unit. The same applies for Hungarian operations that were included in the German organization. This change allows Elanders to profit from having printing operations in different regional markets, thereby becoming more competitive when customers' choices are dependent on either price or lead times. The exchange of experience between employees and companies is intensified in the new model and the importance of internal networks is apparent when production is moved between countries.

#### COMPANY CULTURE

At Elanders employees are encouraged to take responsibility and entrepreneurial skills are an important part of company culture. Customer demands drive our organization and employees forward, naturally always with a focus on profitability and growth, even in hard times.

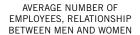
Elanders' company culture should provide employees with good guidance in their daily work. Leadership that motivates and inspires employees' individual freedom and desire to take personal responsibility is a necessity to a company culture.

Employees are active in the company by, for instance, giving their suggestions for improvement. They feel pride in always doing their best and taking 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 organization.

Our employees' attitude often plays a vital role in why customers and suppliers choose to work with Elanders. The Group's personnel skilled in seeing and identifying 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.

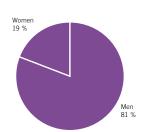
#### CULTURE IN THE SUBSIDIARIES

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 managers in our subsidiaries have previous experience of Elanders' operations, in order to make sure that operations are run in harmony with Elanders' company culture and values. With the creation of "One Elanders" we believe that our company culture will be strong enough

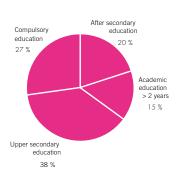


# Women 36 % Men 64 %

#### MEN AND WOMEN IN LEADING POSITIONS



### EDUCATIONAL LEVELS IN THE ELANDERS GROUP



to handle external recruiting.

Our company culture, values and work methods are also promoted through the intranet and newsletters. These channels are vital culture bearers within Sweden and internationally and contribute to the transparency Elanders endeavors to achieve.

## INTERNATIONAL TRADE UNION COOPERATION

During 2008 negotiations with Union Network International (UNI), an international organization 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, larger insight into the companies, the right to organize all of Elanders' units worldwide. Another section prohibits employers from using child and forced labor. This agreement makes Elanders the first multinational Swedish company in the graphic 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.

#### Human capital ratios

|   | 2009  | 2008  | 2007  |
|---|-------|-------|-------|
| Average number of employees                           | 1,581 | 1,809 | 1,579 |
| Number of employees per 31 December                   | 1,538 | 1,812 | 1,723 |
| Average age   | 39.4  | 39.7  | 39.2  |
| Personnel turnover, %                                 | 15.1  | 12.6  | 11.6  |
| Revenues per employee, SEK '000                       | 1,111 | 1,211 | 1,300 |
| Added value per employee, SEK '000                    | 627   | 675   | 748   |
| Operating result per employee, SEK '000               | -38   | 9     | 144   |
| Academic education more than 2 years, %               | 15    | 15    | 11    |
| Upper secondary education, %                          | 38    | 36    | 58    |
| Other education, %                                    | 47    | 49    | 31    |
| Competence development cost per employee,<br>SEK '000 | 3.2   | 2.4   | 3.2   |

#### Sick leave in the group's swedish companies

| Percent                                 | 2009 | 2008 | 2007 |
|---|------|------|------|
| Total sick leave                        | 3.2  | 3.3  | 3.2  |
| Short-term sick leave                   | 1.8  | 1.7  | 1.6  |
| Long-term sick leave                    | 1.4  | 1.6  | 1.6  |
| Sick leave, men                         | 3.2  | 2.8  | 1.9  |
| Sick leave, women                       | 3.2  | 4.1  | 3.7  |
| Sick leave, employees under 29 years    | 3.9  | 3.8  | 3.6  |
| Sick leave, employees 30-49 years       | 2.7  | 2.8  | 2.9  |
| Sick leave, employees 50 years and over | 3.7  | 3.8  | 3.9  |
|   |      |      |      |

#### Elanders' policies

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

## AN ORGANISATION THAT PROMOTES FLEXIBILITY

Elanders' decentralized organization is flexible. The closeness created between leadership and other employees shortens decision-making and promotes direct communication. Direct decision-making is central in achieving "One Elanders".

The new work model 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 the sharpest competitive edge. Therefore the Group strives to be an attractive employer that offers the 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 School.

As Elanders has branched out into more countries

the 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. In 2009 EIAP was quality certified through an extensive examination performed by Öhrlings PricewaterhouseCoopers.

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.

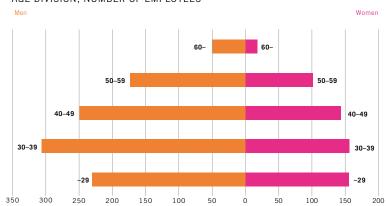
#### HEALTH RATIOS STILL HIGH

Low absence due to sickness is highly beneficial for both employees and companies. Elanders has worked with this continuously since it began measuring health ratios in 2002. The goal for the Group's healthy ratio is at least 95 percent.

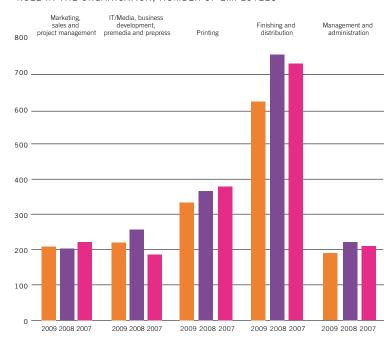
Elanders works continuously with physical fitness in part through a Health Group made up of representatives from different units. The Health Group arranges various activities like seminars connected to diet, health, stress and physical well-being. Interest in these seminaries is usually considerable. The Health Group also arranges physical activities like the "Can do competition", a reoccurring exercise challenge between employees.

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.

#### AGE DIVISION, NUMBER OF EMPLOYEES



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



### Examples of customer assignments

**01.** Packaging is becoming increasingly important when selling a product. It has to stand out from all the other similar products and customers now want a "second life" for the packaging as an alternative to throwing it away. Elanders in China produces more and more handmade packaging for customers in both Asia and Europe.

#### Exclusive packaging more often gets a second life



Point of sales



02. Product information, marketing, store and sales promoting information and material. It's all merging and there are many advantages to producing it all at the same location in order to control the quality, message, brand, etc.



03. Once again Sommer Corporate Media in Germany was a partner in the launch of a new Mercedes Benz, the E Class cabriolet. Both the catalogue for the

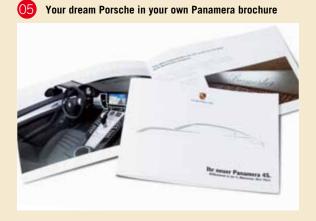
new E Class cabriolet and the introduction send out in 42.000 copies were printed at Sommer. Another highlight was the production of the new Mercedes AMG SLS poster.





**04.** One of the customers Elanders delivers both products and services to is If. We provide everything from insurance terms and policies to marketing and office material as well as system solutions for marketing planning, storage, order management and orders for business cards.

**05.** Walk into your Porsche dealer in Germany and tell them what Panamera you are interested in. You will then receive in your mailbox a unique brochure with information about and pictures of precisely the car that you want. This is a unique service that Porsche offers to its customers. Hopefully it will make purchase decisions as well as choice of materials and accessories easier. For Elanders in Germany this is a project for the future which will eventually be rolled out globally.



#### 06

#### Marketing material to 160 retailers



**06.** Bang & Olufsen's 150 retailers in Sweden, Norway, Denmark and Finland order marketing material from Elanders. Retailers order marketing material through a portal, BeoMarketing. The material is both generic and variable. Elanders uses Print On Demand with unique content customized to the retailer's order.



#### Personalized photo products are on the rise



**07.** More and more consumers design their own personal photo books, canvasses, almanacs, etc. based on their own holiday photos. Elanders produces all of these products for partners, customers and consumers through their own order interfaces.



#### Production of ecolabeled printed matter



**08.** Elanders has printed manuals for IAR Systems for many years in Sweden. Now we also produce their packaging at Elanders in China. This is then sent to Sweden where Elanders in Vällingby is responsible for producing the printed material such as "getting-started" manuals, the logistics of assembling the packaging and its contents and finally distributing the packages worldwide.



### Elanders packaging production grows in both China and Poland



**09.** In order to serve Elanders' customers in Western Europe packaging production will be initiated in Poland too. Production will mainly be packaging for premium products and "non-foods". Production in both China and Poland creates added value for Elanders' customers in transportation and logistics. Some examples of packaging:

- Foldable cartons
- Packaging made from flute laminated board (paper and corrugated fiberboard)
- Presentation packaging
- Handmade exclusive packaging

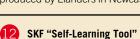


### Trend towards more customer magazines and periodicals



**10.** Trends show that more and more customer magazines and other periodicals are being produced and published. These can advantageously target recipients with, as far as possible, relevant information. Elanders has great opportunities to produce different types of magazines in our units, locally and globally.

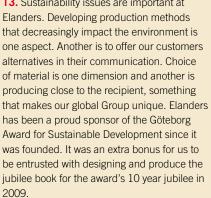
11. Consumers and photographers can now order different photo products via www.photocreator.co.uk. Consumers can create and order everything from photo books to calendars and canvases with their own personal photographs and themes. Photographers also have the option to design professionally manufactured photo albums such as wedding albums and many other products for their customers. Everything takes place in a flexible, easy-to-use system including free software with a built-in order system. Everything is personalized and produced by Elanders in Newcastle.





Elanders was given the order to produce the packaging for the kit in a small edition and production was done at Elanders in China.

13. Sustainability issues are important at Elanders. Developing production methods





15. Packaging is not only produced for the customers' products. It is also produced for their marketing. Elanders delivered packaging for Samsung in China in preparation for the Chinese New Year. The packaging in the marketing campaign contained computer accessories, give-aways and competition prizes. In this particular Samsung project Elanders in China was also in charge of kitting (pick and pack), i.e. the customer shipped the contents to Elanders factory where the boxes were produced and packed before being distributed to Samsung's stores all over China.

11 Photo products fill our walls, tables and shelves

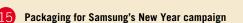


12. The global industrial company SKF has developed a "Self-Learning Tool" that employees from around the world can easily install on their computer in a multi-user system. Elanders was given the order to produce the packaging for the kit in a small edition and production was done at Elanders in China.





14. Det finns många sätt att tänka på miljön. Vid trycksaksproduktionen är det ett sådant tillfälle. Lokal närvaro är bra för miljön, man undviker onödiga transporter och kortar ledtiden. Miljömärkningar blir allt mer efterfrågade. Elanders hjälper många kunder att hitta rätt sätt för att värna om miljön vid deras trycksaksproduktioner.







Elanders clarifies the offer to the customers through better product focus and by clearly identifiable packaging of customer offers.







During the year the work with creating one, global Elanders advanced so far that the division into business areas Infologistics and User Manuals ceased to mirror the way in which the Group is led, managed and operates.

# Elanders Board Of Directors' Report

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 2009, the Company's hundred and first financial year. Elanders AB is the parent company in the Elanders group, a global printing company that handles customers' printing and packaging logistics worldwide.

# STRUCTURE AND CUSTOMER CATEGORIES

The Group reported operations in two business areas in the first three quarters of 2009: Infologistics and User Manuals. During the year the work to create one, global Elanders advanced so far that the division into business areas ceased to mirror the ways in which the Group is led, managed and operates. This was further underlined by the increasing use of the Group's production capacity in Eastern Europe and in Asia for deliveries to other markets. Operations in each country have similar financial properties and are similar to each other in areas such as products and services, production processes and customer categories. They are all managed by the same Executive Management and ultimately by the President. There are no decisionmaking bodies, or management functions and there is no internal measurement, or management at any level between the Executive Management and the operations. The operations in the various countries make up the Group's operating segments which are then aggregated into one operating segment, i.e. the Group. With this change the business areas Infologistics and User

Manuals ceased to exist as of the fourth quarter. Regarding financial information please refer to the Group income statement and balance sheets together with the appended notes.

#### **GROUP OPERATIVE LOCATIONS**

As of December 2009 the Group had operations in 11 companies in ten countries. Operations are located in Gothenburg, Mölnlycke, Falköping, Malmö, Uppsala, Vällingby, Västerås and Ludvika (Sweden), Oslo (Norway), Stuttgart (Germany), Newcastle and Harrogate (Great Britain), São Paulo (Brazil), Atlanta (USA), Beijing (China), Płońsk (Poland), Treviso (Italy) as well as in Zalalövő and Komárom (Hungary), where the latter a 50/50 joint venture with Hansaprint Oy.

# **OVERVIEW OF OPERATIONS**

The Group offers information structuring, advanced premedia, user-adapted digital printing, offset print, logistics and fulfilment services. An important part of operations is highly efficient deliveries of user information and packaging for mobile phones and other consumer electronics. Some of the Group's most important customer categories are industrial companies, publishers and the public sector. Major customers can be found in automotives, consumer electronics, household goods and publishers of educational material.

# Net sales and result

Group net sales decreased by 20 percent to MSEK 1,757 (MSEK 2,191) in 2009. The decrease is mainly

a result of lower demand from customers in automotives and consumer electronics as well as negative price development for printed matter produced in offset as a result of surplus capacity in Europe.

The year was characterized by stable demand in Great Britain, Italy, Brazil and Poland while operations in Sweden, Norway, Germany, Hungary, China and the US experienced a slower year. In these operations reduced volumes from automotives and consumer electronics resulted in unsatisfactory profitability. The Swedish operations went through another comprehensive restructuring in 2009 to adapt capacity to the market as well as coordinate production and marketing. In Hungary measures were taken to adjust costs and rationalize administration. In addition, the President and two other senior officers were replaced. These measures entailed costs totalling MSEK 35. All told this reduced the Group operating result by MSEK 76.0 to MSEK -60.1 (MSEK 16.0). The Group's negative net financial items were improved by low interest rates and amounted to MSEK -36.0 (-50.4). The Group's pre-tax result totalled MSEK -96.1 (MSEK -34.3). Result after tax was MSEK -74.4 (MSEK-25.7).

#### Investments and depreciation

During the year investments amounted to MSEK 73 (MSEK 116), of which MSEK 0 (MSEK 59) was acquisition of companies. Investments were chiefly connected to production equipment and software as well as adaptations of business systems. Depreciation amounted to MSEK 101 (MSEK 103).

## Financial position, cash flow and equity ratio

At year-end the consolidated net debt was MSEK 837 (MSEK 843). Unused credit facilities amounted to MSEK 99 (MSEK 191). Operating cash flow amounted to MSEK 42 (MSEK 107 excluding the property sale of MSEK 110). The decrease in cash flow was mainly due to the lower operating result. The equity ratio on the balance sheet date amounted to 36.2 percent (36.8 percent). The Group is holding negotiations with banks concerning financing.

# Research and development

The Group develops different services in order to more comprehensively cover our customers' publication related activities. Developments usually originate from specific customer projects in the different customer categories and consist, for example, of order interfaces, image databases and other publishing tools.

#### Personnel

The average number of employees in the Group during the year was 1,581 (1,809) of which 506 (628) were in Sweden. The total number of employees at year-end amounted to 1,538 (1,812) of which 470 (585) were in Sweden. The largest reductions in personnel were made in Sweden, Germany and Hungary. 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.

#### PARENT COMPANY

During the year the parent company provided joint group services. No external sales took place. Investments in 2009 amounted to MSEK 3 (MSEK 98), of which MSEK 3 (MSEK 97) as investments in subsidiaries. The average number of employees during the year was 12 (14) and the number at year-end amounted to 14 (12). Other information concerning the number of employees, salaries, remuneration and conditions of employment is given in note 5 to the Group financial reports.

## 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.

In 2009 Elanders Sverige AB had operations in Vällingby that were obliged to submit reports and operations that required permits in Falköping and Mölnlycke. Outside Sweden Elanders has operations in Great Britain, Poland, Hungary, China and the US that require permits to different degrees. No accidents or incidents occurred in 2009.

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 situ-

ation, 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 mainly take place in Eastern Europe and Asia and in packaging as well as 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 investments in solutions that will generate volumes from smaller companies and consumers, 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 the Group that through operations in Western Europe and the US supply printed matter production in offset to industry and publishing customers as a sole offer, which makes up approximately half our net sales. Elanders works determinedly to reduce this risk by taking advantage of our global presence, expanding our offer with packaging, offer production in low-cost countries as well as by developing solutions for a greater share of digital print. As far as competition is concerned Elanders is one of the few players in the world that can provide global deliveries to international customers through our own organization. This is one of the most important platforms for the Group's competitiveness in the future.

# Financial risks

The currency risk in the Group amounts to an effect on pre-tax result of up to MSEK 2 with a fluctuation of 5 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 result 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 the loan portfolio in February 2009 and this portfolio is subject to renegotiations in spring 2010. The Group is insured against large credit losses. For more information please see note 17 to the Group's financial reports.

# Business Risks

None of Elanders' customers generate more than 10 percent of net sales. The ten largest customers represented less than 36 percent of 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 the cost for personnel which makes up around 33 percent of operating costs, which is why the Group works, for instance, to continually improve healthiness among employees. Paper costs are next and make up



approximately 17 percent of operating costs. Elanders 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 capital structure is to secure the Group's continued existence so that it can continue to generate earnings to the owners and be useful to other interested parties. To maintain or change the capital structure the Group can change the dividends, repay capital to the owners by buying back shares, issue new shares or sell assets to reduce debts. Elanders assesses 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 17 to the Group's financial reports.

# INFORMATION CONCERNING COMPANY SHARES

Total number of shares, votes,

# dividends and new shares

On 28 February 2010 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 preemption 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 2010 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 23 April 2009. 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 accountants attend the meeting on the nine-month report and the annual accounts to present the results of their audit and hold separate conversations with the Board in matters concerning Executive Management in the latter meeting.

The Board followed the general meeting plan during the year and met an additional four times to discuss matters concerning investments as well as the dismissal and appointment of the Chief Executive Officer. 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 operation. At the constitutional meeting of the Board the work program and instructions for the CEO are reviewed and the customary decisions concerning authorized signatories are taken. At the constitutional meeting of the Board after the Annual General Meeting 2009 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, Cecilia Lager, 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 23 April 2009. 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 and CFO 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. The companies have not issued, and will not issue any share-based payment obligation. For more detailed information about remunerations to senior officers please refer to note 5 in the financial reports.

The Board proposes that the Annual General Meeting 2010 adopt guidelines that to all extents and purposes correspond to the present guidelines.

# 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 accountants' qualifications and independence. The auditing committee reports their observations on a regular basis to the Board. The members of the Group auditing committee in 2009 were Tore Åberg, Chairman, Göran Johnsson, Kerstin Paulsson and Johan Stern.

#### **FUTURE PROSPECTS**

Elanders has a dominant position among global industrial customers and this is where the largest opportunities for short-term expansion can be found.

The challenges in the coming years are first and foremost better utilization of the Group's global production capacity. It is equally important to quickly develop packaging operations and order interfaces to increase volumes in digital print in smaller companies and consumers.

Elanders' brand, our market position and our solid graphic expertise makes us well equipped to increase our market shares through comprehensive solutions, efficient production and cooperation between our operations. Further international expansion through acquisitions and establishing new units in proximity of our customers will be considered. Investments levels are expected to decrease since digital production equipment is less expensive than similar equipment for offset. Internal Group prognoses are based on the global financial situation remaining unchanged in 2010. Considering the numerous uncertainties related to the financial situation in 2010 we provide no forecasts for this year.

#### EVENTS AFTER THE BALANCE SHEET DATE

As a result of information acquired after the accounting year-end concerning provisions in the annual accounts for 2009 these provisions and the Group result for 2009 have been adjusted compared to those reported earlier. Further information can be found in note 30. The CFO will leave his position on 31 March 2010.

# GROUP - INCOME STATEMENTS AND STATEMENT OF COMPREHENSIVE INCOME

| INCOME STATEMENTS  |         | January-Dec | ember    |
|--|---------|-------------|----------|
| SEK '000   | Note    | 2009        | 200      |
| Net sales  | 2       | 1,756,742   | 2,191,18 |
| Cost of products and services sold                               | _       | -1,429,640  |          |
| Gross profit   |         | 327,102     | 448,70   |
| Selling expenses   |         | -140,436    | -151,412 |
| Administrative expenses  |         | -248,809    | -272,257 |
| Other operating income   | 3       | 39,302      | 30,620   |
| Other operating expenses   | 3       | -33,219     | -39,733  |
| Shares in result from jointly controlled entities                | 4       | -4,012      | 103      |
| Operating result   | 5,6,7,8 | -60,072     | 16,026   |
| Financial income   | 9       | 11,672      | 22,000   |
| Financial expenses   | 9       | -47,658     | -72,392  |
| Result after financial items                                     |         | -96,058     | -34,366  |
| Taxes  | 10      | 21,679      | 8,662    |
| Result for the year  |         | -74,379     | -25,704  |
| Result for the year attributable to:                             |         |             |          |
| - parent company shareholders                                    |         | -73,964     | -25,559  |
| - minority interests   |         | -415        | -145     |
| Earnings per share SEK 1)  | 11      | -7.57       | -2.62    |
| <sup>1)</sup> There have been no dilution effects                |         |             |          |
| STATEMENT OF COMPREHENSIVE INCOME                                |         | January-Dec | ember    |
| SEK '000   | Note    | 2009        | 2008     |
| Result for the year  |         | -74,379     | -25,704  |
| Other comprehensive income                                       |         |             |          |
| Translation differences  |         | -39,502     | 91,389   |
| Cash flow hedges   |         |             |          |
| - change in value recognized directly in equity, net             |         | 696         | 87       |
| - tax effect on cash flow hedges, net                            |         | -183        | -24      |
| Hedging of net investment abroad                                 |         |             |          |
| - change in fair value on the hedge of the net investment abroad |         | 1,026       | -12,075  |
| - tax effect on the change in fair value of the hedge            |         | -270        | 3,381    |
| Total other comprehensive income                                 |         | -38,233     | 82,758   |
| Total comprehensive income for the year                          |         | -112,612    | 57,054   |
| Total comprehensive income attributable to                       |         |             |          |
| - Parent company shareholders                                    |         | -112,299    | 57,266   |
| NAI- a vila vi intercente  |         | 212         | 010      |

# **Comments on the income statements**

- Minority interests

Group net sales fell by MSEK 434 or -20 % compared to the previous year. The drop in net sales was primarily due to pressed prices and lower volumes from customers in automotives and consumer electronics.

The decline in the operating result is primarily due to developments in Sweden. The operating result is charged with restructuring costs amounting to MSEK –35, among them changes in management, cost adjustments in Sweden and the reorganization of German, Polish and Hungarian operations.

Net financial items improved considerably due to favorable interest rates.

-313

-212

# GROUP - STATEMENT OF CASH FLOWS

|  |       | January-Dec | ember   |
|--|-------|-------------|---------|
| SEK '000   | Note  | 2009        | 2008    |
| Operating activities   |       |             |         |
| Result after financial items   |       | -96,058     | -34,366 |
| Adjustments for items not included in cash flow from operations        | 12    | 86,833      | 134,489 |
| Paid taxes   | 10    | -7,944      | -31,669 |
| Cash flow from operating activities before changes in working capital  |       | -17,169     | 68,454  |
| Cash flow from changes in working capital                              |       |             |         |
| Increase(-) / decrease(+) in inventory                                 |       | 21,843      | 25,368  |
| Increase(-) / decrease(+) in operating receivables                     |       | 112,517     | 53,034  |
| Increase(+) / decrease(-) in operating payables                        |       | -62,544     | -26,240 |
| Cash flow from operating activities                                    |       | 54,647      | 120,616 |
| Investing activities   |       |             |         |
| Acquisition of intangible and tangible assets                          | 14,15 | -73,283     | -59,213 |
| Divestment of tangible assets  | 15    | 20,545      | 127,328 |
| Acquisition of operations  | 29    | -           | -56,798 |
| Amortization of long-term receivables                                  |       | 566         | 3,185   |
| Cash flow from investing activities                                    |       | -52,172     | 14,502  |
| Financing activities   |       |             |         |
| Changes in long and short term borrowing                               |       | -59,666     | -34,144 |
| Dividends paid to parent company shareholders                          |       | -           | -43,942 |
| Cash flow from financing activities                                    |       | -59,666     | -78,086 |
| Cash flow for the year   |       | -57,191     | 57,032  |
| Cash and cash equivalents at the beginning of the year                 |       | 141,741     | 65,229  |
| Translation difference in cash and cash equivalents                    |       | -5,694      | 19,480  |
| Cash and cash equivalents at year-end                                  |       | 78,856      | 141,741 |
| Change in net debt   |       |             |         |
| Net debt at the beginning of the year                                  |       | 843,339     | 817,465 |
| Net debt in acquired/divested operations                               |       | -           | 48,200  |
| Translation difference   |       | -1,737      | 11,029  |
| Change in interest-bearing liabilities and cash and cash equivalents   |       | -4,156      | -33,355 |
| Net debt at year-end   |       | 837,446     | 843,339 |
| Operating cash flow  | 13    |             |         |
| Cash flow from operating activities excl. financial items and paid tax |       | 94,285      | 202,677 |
| Net investments  |       | -52,172     | 14,502  |
| Operating cash flow  |       | 42,113      | 217,179 |

# Comments on the statement of cash flows

Cash flow from operating activities before changes in working capital decreased by MSEK 86 compared to 2008, primarily as a result of a lower operating result and greater expenses for structural costs.

Reduced working capital, primarily due to lower net sales, contributed positively to cash flow from operating activities during 2009 and 2008.

MSEK -73 of the net cash flow from investing activities of MSEK -52 represented investments in intangible assets as well as production equipment in Group operations mainly in Sweden, Germany and Hungary. Group net debt amounted to MSEK 837 (843) at year-end.



|  |       | 31 Dece   | mber      |
|--|-------|-----------|-----------|
| SEK '000                               | Note  | 2009      | 2008      |
| ASSETS                                 |       |           |           |
| Fixed assets                           | 27    |           |           |
| Intangible assets                      | 14    | 952,995   | 957,186   |
| Tangible assets                        | 15,26 | 435,095   | 513,372   |
| Shares in jointly controlled entities  | 4     | 8,667     | 13,647    |
| Other investments held as fixed assets | 16    | 2,216     | 2,221     |
| Other receivables                      |       | 1,409     | 1,998     |
| Deferred tax assets                    | 10    | 119,115   | 89,649    |
| Total fixed assets                     |       | 1,519,497 | 1,578,073 |
| Current assets                         |       |           |           |
| Inventory                              | 18    | 95,109    | 120,062   |
| Accounts receivable                    | 17    | 351,516   | 470,894   |
| Current income tax assets              | 10    | 14,218    | 19,709    |
| Other receivables                      |       | 21,141    | 14,278    |
| Prepaid expenses and accrued income    | 19    | 33,416    | 41,980    |
| Cash and cash equivalents              | 20    | 78,856    | 141,741   |
| Total current assets                   |       | 594,256   | 808,664   |
| TOTAL ASSETS                           |       | 2.113.753 | 2.386.737 |

# Comments on the statement of financial position

#### **ASSETS**

The Group's total assets decreased by MSEK 273 to MSEK 2,114 and the capital employed on the accounting year-end amounted to MSEK 1,602 (1,721). The decrease in total assets and capital employed can for the most part be explained by the reduction in net sales and the subsequent reduction in working capital.

## **EQUITY AND LIABILITIES**

Equity decreased net by MSEK -113, of which MSEK -74 was the result for the year and MSEK -40 was translation differences. The translation difference refers primarily the foreign currency translation of operations in Germany, Hungary and China, where the Swedish crown was stronger than the reporting currency.

All liabilities to the banks Nordea and Handelsbanken have been classified as current liabilities to credit institutes in the statement of financial position since negotiations are being held. All parties are interested in a two-year framework agreement.

|  |          | 31 December |           |  |
|--|----------|-------------|-----------|--|
| SEK '000   | Note     | 2009        | 2008      |  |
| EQUITY   |          |             |           |  |
| Equity attributable to parent company shareholders |          |             |           |  |
| Share capital                                      | 21       | 97,650      | 97,650    |  |
| Share premium reserve                              |          | 438,632     | 438,632   |  |
| Hedging reserves                                   |          | 13          | -500      |  |
| Translation reserves                               |          | 57,928      | 96,776    |  |
| Profit/loss brought forward                        |          | 169,066     | 243,030   |  |
| Equity attributable to minority interests          |          | 1,775       | 2,088     |  |
| Total equity                                       |          | 765,064     | 877,676   |  |
| LIABILITIES  |          |             |           |  |
| Long-term liabilities                              |          |             |           |  |
| Liabilities to credit institutions                 | 17,22,26 | 74,186      | 107,922   |  |
| Other liabilities                                  |          | 8,912       | 17,884    |  |
| Provisions for post-employment benefits            | 23       | 13,447      | 14,416    |  |
| Other provisions                                   | 24       | 5,177       | 4,519     |  |
| Deferred tax liabilities                           | 10       | 28,581      | 30,051    |  |
| Total long-term liabilities                        |          | 130,303     | 174,792   |  |
| Current liabilities                                |          |             |           |  |
| Liabilities to credit institutions                 | 17,22,26 | 828,669     | 862,742   |  |
| Advances from customers                            |          | 3,844       | 7,065     |  |
| Accounts payable                                   | 17       | 187,041     | 231,832   |  |
| Current income tax liabilities                     | 10       | 2,101       | 5,947     |  |
| Other liabilities                                  |          | 61,001      | 67,780    |  |
| Accrued expenses and deferred income               | 25       | 104,793     | 119,129   |  |
| Other provisions                                   | 24       | 30,937      | 39,774    |  |
| Total current liabilities                          |          | 1,218,386   | 1,334,269 |  |
| TOTAL EQUITY AND LIABILITIES                       |          | 2,113,753   | 2,386,737 |  |

# GROUP - STATEMENT OF CHANGES IN EQUITY

|                                 | Share<br>capital | Share pre-<br>mium reserve | Hedge<br>reserves | Translation reserves | Retained<br>earnings | Total equity of<br>parent company<br>shareholders | Total equity<br>of minority<br>interests | Total equity |
|---------------------------------|------------------|----------------------------|-------------------|----------------------|----------------------|---|--|--------------|
| Opening balance Jan 1, 2008     | 97,650           | 438,632                    | -563              | 14,014               | 312,531              | 862,264   | 2,300                                    | 864,564      |
| Dividends                       | -                | _                          | -                 | -                    | -43,942              | -43,942   | -  | -43,942      |
| Total result for the year       | -                | -                          | 63                | 82,762               | -25,559              | 57,266  | -212                                     | 57,054       |
| Closing balance on Dec 31, 2008 | 97,650           | 438,632                    | -500              | 96,776               | 243,030              | 875,588   | 2,088                                    | 877,676      |
| Total result for the year       | _                | _                          | 513               | -38,848              | -73,964              | -112,299  | -313                                     | -112,612     |
| Closing balance on Dec 31, 2009 | 97,650           | 438,632                    | 13                | 57,928               | 169,066              | 763,289   | 1,775                                    | 765,064      |

# NOTE 1 – Summary of significant 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 2009 were approved by the Board and will be presented to the Annual General Meeting on 26 April 2010 for adoption.

#### 2 Accounting principles Financial reporting

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 2009. In addition, the Group follows the Swedish Financial Reporting Board Recommendation RFR 1.2 Supplemental Accounting Regulations for Groups, which specifies the additions to IFRSs information that are required according to the provisions in the Annual Accounts Act. In Group accounting all items are valued at acquisition value, unless otherwise specified. The Group reports in Swedish crowns. All amounts are given in thousands of Swedish crowns, unless otherwise specified. The following is a description of the accounting principles considered elemental.

#### Consolidation

Group accounting comprises the parent company, Elanders AB, and companies in which Elanders AB directly or indirectly holds a controlling interest. Controlling interest is defined as the right to form a company's financial and operative strategies in order to obtain financial advantages. This is normally achieved if the holding corresponds to more than 50 percent of the voting rights. Equity in the Group is comprised of equity in the parent company and the part of the equity in subsidiaries generated after acquisition.

#### Business combinations

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.

#### Jointly controlled entities

Operations classified as jointly controlled entities are those in which Elanders, together with one or several joint owners, has a shared controlling influence. In Group annual accounts shares in jointly controlled entities 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 jointly controlled entitie company's result is recognized in the Group income statement. In transactions between the Group and a jointly controlled entitie the part of unrealized result 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. Minority interests are reported as a separate category in equity. The minority share of the result for the year is specified after the result for the year in the income statement. 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 agreements

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

#### agreements.

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 amortization according to plan and accrued interest on the amount of the liability and recognized 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 recognized 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 the result for the period. Translation differences in operating receivables and payables are recorded under operating result 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 recognized 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 grants**

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 recognizes 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 post-employment 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 distributed throughout 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 recognized 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

### NOTE 1 – Summary of significant accounting principles (cont.)

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 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 recognized 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.

#### Earnings per share

Earnings per share is calculated by dividing the result for the year attributable to parent company shareholders with the average number of outstanding shares during the period. The average number of outstanding shares during the period is adjusted for all potential dilution of ordinary shares when calculating earnings per share after dilution.

#### 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 jointly controlled entity'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 favorable 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 realizable 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 realizable 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 realizable value. Costs have been calculated in accordance with the First-in, First-out method (FIFU) or weighted average prices. Acquisition value includes the cost of materials, direct labor costs and overhead charges involved in production of the goods. Net realizable 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 derecognized from the balance sheet when the rights in the contract are realized, have matured or the company loses control over them. A financial liability is derecognized 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 recognized at fair value through the result. Financial assets and liabilities recognized at fair value through the result is valued the first time at fair value, while attributable transaction costs are valued through the result. 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 amortized cost or fair value depending on the initial classification under IAS 39 (see below).

#### Calculation of fair value for financial instruments

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

#### Amortized cost

Amortized 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 amortized 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 realize 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 categorized as "Loan receivables and receivables", which means they are recorded at amortized cost. Write-downs of accounts receivables are included in operating expenses.

Long-term receivables, current receivables and other receivables. The receivables above are categorized as "Loan receivables and receivables", which means they are recorded at amortized 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 amortized 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 result on hedge instruments attributable to the effective part of the hedge are recorded as equity under hedge provisions. Any result 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 categorized as "Other financial liabilities" which means they are reported at amortized 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 categorized as "Other financial liabilities" which means they are reported at amortized 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 guarantee contracts

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 fails to make payment when due in accordance with the original or modified contract terms. Financial guarantee contracts are initially recognized at fair value. Financial guarantee contracts are then recognized 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 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.

#### Segments reporting

The Group has been managed and organized into two lines of business during the year, Infologistics and User Manuals. These lines of business made up the Group's primary segments. Secondary segments were geographical areas. During the final quarter of 2009 a new assessment was made due to new conditions, changes in Executive Management and a new organization. As a result, effective from the final quarter of 2009, Group operations are reported as one reportable segment, since this is how the Group is now governed. This analysis identified the President as the highest executive decision maker and the units in different countries were identified as operating segments. The operating segments were then merged to create a single operating segment, consisting of the entire Group, since the units have similar financial characteristics and resemble each other regarding the nature of their products and services, production processes, customer types etc. When presenting geographical sales the customer's location has determined which geographic area sales are allocated to.

#### Standards, amendments and interpretations of existing standards that came into effect during 2009

During the year the following interpretations or amendments of existing standards have come into effect and had a significant effect on Elanders' financial reports:

#### IAS 1 – Presentation of financial statements

The revised IAS 1 Presentation of financial statements became effective 1 January 2009. The presentation of the financial reports has changed in certain aspects and new non-obligatory titles for financial reports have been suggested. Income and expenses previously recognized directly in equity are now presented in a separate report entitled the "Report on consolidated comprehensive income". The new report is placed directly after the consolidated income statement. Amounts from previous years have been changed for comparability.

#### IFRS 8 – Operating segments

Applying the new standard IFRS 8 initially did not entail any changes in the Group's segment reporting hence the accounting principles used for segment reporting from January to September 2009 agree with those described in the annual accounts for 2008. During the last quarter of 2009 a new assessment has been made due to new conditions, changes in Executive Management and a new organization. As a result, effective during the final quarter of 2009, Group operations are reported as one reportable segment, since this is how the Group is now governed. This analysis identified the President as the highest executive decision maker and the units in different countries were identified as operating segments. The operating segments were then merged to create a single operating segment, consisting of the entire Group, since the units have similar economic characteristics and resemble each other regarding the nature of their products and services, production processes, customer types etc.

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

Below are standards, amendments and interpretations of existing standards that have not yet come into effect and which can have a significant effect on Elanders' financial reports:

# IFRS 3 – Business combinations

The revised IFRS 3 entails, for example, that costs in connection with acquisitions, such as lawyers' and consultants' fees, must be written-off instead of, as was previously the case, adding them on to the purchase price. It has also entailed changes regarding the definition of the acquisition date, which can have a fundamental effect on, for example, acquisitions made in stages or divestitures of companies. The revised IFRS 3 will be applied in the future on all acquisitions from 1 January 2010.

IAS 27 (amended) Consolidated and separate financial statements The amendment requires that the effects of all transactions with minority owners be recognized in equity, unless they entail a change in controlling interest. These

transactions no longer generate goodwill or capital gains or losses. This standard will be applied in the future from 1 January 2010.

#### 3 Important estimations and assessments

When preparing the financial reports estimations and assumptions are made about the future that effect balance sheet 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. Individual assessments can have a particularly significant effect on Elanders' result and position in the areas of goodwill write-downs, evaluation of deferred prepaid tax and provisions.

Goodwill that has an infinite useful life is subject to impairment tests annually or when there is an indication that a write-down may be needed. Testing is performed on segment level. The impairment test contains a number of assumptions that can, according to different assessments, have a essential effect on the calculation of recoverable values such as:

- operating margins/result
- discount interest
- growth/inflation

Essential assumptions when testing the need for 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 14.

#### Gross value of tax loss carried forward

Deferred tax receivables concerning tax loss carried forward reported by the Group amount to MSEK 110 per 31 December 2009. 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 utilized for an unlimited amount of time. The Group's Swedish operations, with the exception of the operations in Kungsbacka disposed of in 2007, have been profitable for the past three financial years and are expected to continue to generate a considerable surplus. Elanders therefore believes it is safe to say that it will be possible to set off the deficit deduction which the tax receivables stem from, against future taxable surpluses

## **Provisions**

Provisions for restructuring contain estimations regarding when planned, future activities will take place and what they will cost. The estimations refer to expenses for redundancies or other obligations connected to terminating contracts or other costs for withdrawals. These estimations are based on the current situation in negotiations with other parties.

## 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 result 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 23 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 2.2 Accounting for legal entities and where applicable statements made by the Swedish Financial Reporting Board. RFR 2.2 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.

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 result in operations without them being immediately taxed. The untaxed reserves are not subject to taxation until they are dissolved. If companies

### NOTE 1 – Summary of significant accounting principles (cont.)

lose money the untaxed reserves can be used to cover the losses without being taxed

#### Intangible assets

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

#### Shares in associated companies and jointly controlled entities

Shares in associated companies, jointly controlled entities and subsidiaries are reported in the parent company according to the acquisition method. Reported values are tested on every balance sheet date in order to determine if the need for write-downs is indicated.

#### **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.

#### Financial guarantee contracts

The parent company's financial guarantee contracts consist primarily of guarantees on behalf of subsidiaries. A financial guarantee contract is a contract in which the company has a commitment to reimburse the holder of a debt instrument for loss it incurs because a specified debtor fails to make payment when due according to the contract terms. The parent company applies RFR 2.1 Item 72 to account for financial guarantees, which is a relief compared to the

rules in IAS 39 connected to reporting and taxation. The parent company recognizes financial guarantee contracts as a provision on the balance sheet when the company has a commitment for which payment is most likely required to settle the commitment.

#### Group and shareholder contributions

Group and shareholder contributions are recognized 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.

#### New IFRSs and interpretations for the year

The amendments to IAS 27 Consolidated and separate financial statements have been applied from 1 January 2009. As a result of the amendment dividends from subsidiaries must always be reported as income in the income statement. In previous reporting, in certain cases, the dividend received reduced the value of the shares in the subsidiary. The amendment is not applied retroactively and parent company reporting has not changed as a result of its application.

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



NOTE 2 - Segment reporting

# Segment information

As of the last quarter of 2009 Group operations are reported as one reportable segment, since this is how the Group is now governed. The units in each country were identified as operating segments. The operating segments were then merged to create a single operating segment, consisting of the entire Group, since the units have similar economic characteristics and resemble each other regarding the nature of their products and services, production processes, customer types etc. As a result of this change Infologistics and User Manuals no longer exist as business areas.

Financial information concerning operating segments is reported in consolidated income and financial position statements as well as other pertaining notes. The President has been identified as the highest executive decision-maker.

# Application of previously used accounting principles

If previously used accounting principles had been applied to reporting operating segments, i.e. a division into User Manuals and Infologisitics, the income statement would have had the following presentation:

| _                                   | Infologistic | s     | User Manuals | s    | Other items <sup>2)</sup> |      | Group  |       |
|-------------------------------------|--------------|-------|--------------|------|---------------------------|------|--------|-------|
| MSEK                                | 2009         | 2008  | 2009         | 2008 | 2009                      | 2008 | 2009   | 2008  |
| External sales                      | 1,414        | 1,697 | 343          | 494  | -                         | -    | -1,757 | 2,191 |
| Operating result                    | -38          | -14   | 7            | 30   | -17                       | -    | -48    | 16    |
| Result after net financial items 1) | -38          | -14   | 7            | 30   | -49                       | -50  | -80    | -34   |

<sup>1)</sup> Financial items are not included in each segment. They are reported separately since external borrowing is considered common for the Group and cannot be meaningfully divided.

<sup>&</sup>lt;sup>2)</sup> Other items contains costs for changes in management of MSEK 17 (0).



# Geographic division

# Sales per geographic area

| SEK '000        | 2009      | 2008      |
|-----------------|-----------|-----------|
| Sweden          | 632,922   | 839,347   |
| Germany         | 435,187   | 453,315   |
| Great Britain   | 191,344   | 248,088   |
| China           | 130,430   | 165,533   |
| USA             | 91,344    | 67,845    |
| Poland          | 80,343    | 119,167   |
| Hungary         | 55,868    | 141,451   |
| Other countries | 139,304   | 156,434   |
| Total           | 1,756,742 | 2,191,180 |

# Investments per geographic area

| SEK '000        | 2009   | 2008    |
|-----------------|--------|---------|
| Sweden          | 36,704 | 11,550  |
| Hungary         | 15,730 | 7,098   |
| Germany         | 10,154 | 41,162  |
| China           | 5,975  | 7,046   |
| Poland          | 2,619  | 7,303   |
| USA             | 359    | 23,425  |
| Great Britain   | 155    | 16,577  |
| Other countries | 1,587  | 1,850   |
| Total           | 73 283 | 116 011 |

# Assets per geographic area 1)

| SEK '000        | 2009    | 2008    |
|-----------------|---------|---------|
| China           | 106,491 | 122,899 |
| Hungary         | 100,778 | 119,230 |
| Germany         | 90,051  | 116,157 |
| Sweden          | 89,657  | 72,003  |
| Great Britain   | 27,519  | 35,227  |
| Other countries | 87,360  | 101,005 |
| Total           | 501,856 | 566,521 |

<sup>&</sup>lt;sup>1)</sup> Assets include tangible and intangible assets as well as shares in jointly controlled entities.

Following the same principle as above, goodwill of MSEK 894.9 (917.7) has not been divided geographically since it is shared by the Group.

# Information concerning the Group's largest customers

The Group has no customer where sales exceed 10 percent of the Group's total net sales.

# NOTE 3 — Other operating income and other operating expenses

# Other operating income

| SEK '000                                     | 2009   | 2008   |
|--|--------|--------|
| Exchange rate gains                          | 7,791  | 9,696  |
| Capital gains from the sales of fixed assets | 13,707 | 6,038  |
| Other  | 17,804 | 14,886 |
| Total other operating income                 | 39.302 | 30.620 |

# NOTE 4 – Shares in jointly controlled entities

| SEK '000  | 2009   | 2008   |
|---|--------|--------|
| Opening book value                                    | 13,647 | 12,414 |
| Shares in the result from jointly controlled entities | -4,012 | 103    |
| Translation difference                                | -968   | 1,130  |
| Closing book value                                    | 8,667  | 13,647 |

Shares in jointly controlled entities consist of the following companies:

| Company                 | office  | Snarenoiding in<br>percent |
|-------------------------|---------|----------------------------|
| Hansaprint Elanders Kft | Hungary | 50                         |

# Other operating expenses

| SEK '000                                      | 2009    | 2008    |
|---|---------|---------|
| Exchange rate losses                          | -9,666  | -10,396 |
| Capital losses from the sales of fixed assets | -6,565  | -1,063  |
| Other   | -16,988 | -28,274 |
| Total other operating expenses                | -33,219 | -39.733 |

Financial information in summary for jointly controlled entities:

| SEK '000            | 2009   | 2008   |
|---------------------|--------|--------|
| Share of (50 %):    |        |        |
| - total assets      | 8,493  | 16,776 |
| - total liabilities | 239    | 3,541  |
| - net sales         | 9,233  | 19,126 |
| - result before tax | -4,012 | 103    |

# NOTE 5 – Personnel

|                          |       | 2009  |       |       | 2008  |       |
|--------------------------|-------|-------|-------|-------|-------|-------|
| Average no. of employees | Women | Men   | Total | Women | Men   | Total |
| Parent company           |       |       |       |       |       |       |
| Sweden                   | 7     | 5     | 12    | 5     | 9     | 14    |
| Total in parent company  | 7     | 5     | 12    | 5     | 9     | 14    |
| Subsidiary               |       |       |       |       |       |       |
| Sweden                   | 165   | 329   | 494   | 211   | 403   | 614   |
| Germany                  | 52    | 150   | 202   | 53    | 138   | 191   |
| Poland                   | 42    | 87    | 129   | 44    | 92    | 136   |
| Great Britain            | 37    | 129   | 166   | 42    | 134   | 176   |
| Hungary                  | 80    | 84    | 164   | 138   | 131   | 269   |
| China                    | 107   | 169   | 276   | 102   | 154   | 256   |
| USA                      | 45    | 22    | 67    | 19    | 42    | 61    |
| Brazil                   | 18    | 20    | 38    | 22    | 28    | 50    |
| Italy                    | 18    | 4     | 22    | 22    | 9     | 31    |
| Norway                   | 1     | 10    | 11    | 1     | 10    | 11    |
| Total in subsidiaries    | 565   | 1,004 | 1,569 | 654   | 1,141 | 1,795 |
| Group total              | 572   | 1,009 | 1,581 | 659   | 1,150 | 1,809 |

|                                 |               | 2009                           |                 |               | 2008                           |                 |
|---------------------------------|---------------|--------------------------------|-----------------|---------------|--------------------------------|-----------------|
| Salaries and other remuneration | Board and CEO | of which variable remuneration | Other employees | Board and CEO | of which variable remuneration | Other employees |
| Parent company                  |               |                                |                 |               |                                |                 |
| Sweden                          | 8,957         | -                              | 14,223          | 5,588         | _                              | 11,299          |
| Total in parent company         | 8,957         | _                              | 14,223          | 5,588         | -                              | 11,299          |
| Subsidiaries in Sweden          | 1,908         | -                              | 201,546         | 1,701         | -                              | 230,274         |
| Subsidiaries abroad             |               |                                |                 |               |                                |                 |
| Germany                         | 5,226         | 1,062                          | 91,311          | 4,755         | 961                            | 85,758          |
| Poland                          | 1,825         | -                              | 16,994          | 1,627         | _                              | 16,949          |
| Great Britain                   | 1,014         | -                              | 54,108          | 2,310         | _                              | 60,770          |
| Hungary                         | 1,519         | _                              | 19,554          | 2,027         | _                              | 24,974          |
| China                           | 1,098         | _                              | 18,091          | 1,604         | 273                            | 13,537          |
| USA                             | 1,529         | -                              | 23,533          | 1,316         | _                              | 19,012          |
| Brazil                          | 807           | _                              | 2,568           | 940           | _                              | 3,174           |
| Italy                           | 637           | _                              | 5,757           | 576           | _                              | 7,925           |
| Norway                          | 913           | _                              | 7,227           | 879           | -                              | 6,671           |
| Total in subsidiaries           | 16,476        | 1,062                          | 440,689         | 17,735        | 1,234                          | 469,044         |
| Group total                     | 25,433        | 1,062                          | 454,912         | 23,323        | 1,234                          | 480,343         |

|                                 |                           | 2009                          |                                |                           | 2008                          |                                   |
|---------------------------------|---------------------------|-------------------------------|--------------------------------|---------------------------|-------------------------------|-----------------------------------|
| Salaries and other remuneration | Salaries and remuneration | Social security contributions | of which pension contributions | Salaries and remuneration | Social security contributions | of which pension<br>contributions |
| Parent company                  | 23,180                    | 12,043                        | 5,423                          | 16,887                    | 10,788                        | 4,437                             |
| Subsidiaries                    | 457,165                   | 135,537                       | 32,489                         | 486,778                   | 147,069                       | 35,832                            |
| Group total                     | 480,345                   | 147,580                       | 37,912                         | 503,665                   | 157,857                       | 40,269                            |

# $\underline{\textbf{Division of men and women in management}}$

| _                       | Women | 2009 | Men 20 | 009 | Women | 2008 | Men 2 | 008 |
|-------------------------|-------|------|--------|-----|-------|------|-------|-----|
| Position                | Antal | %    | Antal  | %   | Antal | %    | Antal | %   |
| Board members           | 2     | 29   | 5      | 71  | 2     | 25   | 6     | 75  |
| Executive<br>Management | -     | -    | 6      | 100 | -     | -    | 5     | 100 |
| Supervisors             | 20    | 19   | 87     | 81  | 32    | 24   | 99    | 76  |

| Remuneration to the Board, Chief Executive Officer and other senior officers | Basic wage/<br>Board remuneration | Variable remuneration | Other<br>benefits | Pension contributions | Remuneration for<br>committee work |
|--|-----------------------------------|-----------------------|-------------------|-----------------------|------------------------------------|
| Carl Bennet, Chairman  | 500                               | -                     | -                 | -                     | 50                                 |
| Tore Åberg, Vice Chairman  | 250                               | -                     | -                 | -                     | 125                                |
| Göran Johnsson   | 250                               | -                     | -                 | -                     | 50                                 |
| Cecilia Lager  | 250                               | -                     | -                 | -                     | 25                                 |
| Hans-Olov Olsson   | 250                               | -                     | -                 | -                     | 25                                 |
| Kerstin Paulsson   | 250                               | -                     | -                 | -                     | 50                                 |
| Johan Stern  | 250                               | -                     | -                 | -                     | 50                                 |
| Total remuneration to the Board  | 2,000                             | -                     | -                 | -                     | 375                                |
| Magnus Nilsson, Chief Executive Officer 1)                                   | 1,650                             | -                     | 21                | 578                   | -                                  |
| Patrick Holm, Former Chief Executive Officer 2)                              | 4,932                             | -                     | 72                | 1,743                 | -                                  |
| Other senior officers (4,5 persons) 3)                                       | 9,600                             | 1,062                 | 1,644             | 2,374                 | -                                  |
| Total remuneration to CEO and senior officers                                | 16,182                            | 1,062                 | 1,737             | 4,695                 | -                                  |
| Total remuneration to the Board, CEO and senior officers                     | 18,182                            | 1,062                 | 1,737             | 4,695                 | 375                                |

<sup>1)</sup> Remuneration for the position of President and CEO during 6 months. In addition, Magnus Nilsson has received remuneration for his role as a member of Executive Management, and as MD for the subsidiary in China before he was made President. This remuneration is included under Other senior officers.

#### 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, the former Chief Executive Officer and other senior officers consists of a basic salary, variable remuneration, other benefits and pension. Senior officers are the persons who, together with the Chief Executive Officer, comprised Executive Management in 2009.

#### 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 2009 and paid out in 2010.

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 the result for the year. The former 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 10.1 (9.5) at the accounting year-end. The current Chief Executive Officer only has defined contribution pension. Defined contribution pension: The retirement age for the Chief Executive Officer is 65 years. The pension premium corresponds to 35 % of the salary pension. The pension premium, however, may never exceed an amount that is fully deductable for the company. The salary pension is based on is the basic wage. 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 previous Chief Executive Officer was 60 years. Between the ages 60 to 65 the pension level would have been 70 % of the salary pension is based on and from the age of 65 for life it is 32.5%. The salary pension is based on is the basic wage. 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%. The salary pension is based on is the basic wage. 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. During 2009 severance pay was paid in the form of 6 months wages in addition to the termination wages for the former Chief Executive Officer.

### 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 2009 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, Cecilia Lager, Hans-Olov Olsson and Tore Åberg. The remuneration committee meets when necessary but at least once a year to prepare proposals for the remuneration of the Chief Executive Officer and approve or deny his proposals for remuneration of and terms for the officers that report directly to him. In addition, the remuneration committee draws up principles for salary levels and employment terms for Executive Management. The remuneration committee proposes remuneration, terms and principles to the Board that then decides on these matters. The remuneration committee has met once in 2009. The committee has been supported by external expertise in matters concerning compensation levels and structures.

<sup>&</sup>lt;sup>2)</sup> Received remuneration for the year including a severance pay of 6 months wages. The period of notice for termination ends in December 2010 and the former CEO will receive remuneration the entire termination period.

<sup>&</sup>lt;sup>3)</sup> In addition to his basic wage a person in Executive Management has invoiced 330 via his own company for consultancy fees. This amount is not included above.

# NOTE 5 - Personnel (cont.)

| Absence due to illness in the Group's Swedish companies in percent | 2009 | 2008 |
|--|------|------|
| Total absence due to illness                                       | 3.2  | 3.3  |
| Short time absence due to illness                                  | 1.8  | 1.7  |
| Long time absence due to illness                                   | 1.4  | 1.6  |
| Absence due to illness, men  | 3.2  | 2.8  |
| Absence due to illness, women                                      | 3.2  | 4.1  |
| Absence due to illness, employees under 30 years                   | 3.9  | 3.8  |
| Absence due to illness, employees between 30-49 years              | 2.7  | 2.8  |
| Absence due to illness, employees 50 years and over                | 3.7  | 3.8  |

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



# NOTE 6 – Fees to the auditors

| SEK '000                     | 2009  | 2008  |
|------------------------------|-------|-------|
| PricewaterhouseCoopers AB    |       |       |
| Audit fees                   | 2,457 | 2,168 |
| Fees for other consultations | 585   | 150   |
| Other                        |       |       |
| Audit fees                   | 105   | 325   |
| Fees for other consultations | _     | 426   |
| Total                        | 3,147 | 3,069 |

Audit fees are defined as fees for auditing the annual accounts, book-keeping, 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 by cost type

| SEK '000  | 2009      | 2008      |
|---|-----------|-----------|
| Depreciation and write-downs  | 101,048   | 106,110   |
| Cost for remuneration to employees  | 600,049   | 689,880   |
| Changes in work-in-progress and finished products                               | 6,233     | 1,584     |
| Cost of paper   | 314,701   | 392,572   |
| Other material  | 151,967   | 223,694   |
| Cost of sub-contracted work   | 248,715   | 286,374   |
| Other production costs  | 174,881   | 212,349   |
| Freight costs   | 56,830    | 66,704    |
| Cost of sales and marketing   | 45,512    | 50,745    |
| Other costs   | 118,949   | 136,112   |
| Total cost for products and services sold, sales costs and administration costs | 1,818,885 | 2,166,124 |



# NOTE 8 – Operating lease agreements

|                               | An      | nual cost |
|-------------------------------|---------|-----------|
| SEK '000                      | 2009    | 2008      |
| Computer equipment            | 5,682   | 6,791     |
| Machinery and other equipment | 47,301  | 60,702    |
| Rental agreements, premises   | 65,425  | 71,839    |
| Total                         | 118,408 | 139,332   |

|                               | Future leasing fees and rental costs |           |            |  |  |
|-------------------------------|--------------------------------------|-----------|------------|--|--|
| SEK '000                      | 2010                                 | 2011–2014 | thereafter |  |  |
| Computer equipment            | 4,405                                | 3,280     | 0          |  |  |
| Machinery and other equipment | 44,046                               | 61,116    | 0          |  |  |
| Rental agreements, premises   | 55,343                               | 151,474   | 60,838     |  |  |
| Total                         | 103,794                              | 215,870   | 60,838     |  |  |

The information above is for the Group. Lease agreements normally run between 1-8 years. No significant lease agreements 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             | 2009   | 2008   |
|----------------------|--------|--------|
| Interest income      | 1,073  | 2,054  |
| Exchange rate income | 10,584 | 19,946 |
| Other                | 15     | -      |
| Total                | 11,672 | 22,000 |

### Financial expenses

| SEK '000             | 2009    | 2008    |
|----------------------|---------|---------|
| Interest expenses    | -31,959 | -51,119 |
| Exchange rate losses | -10,712 | -20,252 |
| Other                | -4,987  | -1,021  |
| Total                | -47 658 | -72 392 |

# NOTE 10 - Taxes

| SEK '000  | 2009   | 2008    |
|---|--------|---------|
| Current tax on the result for the year            | -8,589 | -14,950 |
| Stamp tax on dividends                            | -976   | -       |
| Correction of previous years' current tax expense | 587    | -       |
| Deferred tax                                      | 30,657 | 23,612  |
| Booked tax  | 21,679 | 8,662   |

#### Reconciliation of consolidated recorded tax

| SEK '000   | 2009    | 2008    |
|--|---------|---------|
| Result before taxes                                    | -96,058 | -34,366 |
| Tax according to Swedish tax rate of 26.3 $$ (28) $$ % | 25,263  | 9,622   |
| Tax effect of:   |         |         |
| Differences in tax rates for foreign subsidiaries      | 1,683   | 15,611  |
| Non-deductible costs                                   | -3,134  | -4,568  |
| Change in unrecorded deferred tax assets               | -111    | -       |
| Change in legal tax rate                               | -       | -5,599  |
| Tax losses carried forward not valued                  | -1,855  | -7,680  |
| Correction of previous years' tax expense              | 587     | -1      |
| Other  | -754    | 1,277   |
| Recorded tax   | 21,679  | 8,662   |

# Deferred tax assets and liabilities by nature

| SEK '000                              | 2009    | 2008    |
|---------------------------------------|---------|---------|
| Tax loss carry forwards               | 118,351 | 80,409  |
| Restructuring reserves                | 2,046   | 13,406  |
| Fixed assets                          | -34,860 | -23,881 |
| Other items                           | 13,682  | -1,907  |
|                                       | 99,219  | 68,027  |
| Less:                                 |         |         |
| Unrecorded deferred tax assets        | -8,685  | -8,429  |
| Deferred tax assets/-liabilities, net | 90,534  | 59,598  |

Unrecorded deferred tax assets refer to unvalued tax loss carry forwards and primarily stem from our subsidiary in Italy.

# Allocation of deferred tax assets and liabilities in the statement of financial position

| SEK '000                 | 2009    | 2008    |
|--------------------------|---------|---------|
| Deferred tax assets      | 119,115 | 89,649  |
| Deferred tax liabilities | -28,581 | -30,051 |
| Total                    | 90.534  | 59.598  |

# Change in deferred tax

| SEK '000                                       | 2009   | 2008   |
|--|--------|--------|
| Opening value, net                             | 59,598 | 38,319 |
| Divestiture/acquisition of subsidiaries        | -      | -2,932 |
| Booked deferred tax on the result for the year | 30,657 | 23,612 |
| Tax items booked directly against equity 1)    | -453   | 3,381  |
| Translation differences                        | 732    | -2,782 |
| Closing value, net                             | 90 534 | 59 598 |

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



# NOTE 11 – Earnings per share

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

|   | 2009    | 2008    |
|---|---------|---------|
| Result for the year attributable to shareholders (SEK '000) | -73,964 | -25,559 |
| Average number of outstanding shares (in thousands)         | 9,765   | 9,765   |
| Earnings per share, SEK 1)                                  | -7.57   | -2.62   |

1) Earnings per share before and after dilution.



# NOTE 12 – Supplementary information – Statement of cash flows

# 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 from operations

| SEK '000   | 2009    | 2008    |
|--|---------|---------|
| Depreciation and write-downs of intangible and tangible assets | 101,049 | 106,107 |
| Shares in the result from jointly controlled entities          | 4,012   | -103    |
| Changes in provisions that affect cash flow                    | -8,834  | 39,510  |
| Unrealized exchange rate gains (-) / losses (+)                | -856    | -4,987  |
| Capital gain/loss from the disposal of tangible                |         |         |
| assets   | -8,538  | -6,038  |
| Total  | 86,833  | 134,489 |

# Paid and received interest

| SEK '000          | 2009    | 2008    |
|-------------------|---------|---------|
| Paid interest     | -27,688 | -51,044 |
| Interest received | 1,135   | 1,992   |
| Total             | -26,553 | -49,052 |



# NOTE 13 – 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.

| 2009    | 2008                           |
|---------|--------------------------------|
| 54,647  | 120,616                        |
| 31,694  | 50,392                         |
| 7,944   | 31,669                         |
| -       | -56,798                        |
|         |                                |
| -52,172 | 71,300                         |
| 42,113  | 217,179                        |
|         | 54,647<br>31,694<br>7,944<br>- |

# NOTE 14 – Intangible assets

| Goodwill  |         | II      | Other intangible | assets  | Total   |         |
|---|---------|---------|------------------|---------|---------|---------|
| SEK '000  | 2009    | 2008    | 2009             | 2008    | 2009    | 2008    |
| Opening acquisition value                       | 917,684 | 844,656 | 69,568           | 33,775  | 987,252 | 878,431 |
| Acquisitions, incl. acquisition of operations   | -       | 14,608  | 32,743           | 8,765   | 32,743  | 23,373  |
| Adjustment of additional purchase price         | -       | -1,480  | -                | -       | -       | -1 480  |
| Disposals incl. disposal of operations/discards | -       | -       | -2,995           | -413    | -2,995  | -413    |
| Reclassification                                | -       | -       | 109              | 21,869  | 109     | 21,869  |
| Translation difference                          | -22,093 | 59,900  | -2,431           | 5,572   | -24,524 | 65,472  |
| Closing acquisition values                      | 895,591 | 917,684 | 96,994           | 69,568  | 992,585 | 987,252 |
| Opening accumulated depreciation                | -       | -       | -24,328          | -10,026 | -24,328 | -10,026 |
| Accumulated depreciation in acquisitions        | -       | -       | -                | -364    | -       | -364    |
| Disposals incl. disposal of operations/discards | -       | -       | 2,029            | 413     | 2,029   | 413     |
| Depreciation for the year                       | -       | -       | -11,841          | -10,174 | -11,841 | -10,174 |
| Reclassification                                | -       | -       | -8               | -2,509  | -8      | -2,509  |
| Translation difference                          | -       | -       | 986              | -1,668  | 986     | -1,668  |
| Closing accumulated depreciation                | -       | -       | -33,162          | -24,328 | -33,162 | -24,328 |
| Opening write-downs                             | -       | -       | -5,738           | -2,328  | -5,738  | -2,328  |
| Write-downs during the year                     | -690    | -       | -                | -3,410  | -690    | -3,410  |
| Disposals, incl. disposal of operations/discard | -       | -       | -                | -       | -       | -       |
| Closing accumulated write-downs                 | -690    | _       | -5,738           | -5,738  | -6,428  | -5,738  |
| Closing book value                              | 894,901 | 917,684 | 58,094           | 39,502  | 952,995 | 957,186 |

Depreciation of goodwill has charged item Sales costs. During the year assets of a net book value of 101 (19,362) have been reclassified from tangible to intangible assets.

#### Depreciation specified per function in the income statement

| SEK '000                           | 2009   | 2008   |
|------------------------------------|--------|--------|
| Cost of products and services sold | 4,772  | 8,184  |
| Sales costs                        | 191    | 173    |
| Administration costs               | 6,878  | 5,227  |
| Total                              | 11,841 | 13,584 |

# Impairment test on goodwill

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, which for Elanders corresponds to segment level and is the equivalent of the Group (see note 2). This argument is based on the fact that the cash flows attributable to the acquisition goodwill from previous years that was generated more or less in one company is increasingly generated by several or all of the companies in the Group. This is a result of new and existing customers coordinating their purchases through, for example, global procurements with local deliveries worldwide.

Useful value of goodwill attributable to Elanders' cash generating units is based on discounted endless cash flows. Cash flows for the first three years are based on budget. In the following period cash flows are assumed to have a growth rate corresponding to inflation of 2 (2) %. The discount rate 9.1 (9.3) % before tax has been used in all calculations, which was calculated based on the weighted average capital cost (WACC). Based on the assumptions given above the useful value exceeds the booked value for all cash generating units.

### Sensitivity analysis

| MSEK                 | Change | Possible need<br>for write-downs |
|----------------------|--------|----------------------------------|
| Discount rate        | +1 %   | -34                              |
| Cash flows           | -10 %  | -                                |
| Growth after 3 years | -1 %   | -                                |

# NOTE 15 - Tangible assets

|  | Buildings ar | ıd land 1) | Plant and r | nachinery | Equipment<br>fixtures and |         | Fixed as |         | Tota      | al        |
|--|--------------|------------|-------------|-----------|---------------------------|---------|----------|---------|-----------|-----------|
| SEK '000   | 2009         | 2008       | 2009        | 2008      | 2009                      | 2008    | 2009     | 2008    | 2009      | 2008      |
| Opening acquisition value                        | 79,398       | 82,892     | 864,434     | 680,642   | 99,399                    | 68,593  | 3,116    | 18,440  | 1,046,347 | 850,567   |
| Purchases/investments                            | -            | 24         | 12,755      | 168,746   | 5,717                     | 22,184  | 22,068   | 16,456  | 40,540    | 207,410   |
| Sales/discards, incl. disposal of companies      | -            | _          | -81,067     | -75,000   | -2,394                    | -9,525  | -        | _       | -83,461   | -84,525   |
| Reclassifications                                | 141          | -11,678    | 17,980      | 13,987    | -370                      | 9,815   | -17,833  | -31,934 | -82       | -19,810   |
| Translation difference                           | -3,660       | 8,160      | -31,426     | 76,059    | -2,988                    | 8,332   | -346     | 154     | -38,420   | 92,705    |
| Closing acquisition value                        | 75,879       | 79,398     | 782,676     | 864,434   | 99,364                    | 99,399  | 7,005    | 3,116   | 964,924   | 1,046,347 |
| Opening accumulated depreciation and write-downs | -13,869      | -11,852    | -453,233    | -356,634  | -65,873                   | -37,097 | -        | _       | -532,975  | -405,583  |
| Depreciation for the year                        | -2,662       | -3,597     | -74,328     | -76,231   | -11,528                   | -12,695 | -        | -       | -88,518   | -92,523   |
| Acc. write-downs in acquisitions                 | -            | -          | -           | -61,267   | -                         | -13,466 | -        | -       | -         | -74,733   |
| Sales/discards, incl. disposal of companies      | -            | -          | 70,321      | 67,802    | 2,099                     | 7,994   | -        | -       | 72,420    | 75,796    |
| Reclassifications                                | 50           | 3,053      | 334         | 2,492     | -403                      | -5,097  |          |         | -19       | 448       |
| Translation difference                           | 784          | -1,473     | 16,316      | -29,395   | 2,163                     | -5,512  | -        | -       | 19,263    | -36,380   |
| Closing accumulated depreciation and write-downs | -15,697      | -13,869    | -440,590    | -453,233  | -73,542                   | -65,873 | -        | -       | -529,829  | -532,975  |
| Book value                                       | 60,182       | 65,529     | 342,086     | 411,201   | 25,822                    | 33,526  | 7,005    | 3,116   | 435,095   | 513,372   |

<sup>1)</sup> Buildings and land include land with a book value of 543 (566).

Fixed assets for a net book value of 101 (19,362) have been reclassified in 2009 between tangible and intangible assets.

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

#### Depreciation and write-downs specified per function in the income statement

| SEK '000                           | 2009   | 2008   |
|------------------------------------|--------|--------|
| Cost of products and services sold | 82,584 | 84,991 |
| Sales costs                        | 887    | 1,228  |
| Administration costs               | 5,046  | 6,304  |
| Total                              | 88,518 | 92,523 |

#### Finance leases

The net book value of tangible assets under finance leases is 29,273 (38,326). All leasing objects are reported as plant and machinery.

Future minimum lease payments for finance leases

| SEK '000                                    | 2009   | 2008   |
|---|--------|--------|
| Within 1 year                               | 12,994 | 15,706 |
| Between 1 and 5 years                       | 12,725 | 27,681 |
| More than 5 years                           | _      | _      |
| Total                                       | 25,719 | 43,387 |
| Future interest expenses for finance leases | -1,692 | -4,659 |
| Current finance lease liability             | 24,027 | 38,728 |



NOTE 16 - Other securities

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 17 – 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 centralized 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 currency risk, interest risk, financing risk, capital risk, and credit risk.

#### CURRENCY RISK

Elanders runs into an currency 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 2009-12-31 amounted to 18 (-500) and will be returned to the income statements in 2010. 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 2 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 2, not considering translation differences from subsidiaries.

<sup>&</sup>lt;sup>2)</sup> Fixed assets under construction include advances related to tangible assets of 2,692(0).



#### 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 minimize 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

#### Interest-bearing

| MSEK                  | Fixed interest | Floating interest | Non-interest<br>bearing |
|-----------------------|----------------|-------------------|-------------------------|
| Current receivables   | -              | -                 | 364                     |
| Long-term receivables | _              | _                 | 4                       |
| Cash and bank         | _              | 78                | _                       |
| Current liabilities   | _              | -829              | -226                    |
| Long-term liabilities | -              | -86               | -10                     |
| Total                 | _              | -837              | 128                     |

In the table above provisions for pensions are included in interest-bearing liabilities. In the table regarding categorization 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 ratio on 31 December 2009 amounted to 107 (96) %. 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 1,618 (1,721). Elanders' goal is a return on employed capital exceeding 14 %. In 2009 it amounted to -2.9 (0.9) %.

#### 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 22 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 2009 the total counterparty exposure in derivative instruments (calculated as net receivables per counterparty) was MSEK 28 (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. Approximately 50 % of annual net sales are covered by insurance, however with the limits given above, and this covers almost 200 of our biggest customers with a few exceptions. As the world economy continues to decline we have intensified our efforts to make sure that credit limits are followed and that our customers have a high payment moral.

#### 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 result.

| Variable         | Change       | Effect on the result after financial items, MSEK |
|------------------|--------------|--|
| Net sales        | +/- 1 % unit | 9,8  |
| Paper cost       | +/- 1 % unit | 3,2  |
| Personnel cost   | +/- 1 % unit | 5,9  |
| Sick leave       | +/- 1 % unit | 9,8  |
| 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 2009 and 2008.

|                            | 2009           |            |            | 2008 |                |            |            |
|----------------------------|----------------|------------|------------|------|----------------|------------|------------|
| MSEK                       | Nominal amount | Book value | Fair value |      | Nominal amount | Book value | Fair value |
| Forward exchange contracts | 28             | -2         | -2         |      | 67             | -1         | -1         |

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

#### **Currency allocation**

| MSEK    | Nominal<br>amount | Average hedging rate | Due within<br>a year | Due between<br>1-2 years | Due between<br>3-5 years | Due after<br>5 years or more |
|---------|-------------------|----------------------|----------------------|--------------------------|--------------------------|------------------------------|
| EUR/SEK | 5                 | 10.25                | 5                    | -                        | -                        | _                            |
| USD/SEK | 4                 | 7.31                 | 4                    | -                        | -                        | -                            |
| PLN/SEK | 2                 | 2.49                 | 2                    | -                        | -                        | -                            |
| EUR/PLN | 13                | 4.19                 | 10                   | 3                        | _                        | -                            |
| EUR/GBP | 4                 | 0.92                 | 4                    | -                        | -                        | -                            |
| Total   | 28                | · ·                  | 25                   | 3                        | _                        |                              |

# NOTE 17 – Financial instruments and financial risk management (cont.)

CATEGORIZATION OF FINANCIAL INSTRUMENTS
The allocation of financial instruments in the balance sheets for 2009 and 2008 is presented in the tables below.

| 2009<br>ASSETS   |                           | Derivative instru-                                       |                              |   | Available-for-   |  |  |  |
|--|---------------------------|--|------------------------------|---|--|--|--|--|
| SEK '000   | Fair value<br>through P&L | ments in designated<br>hedge accounting<br>relationships | Held-to-maturity investments | Loans and receivables   | sale financial<br>assets   | Other Financial assets   | Non-financial assets   | Total  |
| Intangible assets  | -                         | -  | -                            | -   | _  | _  | 952,995  | 952,995  |
| Tangible assets  | -                         | -  | -                            | -   | -  | -  | 435,095  | 435,095  |
| Financial assets   | -                         | -  | -                            | -   | 2,216  | 1,409  | 127,782  | 131,407  |
| Current assets   |                           |  |                              |   |  |  |  |  |
| Inventory  | -                         | -  | -                            | -   | -  | -  | 95,109   | 95,109   |
| Accounts receivable  | -                         | -  | -                            | 351,516   | -  | -  | -  | 351,516  |
| Tax receivables  | -                         | -  | -                            |   | -  | -  | 14,218   | 14,218   |
| Other receivables  | -                         | 18   | -                            | 12,838  | -  | -  | 8,285  | 21,141   |
| Prepaid expenses and deferred income   | -                         | -  | -                            |   | -  | -  | 33,416   | 33,416   |
| Cash and cash equivalents  | _                         | -  | -                            | 78,856  | _  | -  | -  | 78,856   |
| Total current assets   | 0                         | 18   | 0                            | 443,210   | 0  | 0  | 151,028  | 594,256  |
| Total assets   | 0                         | 18   | 0                            | 443,210   | 2,216  | 1,409  | 1,666,900  | 2,113,753  |
| 2009<br>Liabilities  |                           |  |                              | Derivative instru-  | Available-for-   |  |  |  |
|  |                           |  | Fair value                   | ments in designated<br>hedge accounting   | sale financial   | Other financial  | Non-financial  |  |
| SEK '000   |                           |  | through P&L                  | relationships   | assets   | assets   | assets   | Total  |
| Long-term liabilities and provisions   |                           |  | -                            | -   | 0  | 96,545   | 33,758   | 130,303  |
| Current liabilities and provisions   |                           |  |                              |   |  | 000.000  |  | 000.000  |
| Liabilities to credit institutions   |                           |  | _                            | -   | _  | 828,669  | -  | 828,669  |
| Advances from customers  |                           |  |                              |   | -  | 3,844  | -  | 3,844  |
| Accounts payable   |                           |  | _                            | _   | _  | 187,041  | - 0.101  | 187,041  |
| Current tax liabilities  |                           |  | _                            | 0.101   | _  | -  | 2,101  | 2,101  |
| Other liabilities  |                           |  | _                            | 2,191   | _  | 35,316   | 23,494   | 61,001   |
| Accrued expenses and prepaid income  |                           |  | _                            | _   | _  | -  | 104,793  | 104,793  |
| Provisions  Total current liabilities and provisions   |                           |  |                              | 2,191   | 0  | 1,054,870  | 30,937<br><b>161,325</b>   | 30,937<br><b>1,218,386</b>   |
| Total liabilities and provisions   |                           |  | 0                            | 2,191   | 0  | 1,151,415  | 195,083  | 1,348,689  |
|  |                           |  |                              |   |  |  |  |  |
|  |                           |  |                              |   |  |  |  |  |
| 2008<br>ASSETS   |                           | Derivative instru-                                       |                              |   |  |  |  |  |
| ASSETS   | Fair value                | ments in designated<br>hedge accounting                  | Held-to-maturity             |   | Available-for-sale   | Other financial  | Non-financial  | Total  |
| ASSETS SEK '000  | Fair value<br>through P&L | ments in designated<br>hedge accounting<br>relationships | Held-to-maturity investments | receivables   | financial assets   | assets   | assets   | Total 957 186  |
| SEK '000 Intangible assets   | Fair value                | ments in designated<br>hedge accounting                  |                              |   | financial assets   | assets _   | 957,186  | 957,186  |
| SEK '000 Intangible assets Tangible assets   | Fair value                | ments in designated<br>hedge accounting<br>relationships |                              | receivables   | financial assets   | assets –   | 957,186<br>513,372   | 957,186<br>513,372   |
| SEK '000 Intangible assets Tangible assets Financial assets  | Fair value                | ments in designated<br>hedge accounting<br>relationships |                              | receivables   | financial assets   | assets _   | 957,186  | 957,186  |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets   | Fair value                | ments in designated<br>hedge accounting<br>relationships |                              | receivables   | financial assets   | assets –   | 957,186<br>513,372<br>103,296  | 957,186<br>513,372<br>107,515  |
| SEK '000 Intangible assets Tangible assets Financial assets  | Fair value                | ments in designated<br>hedge accounting<br>relationships |                              | receivables   | financial assets   | assets –   | 957,186<br>513,372   | 957,186<br>513,372<br>107,515  |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable   | Fair value                | ments in designated<br>hedge accounting<br>relationships |                              | receivables   | financial assets   | assets –   | 957,186<br>513,372<br>103,296  | 957,186<br>513,372<br>107,515<br>120,062<br>470,894  |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory   | Fair value                | ments in designated<br>hedge accounting<br>relationships |                              | receivables   | financial assets   | assets –   | assets<br>957,186<br>513,372<br>103,296<br>120,062   | 957,186<br>513,372<br>107,515<br>120,062<br>470,894<br>19,709  |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables   | Fair value                | ments in designated<br>hedge accounting<br>relationships |                              | receivables   | financial assets   | 4,091  | 957,186<br>513,372<br>103,296  | 957,186<br>513,372<br>107,515<br>120,062<br>470,894  |
| ASSETS  SEK '000  Intangible assets  Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables   | Fair value                | ments in designated<br>hedge accounting<br>relationships |                              | receivables 470,894 - 9,515   | financial assets   | 4,091  | 957,186<br>513,372<br>103,296<br>120,062<br>19,709<br>4,763  | 957,186<br>513,372<br>107,515<br>120,062<br>470,894<br>19,709<br>14,278  |
| ASSETS  SEK '000  Intangible assets  Tangible assets Financial assets  Current assets Inventory  Accounts receivable  Tax receivables Other receivables  Prepaid expenses and deferred income  | Fair value                | ments in designated<br>hedge accounting<br>relationships | investments                  | receivables 470,894 - 9,515   |  | 4,091  | 957,186<br>513,372<br>103,296<br>120,062<br>19,709<br>4,763  | 957,186<br>513,372<br>107,515<br>120,062<br>470,894<br>19,709<br>14,278<br>41,980  |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents  | Fair value through P&L    | ments in designated hedge accounting relationships       | investments                  | receivables  470,894 - 9,515 - 141,741  | financial assets   | - 4,091  | 120,062<br>19,709<br>4,763<br>41,980   | 957,186<br>513,372<br>107,515<br>120,062<br>470,894<br>19,709<br>14,278<br>41,980<br>141,741   |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents Total current assets Total assets  | Fair value through P&L    | ments in designated hedge accounting relationships       | investments                  | receivables  470,894 - 9,515 - 141,741 622,150 622,150  | financial assets   | - 4,091  | 186,514  | 957,186<br>513,372<br>107,515<br>120,062<br>470,894<br>19,709<br>14,278<br>41,980<br>141,741<br>808,664  |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents Total current assets Total assets  2008 LIABILITIES  | Fair value through P&L    | ments in designated hedge accounting relationships       | investments                  | receivables   | -   -   -     -     -  | - 4,091  Other financial   | 120,062<br>19,709<br>4,763<br>41,980<br>186,514<br>1,760,368   | 957,186<br>513,372<br>107,515<br>120,062<br>470,894<br>19,709<br>14,278<br>41,980<br>141,741<br>808,664<br>2 386,737                               |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents Total current assets Total assets  2008 LIABILITIES SEK '000   | Fair value through P&L    | ments in designated hedge accounting relationships       |                              | receivables   | Financial assets   | assets   | 120,062<br>19,709<br>4,763<br>41,980<br>186,514<br>1,760,368   | 957,186<br>513,372<br>107,515<br>120,062<br>470,894<br>19,709<br>14,278<br>41,980<br>141,741<br>808,664<br>2 386,737                               |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents Total current assets Total assets  2008 LIABILITIES SEK '000 Long-term liabilities and provisions  | Fair value through P&L    | ments in designated hedge accounting relationships       | investments                  | receivables   | -   -   -     -     -  | - 4,091  Other financial   | 120,062<br>19,709<br>4,763<br>41,980<br>186,514<br>1,760,368   | 957,186<br>513,372<br>107,515<br>120,062<br>470,894<br>19,709<br>14,278<br>41,980<br>141,741<br>808,664<br>2 386,737                               |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents Total current assets Total assets  2008 LIABILITIES SEK '000 Long-term liabilities and provisions Current liabilities and provisions   | Fair value through P&L    | ments in designated hedge accounting relationships       | investments                  | receivables   | -   -   -     -     -  | assets — — — — — — — — — — — — — — — — — — —                                     | 120,062<br>19,709<br>4,763<br>41,980<br>186,514<br>1,760,368   | 957,186 513,372 107,515  120,062 470,894 19,709 14,278 41,980 141,741 808,664 2 386,737  Total 174,792   |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents Total current assets Total assets  2008 LIABILITIES SEK '000 Long-term liabilities and provisions  | Fair value through P&L    | ments in designated hedge accounting relationships       | investments                  | receivables   | financial assets  128  128  Available-for-sale financial assets      | assets 4,091 4,091  Other financial assets 140,222                               | assets 957,186 513,372 103,296  120,062  19,709 4,763 41,980 - 186,514 1,760,368  Non-financial assets 34,570                      | 957,186 513,372 107,515  120,062 470,894 19,709 14,278 41,980 141,741 808,664 2 386,737  Total 174,792   |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents Total current assets Total assets  2008 LIABILITIES SEK '000 Long-term liabilities and provisions Current liabilities and provisions Liabilities to credit institutions Advances from customers  | Fair value through P&L    | ments in designated hedge accounting relationships       | investments                  | receivables   | financial assets  128  128  Available-for-sale financial assets      | assets  4,091  4,091  Other financial assets  140,222  862,742 7,065             | assets 957,186 513,372 103,296 120,062 19,709 4,763 41,980 - 186,514 1,760,368  Non-financial assets 34,570                        | 957,186 513,372 107,515  120,062 470,894 19,709 14,278 41,980 141,741 808,664 2 386,737  Total 174,792  862,742 7,065                              |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents Total current assets Total assets  2008 LIABILITIES SEK '000 Long-term liabilities and provisions Current liabilities to credit institutions   | Fair value through P&L    | ments in designated hedge accounting relationships       | investments                  | receivables   | financial assets  128 128 128 Available-for-sale financial assets    | assets 4,091 4,091  Other financial assets 140,222                               | assets 957,186 513,372 103,296  120,062  19,709 4,763 41,980 - 186,514 1,760,368  Non-financial assets 34,570                      | 957,186 513,372 107,515  120,062 470,894 19,709 14,278 41,980 141,741 808,664 2 386,737  Total 174,792  862,742 7,065 231,832                      |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents Total current assets Total assets  2008 LIABILITIES SEK '000 Long-term liabilities and provisions Current liabilities and provisions Liabilities to credit institutions Advances from customers Accounts payable   | Fair value through P&L    | ments in designated hedge accounting relationships       | investments                  | receivables   | financial assets  128 128 128 Available-for-sale financial assets    | assets 4,091 4,091  Other financial assets 140,222  862,742 7,065 231,832        | assets 957,186 513,372 103,296  120,062  19,709 4,763 41,980  - 186,514 1,760,368  Non-financial assets 34,570  5,947              | 957,186 513,372 107,515  120,062 470,894 19,709 14,278 41,980 141,741 808,664 2 386,737  Total 174,792  862,742 7,065 231,832 5,947                |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents Total current assets Total assets  2008 LIABILITIES SEK '000 Long-term liabilities and provisions Current liabilities and provisions Liabilities to credit institutions Advances from customers Accounts payable Current tax liabilities Other liabilities                                     | Fair value through P&L    | ments in designated hedge accounting relationships       | investments                  | receivables  470,894 - 9,515 - 141,741 622,150 622,150  Derivative instruments in designated hedge accounting relationships | financial assets  128 128 128  Available-for-sale financial assets   | assets  4,091  4,091  Other financial assets  140,222  862,742 7,065             | assets 957,186 513,372 103,296 120,062 19,709 4,763 41,980 - 186,514 1,760,368  Non-financial assets 34,570 - 5,947 26,100         | 957,186 513,372 107,515  120,062 470,894 19,709 14,278 41,980 141,741 808,664 2 386,737  Total 174,792  862,742 7,065 231,832 5,947 67,780         |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents Total current assets Total assets  2008 LIABILITIES SEK '000 Long-term liabilities and provisions Current liabilities and provisions Liabilities to credit institutions Advances from customers Accounts payable Current tax liabilities   | Fair value through P&L    | ments in designated hedge accounting relationships       | investments                  | receivables   | financial assets  128 - 128 128  Available-for-sale financial assets | assets 4,091 4,091  Other financial assets 140,222  862,742 7,065 231,832 41,001 | assets 957,186 513,372 103,296 120,062 19,709 4,763 41,980 - 186,514 1,760,368  Non-financial assets 34,570 - 5,947 26,100 119,129 | 957,186 513,372 107,515  120,062 470,894 19,709 14,278 41,980 141,741 808,664 2 386,737  Total 174,792  862,742 7,065 231,832 5,947 67,780 119,129 |
| SEK '000 Intangible assets Tangible assets Financial assets Current assets Inventory Accounts receivable Tax receivables Other receivables Prepaid expenses and deferred income Cash and cash equivalents Total current assets Total assets  2008 LIABILITIES SEK '000 Long-term liabilities and provisions Current liabilities and provisions Liabilities to credit institutions Advances from customers Accounts payable Current tax liabilities Other liabilities Accrued expenses and prepaid income | Fair value through P&L    | ments in designated hedge accounting relationships       | Fair value through P&L       | receivables   | financial assets  128 - 128 128 Available-for-sale financial assets  | assets 4,091 4,091  Other financial assets 140,222  862,742 7,065 231,832 41,001 | assets 957,186 513,372 103,296 120,062 19,709 4,763 41,980 - 186,514 1,760,368  Non-financial assets 34,570 - 5,947 26,100         | 957,186 513,372 107,515  120,062 470,894 19,709 14,278 41,980 141,741 808,664 2 386,737  Total 174,792  862,742 7,065 231,832 5,947 67,780         |



# NOTE 17 – Financial instruments and financial risk management (cont.)

#### Financial instruments and financial risk management – additional information

#### Financial instruments - initial assesment

Financial instruments are valued the first time at fair value plus transaction costs, which applies to all financial assets and liabilities not recognized at fair value through profit or loss. Financial assets and liabilities recognized 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                   | 2009   | 2008    |
|----------------------------|--------|---------|
| Less than 30 days overdue  | 30,981 | 62,087  |
| 30-60 days overdue         | 10,844 | 18,705  |
| 61-90 days overdue         | 3,249  | 9,023   |
| 91-120 days overdue        | 1,122  | 3,778   |
| More than 120 days overdue | 2,206  | 9,792   |
| Total                      | 48,402 | 103,385 |

Only accounts receivable are included in the table above. No other overdue receivables existed per 31 December 2009 or in 2008.

The provision for bad debts was 6,704 (9,109) per 31 December 2009.

# 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                                       | 2009    | 2008    |
|--|---------|---------|
| Interest income from financial assets          | 1,073   | 2,054   |
| Interest expenses due to financial liabilities | -30,987 | -50,362 |
| Total  | -29.914 | -48.308 |

The reason the result is not the same as the interest result 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 recorded in the income statement

The table below contains the following items that have been recorded 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                    | 2009   | 2008   |
|-----------------------------|--------|--------|
| Loans and receivables       | 564    | 2,738  |
| Other financial liabilities | -2,474 | -4,065 |
| Total                       | -1,910 | -1,327 |

# Infectivity in hedge accounting

Elanders has no infectivity in cash flow hedging or net investment hedging abroad. See the presentation of other comprehensive income for further information.

# Due date structure regarding financial liabilities

The due date structure regarding interest-bearing liabilities is presented in note 22, Liabilities to credit facilities. Other financial liabilities, such as accounts payable and advance payments to customers, have contractual due dates within 1-60 days.



# NOTE 18 - Inventory

| SEK '000                      | 2009   | 2008    |
|-------------------------------|--------|---------|
| Raw materials and consumables | 36,059 | 49,881  |
| Work in process               | 25,718 | 40,472  |
| Finished goods                | 33,332 | 29,709  |
| Total                         | 95,109 | 120,062 |

Costs relating to obsolescence expensed during the year amounted to 584 (–512) and at year-end the obsolescence reserve was 10,777 (10,895).



# NOTE 19 - Prepaid expenses and accrued income

| SEK '000                                  | 2009   | 2008   |
|---|--------|--------|
| Machine rent paid in advance              | 6,505  | 3,497  |
| Premise rent paid in advance              | 7,210  | 13,738 |
| Other prepaid expenses and accrued income | 19,701 | 24,745 |
| Total                                     | 33,416 | 41,980 |



#### NOTE 20 - Cash and cash equivalents

| SEK '000                  | 2009   | 2008    |
|---------------------------|--------|---------|
| Cash and bank             | 78,856 | 141,741 |
| Cash and cash equivalents | 78,856 | 141,741 |

Translation differences in cash and cash equivalents were -5,694 (19,480).



# NOTE 21 - Share capital

| Number of registered shares in the parent company | 2009      | 2008      |
|---|-----------|-----------|
| Issued per 1 January                              | 9,764,999 | 9,764,999 |
| Issued per 31 December                            | 9,764,999 | 9,764,999 |

|          | Number of votes | Number of<br>shares | Share capital,<br>MSEK |
|----------|-----------------|---------------------|------------------------|
| A shares | 10              | 583,333             | 5,833,333              |
| B shares | 1               | 9,181,666           | 91,816,666             |
|          |                 | 9.764.999           | 97.649.999             |

All shares are completely paid for.

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



# Note 22 - Liabilities to credit institutions

In the beginning of 2009 new credit contracts were signed with the banks. Renegotiations are being held in the spring of 2010.

The Group had a total of MSEK 951 (MSEK 1,093) per 31 December 2009 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 3.9 (6.1) %.

#### Long-term liabilities

| SEK '000                  | 2009   | 2008    |
|---------------------------|--------|---------|
| Finance lease liabilities | 12,358 | 29,831  |
| Borrowing debts           | 61,829 | 78,091  |
| Total                     | 74.187 | 107.922 |

#### **Current liabilities**

| SEK '000                            | 2009    | 2008    |
|-------------------------------------|---------|---------|
| Bank overdraft facilities, utilized | 419,184 | 575,644 |
| Borrowing debts                     | 396,603 | 278,188 |
| Finance lease liabilities           | 12,883  | 8,909   |
| Total                               | 828,670 | 862,741 |

#### Due date structure

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

| SEK '000           | 2009    | 2008    |
|--------------------|---------|---------|
| Within 1 month     | 804     | 186,393 |
| Within 1-3 months  | 4,662   | 28,364  |
| Within 3-12 months | 404,020 | 72,340  |
| Within 1-5 years   | 60,769  | 96,932  |
| After 5 years      | 13,418  | 10,990  |
| Total              | 483,673 | 395,019 |

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

# Bank overdraft facilities

Utilized amounts and available credit in bank overdraft facilities:

| SEK '000                                   | 2009    | 2008    |
|--|---------|---------|
| Bank overdraft facilities, utilized amount | 419,184 | 575,644 |
| Bank overdraft facilities, granted amount  | 518,077 | 766,304 |
| Unutilized amount                          | 98.893  | 190.660 |

# Pledged assets

See note 26 for information on pledged assets.

### NOTE 23 – Provisions for post-employment benefits

#### Pension provisions

|  | Funded pla | ıns    | Unfunded <sub>I</sub> | olans  | Tota    | al     |
|--|------------|--------|-----------------------|--------|---------|--------|
| SEK '000   | 2009       | 2008   | 2009                  | 2008   | 2009    | 2008   |
| Present value of pension obligations                                       | 10,124     | 9,467  | 14,950                | 13,715 | 25,074  | 23,182 |
| Less: The fair value of plan assets  | -10,913    | -9,676 | -                     | -      | -10,913 | -9,676 |
| Unrecognized actuarial gains (+) losses (-)                                | 1,592      | 1,151  | -2,306                | -241   | -714    | 910    |
| Provisions for pensions recognized in the statements of financial position | 803        | 942    | 12,644                | 13,474 | 13,447  | 14,416 |

#### 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.

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

| Percent                                | 2009 | 2008 |
|--|------|------|
| Discount rate 1)                       | 3,8  | 4,0  |
| Expected future annual raises in wages | 3,0  | 3,0  |
| Expected inflation                     | 2,0  | 2,0  |
| Expected personnel turnover            | 5,0  | 5,0  |
| Expected return on plan assets         | 3,5  | 3,5  |

<sup>&</sup>lt;sup>1)</sup> The discount rate is based on anticipated returns from a government bond (RGKB 1053) with a maturity that mirrors the obligation. A zero coupon yield curve has been used for this specific purpose.

#### Change in current value of the pension obligation

| SEK '000                         | 2009   | 2008   |
|----------------------------------|--------|--------|
| Opening balance                  | 23,182 | 18,972 |
| Interest on the obligation       | 972    | 757    |
| Current year service cost        | 1,600  | 1,362  |
| Pensions paid out                | -645   | -519   |
| Translation difference           | -103   | -      |
| Actuarial profits(-) / losses(+) | 68     | 2,610  |
| Closing balance                  | 25,074 | 23,182 |

# Change in plan assets fair value

| SEK '000                         | 2009   | 2008  |
|----------------------------------|--------|-------|
| Opening balance                  | 9,676  | 7,494 |
| Expected return on plan assets   | 372    | 417   |
| Payments made by employer        | 1,762  | 1,697 |
| Pensions paid out                | -      | -     |
| Actuarial profits (–)/losses (+) | -897   | 68    |
| Closing balance                  | 10,913 | 9,676 |

The actuarial profits and losses are not recorded in the income statement or balance sheet for 2009 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.

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

| SEK '000                                | 2009  | 2008  |
|---|-------|-------|
| Current year service cost               | 1,600 | 980   |
| Interest on the obligation              | 972   | 757   |
| Actuarial profits (-)/losses (+)        | -383  | -417  |
| Expected return on plan assets          | -372  | -170  |
| Pension costs for defined benefit plans | 1,817 | 1,150 |

#### **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 35,899 (40.188).

The obligations for retirement and sick pensions for white-collar workers for several of the Swedish companies have been safeguarded through insurance in Alecta. According to an opinion from the Swedish Financial Reporting Board, UFR 3, this is a defined benefit multi-employer plan. The Group has not had access to the information necessary to report these plans as defined benefit pension plans for the financial year 2009. Pension plans that are safeguarded through insurance in Alecta according to ITP are therefore reported as a defined contribution plan. Fees for 2009 for pension insurance from Alecta totaled 6,754 (4,488). Alecta's surplus can be passed on to the insurance-takers and/ or the insured. At the end of 2009 Alecta's surplus in the form of the collective consolidation level was 114 (112) %. The collective consolidation level is the market value of Alecta's assets as a percentage of insurance obligations measured according to Alecta's actuarial assumptions, which are not in agreement with IAS 19.

## Allocation of pension costs in the income statement

| Percent                            | 2009 | 2008 |
|------------------------------------|------|------|
| Cost of products and services sold | 45   | 52   |
| Administrative expenses            | 38   | 33   |
| Selling expenses                   | 17   | 15   |

# NOTE 24 – Other provisions

| SEK '000                              | 2009                        | Provided for<br>during the year | Utilized during<br>the year | Reversal of<br>unutilized amounts | Translation effects | 2008                        |
|---------------------------------------|-----------------------------|---------------------------------|-----------------------------|-----------------------------------|---------------------|-----------------------------|
| Provisions for restructuring measures |                             |                                 |                             |                                   |                     |                             |
| regarding personnel                   | 12,986                      | 19,751                          | -42,725                     | -                                 | -131                | 36,091                      |
| regarding premise costs               | 1,520                       | -                               | -                           | -1,400                            | -                   | 2,920                       |
| regarding other                       | -                           | -                               | -1,800                      | -                                 | -                   | 1,800                       |
| Other provisions                      |                             |                                 |                             |                                   |                     |                             |
| Other                                 | 21,608                      | 18,439                          | -283                        | -                                 | -30                 | 3,482                       |
| Total<br>of which current             | <b>36,114</b> <i>30,937</i> | 38,190                          | -44,808                     | -1,400                            | -161                | <b>44,293</b> <i>30,774</i> |

Provisions for personnel costs are primarily due to cost adjustments and reorganizations. The closing provisions are expected to be used in 2010. Provisions for premise costs are primarily due to terminating operations and reorganizations. The closing provisions are expected to be used in 2010. Other provisions refer primarily to personnel costs and are, to a large extent, expected to be used in 2010-2011.

# NOTE 25 – Accrued expenses and deferred income

# NOTE 27 – Investment obligations

| SEK '000                                   | 2009    | 2008    |
|--|---------|---------|
| Holiday pay liability                      | 30,419  | 37,818  |
| Social security contributions              | 22,707  | 29,041  |
| Accrued salaries and remuneration          | 7,211   | 4,592   |
| Other accrued expenses and deferred income | 44,456  | 47,678  |
| Total                                      | 104,793 | 119,129 |

There were no material investment obligations per 31 December 2009 or 31 December 2008.



# NOTE 26 - Pledged assets and contingent liabilities

# Pledged assets

| SEK '000                     | 2009    | 2008    |
|------------------------------|---------|---------|
| Real estate mortgages        | 59,924  | 62,586  |
| Floating charges             | 202,656 | 159,043 |
| Other pledged assets         | 63,677  | 85,289  |
| Total                        | 326,257 | 306,918 |
|                              |         |         |
| Given to:                    |         |         |
| - Credit institutions        | 326,257 | 306,918 |
| Total                        | 326,257 | 306,918 |
| Contingent liabilities       |         |         |
| Other contingent liabilities | 74,769  | 18,031  |
| Total                        | 74,769  | 18,031  |

Other pledged assets refer to assets with ownership reservations, such as financial leasing. For further information see note 15.

Elanders continues to have guarantee commitments of MSEK 18.3 (26.5) per 31 December 2009 from the sales of the operations in Kungsbacka, primarily for production equipment in Kungsbacka that is also the collateral for the commitments.



#### NOTE 28 - Transactions with related parties

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

#### Transactions with related parties

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

#### Sales of products and services

| SEK '000                            | 2009  | 2008  |
|-------------------------------------|-------|-------|
| Carl Bennet with associated company | 42    | 185   |
| Jointly controlled entities         | 218   | 3,218 |
| Total                               | 260   | 3,403 |
| Purchase of products and services   |       |       |
| SEK '000                            | 2009  | 2008  |
| Carl Bennet with associated company | 535   | 559   |
| Jointly controlled entities 1)      | 9,021 | 4,620 |
| Total                               | 9,556 | 5,179 |
|                                     |       |       |

<sup>1)</sup> Purchases in 2009 included acquisitions of machines.

The transactions between subsidiaries have taken place with normal business terms and at market prices. During the year Group internal sales amounted to MSEK 75 (MSEK 94). The transactions with Carl Bennet primarily concern costs stemming from his role as Chairman of the Board in Elanders AB. Associated company refers to Carl Bennet AB.

The following transactions existed at the end of the year:

#### Receivables from related parties

| SEK '000                            | 2009 | 2008  |
|-------------------------------------|------|-------|
| Carl Bennet with associated company | 24   | 34    |
| Jointly controlled entities         | -    | 2,104 |
| Total                               | 24   | 2,138 |

## Liabilities to related parties

| SEK '000                            | 2009 | 2008 |
|-------------------------------------|------|------|
| Carl Bennet with associated company | 130  | 252  |
| Jointly controlled entities         | 21   | 340  |
| Total                               | 151  | 592  |

No reserve has been required during 2009 or 2008 for the loans granted to jointly controlled entities.

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.

Peter Sommer, who is a member of Executive Management and Chief Executive Officer in our German subsidiary, has an interest in a customer to the German operations, dom, Deutsche Online Medien GmbH. He owns the equivalent of 40 % of the shares in the company. Sales to this company during the year amounted to MSEK 48.6. Prices were set according to market terms.

Related parties to Peter Sommer own the property where Elanders GmbH runs most of its operations. During the year Elanders GmbH has paid MSEK 9.1 in rent for this property, which is on par with the market.



#### NOTE 29 - Acquisitions

No acquisitions were made in 2009. In 2008 Elanders acquired the following operations:

- All the shares in Mairs Graphische Betriebe GmbH & Co KG, in Stuttgart, Germany. The acquisition was made to increase production capacity in Germany, which was no longer sufficient.
- All the shares in ElandersUSA Inc. in Acworth, Atlanta, Georgia, USA. The
  acquisition will be a platform for deliveries to Group customers in North
  America.

Fair value of net assets acquired in 2008 is as follows:

| MSEK   | 2009 | 2008  |
|--|------|-------|
| Intangible assets                                  | -    | 0.2   |
| Tangible assets                                    | -    | 82.3  |
| Other fixed assets                                 | -    | 1.9   |
| Inventory  | -    | 12.6  |
| Accounts receivable                                | -    | 36.4  |
| Other current assets                               | -    | 4.4   |
| Cash and cash equivalents                          | -    | 2.0   |
| Minority interests                                 | -    | -     |
| Non- interest-bearing long-term liabilities        | -    | -2.9  |
| Interest-bearing long-term liabilities             | -    | -41.3 |
| Non-interest-bearing current liabilities           | -    | -29.0 |
| Interest-bearing current liabilities               | -    | -22.4 |
|  | -    | 44.2  |
| Goodwill   | -    | 14.6  |
| Purchase sum                                       |      | 58.8  |
| Less:  |      |       |
| Unpaid purchases sums                              | -    | -     |
| Cash and cash equivalents in acquisitions          | -    | -2.0  |
| Negative effect on Group cash and cash equivalents | -    | 56.8  |



# NOTE 30 – Events after the balance sheet date

The following important events have taken place after the balance sheet date:

- Since the annual accounts report was published on 29 January 2010 new information has become available concerning existing circumstances at year-end. This new information has made it possible to make better assessments regarding the size of provisions, in part due to a tax audit in progress in Hungary. As a result, the operating result was adjusted negatively by MSEK 11.8, the result after financial items by MSEK 16.1 and result for the year by MSEK 15.1.
- The Group's Chief Financial Officer will leave his position on 31 March 2010.

Otherwise 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

| SEK '000  | Note  | 2009                  | 2008     |
|---|-------|-----------------------|----------|
| Net sales   |       | -                     | -        |
| Cost of products and services sold                |       | -                     | -        |
| Gross profit                                      |       | -                     | -        |
| Administrative expenses                           | 1,6,7 | -41,666               | -30,313  |
| Other operating income                            | 2     | 9,074                 | 9,948    |
| Other operating expenses                          | 2     | -4,834                | -6,686   |
| Operating result                                  | 3,16  | -37,426               | -27,051  |
| Result from financial items                       | 4,16  |                       |          |
| Result from shares in Group companies             |       | 102,675               | -34,607  |
| Result from shares in jointly controlled entities | 9     | -974                  | -        |
| Interest income                                   |       | 7,342                 | 14,808   |
| Other financial income                            |       | 18,699                | 39,078   |
| Interest expenses                                 |       | -22,610               | -38,422  |
| Other financial expenses                          |       | -21,944               | -74,444  |
| Result after financial items                      |       | 45,762                | -120,638 |
| Taxes   | 5     | 13,787                | 18,473   |
| Result for the year                               |       | 59,549                | -102,165 |
| Dividends per share                               |       | 0.00 kr <sup>1)</sup> | 0.00 kr  |

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

# PARENT COMPANY – BALANCE SHEETS

| SEK '000  | Note   | 2009                  | 2008                  |
|---|--------|-----------------------|-----------------------|
| ASSETS  |        |                       |                       |
| Fixed assets  |        |                       |                       |
| Intangible assets   | 6      | 3,356                 | 4,189                 |
| Tangible assets   | 7      | 595                   | 714                   |
| Shares in subsidiaries  | 8      | 1,013,859             | 1,008,427             |
| Shares in jointly controlled entities                                     | 9      | 8,667                 | 9,641                 |
| Other investments held as fixed assets                                    | 10     | 2,093                 | 2,093                 |
| Receivables from group companies  |        | 116,806               | 199,096               |
| Other receivables   |        | 1,016                 | 1,306                 |
| Deferred tax assets   | 5      | 108,499               | 75,938                |
| Total fixed assets  |        | 1,254,891             | 1,301,404             |
| Current assets  |        |                       |                       |
| Accounts receivable   |        | 575                   | 50                    |
| Receivables from group companies  |        | 55,938                | 127,010               |
| Current tax assets  | 5      | 139                   | 245                   |
| Other receivables   |        | 1,151                 | 3,081                 |
| Prepaid expenses and accrued income                                       |        | 3,527                 | 3,263                 |
| Cash and cash equivalents   |        | 53                    | 836                   |
| Total current assets  |        | 61,383                | 134,485               |
| TOTAL ASSETS  |        | 1,316,274             | 1,435,889             |
| EQUITY, PROVISIONS AND LIABILITIES Equity Restricted equity Share capital |        | 97,650                | 97,650                |
| Statutory reserve   |        | 332,383               | 332,383               |
| Total restricted equity   |        | 430,033               | 430,033               |
| Unrestricted equity   |        |                       |                       |
| Retained earnings   |        | 63,305                | 215,313               |
| Result for the year   |        | 59,549                | -102,165              |
| Total unrestricted equity   |        | 122,854               | 113,148               |
| Total equity  |        | 552,887               | 543,181               |
| Provisions  |        |                       |                       |
| Provisions for pensions and similar obligations                           |        | 1,409                 | 1,497                 |
| Other provisions Total provisions   | 11     | 2,516<br><b>3,925</b> | 4,256<br><b>5,753</b> |
| Long-term liabilities   |        |                       |                       |
| Other liabilities   |        | 103                   | 103                   |
| Total long-term liabilities   |        | 103                   | 103                   |
| Current liabilities   |        |                       |                       |
| Liabilities to credit institutions  | 12, 14 | 564,257               | 751,334               |
| Accounts payable  |        | 3,286                 | 3,658                 |
| Liabilities to group companies  |        | 153,427               | 99,949                |
| Other liabilities   |        | 20,649                | 22,443                |
| Accrued expenses and deferred income                                      | 13     | 17,740                | 9,468                 |
| Total current liabilities   |        | 759,359               | 886,852               |
| TOTAL EQUITY, PROVISIONS AND LIABILITIES                                  |        | 1,316,274             | 1,435,889             |
| Pledged assets  |        | 21,600                | 29,800                |
| Contingent liabilities  |        | 83,956                | 146,216               |

# PARENT COMPANY – STATEMENT OF CASH FLOWS

| SEK '000  | Note | 2009     | 2008     |
|---|------|----------|----------|
| Operating activities  |      |          |          |
| Result after financial items  | 15   | 45,762   | -120,638 |
| Adjustments for items not incl. in cash flow                          | 15   | 3,551    | 68,264   |
| Paid taxes  |      | -986     | <u> </u> |
| Cash flow from operating activities before changes in working capital |      | 48,327   | -52,374  |
| Cash flow from changes in working capital                             |      |          |          |
| Increase(-) / Decrease(+) in operating receivables                    |      | 1,248    | 4,169    |
| Increase(+) / Decrease(-) in operating liabilities                    |      | 6,105    | -9,321   |
| Cash flow from operating activities                                   |      | 55,680   | -57,526  |
| Investing activities  |      |          |          |
| Acquisition of tangible assets and intangible assets                  | 6, 7 | -78      | -1,352   |
| Sales of tangible assets  |      | -        | 110,388  |
| Investment in subsidiaries  | 8    | -2,824   | -21,767  |
| Paid shareholders' contribution                                       |      | -        | -10,886  |
| Received(+) / paid(-) shareholders' contribution                      |      | -67,630  | -55,537  |
| Received dividends from subsidiaries                                  | 15   | 106,050  | -        |
| Change in long-term receivables                                       |      | 290      | 90       |
| Lending to and from subsidiaries                                      |      | 94,806   | -19,382  |
| Cash flow from investing activities                                   |      | 130,614  | 1,554    |
| Financing activities  |      |          |          |
| Changes in long and short term borrowing                              |      | -187,077 | 100,687  |
| Dividends paid to shareholders  |      | -        | -43,942  |
| Cash flow from financing activities                                   |      | -187,077 | 56,745   |
| Cash flow for the year  |      | -783     | 773      |
| Cash and cash equivalents at the beginning of the year                |      | 836      | 63       |
| Cash and cash equivalents at year-end                                 |      | 53       | 836      |
| Change in net debt  |      |          |          |
| Net debt at the beginning of the year                                 |      | 751,995  | 619,509  |
| Change in interest-bearing liabilities and cash and cash equivalents  |      | -186,382 | 132,486  |
| Net debt at year-end  |      | 565,613  | 751,995  |



# PARENT COMPANY – STATEMENT OF CHANGES IN EQUITY

|  |               |                   | Retained earnings<br>and result for |          |
|--|---------------|-------------------|-------------------------------------|----------|
| SEK '000                                   | Share capital | Statutory reserve | the year                            | Total    |
| Opening balance January 1, 2008            | 97,650        | 332,383           | 299,242                             | 729,275  |
| Result for the year                        | -             | -                 | -102,165                            | -102,165 |
| Two parent company shareholders            | _             | _                 | -43,942                             | -43,942  |
| Paid group contribution, net               | -             | -                 | -55,537                             | -55,537  |
| Tax effect on paid group contribution, net | -             | -                 | 15,550                              | 15,550   |
| Closing balance December 31, 2008          | 97,650        | 332,383           | 113,148                             | 543,181  |
| Result for the year                        | _             | _                 | 59,549                              | 59,549   |
| Paid group contribution, net               | -             | -                 | -67,630                             | -67,630  |
| Tax effect on paid group contribution, net | -             | _                 | 17,787                              | 17,787   |
| Closing balance December 31, 2009          | 97,650        | 332,383           | 122,854                             | 552,887  |

#### NOTE 1 - Fees to auditors

| SEK '000                     | 2009 | 2008  |
|------------------------------|------|-------|
| PricewaterhouseCoopers AB    |      |       |
| Audit fees                   | 650  | 650   |
| Fees for other consultations | 181  | 150   |
| Others                       |      |       |
| Fees for other consultations | -    | 426   |
| Total                        | 831  | 1,226 |

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



# NOTE 4 – Result from financial items (cont.)

Other financial income consists entirely of exchange rate gains.

# Interest expenses and similar items

| SEK '000                        | 2009    | 2008    |
|---------------------------------|---------|---------|
| Interest expenses, external     | -21,551 | -34,789 |
| Interest expenses, subsidiaries | -1,059  | -3,633  |
| Total                           | -22,610 | -38.422 |

#### Other financial expenses

| SEK '000                 | 2009    | 2008    |
|--------------------------|---------|---------|
| Exchange rate losses     | -17,798 | -54,151 |
| Other financial expenses | -4,146  | -20,293 |
| Total                    | -21,944 | -74,444 |



# NOTE 2 – Other operating income and expenses

# Other operating income

| SEK '000            | 2009  | 2008  |
|---------------------|-------|-------|
| Exchange rate gains | 7,025 | 9,396 |
| Other               | 2,049 | 552   |
| Total               | 9,074 | 9,948 |

#### Other operating expenses

| SEK '000             | 2009   | 2008   |
|----------------------|--------|--------|
| Exchange rate losses | -4,834 | -6,686 |
| Total                | -4,834 | -6,686 |



# NOTE 3 - Personnel

The total absence due to illness in the parent company is 0.1 % 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 - Result from financial items

## Result from shares in subsidiaries

| SEK '000  | 2009    | 2008     |
|---|---------|----------|
| Write-down of shares in Elanders Infoprint AB         | -       | -136,919 |
| Write-down of shares in Elanders Digital Hungary Kft  | -       | -10,886  |
| Write-down of shares in Elanders Italy S.r.l.         | -3,375  | -18,221  |
| Write-down of shares in Elanders infomedia Systems AB | -       | -5,500   |
| Dividends from subsidiaries                           | 106,050 | 136,919  |
| Total   | 102.675 | -34.607  |

# Result from shares in jointly controlled entities

| SEK '000             | 2009 | 2008 |
|----------------------|------|------|
| Write-down of shares | -974 | -    |
| Total                | 974  |      |

## Other interest income and similar items

| SEK '000                      | 2009  | 2008   |
|-------------------------------|-------|--------|
| Interest income, external     | 76    | 908    |
| Interest income, subsidiaries | 7,266 | 13,900 |
| Total                         | 7,342 | 14,808 |

# NOTE 5 - Taxes

# Tax on the result for the year

| SEK '000                                 | 2009    | 2008    |
|--|---------|---------|
| Tax effect on group contribution         | -17,787 | -15,550 |
| Stamp tax on dividends from subsidiaries | -987    | -       |
| Deferred tax                             | 32,561  | 34,023  |
| Total                                    | 13,787  | 18,473  |

#### **Deferred tax receivables**

| SEK '000                                  | 2009    | 2008   |
|---|---------|--------|
| Unutilized tax loss carried forward       | 97,865  | 66,326 |
| Other items                               | 10,634  | 9,612  |
| Less: Unrecorded deferred tax receivables | -       | -      |
| Total                                     | 108 499 | 75 938 |

# Reconciliation of booked parent company tax

| SEK '000   | 2009    | 2008     |
|--|---------|----------|
| Pre-tax result   | 45,762  | -120,638 |
| Tax according to average tax rate 26.3 $\%$ in Sweden (28 $\%$ ) | -12,035 | 33,779   |
| Tax effect of:   |         |          |
| Effect of change in company tax rate                             | -       | -4,909   |
| Stamp tax on dividends from subsidiaries                         | -987    | -        |
| Correction of previous year's tax expense                        | 155     | -        |
| Non-taxable dividends from subsidiaries                          | 27,891  | 38,337   |
| Non-deductible write-downs of shares in subsidiaries             |         |          |
| and jointly controlled entities                                  | -1,144  | -48,027  |
| Contribution, representation and association costs               | -66     | -109     |
| Other  | -27     | -598     |
| Total  | 13,787  | 18,473   |

# NOTE 6 – Intangible assets

|  | Goodwill |       | Other intangible a | ecetc  | Total  |        |
|--|----------|-------|--------------------|--------|--------|--------|
| SEK '000                                 | 2009     | 2008  | 2009               | 2008   | 2009   | 2008   |
| Opening acquisition value                | 1,959    | 1,959 | 5,312              | 4,153  | 7,271  | 6,112  |
| Purchases                                | -        | -     | -                  | 1,159  | -      | 1,159  |
| Closing acquisition value                | 1,959    | 1,959 | 5,312              | 5,312  | 7,271  | 7,271  |
| Opening accumulated depreciation         | -490     | -392  | -1,566             | -975   | -2,056 | -1,367 |
| Depreciation for the year                | -98      | -98   | -735               | -591   | -833   | -689   |
| Closing accumulated depreciation         | -588     | -490  | -2,301             | -1,566 | -2,889 | -2,056 |
| Opening accumulated write-downs          | _        | -     | -1,026             | -1,026 | -      | -      |
| Closing accumulated write-downs          | -        | -     | -1,026             | -1,026 | -1,026 | -1,026 |
| Closing net book value according to plan | 1,371    | 1,469 | 1,985              | 2,720  | 3,356  | 4,189  |

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

|  | Equipment, tools, fixture | Equipment, tools, fixtures and fittings |  |  |
|--|---------------------------|---|--|--|
| SEK '000   | 2009                      | 2008                                    |  |  |
| Opening acquisition value                        | 1,733                     | 1,540                                   |  |  |
| Purchases/investments                            | 78                        | 193                                     |  |  |
| Closing acquisition value                        | 1,811                     | 1,733                                   |  |  |
| Opening accumulated depreciation and write-downs | -1,019                    | -764                                    |  |  |
| Depreciation for the year                        | -197                      | -255                                    |  |  |
| Closing accumulated depreciation and write-downs | -1,216                    | -1,019                                  |  |  |
| Closing net book value according to plan         | 595                       | 714                                     |  |  |

Depreciation of intangible assets for the year has been charged entirely to administrative expenses in the income statement. There has been no financial leasing.

| SEK '000                             | 2009      | 2008      |
|--------------------------------------|-----------|-----------|
| Opening book value                   | 1,008,426 | 1,082,857 |
| Investments in subsidiaries          | 2,824     | 21,767    |
| Shareholders' contribution           | 5,984     | 75,328    |
| Write-down of shares in subsidiaries | -3,375    | -171,526  |
| Closing book value                   | 1,013,859 | 1,008,426 |

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

| Company:              | SEK '000 |
|-----------------------|----------|
| Elanders Italy S.r.l. | 5,984    |
| Total                 | 5,984    |

#### Specification of shares in subsidiaries

| SEK '000                                   | Identity no.       | Registered office        | Number of<br>shares | Owned share<br>in percent | Book value<br>of holding |
|--|--------------------|--------------------------|---------------------|---------------------------|--------------------------|
| Elanders Anymedia AB                       | 556559-5922        | Stockholm, Sweden        | 6,000               | 100                       | 13,614                   |
| Elanders (Beijing) Printing Company Ltd    | 77765103X          | Beijing, China           | -                   | 100                       | 66,564                   |
| Elanders (Beijing) Digital Development Ltd | 110000450078296    | Beijing, China           | -                   | 100                       | 2,824                    |
| Elanders do Brasil Ltda                    | 08.789.936/0001-55 | São Paolo, Brazil        | -                   | 100                       | 11,559                   |
| Elanders Artcopy Ltda                      | 51.959.310/0001-79 | São Paolo, Brazil        | -                   | 80                        | -                        |
| Elanders Digital Hungary Kft               | 20-09-065926       | Budapest, Hungary        |                     | 100                       | 0                        |
| Elanders GmbH                              | HRB722349          | Waiblingen, Germany      | -                   | 100                       | 108,576                  |
| Mairs Graphische Betriebe GmbH & Co. KG    | HRB211285          | Ostfildern, Germany      | -                   | 100                       | -                        |
| Elanders 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        | Kungsbacka, Sweden       | 314,330             | 100                       | 536,765                  |
| Elanders Sverige AB                        | 556262-1689        | Gothenburg, Sweden       | -                   | 100                       | -                        |
| Elanders Infomedia Systems AB              | 556229-6938        | Kungsbacka, Sweden       | 1,000               | 100                       | 100                      |
| Elanders Infoprint AB                      | 556099-5663        | Kungsbacka, Sweden       | 30,000              | 100                       | 50,342                   |
| Elanders International AB                  | 556058-0622        | Kungsbacka, Sweden       | 1,000               | 100                       | 155                      |
| Elanders Italy S.r.I.                      | 5686620963         | Ponzano Veneto, Italy    | -                   | 100                       | 2,702                    |
| Elanders Novum A/S                         | 980849910          | Oslo, Norway             | -                   | 52                        | 63                       |
| Elanders Polska Sp.zo.o                    | KRS 0000101815     | Plonsk, Poland           | -                   | 100                       | 39,869                   |
| ElandersUSA Inc.                           | 58-1448183         | Atlanta, USA             |                     | 100                       | 62,288                   |
| Elanders UK Ltd.                           | GB 2209256         | Harrogate, Great Britain | -                   | 100                       | 923                      |

Total 1,013,859

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



### NOTE 9 – Shares in jointly controlled entities

| SEK '000           | 2009  | 2008  |
|--------------------|-------|-------|
| Opening book value | 9,641 | 9,641 |
| Write-down         | -974  | -     |
| Closing book value | 8.667 | 9,641 |

Holdings in jointly controlled entities consist of the following:

| Company                 | Company<br>Registered office | Share of capital, % |
|-------------------------|------------------------------|---------------------|
| Hansaprint Elanders Kft | Hungary                      | 50                  |

Financial information in summary for jointly controlled entities:

| SEK '000            | 2009   | 2008   |
|---------------------|--------|--------|
| Share (50 %) of:    |        |        |
| - total assets      | 8,493  | 16,776 |
| - total liabilities | 239    | 3,541  |
| - net sales         | 9,233  | 19,126 |
| - pre-tax result    | -4,012 | 103    |



### NOTE 10 – Other securities

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 provisions

| SEK '000                  | 2009  | Provisions for the year | Requisitioned<br>during the year | Return of<br>unused amount | 2008  |
|---------------------------|-------|-------------------------|----------------------------------|----------------------------|-------|
| Environmental obligations | 1,500 | -                       |                                  | -                          | 1,500 |
| Structural measures       | -     | -                       | -1,450                           | -                          | 1,450 |
| Other                     | 1,016 | -                       | -290                             | -                          | 1,306 |
| Total                     | 2,516 | -                       | -1,740                           | -                          | 4,256 |

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



#### NOTE 12 – Liabilities to credit institutions

|                                    | 2009    | 2008    |
|------------------------------------|---------|---------|
| Short-term loans                   | 267,275 | 183,716 |
| Utilized bank overdraft facilities | 296,982 | 567,618 |
| Total                              | 564,257 | 751,334 |

Granted bank overdraft facilities amounted to MSEK 419 (653) per 31 December 2009

Elanders AB has short-term loans in USD, EUR and SEK. The interest rate on the loans per 31 December 2009 was in the interval 2,610-3,206 (3,623 – 3,670) %.

The contractual due dates for the above debts to credit institutions fall within a 3-12 month timeframe.



### NOTE 13 – Accrued expenses and deferred income

| SEK '000                                   | 2009   | 2008  |
|--|--------|-------|
| Accrued salaries and holiday pay liability | 5,056  | 2,029 |
| Accrued social security contributions      | 5,154  | 3,626 |
| Other accrued expenses and deferred income | 7,530  | 3,813 |
| Total                                      | 17,740 | 9,468 |

Accrued costs contain provisions for salaries and other remuneration, including social security contributions for the former CEO  $\,$ 



#### NOTE 14 - Pledged assets and contingent liabilities

#### Pledged assets

| SEK '000              | 2009   | 2008   |
|-----------------------|--------|--------|
| Real estate mortgages |        | 0      |
| Floating charges      | 3,300  | 3,300  |
| Other pledged assets  | 18,300 | 26,500 |
| Total                 | 21,600 | 29,800 |
| Given to:             |        |        |
|                       |        |        |
| Credit institutions   | 21,600 | 29,800 |
| Total                 | 21,600 | 29,800 |

### Contingent liabilities

| SEK '000                                    | 2009   | 2008    |
|---|--------|---------|
| Surety and contingent liabilities given for |        |         |
| subsidiaries                                | 83,956 | 146,216 |
| Total                                       | 83,956 | 146,216 |



# NOTE 15 – Supplementary information to the statement of cash flows

#### 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   | 2009    | 2008     |
|--|---------|----------|
| Depreciation and write-downs of intangible and       |         |          |
| tangible assets                                      | 1,030   | 944      |
| Write-down of shares in subsidiaries                 | 3,375   | 171,526  |
| Write-downs of shares in jointly controlled entities | 974     | -        |
| Dividends that do not affect cash flow               | -       | -136,919 |
| Other items  | -1,828  | 32,713   |
| Total  | 3,551   | 68,264   |
| Paid and received interest                           |         |          |
| SEK '000   | 2009    | 2008     |
| Paid interest  | -22,397 | -38,492  |
| Interest received                                    | 7,342   | 14,808   |
| Total  | -15,055 | -23,684  |

### Dividends received from subsidiaries

| SEK '000                                | 2009    | 2008    |
|---|---------|---------|
| Elanders Anymedia AB                    | 15,100  | -       |
| Elanders (Beijing) Printing Company Ltd | 42,625  | -       |
| Elanders Hungary Kft                    | 32,549  | -       |
| Elanders Poland Sp.zo.o                 | 15,776  | -       |
| Elanders Infoprint AB                   | -       | 136,919 |
| Total                                   | 106.050 | 136.919 |



#### NOTE 16 - Transactions with related parties

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

Per 31 December 2009 the parent company had issued loans to subsidiaries and jointly controlled entities for the following amounts (in thousands):

#### Sales of products and services

| SEK '000                            | 2009 | 2008 |
|-------------------------------------|------|------|
| Subsidiaries                        | -    | -    |
| Carl Bennet with associated company | 42   | 185  |
| Total                               | 42   | 185  |

|                       | Currency  | Amount   | per 31 Dec 2009 |
|-----------------------|-----------|----------|-----------------|
|                       | Guitelicy | Alliount | рег 31 рес 2003 |
| Elanders GmbH         | EUR       | 11 250   | 3.22%           |
| ElandersUSA Inc.      | USD       | 3 492    | 2.25%           |
| Elanders Italy S.r.l. | EUR       | 1591     | 3.00%           |
| Elanders Artcopy Ltda | USD       | 467      | 2.45%           |

Purchase of products and services

| SEK '000                            | 2009  | 2008  |
|-------------------------------------|-------|-------|
| Subsidiaries                        | 4,256 | 4,619 |
| Carl Bennet with associated company | 535   | 559   |
| Total                               | 4,791 | 5,178 |

No reserve has been required during 2009 or 2008 for the loans granted to subsidiaries. Moreover Elanders AB has a loan from Elanders Hungary Kft of MEUR .99 with an interest rate interval at year-end of  $1.473-2.473\ \%$ .

No Board member or senior officer has or has had direct or indirect shares in any business transactions, between themselves or the Group that are or were of

The parent company invoices subsidiaries for outlays for services for the entire Group such as marketing, IT, auditing and insurance. Invoicing for such outlays and the costs they stem from was booked net. During 2009 parent company invoicing for outlays was MSEK 29.0 (MSEK 45.9).

Remuneration to Board members and Executive Management is reported in note 5 to Group financial reports.

an unusual nature concerning the terms.

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.

During 2009 Elanders AB paid (-) or received (+) group contributions to the following companies:

The following balances existed at year-end:

| SEK '000                      | 2009    | 2008    |
|-------------------------------|---------|---------|
| Elanders Anymedia AB          | 70      | -9,887  |
| Elanders Infomedia Systems AB | -7,300  | -10,500 |
| Elanders International AB     | -       | -150    |
| Elanders Infologistics AB     | -400    | -19,000 |
| Elanders Sverige AB           | -60,000 | -16,000 |
| Total                         | -67,630 | -55,537 |

#### Receivables from associated companies

| SEK '000                            | 2009    | 2008    |
|-------------------------------------|---------|---------|
| Jointly controlled entities         | -       | 1,640   |
| Carl Bennet with associated company | 24      | 34      |
| Subsidiaries                        | 172,744 | 326,106 |
| Total                               | 172 769 | 227 790 |

#### Liabilities to associated companies

| SEK '000                            | 2009    | 2008    |
|-------------------------------------|---------|---------|
| Carl Bennet with associated company | 130     | 252     |
| Subsidiaries                        | 153,427 | 99,949  |
| Total                               | 153,557 | 100,201 |

# Appropriation of profits

The Board of Directors and Chief Executive Officer hereby certify that the Annual Report has been prepared in accordance with good accounting practice in Sweden and that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), referred to in the European Community directive 1606/2002 of 19 July 2002 regarding the application of International Financial Reporting Standards, and that they give a true and fair view of the parent company's and Group's financial position and result, and that the Board of Directors' Report provides a true and fair view of the development of the parent company's and Group's operations, financial position and result and describes significant risks and uncertainties that the parent company and the companies within the Group face.

The Board of Directors and Chief Executive Officer propose that the profit and other unreserved funds of SEK 122,854,268 in the parent company at the disposition of the General Annual Meeting should be dealt with accordingly:

balance to be carried forward, SEK 122,854,268.

If financial instruments valued at fair value according to 4 Capital 14 § of the Annual Accounts Act had instead been valued according to the lowest value principle it would not have any effect on equity.

This Annual Report will be presented at the Annual General Meeting 26 April 2010 for adoption.

Cecilia Lager

Kerstin Paulsson

Tomas Svensson

Mölnlycke 19 March 2010

Carl Bernet

Chairman of the Board

hilian hame feldt Lilian Larnefeldt

Vice Chairman of the Board

Haur Ol Chon Hans-Olov Olsson

Magnus Nilsson

Chief Executive Officer

Our auditor's report was presented on 19 March 2010 PricewaterhouseCoopers AB

Mikael Friksson Authorized Public Accountant

Lead Partner

# Auditor's report

To the annual meeting of the shareholders of Elanders AB (publ) 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 2009. The company's annual accounts and the consolidated accounts are included in the printed version on pages 73-110. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable 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

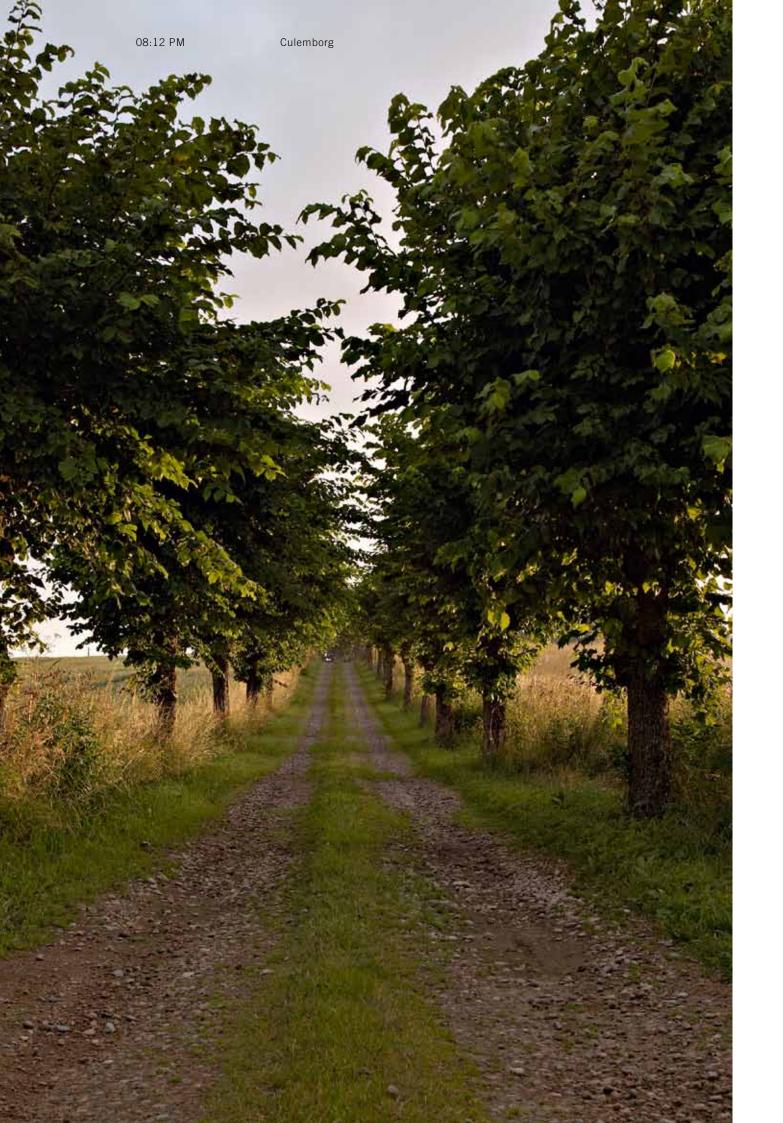
the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined 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 share-holders 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 19 March 2010 PricewaterhouseCoopers AB

Mikael Eriksson Authorized Public Accountant Lead Partner Johan Rippe
Authorized 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 2009 in accordance with this. It describes Elanders' corporate governance comprising Group 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 revised by the company's auditors.

#### APPLYING THE CODE

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

In Elanders there are the following deviations from the Code.



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 – A SHORT OUTLOOK

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

The Elanders Group's corporate governance and control is shared by the shareholders at the Annual General Meeting, the Board of Directors and the Chief Executive Officer, in accordance with the Companies Act and the articles of association. Shareholders appoint the company's nominating committee, Board and external auditors at the Annual General Meeting. The General meeting is the company's the highest decision-making body. Se figure page 115.

#### ANNUAL GENERAL MEETING

At the 2009 Annual General Meeting the shareholders appointed members of the Board and approved remuneration to them in accordance with a proposal from the nominating committee as well as the auditors' fee. It also elected the nominating committee and Chairman of the Board and auditors. The following decisions were also taken:



adoption of the Annual Report for 2008



according to the Board's proposal in the summons resolve that no dividend be distributed for 2008.



that the members of the Board of Directors and the Managing Director be discharged from liability for 2008.



according to a proposal in the summons, grant Board and committee remuneration for at total of SEK 2,375,000 for 2009 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 2010:

Carl Bennet (re-elected)
Patrick Holm (CEO) (re-elected)
Cecilia Lager (new member)
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



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 Funds (re-elected)
Caroline af Ugglas, Investment AB Latour and Skandia Liv (re-elected)



approve the Board's suggestion in the summons for remunerations to leading senior officers

No further Annual General Meeting was held during the year. Protocol from the Annual General Meetings can be found on the company's homepage 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 (HO Funds), Nils Petter Hollekim (Odin Funds) and Caroline af Ugglas (Investment AB Latour and Skandia Liv). All members are active in preparing for the Annual Meeting 2010. 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 in violation with the Code. However, it seems reasonable that the largest shareholder, counted in number of votes, be the Chairman of the nominating committee since he in any circumstances 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 under Investor Relations, Corporate Governance.

# THE BOARD OF DIRECTORS AND ITS WORK IN 2009

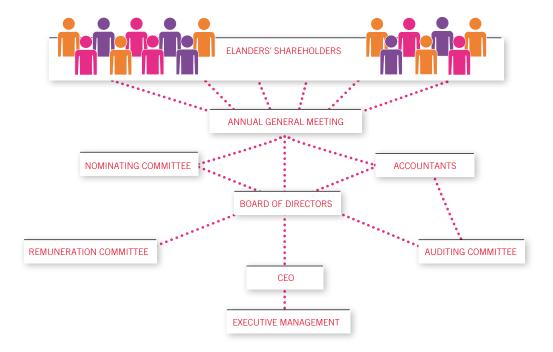
The Board is elected by the Annual General Meeting on proposal from the nominating committee. The Board is ultimately responsible for the management of the company, monitoring the Chief Executive Officer and continuously following developments in operations. The Board also decides on significant changes in the organization, 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 2009 the Board consisted of Carl Bennet, Chairman, Tore Åberg, Vice Chairman, Patrick Holm, Cecilia Lager, Göran Johnsson, Hans-Olov Olsson, Kerstin Paulsson and Johan Stern. Patrick Holm left the Board in June 2009. In addition, employees were represented by Per Hansson, later replaced by Lilian Larnefeldt, and Tomas Svensson. Their deputies were Lilian Larnefeldt, later permanent member, Lena Hassini and Olle Zetterquist. All the members of the Board elected by the Annual General Meeting have an independent relationship to the company. Cecilia Lager, Göran Johnsson, Hans-Olov Olsson och Kerstin Paulsson are independent in relationship to the company's largest owners (>10 percent of shares or votes).

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

The Board has seven ordinary meetings per year; four of them in conjunction with the annual accounts and interim reports, a meeting dedicated to strategic matters, a meeting to adopt the coming year's budget and a constitutional meeting following the Annual General Meeting. In addition, the Board is called to further meetings as needed. The Group's external auditors participate in the meeting that deals with the annual accounts for the first nine months of the year to report the result of their audit.

The Board followed the meeting plan for the year. The Board also met six times to handle matters concerning the investments and acquisitions, structural measures and therewith connected 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 US. 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 authorized 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 2009 Tore Åberg was made Vice Chairman. The Board is authorized 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 financial statements 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. The Board Members remuneration and presence is presented in detail in the table on the previous page.

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| Members of  | f the Board  | , remunerations, | attendance.   | etc.  |
|-------------|--------------|------------------|---------------|-------|
| 11101110010 | i tilo boala | , romanorations, | attoriaarioo, | o.co. |

| Member                    | Board,<br>attendance<br>(number<br>of meetings) | Remuneration<br>Committee,<br>presence (number<br>of meetings) | Auditing<br>Committee,<br>attendance (number<br>of meetings) | Remuneration<br>(ThSEK), Board +<br>Committee Work | Total<br>attendance, % | Shareholding,<br>including related<br>parties <sup>4)</sup> | Independent |
|---------------------------|---|--|--|--|------------------------|---|-------------|
| Members chosen by the AMG |   |  |  |  |                        |   |             |
| Carl Bennet, Chairman     | 11 (11)   | 1 (1)  | Not member   | 500+50   | 100                    | 583 333 A<br>1 671 456 B                                    | No, owner   |
| Tore Åberg, Vice Chairman | 11 (11)   | 1(1)   | 3 (3)  | 250+125  | 100                    | 7 000 B   | No, owner   |
| Ingegerd Gréen 1)         | 3 (4)   | 1(1)   | Not member   | 250+25   | 80                     | 466 B   | Yes         |
| Patrick Holm 2)           | 5 (5)   | Not member   | Not member   | Employee   | 100                    | 5 000 B   | No, company |
| Göran Johnsson            | 11 (11)   | Not member   | 3 (3)  | 250+50   | 100                    | 1 033 B   | Yes         |
| Cecilia Lager 3)          | 7(7)  | 0 (0)  | Not member   | 250+25   | 100                    | -   | Yes         |
| Hans-Olov Olsson          | 10 (11)   | 1(1)   | Not member   | 250+25   | 92                     | 850 B   | Yes         |
| Kerstin Paulsson          | 11 (11)   | Not member   | 3 (3)  | 250+50   | 100                    | 500 B   | Yes         |
| Johan Stern               | 11 (11)   | Not member   | 3 (3)  | 250+50   | 100                    | 30 000 B  | No, owner   |
| Employee representatives  |   |  |  |  |                        |   |             |
| Per Hansson               | 7 (7)   | Not member   | Not member   | Employee   | 100                    | -   | No, company |
| Lena Hassini              | 10 (10)   | Not member   | Not member   | Employee   | 100                    | -   | No, company |
| Lilian Larnefeldt         | 9 (9)   | Not member   | Not member   | Employee   | 100                    | -   | No, company |
| Tomas Svensson            | 10 (11)   | Not member   | Not member   | Employee   | 91                     | -   | No, company |
| Olle Zetterquist          | 3 (3)   | Not member   | Not member   | Employee   | 100                    | 100 B   | No, company |

<sup>1)</sup> Ingegerd Gréen declined re-election at the Annual General Meeting 2009-04-23.

Total

115

<sup>&</sup>lt;sup>2)</sup> Patrick Holm resigned 2009-06-29. <sup>3)</sup> Cecilia Lager was elected at the Annual General Meeting 2009-04-23.

<sup>4)</sup> As of 2010-02-26.

#### THE CHAIRMAN OF THE BOARD

The Chairman leads and organizes 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 2009 was 4.38 (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, also known as the "grandfather principle". 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, Cecilia Lager, Hans-Olov Olsson and Tore Aberg. The Group's guidelines for remunerations to leading officers can be found in note 5 in the formal Annual Report and on the company's homepage, www. elanders.com under Investor Relations, Corporate Governance. The companies have not issued, and will not issue any share-based payment obligation.

#### 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 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 3 times in 2009. Auditors report from the audit of the nine-month report, the annual accounts, the company's position on the Code of Corporate Governance and internal control questions in the subsidiaries were discussed. The members of the Group auditing

committee in 2009 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 formalized in instructions to the Chief Executive Officer, which are formed by the Board. The Chief Executive Officer is authorized to sign for the company in daily management in accordance with the Companies Act as well as sign for all Group subsidiaries. The Chief Executive Officer is responsible for providing the Board with continual reports on Group results and standing as well as the information the Board needs to make qualified decisions. The Chief Executive Officer also keeps the Chairman of the Board apprised of developments in operations. All the managing directors in the Group's subsidiaries receive CEO 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 Group 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 Magnus Nilsson, President and Chief Executive Officer and responsible for operations in China and Brazil, the CFO, Per Brodin, responsible for developing global customers and MD for operations in Poland, Tommy Lennartsson, MD for the operations in Sweden and responsible for operations in Poland, Great Britain and Norway as well as Peter Sommer, MD for operations in Germany and Hungary and responsible for the Italian 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 ENVIRONME-NT, 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 organization and processes that ensure the quality of financial reports to the Board and the market.

The control environment at Elanders is characterized 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 73 % 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 the 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 2010.

#### 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 authorized public accounting company PricewaterhouseCoopers AB with the authorized public accountant Mikael Eriksson as head auditor, assisted by the authorized public 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, Getinge, Alliance Oil Ltd 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.



# Elanders' board of directors



Chairman of the Board

Elected in: 1997

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. Member of the boards of Holmen AB, L E Lundbergföretagen AB and SSAB. Shareholding: 583,333 A shares and 1,671,456

B shares.



CECILIA LAGER b. 1963

Member of the Board

Elected in: 2009

Education: Business Administration Appointments on the Elanders' Board:

Member of the remuneration committee. Other appointments: Senior Consultant K-Street Advisors KB, Chairman Association Enskilda Gymnasiet. Member of the board in the Royal Lawn Tennis Club AB.

Shareholding: 0 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: 7,000 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 boards of the IQ Initiative AB, Swedish Foundation for Strategic Research, SVT AB (Swedish Television) and the University of Umeå and chairman of the Production Initiative and the Program Council for Sustainable production Technology.

Shareholding: 1,033 B shares.



HANS-OLOV OLSSON b. 1941

Member of the Board

Elected in: 2007

Education: Master of Science (Political Science) at the University of Gothenburg.

Made an Honorary Doctor of Economics in 2006 by the School of Business, Economics and Law at the University of Gothenburg.

Appointments on the Elanders' Board:

Member of the remuneration committee.

Other appointments: Chairman of Chalmers University of Technology. Sr. Advisor N M Rothschild. Member of the boards of Lindab International AB, SKF AB and the Anna Lindh Memorial Fund.

Shareholding: 850 B shares.



KERSTIN PAULSSON b. 1963

Board member

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: CEO and partner in Netsoft Lund AB. Member of the board of

the Swedish Defence Materiel Administration and Swedish Agency for Economic and Regional Growth

Shareholding: 500 B shares.



JOHAN STERN b. 1951

Member of the Board

Elected in: 1998

Education: Bachelor of Science (Econ.) Appointments on the Elanders' Board: Member of the auditing committee.

Other appointments:

Chairman of Healthinvest Partners AB. Member of the board of Carl Bennet AB, Getinge AB, Lifco AB, Rolling Optics AB, RP Ventures AB and Svensk Fastighetsfond AB.

Shareholding: 30,000 B shares.



LILIAN LARNEFELDT b. 1950

Employee representative, ordinary Storage/Distribution, Elanders Sverige AB.

Elected in: 2009.

Education: College Diploma in Business Administration from Vasa Handelsläroverk Shareholding: 0



TOMAS SVENSSON b. 1957

Employee representative, ordinary *Printer operator at Elanders Sverige AB*.

Elected in: 2007 Education: Typographer. Shareholding: 0



LENA HASSINI b. 1961 Employee representative, deputy Premedia/Prepare at Elanders Sverige AB. Elected in: 2008

Other appointments: GF deputy

Shareholding: 0



**OLLE ZETTERQUIST b. 1964** 

Employee representative, substitute Transport Manager, Elanders Sverige AB.

Elected in: 2009.

Education: Graphic college education and Journalist at University of Gothenburg. Shareholding: 100 B shares.

# Elanders' executive management



MAGNUS NILSSON b. 1966

President and Chief Executive Officer. Responsible for the operations in Brazil and China.

#### Education and Background:

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

Shareholding: 8,400 B shares





TOMMY LENNARTSSON b. 1960

MD Elanders Sverige AB. Responsible for the operations in Norway, Poland and the UK.

Education and Background: Leader training through IFL. Active in the graphic industry since 1976, has held management positions in Elanders affiliated companies since 1986. Came to Elanders via acquisition of the Minab Group in 1997.

Shareholding: 1,200 B shares.



PETER SOMMER b. 1957

MD Sommer Corporate Media GmbH & Co. KG and Elanders Hungary Kft. Responsible for the operations in Germany, the US, Hungary and Italy.

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



PER BRODIN b. 1961

Director Global Business. MD Elanders Polska Sp. z o.o.

Education and Background: Graphical Engineer (DGI). Active in the graphic industry since 1976. Came to Elanders via acquisition of the Skogs Group in 1998.

Shareholding: 2,500 B shares.

# Auditors and Nominating Committee

### THE AUDITORS

PricewaterhouseCoopers AB with the authorized public accountants

Mikael Eriksson: b. 1955, Auditor in the company since 2008.

Other appointments: G&L Beijer, Midway, Sveaskog, Readsoft, Beijer Electronics, Seco Tools and Confederation of Swedish Enterprise.

**Johan Rippe:** b. 1968. Auditor in the company since 2008. Other appointments: Getinge, Alliance Oil Ltd and 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 representative as well as Head of Equities at Livförsäkrings AB Skandia, telephone +46 8 788 33 50.

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CEO: Kevin Dummigan
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#### Elanders Polska Sp.z o.o

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South America

#### **Elanders Artcopy Ltda**

MD: Jonas Brännerud

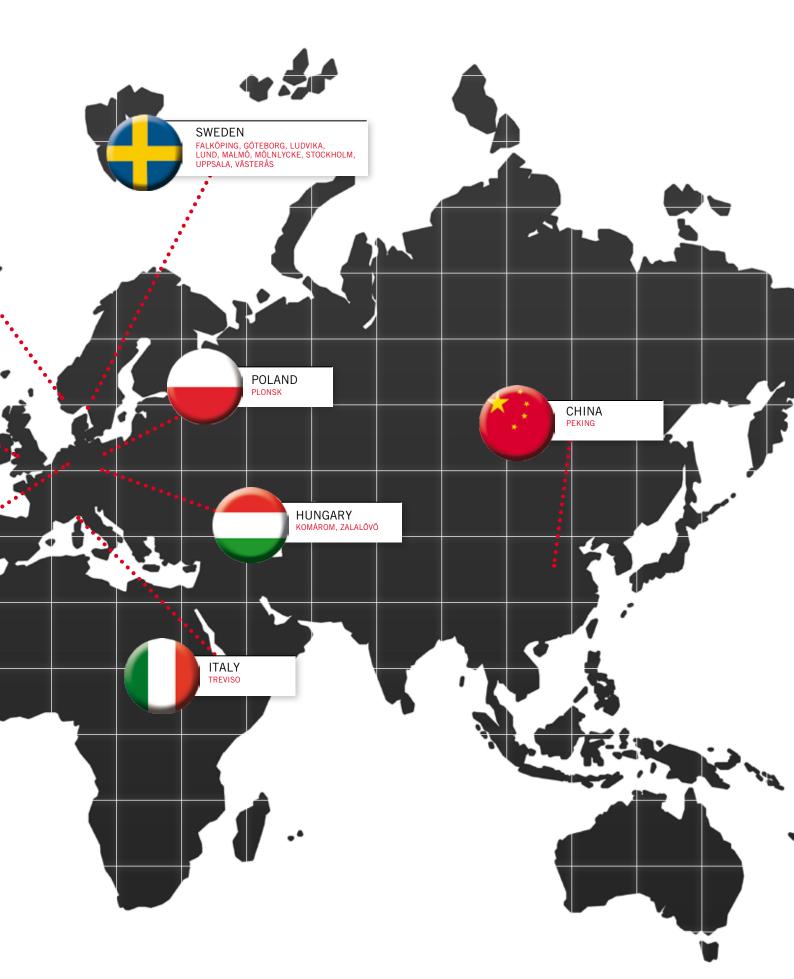
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# Specific terms

**COMMERCIAL PRINTING** Printing production provided by printers that only produce for external customers as opposed to publishing and newspaper printers that produce their own material.

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 four color production.

**DIRECT MARKETING, DM** is a target group oriented marketing method that provides the conditions for a high 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.

**ELECTRONIC DATA INTERCHANGE (EDI)** is the transfer of structured information following an agreed-upon format. The acronym EDI refers often, but not always, to the transfer of information such as stock balances, catalogue information, orders, order confirmation, delivery notification and invoices between companies.

**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, barcoding, adding other objects such as plastic cards etc.

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.

PARALLEL/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 encyclopedia 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 STOP SHOPPING** With a single contact you gain access to Elanders' entire global and broad product range and can easily order the products and services that you need.

**ONE-TO-ONE MARKETING** is a marketing method that addresses each customer individually through sales offers adapted specifically to the customer.

**OUTSOURCING** Companies or organizations choose to let an external part handle an activity or a process. This activity or process is then said to be outsourced.

PREMEDIA is our collective term for the work done before printing/publishing. The term includes layout, typographing, image retouching and production of originals. In our world a few more steps are included such as: advertisement management, file management, quality assurance, printing plate production as well as database solutions for digital material.

**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 minimizing resources needed or in the flexibility to adapt to sudden fluctuations in the market.

**WEB-TO-PRINT** is a Web-based order interface where the production and distribution of information and marketing material can easily be ordered and made accessible for editing and ordering via the Internet.

## Economic definitions

**ADDED VALUE** Net turnover minus forward invoiced disbursements for outwork and material.

**ADDED VALUE RATIO** Added value in relation to net turnover.

**AVERAGE NUMBER OF EMPLOYEES** The number of employees at the end of each month divided by twelve.

**AVERAGE NUMBER OF SHARES** The number of shares at the end of each month divided by twelve.

**CAPITAL EMPLOYED** Total assets less liquid funds and non-interest bearing liabilities.

**CAPITAL TURNOVER RATE** Net turnover in relation to average total assets.

**DEBT/EQUITY RATIO** Interest bearing liabilities less liquid funds in relation to recorded equity, including minority interests.

**DIVIDEND YIELD** Dividends in relation to average share price.

**EARNINGS PER SHARE** Profit/loss for the year divided by the average number of shares.

**EBIT** Earnings before interest and taxes; operating profit/loss.

**EBITDA** Earnings before interest, taxes, depreciation and amortisation; operating profit/loss plus depreciation and write-downs of intangible assets and tangible assets.

**EBIT-MULTIPLE** Enterprise value divided by operating profit/loss.

**ENTERPRISE VALUE** Market value at year-end plus net debt and minority shares.

**EQUITY RATIO** Equity (including minority shares) in relation to total assets.

**INTEREST COVERAGE RATIO** Operating profit/loss plus interest income divided by interest costs.

**NET DEBT** Interest bearing liabilities less liquid funds.

**OPERATING CASH FLOW** Cash flow from operating activities and investing activities, adjusted for paid taxes and financial items.

**OPERATING MARGIN** Operating profit/loss in relation to net turnover.

**OPERATING PROFIT/LOSS** Earnings before financial items; EBIT.

**P/CE RATIO** Share price at year-end in relation to EBITDA per share.

**P/E RATIO** Share price at year-end in relation to earnings per share.

**PROFIT MARGIN** Profit/loss after financial items in relation to net turnover.

**PROPORTION OF RISK CAPITAL** Risk capital in relation to total assets.

**P/S RATIO** Share price at year-end in relation to net turnover per share.

**RETURN ON CAPITAL EMPLOYED** Profit/loss in relation to average capital employed.

**RETURN ON EQUITY** Profit/loss for the year in relation to average equity.

**RETURN ON TOTAL ASSETS** Operating profit/loss plus financial income in relation to total assets.

RISK CAPITAL Equity plus deferred tax debt.

#### **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. It is also a climate neutral product.







#### **PRODUCTION FACTS**

**Production:** Elanders AB. • Other texts: Rubrik AB • Photo: Sofia Brolin, Daniel Griffel, Mikael Olsson, Hanna Teleman, Peter Westrup • Print: Elanders Sverige AB • 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 personalized 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.







