



ELANDERS<sup>13</sup>

12	months
52	weeks
365	days
8,760	hours
525,600	minutes
31,536,000	seconds
31,536,000,000	milliseconds
31,536,000,000,000	nanoseconds



Time is our one  
and only truly  
limited resource.

The seconds tick  
away relentlessly,  
never to return.

The only thing we  
can be certain of is  
that sooner or later  
our time will run out.



Although time is definitely money it is so much more than that. Time is the most precious thing you own; once lost it's gone forever. There is no time container at the recycling center, no time for sale at the second-hand store. Despite this, we often live as if we had all the time in the world.

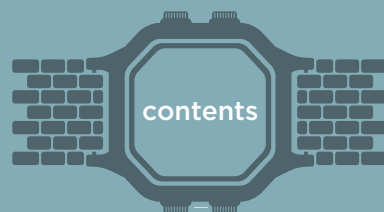
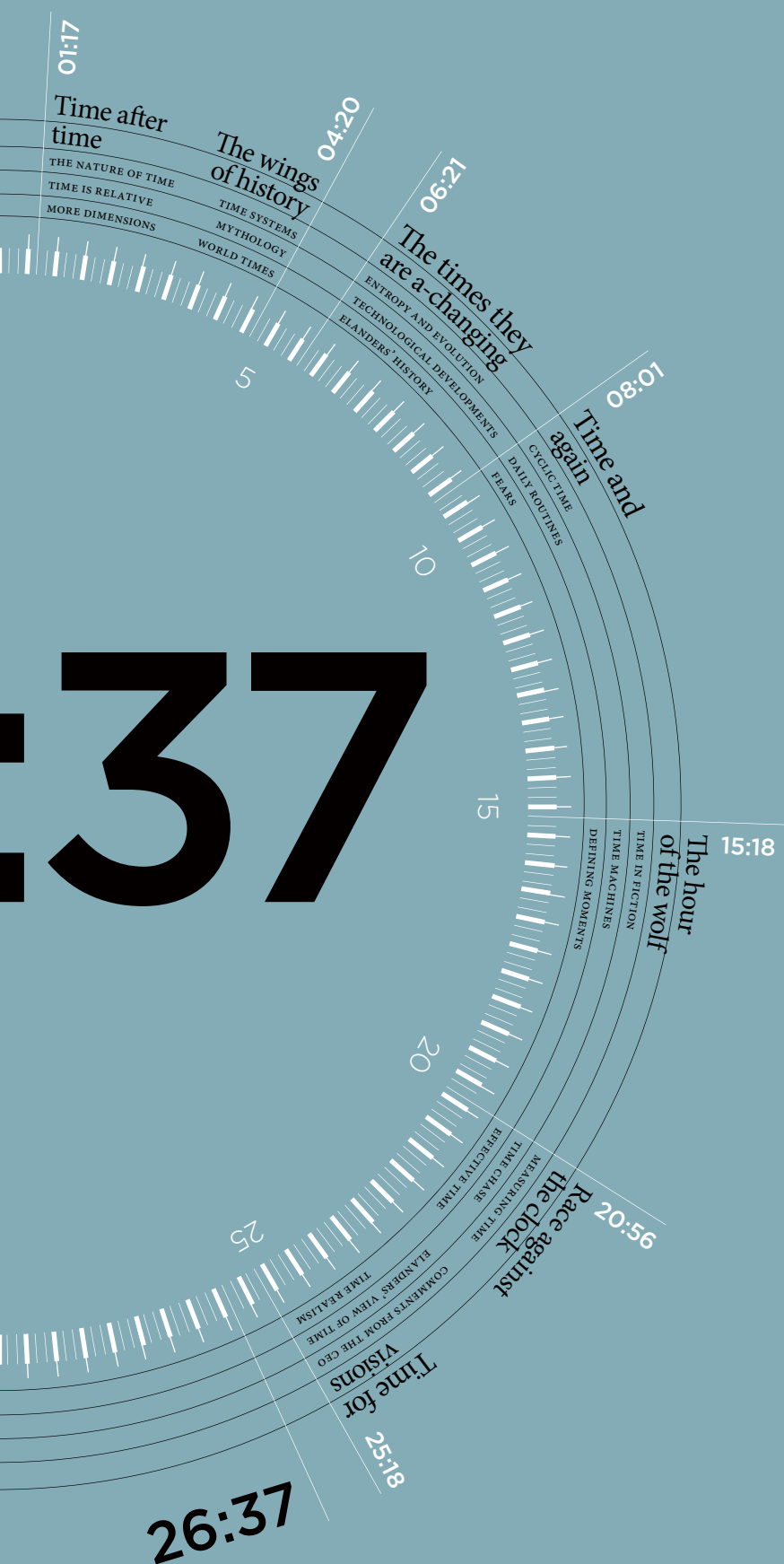
At Elanders we are passionate about time. We love and respect time. It's our greatest resource, best friend and most valued partner. It passes along with us, always present; nonetheless, we may take it so much for granted that we don't notice it slipping away. When time is no longer on our side we risk losing everything. Thus, it deserves our full attention.

# TIME 26:

With this in mind it would be strange if we didn't take the time to stop and reflect on it every now and then. It would be even stranger if we didn't share our thoughts with those we care about.

This first section takes approximately 26 minutes and 37 seconds to read. Please give us that much of your precious time. We promise you will feel like it was a commodity well spent.

00



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00:26	Goals and strategies
00:29	Financial and growth goals
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00:69	Board of Directors' report
00:81	Group financial reports
01:11	Parent company financial reports
01:23	Proposed appropriation of profits
01:24	Auditor's report
01:26	Economic definitions
01:27	Specific terms
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# TIME AFTER TIME



01:17  
ELANDERS  
2013

**W**hat is time really? Why does it exist and what does it consist of? Albert Einstein, conceivably the most talented patent administrator of all time, was once asked what time really is. He answered, “that which a clock measures”. He didn’t want to – couldn’t – delve any deeper. The nature of time is one of the most fundamental, unsolved mysteries of the universe. We have an intuitive understanding of what time does – but we know very little about what time actually *is*.

HUMAN BEINGS HAVE always pondered the nature of time. Greek philosophers such as Parmenides and Heraclitus wrote long essays. Newton and Leibniz fought for years in letters over it while Saint Augustine back in the 300s realized that it was easier to say what time *isn’t*.

In the beginning of the 1900s Einstein discovered through his theory of relativity that time is inexorably tied to three-dimensional space and makes up a fourth dimension – just as important as the other three. In addition, he found that time and space are experienced differently depending on how you move through them and that gravity affects how quickly time passes – the stronger the pull of gravity the slower the clock ticks.

Reactions to this theory were fierce, just as they were to another new theory that described the smallest phenomena in the world: quantum mecha-



$10^{-44}$

Planck  
time

$10^{-33}$

The inflation  
phase of the  
universe

$10^{-24}$

Quantum  
jiffy

$10^{-17}$

Shortest  
measured  
time

$10^{-11}$

Quickest  
camera shutter  
time

$10^{-8}$

Fission  
reaction





nics. This theory came with new concepts like Planck time, which is considered the shortest time interval we can even in theory measure. Einstein's space-time loses its meaning on the quantum level and uncertainty and probability take over. Suddenly nothing was the same.

Nonetheless the theories have time after time proven to describe reality exceedingly well. A good everyday example are GPS satellites whose atomic clocks have to compensate for the fact that time goes slower on earth than in orbit.

Physics haven't stopped there. According to the as yet incomplete string and M theories time is still a dimension in space-time but it's now a part of a reality that holds nine (or ten depending on who's counting) space dimensions – three that we can see and feel, and six or seven extremely tiny ones that are curled up. Time, however, sails on as always – alone and one of a kind.

Until scientists solve the mystery of time – for instance why it exists at all, what it may consist of and why it always moves forward and never backward – there is a general consensus that time began ticking at the moment of the Big Bang as a natural consequence of the properties of the universe.

THINKING TOO MUCH about the nature of time can have a dizzying effect. So on a day-to-day basis it's probably better to stick to the only definition of time we really need: time is that which clocks measure.

#### REVOLUTIONARIES OF TIME

Albert Einstein formulated the theory of relativity and other scientists such as Max Planck and Werner Heisenberg contributed to quantum mechanics. Physics were revolutionized during the first half of the 1900s – and this in turn forever changed our perception of time and its properties.



04:18  
ELANDERS  
2013



# THE WINGS OF HISTORY



04:20  
ELANDERS  
2013

Even now the nature of time is still incomprehensible to most of us. This was much worse in the past. Time has always been extremely important for human beings. Ever since time began we have fought with it, created systems to handle time and tried to understand where it comes from.

A PLETHORA OF explanations have been formulated in different cultures around the world. Many of them have put as little thought into the matter as possible. They believe time began during a mystical creation period long, long ago and has existed ever since. Enough said. Other cultures, like the Mayan civilization and Indian culture, became so obsessed by the concept of time and the clear daily, monthly and yearly cycles in nature that they constructed complex calendars which stretch over millions or billions of years. In some cases, like in ancient Greece, a divine figure symbolizes time: an old man in a grey beard who drove time forward but was never involved in the fates of humans.

Even on a small scale people wondered about time. Life used to be, as Thomas Hobbes once wrote, “solitary, poor, nasty, brutish and short.” Human beings’ – every living thing’s – days are numbered, but by whom and why? It was easy to imagine that a higher power, often a trio of fate goddesses, lay behind the limited time living creatures have on earth. One fate goddess spun the thread of life, one meted it out and one clipped it off. Snip, snap, snout, this tale’s told out.

## USA

Moses Cotsworth suggested a calendar with 13 months á 28 days and Christmas as the 365th day. The Kodak company used the calendar internally as late as 1989.

## MEXICO

The Mayan culture created a complex concept of time that wound around many cycles in different calendars. Despite modern myths the world doesn't end in any of them.





# THE WORLD IN Hemispheres

## FRANCE

During the French Revolution a new calendar was created based on the decimal system with ten day weeks. After twelve years it was abandoned.

## SCANDINAVIA

"Blot" were regular Norse feasts when sacrifices were made to the gods to appease them. Disablott was held at the beginning of February followed by others at intervals throughout the year.

## EGYPT

The god and goddess of time and eternity, Heh and Hauhet, were worshipped in the city of Hermopolis in the Old Kingdom.

## AUSTRALIA

According to the Aborigines the earth was created during the Dreamtime when animal spirits wandered around and sang the world into existence.

## ITALY

The Gregorian Calendar which is currently used in most of the nations on earth was established in 1582 and replaced the old Julian Calendar.

## GREECE

During antiquity Chronos was the personification of time. He sometimes had a long, grey beard and sometimes three heads; human, bull and lion.

## INDIA

The Indian belief system is full of time counts – from Paramanu (17 microseconds) to Mahamanvantara (311,000 billion years).



06:19  
ELANDERS  
2013

# THE TIMES THEY ARE A-CHANGIN’



06:21

ELANDERS  
2013

**A**bout seven minutes ago, depending on how quickly you read, we mentioned that although time is money it's also much more than that. Time is, for instance, development.

Development is a double-edged sword that can destroy as easily as it can construct. For example, thermodynamics teaches us that the universe's entropy – disorder – constantly increases with time. In other words everything deteriorates. On the other hand natural processes, such as evolution, can lead to increasingly higher complexity on a local level. Parallel to this is a human activity that leads to a growing degree of refinement with time: technologic development.

Technology is developing at a thus far ever accelerating tempo. Senior citizens of today were born at a time when TV was barely conceived. Now, we have a global information network, heart transplants are routine operations and there are advanced plans to colonize Mars within a decade.

However, we are approaching a critical tipping point in climate change caused by man's increased consumption and after that there is no returning. Some would like to put on the brakes and go back to simpler times.

Still, development marches on whether we want it to or not and there is always a risk we will get left behind. It's better to tag along for the ride and make sure we're on track.





- 1908 Elanders is founded
- 1989 The Elanders' share is listed
- 1997 Carl Bennet becomes principle owner
- 1997 Graphic Systems Group is acquired
- 1998 Skogs Group is acquired
- 2000 Novum Group is acquired
- 2001 Operations start up in Hungary
- 2005 Operations start up in China
- 2007 Sommer Corporate Media is acquired
- 2012 fotokasten and d|o|m are acquired
- 2012 Midland is acquired
- 2013 myphotobook is acquired
- 2014 Mentor Media Group is acquired



**1910: POCKETBOOKS OF THE PAST**

Printing pocket-books of the past, also called "penny" books. The affordable price made the books available to the broad masses.



**1978: FOREIGN OPERATIONS**

The start up of Elanders Ltd. in Scotland was a precursor to Elanders' ambition to go beyond exporting and establish operations outside of the Nordic region.



**1994: WORLD WIDE WEB**

Internet is mentioned for the first time in Elanders' Annual Report signaling the coming pervasive digital revolution.



**2014: ADDING SUPPLY CHAIN**

When the Singapore based company Mentor Media was acquired it became the platform for an entirely new product area and a greater presence in Asia.



**07:59**  
**ELANDERS**  
2013

# TIME AND AGAIN



08:01  
ELANDERS  
2013

# S

leep, eat, work. Repeat.

For most of us each day is pretty much

the same as the day before. Seeing time as

something cyclical – something that regularly repeats

itself – is a deeply rooted human perception. One of

the oldest preserved documents we have – Ecclesiastes

in the Old Testament – proclaimed long ago that

“what has been will be, that which has happened shall

happen again. There is nothing new under the sun.”

Everything we see and do has already been seen and

done. Again and again.

It isn't strange that we perceive time as cyclical.

Nature and society are jam-packed with cycles of

varying lengths that have affected us since birth. Day

and night, sun and rain, sowing and reaping, the cycle

of the seasons, weekdays and weekends, hours,

minutes, seconds, birthdays, holidays, the phases of

the moon, the cycles of the stars and atomic oscillations

– everything is repeated, more or less regularly. Not to

mention the actual life cycle – human beings and all

living things are born, grow, age and eventually die on

a rolling schedule.

We can easily see this kind of pattern in human

culture and history. Fashion trends come and go, and

come again. Films are remade, plays are set up in

reinvented versions, themes in literature and art

are recycled. This happens on a large scale as well –

kingdoms and nations have been formed, expanded,

stagnated and fallen in an endless cycle since time

immemorial. Already back in the 400s the Byzantine

historian Zosimus discovered patterns and common

traits in the rise and fall of previous empires. They

were all built up under external threats and pressure,

and all of them were shattered by stagnation and

internal disputes. Sumerians, Assyrians, Persians,

Macedonians, Phoenicians, Carthaginians, Romans,

Huns, Arabs, Mongols, Spaniards, the Portuguese,

Brits, Germans, Americans and the Chinese – the

wheel of world dominance spins on and after awhile

someone new is on top. “Meet the new boss, same as

the old boss,” as the rock group The Who expressed it.

SO THERE IS more than one grain of truth in the

saying that everything repeats itself, everything

comes round again. And it sounds both boring and

dreary. But the fact is that most of us are benefited by

routines and feeling familiar with events – we like

knowing that tomorrow will be about the same as

today. This is because by nature our brains are rather

lazy and happiest when they don't have to work too

hard. The truth of the matter is that if a brain could

choose for itself it would go for what it has already

experienced – new impressions take more time and

energy while handling old, well known situations is

quick and efficient.

The technique the brain uses to base its decisions

on assimilated experiences is called heuristics, and in

practice they are a kind of mental shortcuts. When



## TODAY'S YOUTH

Periodically a quote from Socrates pops up on the Internet where he is purported to have complained about "our youth now love luxury. They have bad manners, contempt for authority; they show disrespect for their elders and love chatter in place of exercise."

According to the site faktoider.nu this is pure fabrication that first appeared in 1953 - no such quote by Socrates has been preserved in any scriptures. However, authentic fears about modern life and the next generation are common. The following examples feel remarkably contemporary:

//THE ART OF  
LETTER-WRITING  
IS FAST DYING OUT.  
(...) WE FIRE OFF  
A MULTITUDE OF  
RAPID AND SHORT  
NOTES, INSTEAD  
OF SITTING DOWN  
TO HAVE A GOOD  
TALK OVER A REAL  
SHEET OF PAPER.//

The Sunday  
Magazine, 1871

//IT IS,  
UNFORTUNATELY,  
ONE OF THE CHIEF  
CHARACTERISTICS  
OF MODERN  
BUSINESS TO BE  
ALWAYS IN A HURRY.  
IN OLDEN TIMES IT  
WAS DIFFERENT.//

The Medical  
Record, 1884

//IF WE TEACH THE  
CHILDREN HOW TO  
PLAY AND  
ENCOURAGE THEM  
IN THEIR SPORTS  
(...) INSTEAD OF  
SHUTTING THEM IN  
BADLY VENTILATED  
SCHOOLROOMS, THE  
NEXT GENERATION  
WILL BE MORE JOY-  
OUS AND WILL BE  
HEALTHIER THAN  
THE PRESENT  
ONE.//

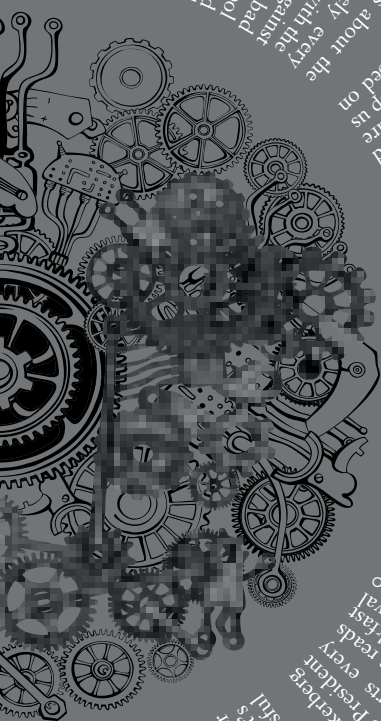
Public Opinion:  
A Comprehensive  
Summary of the Press  
Throughout the World,  
Volume 18, 1895



15:16

ELANDERS  
2013

years ago the Spanish philosopher, does worse in school  
the expression "he who cannot remember his past is  
doomed to repeat it." And apparently we forget easily.  
Nonetheless, on the whole heuristics and the  
brain's love of routines make life so much easier. In  
the company of Churchill and Morrison we definitely  
don't have to be ashamed of our habitual daily lives.  
Sleep, eat, work. Repeat.



you drive to work routinely without really seeing the  
road, when you use a worn out metaphor instead  
of coming up with your own expression, when you  
navigate through your home at night without heuristics.  
over thresholds - that's when you are using heuristics.  
The brain prefers to go on autopilot. To depart from  
heuristics and make decisions about new, unknown  
things takes much more will power.  
In other words, it ought to be an advantage to have  
well functioning routines in our daily lives in order  
to conserve the brain's energy for the times when it's  
people usually live surprisingly habitual lives, successful  
For instance, Facebook's founder Mark Zuckerberg  
of the United States, Barack Obama, the president  
wore the same tie every day for a year. The president  
breakfast, newspapers and letters while he dictated to  
a secretary. Nobel Prize laureate Toni Morrison got  
this habit after they'd grown up at dawn and she kept  
Apple's Steve Jobs had hundreds of identical black  
turtlenecks designed by Issey Miyake and he dressed  
the same way every morning. All these people realized  
that strict routines simplified life and let them focus  
on what was important.

However, not all habits are good for us. The flip  
side of the coin is that we are also good at getting  
ourselves into bad habits like smoking, eating candy  
and not saving for our retirement even though we  
know we will suffer for it from them in the future. This  
in part, according to research from Stanford 2011, is  
because we see our future selves as complete strangers.  
When we think about other people, not the future we  
think about ourselves in the future. That future  
self is generally a boring person who wants to keep us  
from having fun by trying to get us to go to bed on  
time or stop us from eating that cupcake.  
Resistance to change also creates fears about the  
unknown future. For instance, the parts that are activated  
same arguments their parent's generation has despised over the next - often likely  
them. The new generation is always lethargic, has bad  
taste in music, is more stressed, most likely  
and faces a bleak future. Over and over, every  
years ago the Spanish philosopher, does worse in school



# THE HOUR OF THE WOLF



15:18  
ELANDERS  
2013

Ingmar Bergman's film *The Hour of the Wolf* from 1968 opens up with the following lines in text across the screen: "The hour of the wolf is the time between night and dawn when most people die, when sleep is deepest, when nightmares are most palatable. It is the hour when the sleepless are pursued by their sharpest anxieties, when ghosts and demons hold sway. The hour of the wolf is also the hour when most children are born."

It's all a lie, fiction for the film. Ingmar Bergman had no evidence for his contentions. And yet the hour of the wolf has become an accepted concept regularly used in a number of contexts – even scientific publications. This just goes to prove the power of fiction. Sometimes fiction gets a life.

Time is an important tool in telling a tale. Rooting the story in time is just as critical as placing it geographically. Does it take place over a short or long period of time? Is it in the present, past or future? Is it winter or summer? Day or night? The moon and its phases are only one example of associations to time that are essential in many kinds of stories, particularly fairytales and horror stories.

In order to heighten the dramaturgy time is often manipulated in different ways. A story might go back in time or provide a glimpse of the future, hop around in time, speed up and slow down the tempo. Some stories, especially in science fiction, use another more imaginative and spectacular concept: time travel.

TRAVELING FREELY IN time is – as yet – impossible and the question is whether it will ever even in theory be more than just fantasy. Famed physicist Stephen Hawking claims that the most powerful argument against time machines being possible is that we have never run into time tourists from the future. Still imagine the possibilities. Instead of just in time we could deliver before you even knew you needed the product! *Just before time* – that would be something.

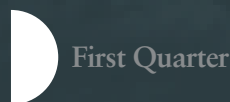
Time travel is one of mankind's oldest dreams. In the ancient Indian epos *Mahabharata*, written almost 3,000 years ago, King Kakudmi voyages far into the future. In the year 1843, more than fifty years before H G Wells published the novel *The Time Machine*, Ebenezer Scrooge traveled back and forth in time in Dickens' *A Christmas Carol*. Mark



New Moon



Young  
Crescent



First Quarter



Waxing  
Gibbous



Twain was also early with this idea when he let a modern American travel back in time to King Arthur's court where he naturally began modernizing everything. However, the early literature time trips were mostly a way to move back and forth between different scenes – what happened while a character was in the past or the future had virtually no effect on the present.

But what would happen if you traveled back in time and performed an action that changed history? This is one of the most exciting ideas in science fiction and there are all manner of variations portrayed in novels, short stories, films and series.

Writers like Ray Bradbury began exploring the concept in the 1950s. In his story *A Sound of Thunder* a man visiting the dinosaur era accidentally steps on a butterfly; returning to the present he discovers his country is suddenly run by a fascist regime. In *Back to the Future* Michael J Fox is slowly vanishing from reality as long as he doesn't manage to get his parents together at the school dance. The main character in *The Butterfly Effect* changes history again and again, only to make things progressively worse. We also remem-

ber the first Superman film from 1978 when our hero spins the Earth in the opposite direction (and thereby strangely enough turns back time) to save Lois Lane's life.

A VARIATION ON the theme, which doesn't involve time machines, is what is called a what-if scenario. What, for instance, would have happened if Julius Caesar had died in measles as a child? Or what if the Arabic culture had invented the printing press with interchangeable types 800 years before Gutenberg? The world would most likely have looked radically different today.

You don't have to look far to realize that everybody's life consists of a long chain of coincidences – short, defining moments. If we had taken a different way to work that day, or decided to stay home instead of going to the party, or didn't hang that painting then we wouldn't have been run over by that bus, met the love of our lives or hit our thumb.

In other words, it isn't so strange that we sometimes wish we could go back in time and stop ourselves from hanging up that darn painting.



#### TIME MACHINES WE REMEMBER

H G Wells' Victorian time machine only goes forward in time and returns back to its starting date. However, the TARDIS from Doctor Who can take us anywhere, at anytime we choose in the universe. The DeLorean car from Back to the Future films has probably the oddest limitation. It has to be moving at exactly 88 mph before it can take a leap through time.



**20:54**  
ELANDERS  
2013

Full Moon

Waning  
Gibbous

Last Quarter

Old  
Crescent

New Moon

# RACE AGAINST THE CLOCK



20:56  
ELANDERS  
2013

In ancient times the sun's position in the sky was the only way to know what time of the day it was. "What time is it?" "A quarter past afternoon."

But humans developed and nearly 6,000 years ago the ancient Egyptians measured time aided by obelisks that threw shadows, an early form of sundials. Even water clocks, where time is measured by water which steadily drops into a vessel, were developed by the Egyptians before the Greeks took over the idea and called the invention *klepsyrda*. Water clocks were often as big as houses, as were the first mechanical clocks driven by plummets and springs.

It wasn't until 1656 that the first more or less modern mechanical clock was constructed. Interestingly it's around this time that the word "stress" began to appear in literature becoming more and more common over time.

The first time the phrase "shortage of time" occurred in books was in the 1800s when clocks had become small enough to carry on one's person and after that use of it literally exploded. Perhaps it isn't so strange that the term "time management" showed up in the beginning of the 1900s and "stress management" in the 70s.

Quite clearly time – or more to the point the lack of it – affects us. We get stressed when we're late for the train, when our guests are about to arrive or when an important delivery date approaches. Naturally this is a result of the fact that nowadays we can always find out exactly what time it is. Modern cell phones synchronize their clocks with precise atomic clocks, and yet in some situations we are surprisingly in the dark. This is because our subjective experience of the passing of time varies wildly; a visit to the dentist can seem endless while a vacation trip can feel like it's barely begun before it's over.

Since we often misjudge how long planned actions will take the phenomena time optimism





is rampant. Procrastinating – doing tomorrow what you can actually do today – is also deeply characteristic of many people. All of this means that to a great extent we have ourselves to blame for the time pressure we feel; no matter that time is a limited resource.

But in the same way our situation affects how we experience time we can choose to affect how we use time. For instance, the site [lifehack.org](http://lifehack.org) has listed 50 tips on how you can increase your productivity. Among the suggestions are daily to do lists, telling others what goals you have set for yourself and planning the heaviest and hardest jobs for the periods during the day you are most productive. However, first on the list is “take a break”. Paradoxically a few minutes reflection and rest can actually result in being able to work more effectively.

There are other techniques you can use when you feel stress over the constant passing of time. Instead of freaking out over how every second irrevocably ticks away you can divide time into larger blocks. Think in “quarters”. If you sleep eight hours there are 64 awake 15 minute blocks in a 24 hour period that can be allotted to the different things you have to do. Morning shower – one quarter; bus to work – three quarters; handover meeting – six quarters; lunch – two quarters; and so on. All of a sudden a day becomes so much more manageable.

Another way to have more time is to delegate work to someone else (for example us). Then you can focus on more important things which you might need to put more energy into. However, don't forget to set aside a quarter to relax and reflect every now and then.



25:16  
ELANDERS  
2013

# TIME FOR VISIONS



25:18  
ELANDERS  
2013

ON TIME IS the overriding theme for Elanders Annual Report this year. If you have read writer Christian Tarras Ericsson's introductory texts you know that defining time isn't the easiest and that it's a concept we all relate to in a number of different ways. When asked whether I was a time optimist or pessimist I answered time realist and I think that is a stance I share with most co-workers at Elanders, no matter where in the world they work.

The last couple of years we have had a very clear goal with our Annual Report, which to a large extent is actually a vision report. As much as we want to point out the highlights from last year it's equally important for us to describe what will happen in our industry in the upcoming years – on a global and national level, and in particular what Elanders envisions in a rapidly changing world.

WE HAVE RECEIVED a great deal of praise for looking beyond Elanders' own sphere. The most tangible appreciation is that our Annual Reports for 2011 and 2012 received the Swedish Publishing Award for "The Best Annual Report for a Public Company".

Welcome to the Elanders Annual Report. The time will be well invested!

Magnus Nilsson  
*President and CEO*

“I’m not  
a time optimist  
or pessimist  
– but absolutely  
a time realist!”



26:37  
ELANDERS  
2013

A close-up, partial portrait of Magnus Nilsson, showing his face from the nose up and his shoulder. He is wearing a light blue shirt and a dark tie. The background is a solid light grey.

# MAGNUS NILSSON CEO

MAGNUS  
NILSSON  
47 years old

# Strategic shift creates new opportunities

**The outside world has finally picked up on Elanders' strategic shift. We now counter exposure to traditional print by a broader range of products and services and a much higher presence in Asia.**

It has taken time for others to see the light. Elanders' transformation from a classic graphic group to a company that can offer its customers global solutions in Supply Chain, Print & Packaging and e-Commerce has been going on for several years. Through new strategic acquisitions the company has reduced its dependence on traditional print and with a broader offer begun to climb up the value chain. But it was only when Elanders acquired the supply chain company Mentor Media that industry pundits and financial analysts took the significance of our shift in direction seriously.

*In terms of profit 2013 was a very good year.*

*What is your comment on this?*

"Considering the industry we work in we are extremely satisfied with an improved result before tax of 30 percent. One important explanation is the acquisitions we've made in the past two years, in particular our German e-commerce companies. Management in the acquired companies is still intact, which means they find value in belonging to the Elanders Group.

We had a very positive development in China with our offer in packaging and this contributed positively to both net sales and profit. Our operations in Germany started the year off weakly but finished strong and we have completed the transition there from a traditional offset printing plant to one of Europe's most modern and leading digital

printers combined with packaging production.

We are careful to ensure that key people in the companies we acquire are positioned to have an influence on the Group. For this reason we have expanded Group Management in 2014 to include Lim Kok Khoo who helped build up Mentor Media and is responsible for our new product area Supply Chain Solutions and Thomas Sheehan who is responsible for Print & Packaging Solutions in North and South America. Thomas joined Elanders in connection with the acquisition of Midland. Martin Lux became a member earlier when Elanders acquired the German companies dlolm and fotokasten. Martin is currently responsible for e-Commerce Solutions on a global level."

*What have been the other highlights during the year?*

"The acquisition of the Scottish McNaughtan's and German myphotobook of course. From the very beginning both companies have exceeded expectations.

A new initiative in 2014 is that Peter Sommer, MD of Elanders' business in Germany and a member of Group Management, will become responsible for Operations in Europe. We are making this change in order to, in the next stage, minimize our investments and consistently place production where it's the most cost-effective. This is good for our customers, improves profitability and strengthens Elanders' competitiveness through specialization and the best possible efficiency."

# MAGNUS NILSSON CEO

*What would you like to forget?*

“Our transition of Swedish operations has taken longer than expected and been tough on everyone involved.”

*The acquisition of Mentor Media has all the signs of being a milestone in the history of Elanders. What expectations do you and the Board have?*

“It gives us the opportunity to climb higher up the value chain, particularly with our global customers. We’ll be able to deliver significantly more services and, in some cases, exciting combinations of products and services.

Although printed matter will still be important for us this acquisition opens the door to completely new avenues of revenue. Conversely Mentor Media will be able to provide its customers with a stronger global offer. This will fundamentally change how we work at Elanders focusing clearly on more global customers. It won’t be long before we will have to decide and actually turn down business that doesn’t fit in with our new form because we can’t handle it efficiently.”

*Aren’t you worried about culture clash? Large acquisitions in new markets have historically led to major problems in a lot of companies.*

“No, to tell you the truth I’m not. I worked in Asia for many years and after meeting Mentor Media’s management at their headquarters in Singapore I don’t think this will be a problem. Business in Singapore is a good mixture of the best from Europe and Asia and in general, communication there is straight forward and direct about what everybody wants. I look forward to sharing Mentor Media’s management’s experience.”

*Through the acquisition of Mentor Media Elanders became less dependent on the graphic market and at the same time increased its presence in Asia. Has the transformation of Elanders gone faster than planned?*

“Yes, we’ve accelerated the process considerably with only positive results. We made a three-year leap

in just a few months. Every acquisition takes time no matter how big or small the company is. When, as in this case, we buy a business to broaden Elanders’ offer then the fact that the company is large is good. Overnight we went from one unit in Asia to thirteen, and all of them are well established. At the same time Mentor Media now has the chance to do significantly more business in both Europe and the US.”

*The market has initially responded positively. How do you explain that?*

“Although the market has been able to note that Elanders has turned the tide and broadened its offer it’s still wary of companies that are too dependent on printed products. Now the market has seen that we realize the challenges for print and we are building for the future through acquisitions.

What is even more important to us is that a number of customers have contacted us and expressed approval and understanding for our strategy.”

*How have the different geographic markets developed in 2013?*

“China has developed very well and packaging sales have taken off, in particular exclusive packaging. We have invested in a new development center focused on packaging where we test new material, sustainability etc. Our team in China is lead by Per Brodin who is also a member of Group Management and responsible for Print & Packaging in Asia.

Turning to Europe we have pretty much concluded our own restructuring here. We moved all offset printing from Germany to Hungary and Poland. Germany is now completely focused on digital printing and packaging.

In the US company management has turned red numbers into black ones during the year. Our only real problem child has been the Swedish market which has been more sluggish than we anticipated. Our Swedish MD, Åsa Severed, who is also a member of Group Management, initiated an extensive transition plan which will continue during 2014 to adjust our Swedish operations to the market.”

## // THE MARKET IN PARTICULAR HAS REACTED POSITIVELY BUT OUR FOCUS IS ON DEVELOPING THE GROUP'S OFFER TO CURRENT AND POTENTIAL CUSTOMERS. //

*Let us look at the different product areas. What's your take on Print & Packaging?*

"Restructuring continues but this area feels pretty stable for our part. We believe certain industrial customers, for example in the customer segment Automotive, will grow in 2014. Although manuals are growing thinner this is compensated by more color and brand enforcing elements.

Packaging is going very well and our next step is to consider centralizing parts of this business. There are advantages to bringing different jobs together in one production area."

*e-Commerce?*

"The purchase of fotokasten provided us with a broad offer. By acquiring myphotobook we were able to supplement that offer with sales to sub-

stantially more countries. Now we are looking at synergies between the companies and in time we will centralize this production as well.

We started sales of photobooks in China during 2013 but this time through a physical store in Beijing. The store's range will soon be complemented with online sales."

*And finally, what do you expect from the new product area Supply Chain?*

"The first year will be focused on sales to existing customers, not only to established Mentor Media customers but to Elanders customers as well. The next stage will be to court new customers together, which is incredibly stimulating – to create completely new business in order to achieve our goal of a considerably improved result in 2014."



BALL  
CLOCK  
66 years old

# THIS HAPPENED IN 2013

## NET SALES

Net sales amounted to MSEK 2,096 (1,924), which was an increase by 9 percent over the previous year.

## OPERATING RESULT

The operating result was MSEK 131 (119) and was affected positively by net one-off items of MSEK -1 (15).

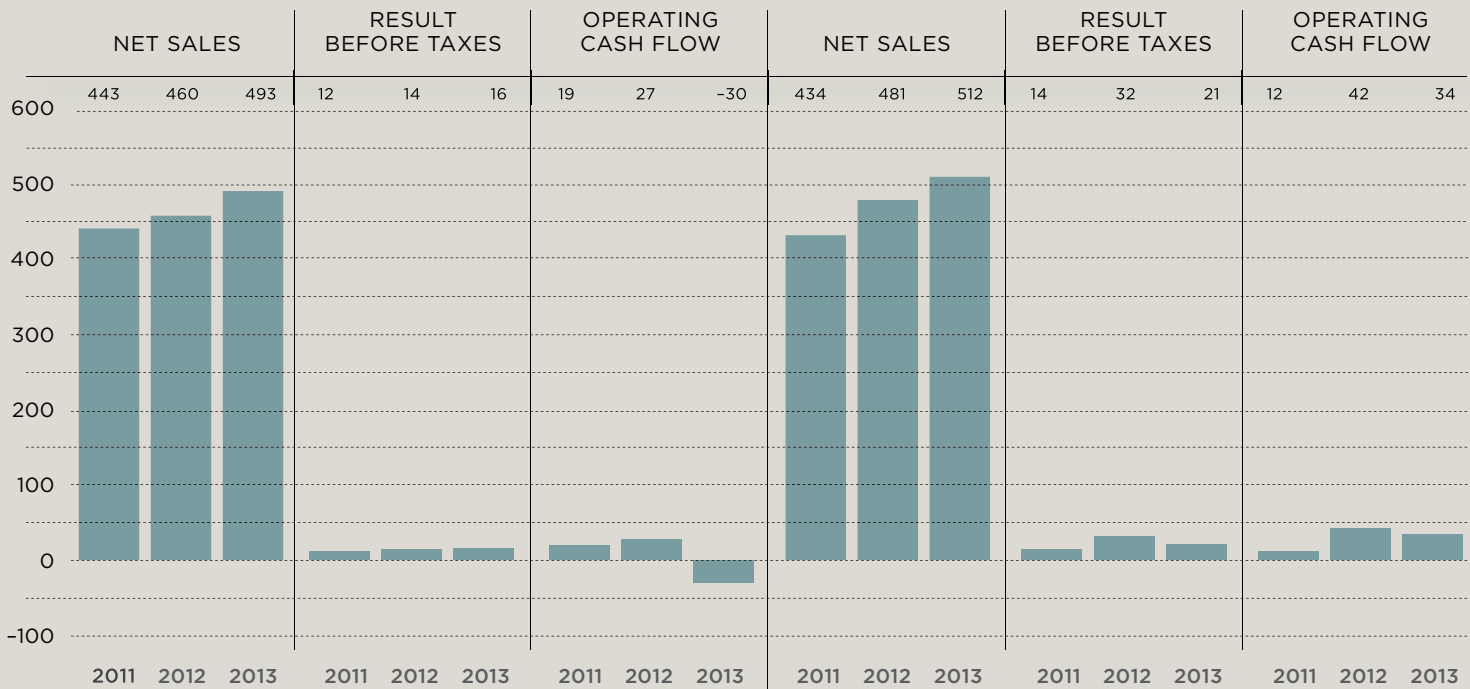
## NET RESULT

Net result amounted to MSEK 70 (45) or SEK 3.08 (2.05) per share.

## STRATEGICALLY IMPORTANT ACQUISITIONS

Strategically important acquisitions during the year consisted of the German company myphotobook and the Scottish label printer McNaughtan's. After the end of the fiscal

year Elanders acquired the Singapore based company Mentor Media, which is the foundation of the new product area Supply Chain Solutions.



## FIRST QUARTER

- Net sales increased by 7 percent and amounted to MSEK 493 (460).
- Operating profit increased by 15 percent to MSEK 23 (20).
- Acquisition of the label printer McNaughtan's in Glasgow, Scotland.

## SECOND QUARTER

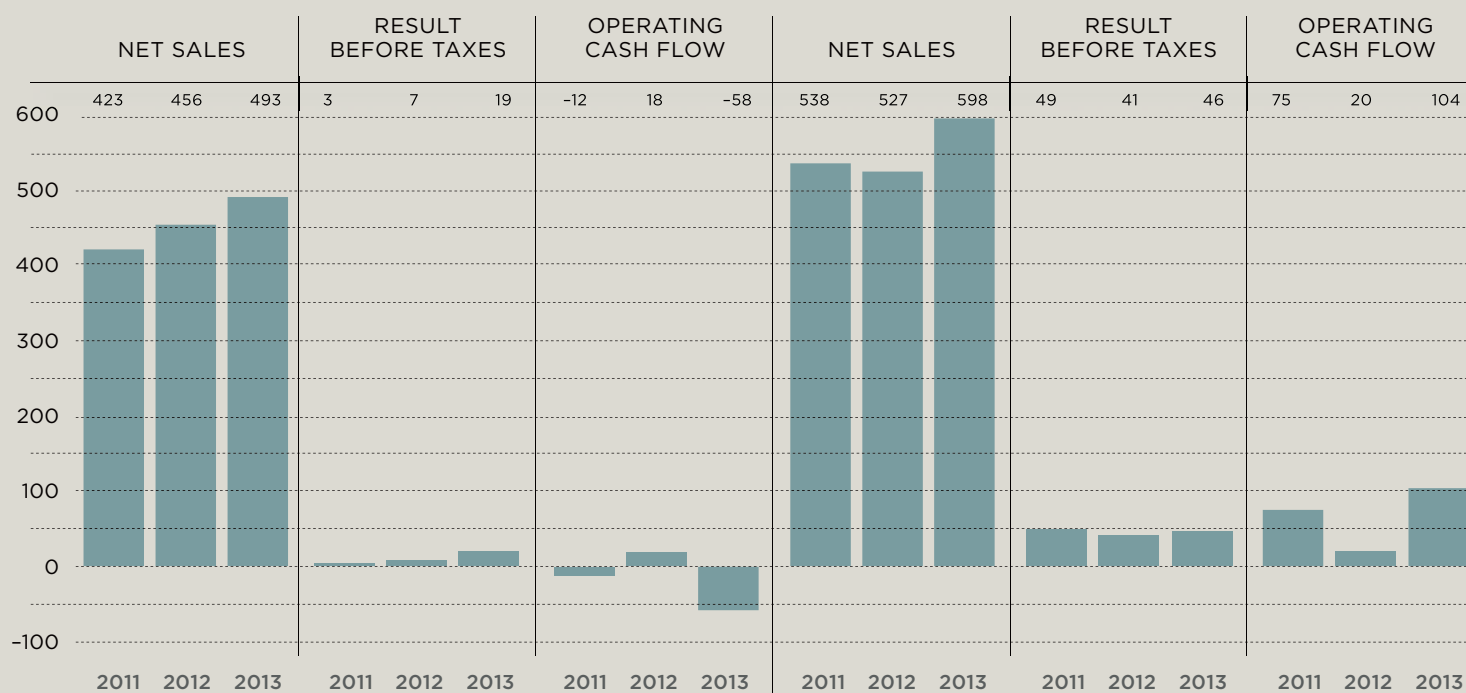
- Net sales increased by 6 percent and amounted to MSEK 512 (481).
- Operating profit not including one-off items increased by 25 percent to MSEK 28 (23).
- Continued consolidation of production units in Sweden and Germany.



## ■ FIVE YEARS IN SUMMARY

	2013	2012	2011	2010	2009
Net sales, MSEK	2,096.3	1,924.2	1,838.8	1,705.9	1,756.7
Operating result, MSEK	131.0	118.6	109.8	-76.2	-60.1
Result before taxes, MSEK	101.5	93.4	80.0	-105.2	-96.1
Average number of employees	1,864	1,587	1,546	1,520	1,581
Earnings per share, SEK	3.08	2.05	3.09	-6.79	-7.57
Dividend per share, SEK	0.80 <sup>1)</sup>	0.60	0.50	-	-

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



### THIRD QUARTER

- Net sales increased by 8 percent and amounted to MSEK 493 (456).
- Operating profit not including one-off items increased by 67 percent to MSEK 21 (13).
- Acquisition of the German company myphotobook, a leading European actor in personalized photo products.

### FOURTH QUARTER

- Net sales increased by 13 percent and amounted to MSEK 598 (527).
- Operating profit increased by 30 percent to MSEK 60 (46).
- Final negotiations were initiated regarding the acquisition of the Singapore based company Mentor Media.



# GOALS AND STRATEGIES

## Broader offer to more global and local customers

**Elanders wants to make its customers more competitive through a broad range of services, efficient production methods and leading technologic solutions for our trade.**

**E**landers is one of few companies that can offer global solutions in supply chain, print & packaging and e-commerce. Our customers will always be local, but their needs may be local and global.

### BUSINESS CONCEPT

Elanders will be a strategic partner to its customers in their work to streamline and develop their business critical processes. Elanders enables this through a broad range of services on a local and global level.

### VISION

Elanders' vision is to be one of the leading companies in the world with global solutions in supply chain, print & packaging and e-commerce. By leading we do not necessarily mean largest. We mean it is going to be the company that best meets customer demands on efficiency and delivery ability.

### CORE VALUES

Elanders' core values *Effective*, *Innovative* and *Responsible* are a natural part of our daily work.

By *Effective* we mean being able to offer uniform and automated processes throughout the entire production chain from order and execution to invoicing.

By *Innovative* we mean continuous development of our technology so that it suits each customer's unique requirements. We readily take on the challenge of solving our customers' different problems and being pioneers with innovative solutions and offers.

By *Responsible* we mean that we always put the environment and customers' needs first. The reason Elanders today can be found in 15 countries on four continents is because Elanders followed its customers out into the world in order to meet their special needs on location in these countries.

### STRATEGIES

Elanders' strategies to fulfill our vision and support our business concept are to:

1. Develop local customers with global needs into global customers.
2. Optimize use of the Group's global production and delivery capacity.
3. Create uniform and automated processes in the Group.
4. Develop products for future needs that are useful in our current business.
5. Broaden our customer base and product offer to lower sensitivity to fluctuations in the economy.



# 1.

## DEVELOP LOCAL CUSTOMERS WITH GLOBAL NEEDS INTO GLOBAL CUSTOMERS

Elanders has an unique position in the industry with its 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. By improving the exchange of information all the units in the Group will chart the needs their local customers have in other countries. Naturally this also includes services that can be offered locally in some other part of the Group.

# 2.

## OPTIMIZE USE OF THE GROUP'S GLOBAL PRODUCTION AND DELIVERY CAPACITY

Most Group units have similar equipment and competence 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, and Germany and Hungary have been running under the same management for a couple of years now, which significantly increases the ability of the Swedish and German units to offer high quality deliveries at competitive prices on their domestic markets at the same time margins have improved through lower productions costs.

We move existing production equipment to the sites where production can be made at the lowest cost which increases Group profitability. For instance, equipment has been moved from Sweden and Germany to Poland, Hungary and Brazil.

The new product area Supply Chain opens up new opportunities to offer these services on markets where Elanders has had customer relations for years.

# GOALS AND STRATEGIES

3.

CREATE UNIFORM AND  
AUTOMATED PROCESSES  
IN THE GROUP

Elanders has worked with many of its major customers through order portals on the Internet for a long time. Most of these portals have order interfaces that are tailor-made to the customer.

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 called web-to-print (W2P) and transfers work currently done by the printer to the customer. In W2P the customer decides on the design of the printed matter, creates print-ready material that goes directly into production through the order portal and then pays for it. Customers can then follow the status of their orders as in most Web shops. A typical order in this case is significantly smaller but the number of orders is vastly higher.

Conventional order and project management will continue to be important in the foreseeable future, particularly for customers that need tailor-made printing. But even conventional management fundamental processes must and will be successively automated.

Elanders believes W2P will become more and more important and it has a natural connection to the rapid development of e-commerce.

4.

DEVELOP PRODUCTS FOR FUTURE  
NEEDS THAT ARE USEFUL IN 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 printing company to the global group it is today.

Elanders won't slow down the pace of new product development. A very concrete example of this is the new acquisition Mentor Media and all of its services connected to supply chain. Elanders' acquisitions in packaging and e-commerce the past two years are also good examples of our strategy to develop products for the future that are useful in our current business.

Elanders' product development must continually address the question of how we can meet the needs our customers will have a few years ahead and what changes are required in order to do so. We will always have outsourced services con-

nected to our deliveries. However, our primary services will always be based on the capacity and competence of the Group.

5.

BROADEN OUR CUSTOMER BASE AND  
PRODUCT OFFER TO LOWER SENSITIVITY  
TO FLUCTUATIONS IN THE ECONOMY

With our roots in the graphic industry Elanders has chosen to embrace technological developments and adapt our range to completely new communication solutions.

We have noticed that demand for personalized and recipient-oriented print is steadily increasing. Photo books and calendars are some examples and Elanders offers both companies and consumers with strong products and effective production connected to e-commerce. Bank and insurance companies have ordered personalized print for their communication to their customers and many other trades are following their example. Included in recipient-oriented print are customized and chassis unique manuals for the automotive industry where Elanders is on the cutting edge of technology.

Lately we have experienced a growing demand for different and more exclusive packaging solutions. For our customers packaging that stands out can be critical when a customer is about to choose a product. The idea is to create packaging that strengthens both the product and the brand.

Historically most of Elanders' sales have been in the product area commercial print. The investments being made in supply chain, packaging, e-commerce and personalized products is a deliberate strategy to over time compensate for the natural drop in volumes in Commercial Print and at the same time reduce sensitivity to fluctuations in the economy.

In 2013 sales were divided among Elanders' product areas as follows: Commercial Print 75 percent, e-Commerce 15 percent and Packaging 10 percent. After the acquisition of Mentor Media our business and offer is divided into the following product areas and anticipated share of Group net sales: Print & Packaging Solutions 50 percent, Supply Chain Solutions 40 percent and e-Commerce 10 percent. Geographically, the most substantial change in net sales will be in Asia which up to 2014 stood for 8 percent but after the acquisition of Mentor Media will grow to 40 percent.

# Financial and growth goals

**E**landers' strategy is to secure the long-term development of the company thereby creating value for shareholders and other interested parties. To support this process Elanders has established a number of financial and growth goals. Below is a follow-up of the goals that were presented in the Annual Report 2012.

Elanders has divided the long-term, externally communicated goals into financial and growth

goals. Elanders works continuously with goals and strategies that are normally formulated on a rolling three-year basis.

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 as well. However, the long-term financial goals will not be lowered because of such changes.

GOALS FOR 2013	OUTCOME 2013	GOALS FOR 2014
<b>FINANCIAL GOALS</b>		
→ Long-term goal of an operating margin of 7-10 percent.	→ Operating margin amounted to 6 percent.	→ Long-term goal of an operating margin of 7-10 percent.
→ A return on capital employed of around 10 percent long-term.	→ Return on capital employed was 8 percent.	→ A return on capital employed of about 10 percent long-term.
→ An equity ratio of at least 30 percent.	→ The equity ratio on the balance sheet date was 42 percent.	→ An equity ratio of at least 30 percent.
→ A debt/equity ratio of less than 1.	→ The debt/equity ratio on the balance sheet date amounted to 0.7.	→ A debt/equity ratio of less than 1.
→ Over time investments in production equipment will not exceed depreciation or 4 percent of net sales.	→ Investment in production equipment amounted to MSEK 61, corresponding to 62 percent of depreciation and 3 percent of net sales.	→ Over time investments in production equipment will not exceed depreciation or 4 percent of net sales.
<b>GROWTH GOALS</b>		
→ Net sales and the operating result will increase annually 5-10 percent and at least half of growth will be organic.	→ Net sales increased by 9 percent compared with the previous year, of which organic growth was -3 percent. The operating result increased by 10 percent.	→ With the acquisition of Mentor Media net sales will increase by some 60 percent. In coming years net sales and the operating result will increase annually by 5-10 percent and at least half of growth will be organic.



USA (2008)  
Print & Packaging  
Supply Chain

MEXICO (2014)  
Supply Chain

UNITED KINGDOM (1978)  
Print & Packaging  
e-Commerce

GERMANY (2007)  
Print & Packaging  
e-Commerce

ITALY (2007)  
Print & Packaging

BRAZIL (2007)  
Print & Packaging

# MARKET BY MARKET

## AMERICA

Slowly but surely the American economy seems to be gaining speed, particularly in automobiles. However, the situation for the graphic industry isn't as positive. The US, which is far and above the largest graphic market in the world, has been rapidly losing ground the past few years. In 2014 net sales in the US graphic market are expected to amount to around 230 billion dollars and then contract a few percentage points every year until 2018. At

that point the Chinese market will have caught up and passed it, something which was unthinkable just a few years ago.

In the US commercial print has shrunk dramatically, much more than in Western Europe. On the other hand digital print has continued to grow during the same period and it was no coincidence that Elanders acquired Midland Information Resources, in Davenport, Iowa, USA which is specialized in digital print and

print-on-demand. Elanders also has high hopes to be able to develop product area Supply Chain in the US since it can often be combined with print-on-demand services and packaging.

Elanders is also represented in Central and South America through plants in Mexico and Brazil. The Mexican operations came with the acquisition of Mentor Media. Mexico is the largest Spanish speaking country in the world and together with Brazil

leads in Latin America. Brazil is the ninth largest market in the world and the Mexican market is expected to become number ten in a couple of years.

A generally higher standard of living can be seen in, among other things, the fact that the graphic market is growing in these two countries. Together they represent 80 percent of the graphic market in Latin America.

Growth in Western Europe is a lot like that of the US. After the record breaking years 2008 and 2009 volumes have contracted year after year and it appears this will continue in the foreseeable future. Commercial print, primarily newspapers and catalogues, has been hit particularly hard while digital print and packaging have developed well. The value of the graphic market is about 180 billion dollars and the largest markets are Germany followed by

## EUROPE

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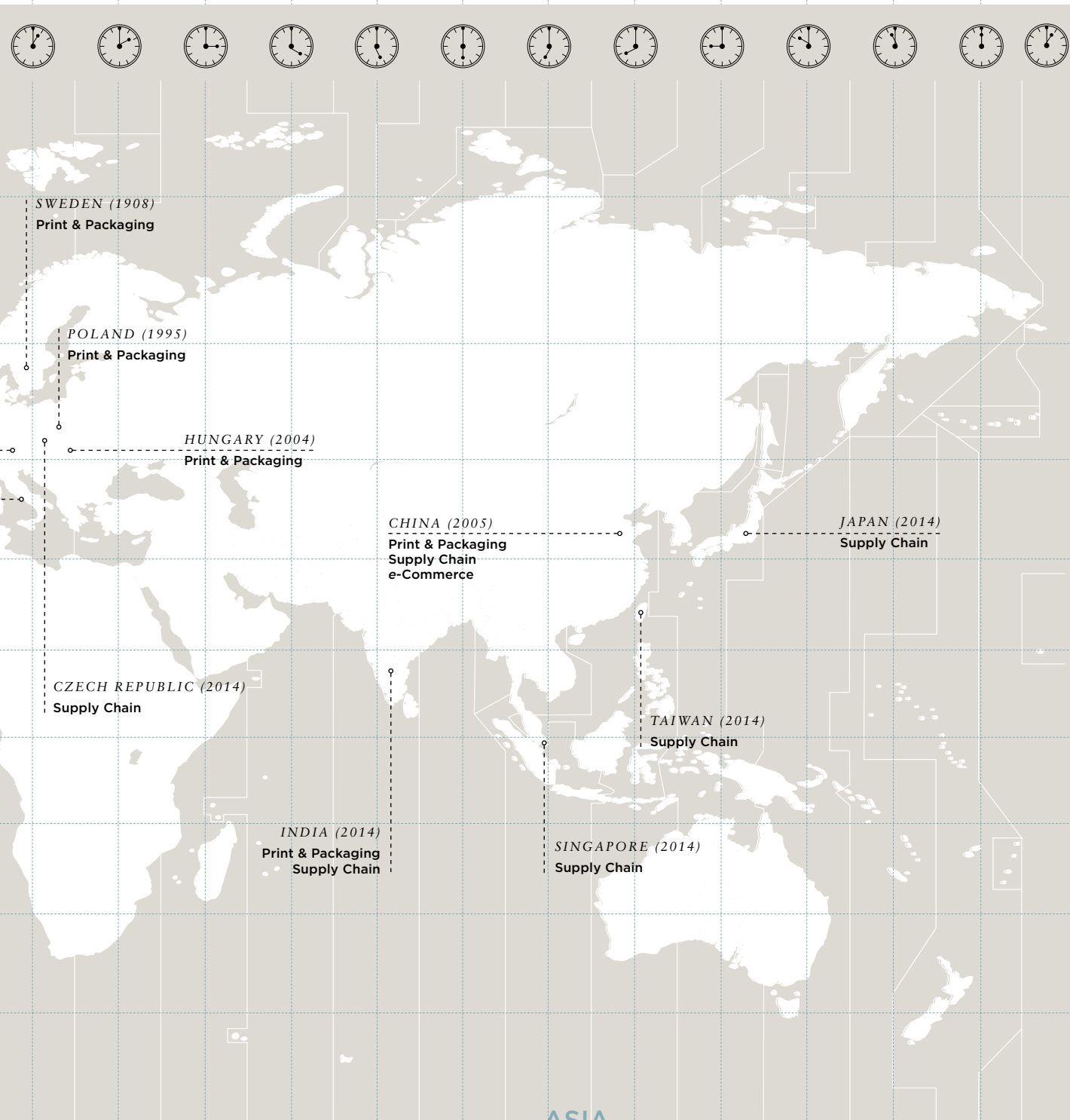
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United Kingdom, France and Italy.

The Eastern European market generates considerably lower volumes with net sales of about 30 billion dollars but here the graphic market is growing instead of shrinking by a few percent every year. Once again packaging and digital print are increasing the most but offset is growing as well.

Elanders was early in shifting printing from high cost countries like Sweden and Germany to Poland

respectively Hungary to meet the tough domestic price competition.

Elanders has a plant in Brno in the Czech Republic that delivers supply chain services to several of the world's largest computer manufacturers. The facility came with the acquisition of Mentor Media.

Nothing seems to phase the economic development in China. While Japan has struggled with a persistent slow economy and deflation for more than two decenniums China continues to expand faster than most other countries and regions. The graphic industry and supply chain are no exceptions and now it looks like China will surpass the US by 2018 to become the largest graphic market in the world. Asia, including China, is expected to have

net sales of more than 360 billion dollars in 2014 and this will increase to nearly 430 billion dollars by 2018. This will be equivalent to the net sales in the USA and Western and Eastern Europe combined.

Although Japan recently saw China become the largest Asian graphic market this is still a market worth around 120 billion dollars.

As a result of the acquisition of Mentor Media Japan together with India and Singapore will

become new markets for Elanders. At the same time Elanders will increase its presence in China considerably with a total of eight production plants in Print & Packaging, Supply Chain and e-Commerce.



# ABOUT PRINT & PACKAGING

## Back to record breaking levels

Packaging and commercial print make up a significant portion of the global graphic industry. The tendency is clear for both of these areas. Commercial print is declining while packaging increases year by year. Fusing the two trends together results in an increase in total print volumes until 2018.



## FOUR TENDENCIES IN TIME



### THE PATIENT IS ALIVE

Some sections of the graphic industry have been down for the count on several markets worldwide but the truth is that the patient is alive! The growing trend of publishing more printed material through digital channels is compensated by the heavy increase in packaging and labels.



### CHINA NUMBER 1

If the analysis company Smithers Pira has its forecast right, China will be the largest producer of commercial print and packaging in a few years and definitely before 2018. The US, which has been long been unchallenged number one, will then find itself in second place.



### ENVIRONMENTALLY FRIENDLY

For years the packaging industry has been considered environmental baddies but now even environmentalists are singing a different tune and have begun to embrace packaging. Good and smart packages are part of the solution to environmental problems, partly because they reduce food waste.



### BUILT-IN TRACEABILITY

Sensors and light sources have already begun to be printed on different materials. In the future many products will be able to communicate with their surroundings and be traced via the Internet. Used properly this can increase consumer safety and stop pirate copies of, for instance, medicine.

**T**he global volume for commercial print and packaging reached its peak right before the financial crisis in 2008. Never before had so many newspapers, books, catalogues and packaging been printed. The combination of a global recession and digital publishing channels was the beginning of an extensive and brutal restructuring of the graphic industry. Elanders was no exception, but thanks to its size and financial muscle it could adapt and broaden its range.

Many other actors had a much harder time resulting in drastically reduced net sales or at worst bankruptcy. Or should we say at best? Even without the financial crisis and new cost efficient publishing channels structural changes were necessary. The graphic industry suffers from an overcapacity which has resulted in an extensive and unsustainable price press.

THE PREDICTORS OF doom were partly right about developments in commercial print, but even now and for many years to come this section of the graphic industry will generate substantial volumes. Even if editions in different segments and markets continue to shrink there is a great deal of variation. Volumes in the old economies like Western Europe, the US and Japan are at a standstill or falling while Asia and Eastern Europe are growing by double digits.

The total global market in 2013 was estimated at around 900 billion dollars, which is almost equal to the record breaking year 2008. 2014 will be a new record year calculated at 2012's monetary value. The really sharp decline took place in 2009 and after that the industry has slowly recovered

year after year but it took six years to get back to the previous record level. The international analysis company Smithers Pira Ltd has forecasted that in four years time the total order value will have increased to 980 billion dollars. For the period 2008–2018 this means eight percent growth. This proves that there is growth, albeit on a low level, and worth noting, not at the same rate as rising inflation. If we convert the order value of printed matter to A4 sheet production, the number of physical prints will shrink by 2.3 percent in the same period, i.e. from 52.9 to 51.7 billion, which is still an amazing number.

THE GRAPHIC INDUSTRY is a good temperature gauge of how different geographic markets have developed in the past few years and what can be expected in the future. The North American economy has gone through a very tough period but is beginning to recover. At the same time the Asian market, particularly China, has continued to rapidly expand and contributed to keeping the global economy above water.

When we described developments two years ago the American market was far and above the largest in terms of production volumes and net sales were almost double that of Japan which was in second place with China in third. China was expected to pass Japan in a few years and take-over second place, which it did. What we didn't see coming was that China would sail up to first place passing the US already by 2018. During the period 2008–2018 the US, like Japan, will have been at a standstill with zero growth while the graphic industry in China will have grown by 200 percent!

# Packaging leads the way forward

**Continued tough challenges for commercial print while demand for packaging and labels steadily grows. In order to meet both trends effectively Elanders has chosen to put all this work under one roof in the product area Print & Packaging Solutions.**

**T**he tendency has been clear for several years. Ever since 2008 editions of newspapers, magazines, books and catalogues have been contracting and there is no end in sight for this development. Catalogue print has been hit the hardest. During a ten year period that stretches to 2018 we are looking at a 40 percent drop worldwide. The decline in newspapers will be nearly as drastic, diminishing by 32 percent, followed by books at 26 percent. Magazines have fared better and will experience a mere 17 percent drop.

These major volumes losses are compensated almost completely by the growth in package printing. The increase over the same period of time will be close to 40 percent for packaging.

ELANDERS HAS ITS ROOTS in commercial print and it still represents a significant portion of group net sales. Together with packaging it has stood for 75 percent up to 2014. After the acquisition of supply chain company Mentor Media this figure will come down to around 50 percent in 2014.

Due to new distribution channels, lower demand and a strong price press on commercial print it

was natural that Elanders changed strategy several years ago and supplemented our main business with new offers and product areas.

One of the most successful strategies has been our capacity to offer large industrial customers full-service solutions comprising printed matter, packaging and other services that usually include a considerable amount of logistics. Some of the most extensive service solutions are provided to customers in automotives, consumer electronics, manufacturing and the public sector.

WITH ITS GRAPHIC expertise, advanced technological order platforms and global presence Elanders can offer customers comprehensive solutions that small and middle-sized printers have a hard time matching.

On the gigantic packaging market Elanders has invested its resources in a number of niche areas. This often consists of complex packaging solutions that can include personalized print.

Elanders is focused on three areas in packaging. The first is consumer electronics where in addition to the actual packaging we normally print a user manual that is packed together with the article

## ■ DEVELOPMENT OF THE GLOBAL PRINT VOLUME 2008–2018 (MILLION US DOLLARS)

	2008	2012	2014	2016	2018	
Packaging	315	346	371	400	434	↗
Labels	27	30	32	36	39	↗
Books	42	36	34	32	31	↘
Magazines	79	68	67	66	65	↘
Catalogues	50	37	34	32	30	↘
Marketing material	171	167	168	171	176	↗
Other	225	204	203	203	205	↘
Total	909	888	909	940	980	↗

## ■ COUNTRIES WITH THE LARGEST PRINT VOLUMES 2008–2018

	2008	2012	2014	2016	2018	
USA	1	1	1	1	2	↘
China	3	3	2	2	1	↗
Japan	2	2	3	3	3	↘
Germany	4	4	4	4	4	→
United Kingdom	5	5	5	6	6	↘
France	6	6	6	7	8	↘
Italy	7	7	7	9	9	↘
India	12	8	8	5	5	↗
Brazil	11	9	9	8	7	↗
Canada	8	10	10	11	12	↘

SOURCE: SMITHERS PIRA'S THE FUTURE OF GLOBAL PRINTING TO 2018, DECEMBER 2013

and then sent to waiting customers.

The second specialized area is exclusive and, in some cases, handmade packaging in limited editions. These customers are often cosmetic companies or firms with luxury accessories connected to the fashion world. Automotives that want to create a premium feeling through select packaging for their manuals and service books are another group of customers.

The third area, which is showing strong growth, is personalized packaging. Among customers in this area are some of Europe's best known chocolate-makers.

THE WAY PACKAGING is viewed is definitely undergoing a change – from environmental baddie to being a part of the solution for improving the environment we all share. A driving force in this is the ongoing debate about food waste where the positive role packaging can play in reducing food discards has become apparent. Several international studies show that we throw away some 25–35 percent of all food produced and in most cases there is nothing wrong with it. The problem is the same throughout the food chain – from producers

to institutions, grocery stores to households etc. all over the world.

If we consider all the resources required to produce the food we throw away it's easy to see the environmental gains in improved transportation, storage and packaging.

JUST LIKE CONVENTIONAL graphic companies, the packaging industry is experiencing a constant price press which flattens margins. At the same time there is both room for, and a huge interest in, new and smarter packaging.

Nano technique and electronic printing is beginning to be used and to increase safety built-in traceability is becoming a requirement, particularly from the pharmaceutical industry that has trouble with pirate copies. The food stuff industry is also interested in being able to account for and trace the origin and authenticity of its products.

# CASE: PRINT & PACKAGING

PLANET TELLUS

4,540,000,000 years old

## VOLVO TRUCKS

**PRODUCTION:**  
Packaging and manual

**DESCRIPTION:**  
When Volvo Trucks launched its new truck models in 2013 the introduction was planned down to the last detail, even when it came to the design of the manual and the box the manual is kept in. The content is unique for every truck manufactured in one of Volvo's factories around the world. Volvo Trucks in Gothenburg worked closely with Elanders' units in Mölnlycke and Beijing on the design of the box. Elanders premedia department in Sweden was responsible for the design and layout of the new manual which is printed in over thirty languages. The boxes are rigorously tested at SP Technical Research Institute of Sweden to insure that they can take the strain of cold, heat, humidity and UV radiation they are exposed to. The production was awarded the Swedish Publishing Prize 2013 in the category *Informative printed matter* with the motivation: "For the perfect shine on the chrome, excellent texts and a gorgeous, elaborate protective box."



VOLVO  
TRUCKS

97 years old





## THE HUMAN QUEST

**PRODUCTION:**  
Book

**DESCRIPTION:**  
*The Human Quest* isn't just a book with spellbinding pictures of our planet. With a prologue written by former President Bill Clinton the book is a call for action and taking responsibility. Johan Rockström, writer, and Mattias Klum, photographer, present a world in constant change, largely as a result of human impact. Elanders did all the image process-

ing, print and parts of the finishing. The book is printed with 200 line breaks and a protective covering printed on Multiart gloss 150 grams that has been gloss laminated. The inlay is printed on Multiart matte 150 grams. Partial varnishing contributes to bringing the images to life - images that unfailingly remind us of our earth's perishable beauty. The book is FSC® labelled and its production is climate compensated. The book is in both English and Swedish.

## ETON

**PRODUCTION:**  
Eton's Spring Catalogue 2013

**DESCRIPTION:**  
Elanders in USA was given the assignment to produce the Eton Spring Catalogue 2013 for the American market. The production required good collaboration between Elanders' Swedish and American units. Eton in Sweden was the customer and calculated the cost of producing the catalogue in Sweden and then shipping it to the US. Together with a tight deadline the equation didn't add up. The solution was to print the catalogue locally in the US.

Being able to do all the groundwork with color samples, proofs, etc. in Sweden and at the same time guaranteeing that the result would be just as good no matter where production took place was an advantage. Eton was very pleased with the end result, particularly the fact that the color reproduction in print truly reflected the actual collection. Ever since 1928 Eton's mission has been to refine shirts.

DOUBLE  
BREASTED  
BLAZER  
400 years old



# ABOUT SUPPLY CHAIN

## Smarter distribution and material flows provide a competitive edge

Supply chain has an important role to play when the demand for shorter lead times and coordination constantly grows, and climate smart services and solutions to reduce environmental impact are additional requirements. Supply chain works best when information between the orderer and the supplier is clear and transparent.

## FOUR TENDENCIES IN TIME



### TRANSPARENCY

Joint EDI solutions and continual information exchanges are linchpins in supply chain. Our modern economy is characterized by the need to build networks and alliances. Transparency and trust between the orderer and the supplier strengthen partnerships.



### ENVIRONMENTAL BONUS

The manufacturing industry has to reduce its environmental impact. This demand comes from both politicians and consumers. Correctly performed supply chain contributes to lower energy consumption in both transportation and storage.



### URBANIZATION

The ongoing urbanization in large parts of the world will have an effect on manufacturing. Roads to and from city centers are likely to be congested and increasing regulations and fees limit transportation in and out of big cities.



### NEW GROWTH MARKETS

When production and transportation costs increase in BRIC countries (Brazil, Russia, India and China) manufacturers look for new alternatives. Bubbles on the list are Indonesia, Bangladesh and several Latin American and African countries.

**E**ffective flows of goods connected to information and financial transactions are the foundation of what is called supply chain. The need for coordination, shorter lead times and traceability has grown as global companies move production to low cost countries. In a commercial world with an abundance of products many companies have to deal with fierce competition and more highly informed consumers. This means a customer's entire experience is the basis of how a product is cared for and developed. Marketing products and services that don't live up to customers' expectations won't make it in the long run.

In this environment the development of, and strategies for, supply chain have been given high priority amongst today's decision-makers, especially at multinationals. Correctly designed and performed, effective supply chain services can provide a competitive edge.

JUST LIKE THE graphic industry supply chain has been affected by the availability and expansion of the Internet and our ability to send information electronically. It's near impossible to imagine a credible supply chain offer without being able to transfer information between the supply chain company's system and customers' ERP system.

We have seen a rapid development of supply chain on the Asian market for the simple reason that a significant slice of world production takes place there. This production has created a demand for the coordinating services that supply chain offers. For example, the responsibility for packing products with their accessories, manuals, licenses

or other items included in the final delivery to waiting customers can be conferred on a third party.

A study that PwC did in 2013 among 500 decision-makers in Europe, North America and Asia revealed that companies which had early on invested in supply chain were twice as profitable and had a 17 percent higher level of delivery precision compared to those that hadn't. The primary advantage was in delivery precision and minimizing distribution costs.

The study also showed that lagging companies often had a common solution for all their customer segments while almost all of the leading companies had adapted their distribution to specific customer needs.

AUTOMOTIVES, ALONG WITH global companies in consumer electronics, have been leaders in developing supply chain. These companies have outsourced a significant part of their operations so that they can concentrate on product development, manufacturing and marketing.

However to be successful, in addition to creating effective supply chain companies must be able to meet more stringent future international and local environmental demands. Global energy consumption keeps rising and urbanization is a worldwide trend. Big cities are getting even bigger which will affect transportation of goods as will the cost of fuel. The rising cost of labor in developing countries is yet another factor which contributes to moving production and changes the need for, and pattern of, transportation.

We are facing a complex world, particularly if you want to take supply chain to the next level.

# Supply Chain broadens our offer

**The acquisition of Mentor Media means Elanders can offer completely new services to our global customers. Creating the product area Supply Chain Solutions opens the door to synergies with Print & Packaging and e-Commerce and will allow us to become an attractive partner to many e-commerce companies.**

In the past few years Elanders has rapidly transformed itself from a conventional printing group to a company specialized in global solutions in Print & Packaging and e-Commerce. With the acquisition of Mentor Media we can now add Supply Chain to our offer.

Mentor Media was founded in 1984 and has worked its way up to a strong position, especially in Singapore and China. The company operates in the US, Mexico, Japan, Taiwan and the Czech Republic as well. Mentor Media was established in Singapore as a subsidiary to the American company Mentor Graphics Corporation which has its headquarters in Oregon. In 1999 the company was listed on the Singapore Stock Exchange and it set up its first facility in China in Shanghai, making this an important year. Over the following years the company reinforced its presence in China with another seven plants. More than half of the company's 1,700 employees work in China. Mentor Media was unlisted in 2006.

MENTOR MEDIA IS specialized in added value services, primarily in the electronics and computer trades. The company is focused on product and component flows with extremely short lead times and extensive statistic reporting to customers. Its

offer, which is built up around sophisticated IT solutions, comprises the following services:

- Component procurement
- Order management
- Warehouse management
- Fulfilment
- Distribution
- E-commerce solutions
- After sales services (reverse logistic and repair services)
- Clean room for handling semiconductor components

Among its customers are some of the most prestigious companies in the PC and electronics industries.

THE DEMAND FOR supply chain services has grown as companies outsource sections of their operations that aren't part of their core business. This is also a way to avoid tie up capital in facilities, personnel and various services obligations.

From the start Mentor Media has invested in advanced IT systems in order to create individual solutions tailored to suit different customers. These IT systems are integrated with their customers' business systems and can even be connected





to their e-commerce systems. This requires a high level of transparency between Mentor Media and its customers in terms of sharing information. Part of Mentor Media's offer consists of graphic services, mainly manuals and packaging ordered in limited editions.

There is every reason to believe that outsourcing will continue, especially in the PC industry. The biggest factor behind this, apart from companies wanting to concentrate on their core business, is that the lifecycle of products is constantly shrinking. Major computer manufacturers and other actors in consumer electronics are producing new products more and more rapidly, and they want to get these products to consumers as quickly as possible.

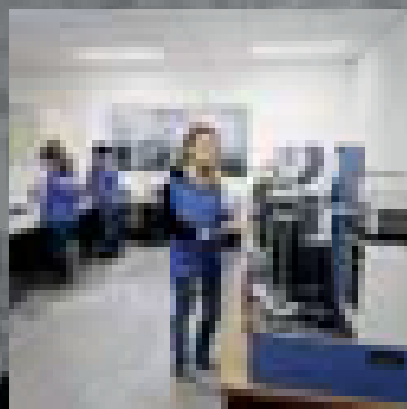
Samsung, Apple, Nokia and other heavyweights in consumer electronics have shortened the time

from the launch of new models to their arrival in stores down to just a few weeks. In order for this feat to be successful the preparatory supply chain work has to be top class.

MENTOR MEDIA HAS collaborated closely with Microsoft for many years and is one of the few companies authorized to replicate and distribute software licenses. In 2008 and 2012 Microsoft named Mentor Media "Authorized Replicator of the Year".

The computer industry will continue to develop well in the coming years with sales in tablets and smartphones leading the way. Up to 2017 the only product expected to decline in volume is desktops. The most noticeable growth is anticipated in tablets which are expected to surpass sales of laptops in a couple of years.

# CASE: SUPPLY CHAIN



## COMPUTER MANUFACTURER

**PRODUCTION:**  
Supply Chain services via  
Mentor Media.

**DESCRIPTION:**  
A leading manufacturer in  
the PC industry has to be  
able to offer a high level of  
service so that they can  
react quickly if the end  
user's computer breaks  
down. Customers in such  
situation need to have new  
system drivers or operating  
systems sent to them  
immediately.

Mentor Media's job is to  
manage the recovery media  
of different models from new  
to several years back and to  
be able to deliver them on a  
global scale. Mentor Media  
has the system and capacity  
to manage 18,000 different  
software titles which are  
stored on CD, DVD or USB  
sticks and come in 30  
languages. Orders come in  
from a number of different  
channels; directly from the  
manufacturer, from compa-  
nies that handle after sales

and service or from end  
consumers via e-commerce  
portals.

Most of Mentor Media's  
solutions are tailor-made for  
each individual customer. We  
form work teams with several  
years of collective experience.  
The teams have expert  
knowledge in project manage-  
ment, business development,  
logistics management, IT  
and order platforms. The  
work teams may be active in  
several Mentor Media regions  
but the customer should  
always feel that they have  
one contact point and person.  
While Mentor Media takes  
complete responsibility in  
order management, storage,  
inventory replenishment,  
product distribution and  
statistics reporting, these  
are only a part of our total  
service offerings. After Sales  
services such as handling  
returns and repairs are  
equally important in making  
sure our clients and their  
customers are maximally  
satisfied.



INTEGRATED  
CIRCUITS  
56 years old



# ABOUT E-COMMERCE

## E-commerce gears up

We had to wait longer than many experts predicted but now e-commerce is steadily winning new market shares in more and more product areas. A primary factor behind this is the explosive spread of mobile units. Four billion of the planet's seven billion human inhabitants use a cell phone, all the while smart phones and tablets are reaching a broader segment of customers.

## FOUR TENDENCIES IN TIME



### CHINA AGAIN

China is expected to become the world's largest graphic market by 2018. When it comes to e-commerce China will take over the lead from the US already this year and the Chinese Alibaba has surpassed the e-commerce pioneer Amazon. Who would have thought?



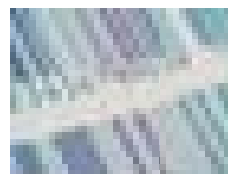
### BIG DATA

You've probably heard of the concept Big Data before. All the digital tracks we leave behind can be very valuable to companies that want to communicate with their customers. But being aware of what you can do and where to draw the line so that customers' personal integrity is never breached is essential.



### SHOWROOM

The role of the physical store isn't over yet and they will most likely be around in the foreseeable future. But the phenomena showrooms has already arrived and growing more common with companies that want to spotlight their brand and products.



### BAR CODES

Bar codes are becoming even more important when the borderline between shopping in stores and shopping online is dissolving. They serve both to create efficient storage and logistics solutions for e-commerce and to live up to the demand for traceability from customers and authorities.

It's undeniably a sign of the times when American Amazon has to hand over its position as the world's largest e-commerce company to Chinese Alibaba. Amazon has been the number one global e-commerce company for over a decennium but now it faces competition everywhere. Alibaba, with its mixture of shopping and product swapping sites, taking over first place is probably less worrying than the fact that traditional retailers are flexing their muscles online.

Ever since the eve of e-commerce the US has been the largest online market by far. At least up until 2014 when the Chinese market, propelled by Alibaba, is expected to surpass it.

Japan continues to be in third place followed by South Korea and slightly farther down the list we find Holland, Sweden and Norway among the ten largest markets despite small populations. This is primarily a result of advanced technology, curiosity and belief in the digital payment system.

A COMPARISON BETWEEN the largest American and European actors reveals decisive differences. Of the 30 major e-commerce companies in Europe only two, H&M and Inditex, have a traditional retailer background. In the US there are 13 retail and trade chains, Walmart and Sears are two of them, on the 30 largest list.

Although tony retail chains in Europe might be late starters they are definitely reshuffling to adapt

to the new shopping pattern. The most probable development is that physical shops will function more like flagship stores where customers can see and feel the merchandise but might just as well buy an item over a website as purchase it in the store.

UP TO NOW most online purchases have been for books, clothes and home electronics, either through a computer or a cell phone. E-commerce has 5-10 percent of the total market in most developed countries.

In the future customers will still want to feel, smell and try on a product before they buy it. Physical stores are not going to disappear in the near future but their role will be to provide customers with an experience and support the brand.

Another challenge is the amount of data that today's customers generate no matter whether they make a purchase in a store or online. This is often called Big Data. There is no easy answer as to how companies should handle Big Data but one influential person in American business knows what she thinks. Angela Ahrendts, previously the CEO of the clothes company Burberry, now responsible for establishing Apple's new stores, has said, "The companies in the coming years that are the smartest and most strategic users of consumer data will also be the companies that win."

# Elanders makes it mark on the European e-commerce market

E-commerce is expanding on nearly every market world-wide. Elanders is one of the companies that has embraced this development and via a number of acquisitions is on its way to becoming an influential actor in the e-commerce segment personalized printed matter. Our companies and work in this field come under the product area *e-Commerce* which is expected to further expand in the next few years.

**A**t the same time the graphic industry has been going through an extensive restructuring and dealing with a hesitant economy Elanders has in just a few years become one of the leading actors in Europe in the production and sales of personalized printed matter.

We began building up a new and expansive product area in 2010 with the acquisition of Printpack. The German company's customers were and are industrials in food stuffs, cosmetics and pharmaceuticals, among others. Several of these customers began to ask for personalized print, for example, the well known Ritter Sport. A close collaboration with Elanders in Germany resulted in consumers being able to order personally designed chocolate products through Ritter Sport's web portal.

THE ACQUISITION OF PRINTPACK has been followed by more pure e-commerce companies with a clear cut connection to Elanders' graphic production. In 2012 two German companies were acquired,

fotokasten and d|o|m, both primarily focused on their own domestic market. This provided Elanders with the competence and customer base necessary to further develop the product area. Since Elanders is already one of the leading companies in digital print this combination creates a recipe for success that includes smart, specially developed database solutions connected to personified print. To consumers we first and foremost offer photo books, calendars, gift items and interior design products.

In 2013 we acquired yet another German firm. This time it was myphotobook which was founded in 2004 and in less than ten years had become a leading European e-commerce company in personalized print sales to consumers. The acquisition of myphotobook opened the door to another 13 European countries. As the second or third largest company in Germany and the fourth in all of Europe in this segment, Elanders is a tony actor to reckon with.

THE COMBINATION OF myphotobook's geographic range and fotokasten's broad product portfolio

## ■ LARGEST MARKETS WORLDWIDE FOR E-COMMERCE

1. USA
2. China
3. Japan
4. South Korea
5. United Kingdom
6. Germany
7. Holland
8. Norway
9. Singapore
10. Sweden

## ■ ELANDERS' MARKETS FOR E-COMMERCE

Austria	Luxemburg
Belgium	Norway
China	Poland
Denmark	Portugal
France	Spain
Germany	Sweden
Holland	Switzerland
Ireland	United Kingdom
Italy	

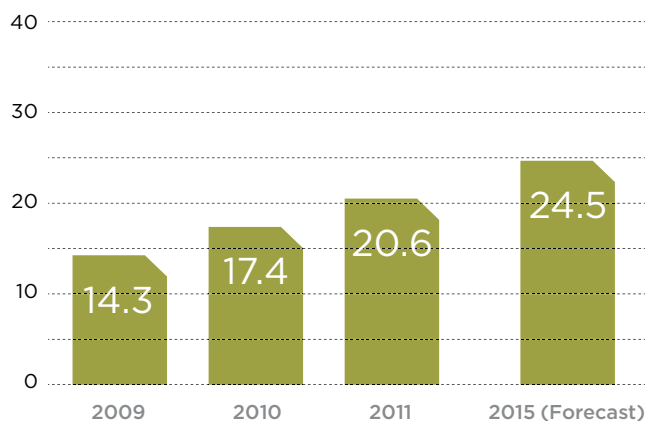
SOURCE: FORRESTER RESEARCH

provides Elanders with further opportunities to expand, particularly in photobooks which is a market that is increasing annually. Since 2010 the market has grown by 30 percent and is expected to continue to grow in the future. This is partially a result of the user-friendly solutions that Elanders and other companies launch on a regular basis that function on smart phones and tablets as well. In 2015 some 25 million photobooks are expected to be sold in Europe.

Another innovation in Elanders' product area e-Commerce is Printsy which makes it easy to send personal postcards from smartphones to destinations all over the world.

Elanders in Germany and dloIm are behind the Facebook application Friend-Calendar. It's an easy way to order a personally designed calendar. The application has a built-in algorithm that automatically chooses which friends will be in the calendar based on the number of "likes", comments and other interaction.

## ■ NUMBER OF SOLD PHOTOBOOKS IN WESTERN EUROPE 2009-2015 (millions of units)



# CASE: E-COMMERCE



*AUGMENTED  
REALITY (AS  
A CONCEPT)*

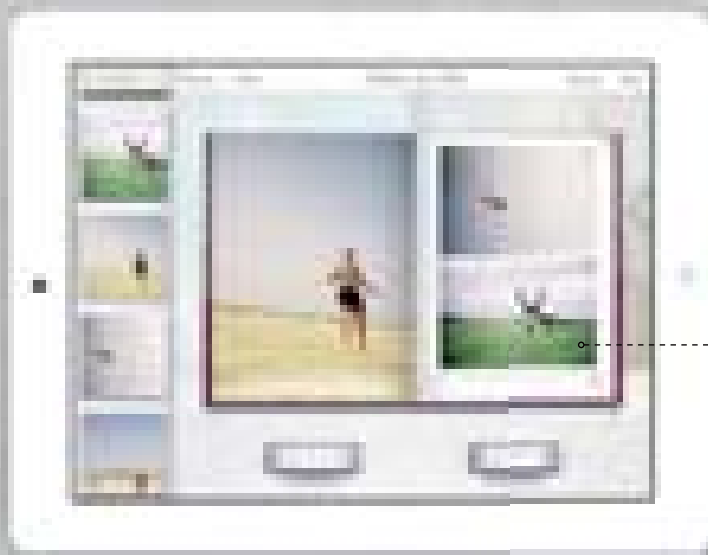
113 years old

## LAYAR/PLAYDALE

**PRODUCTION:**  
Augmented reality in  
a catalogue

**DESCRIPTION:**  
Playdale's playgrounds and products can be found all over England. One of them is in Hyde Park in London. When the family run playground manufacturer needed a new catalogue it turned to Elanders and its partner Layar to combine the printing experience with a digital one based on the physical printed material. Aided by QR codes and AR technology (Augmented Reality) a digital experience was created to take advantage of the value and potential inside the covers of the catalogue. A cell phone app brought the static images alive and the reader was transported directly to Playdale's homepage. This created a powerful tool that both salespeople and purchasers could utilize. The ordering process was shortened and the merchandise was shown at its best. Playdale's catalogue modernly and smoothly took Elanders one step further into the future.





GRASS  
32 years old

GOLDEN  
WEDDING  
ANNIVERSARY  
50 years

## MYPHOTOBOOK

**PRODUCTION:**  
App to create a photobook

**DESCRIPTION:**  
Elanders' latest acquisition in e-Commerce, myphotobook, has shared in making the Group an even stronger actor on the market for personalized photo products. With its presence in 16 different markets myphotobook, together with fotokasten, is one of the larger companies in Europe. Rapid developments in technology have contributed to an accelerating number and dynamic range of customers that have differing needs and behaviors. More and more people are taking more and more pictures and myphotobook sees the potential in being able to attract customers via portable units. The company's new iPad app makes it possible to create your own photobook in just a few minutes. Different themes and filters make each photobook personal and well designed.

## CALVENDO.DE

**PRODUCTION:**  
Personalized calendars

**DESCRIPTION:**  
Nowadays most of us share pictures on the Internet with friends and family. Calvendo lets people take this one step further. Users can form and sell their own calendars and flip art books with ISBN IDs and can even earn up to 30 percent of the revenue. Elanders produces the items which are sold in Germany. As of 2013 they are also sold internationally. Calvendo offers the design software and handles distribution and invoicing. The company's slogan "share creativity" exemplifies their intention to be forerunners in developing the creative vein in people. Thousands of people have together published over 14,000 calendars and flip art books. Calvendo is part of Cornelsen Publishing Group.



# SUSTAINABLE DEVELOPMENT ENVIRONMENT



MOSQUITO  
51,000,000  
years old

## Active environmental work is needed in order to reduce our ecological footprint

Elanders' overriding environmental goal is to minimize the company's environmental impact without affecting the quality of the finished product or the range of services on offer. Elanders works with environmental matters in all the countries where Elanders has production and it's often closely connected to the Group's investments in quality.

## ELANDERS' ECOLABELS



### THE SWAN

A Nordic ecolabel that may be used by printers that meet stipulated criteria concerning choice of products, ink and chemicals as well as procedures in production and waste management.



### FSC®

Forest Stewardship Council® is a global ecolabel and certification for responsible forestry. Forest products made from lumber from FSC® certified forests may be FSC® labeled and this includes printed matter.



### CLIMATE NEUTRAL ENTERPRISE

In order to participate in the program it is necessary to calculate CO<sub>2</sub> emissions with a structured method, set goals and take action to reduce the company's impact on the climate.



### CLIMATE NEUTRAL PRODUCTS

In order for a product to be certified as climate neutral the climate impact of the product's life cycle must first be calculated. Manufacturers must also present the measures they have taken to reduce the climate impact of the product. Print CO<sub>2</sub> verified is the name of the equivalent system in Germany.

Each subsidiary in Elanders is responsible for its own work with environmental and quality matters in order to best meet local and regional regulations. Until 2014, before the acquisition of Mentor Media, Elanders had 18 fulltime positions on different markets working with, and responsible for, quality and environmental matters.

More and more companies and organizations see the connection between quality-managed production and lower environmental impact. The number of public procurements that often contain far-reaching and comprehensive environmental and quality requirements also influences the demand for climate neutral products or environmental systems.

Elanders has had environmental goals to reduce its ecological footprint for years and at the same time introduced quality management on every market. Environmental goals and their outcome are presented on the following page.

IN MANY COUNTRIES the graphic industry has been a pioneer with its proactive environmental work. It has also been relatively easy to show improvements to the environment through reduced paper waste, hazardous waste, lower energy use and lower emission of greenhouse gasses. Over time environmental consideration has also come to encompass storage and distribution. Major environmental benefits can be made both in graphic production and supply chain through careful planning and transparent information.

Orderers with far-reaching environmental demands take into account the entire life cycle of the printed matter, which is actually what is needed in order to make printed matter climate neutral.

The demand for climate neutral production and

printed matter increases year by year but there are major differences both in customer segments and geographical markets. Even though demand has increased climate neutral products still only represent a small part of annual printing volumes.

However, different ecolabels are a given for many orderers. The most demanded ecolabel is the global FSC® (Forest Stewardship Council) label, a certification guaranteeing responsible forestry.

ELANDERS' COMPREHENSIVE GOAL is that all group companies work actively to reduce their environmental impact. However, there are also other initiatives that merit attention. One such initiative is The Gothenburg Award for Sustainable Development that Elanders, together with other companies, sponsors with one million Swedish kronor each year.

Since the year 2000 The Gothenburg Award for Sustainable Development has awarded a number of well-known scientists, politicians, opinion-formers and organizations. The most renowned are Gro Harlem Brundtland (2002), Al Gore (2007) and Kofi Annan (2011).

The theme for 2013 was "Nature's service and ingenious solutions". The biologist and writer Janine Benyus from the USA was one of two laureates. With great commitment and communicative skill she disseminates knowledge of how we humans can learn and be inspired by nature's solutions, something called biomimicry, in order to create and develop sustainable innovations. Some examples of biomimicry are whale fins as airplane wings, owl feathers for more silent trains and spider webs as super material.

Janine Benyus shared the prize with the banker and scientist Pavan Sukhdev. He was the principal author of the much-discussed report "The Economics of Ecosystems and Biodiversity" (TEEB).

# SUSTAINABLE DEVELOPMENT ENVIRONMENT

Pavan Sukhdev has brought into focus the elusive values represented by the cultural, spiritual and creative assets of the global ecosystem as opposed to their monetary values. A large number of countries around the world have initiated their own studies in the footsteps of the TEEB report.

## ENVIRONMENTAL AND QUALITY PROJECTS IN 2013

→ Elanders in UK had a very active environmental year, which was crowned by being named one of the “Green Manufacturers of the Year” from among manufacturing companies in north-eastern UK. The company was given this award for their consistent environmental work that permeates their entire production chain, in particular use or recycling 97 percent of their waste. Elanders has also been invited to compete in the national competition “Green Manufacturer of the UK” and the company has joined a program for the graphic industry aimed at further reducing carbon dioxide emissions.

→ At the end of the year Elanders was awarded the VQE Award by Volvo Cars. The Volvo Cars Quality Through Excellence Award is awarded once a year to the suppliers that best follow the criteria for sustainability, quality and after sales strategy etc.

→ Each year the companies in Elanders go through quality and environmental revisions initiated by customers. A customer revision of Midland in the USA gave the company 244 of 256 points, a very high score.

→ Elanders in China has developed its work instructions and improved its environmental work. One goal is to have less isopropyl alcohol in the water used in offset production. China has introduced more stringent regulations for VOC emissions and plans are in the works to further reduce emissions.

→ In 2013 Elanders in Sweden was ISO 12467 certified for graphic production specialized in offset print.

→ At the beginning of 2012 Elanders in Brazil was ISO 9001 certified. During 2013 work progressed in order to be certified for ISO 14001 in 2014.

→ The climate calculator that Elanders developed together with Chalmers University of Technology was updated during the year.

→ Awards in industry competitions are a measurement of quality. In the Swedish Publishing Prize 2013 Elanders received the first prize in the category Best Annual Report for listed companies for the second consecutive year. In the same competition Elanders won a further three first prizes for contributions entered by the company itself and three more for productions that Elanders had printed and which customers had sent in.

→ Elanders in Germany has started to introduce the energy management system ISO 5001 for certification in 2014.

→ Elanders' operation in Atlanta, USA, plans to become ISO 14001 certified in 2015. It's the only group company which has the TS 16949 quality certification for subcontractors to the automotive industry.

GOALS FOR 2013	OUTCOME 2013	GOALS FOR 2014
<p>→ All companies will work actively to reduce costs stemming from shortcomings in quality.</p> <p>→ More renewable energy will be used.</p> <p>→ All companies will work actively to reduce environmental impact from the use of solvents.</p> <p>→ The amount of unsellable waste per ton product will be measured and reduced in the future.</p>	<p>→ All companies have worked with their quality shortcomings and improved their work. The goal has been met.</p> <p>→ The amount of renewable energy has diminished somewhat. Emission of climate-impacting gasses is unchanged for comparable units. The goal has not been met.</p> <p>→ Most companies had the goal to reduce the use of solvents. Due to changes in production equipment not all units have met this goal. The goal has been partially met.</p> <p>→ All companies measure hazardous waste but not all measure other waste. The goal has been partially met.</p>	<p>→ All companies will work actively to reduce costs stemming from shortcomings in quality.</p> <p>→ More renewable energy will be used.</p> <p>→ All companies will work actively to reduce environmental impact from the use of solvents.</p> <p>→ The amount of unsellable waste per ton product will be measured and reduced in the future.</p> <p>→ Calculate climate-impacting emissions as stated in scope 1 and 2 according to the guidelines for climate neutral companies. (Energy use and transport of goods and persons).</p>

## ■ ENVIRONMENTAL ACCOUNTS 2009–2013

SEK '000s	2013	2012	2011	2010	2009
<b>Environmentally related expenses</b>					
Waste expenses and treatment	1,869	1,916	2,147	1,927	2,262
Ecolabeling fees, net <sup>1)</sup>	333	328	216	431	116
Fees, insurance and carbon dioxide tax	1,366	1,259	1,280	1,461	952
<b>Total</b>	<b>3,568</b>	<b>3,504</b>	<b>3,643</b>	<b>3,819</b>	<b>3,330</b>
<b>Environmentally related income</b>					
Paper waste	11,628	10,875	11,402	5,246	4,399
<b>ENVIRONMENTALLY RELATED INVESTMENTS</b>					
Investments for the purpose of minimizing environmental impact or conserving resources	186	610	119	362	277

<sup>1)</sup> From 2009 fees to the Swan, FSC® and PEFC, and from 2010 to the Climate Neutral Product, are included, which means the sums are not directly comparable.

## ■ ENVIRONMENTAL RATIOS 2009–2013

	2013	2012	2011	2010	2009
Solvent consumption, kilos per MSEK in net sales	109	111	111	92	98
Solvent consumption per ton product	6.5	6.0	5.9	5.6	6.1
Electricity, kWh per ton product	996	883	832	915	985
Hazardous waste, tons	333	342	333	368	396
Hazardous waste, kg per ton product	9.5	9.6	10.0	13.0	12.0

## ■ FINANCIALLY RELATED ENVIRONMENTAL RATIOS 2009–2013

	2013	2012	2011	2010	2009
Financial effect of the change in paper waste, SEK '000s	-6,601	4,129	-1,821	-3,602	4,074
Paper waste compared with previous years, %	7.0	-4.4	2.0	5.0	-6.0

The tables above comprises the companies that were part of the Elanders Group throughout 2013.

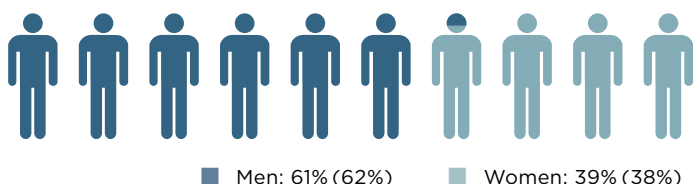
# SUSTAINABLE DEVELOPMENT PERSONNEL



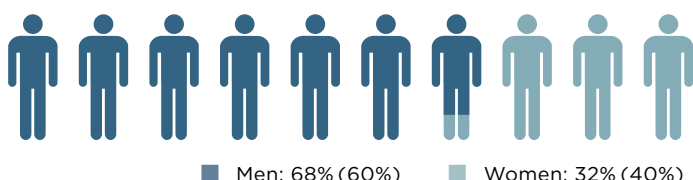
## New challenges as the number of employees grows substantially

As Elanders has won new market shares and acquired companies our numbers have grown. At the end of 2013 the number of employees was about 1,900. With the acquisition of Mentor Media in January 2014 the number of employees rose close to 3,600 in 15 different countries. The challenge for Elanders' management now is to create a uniform group united in the same values and businessmanship.

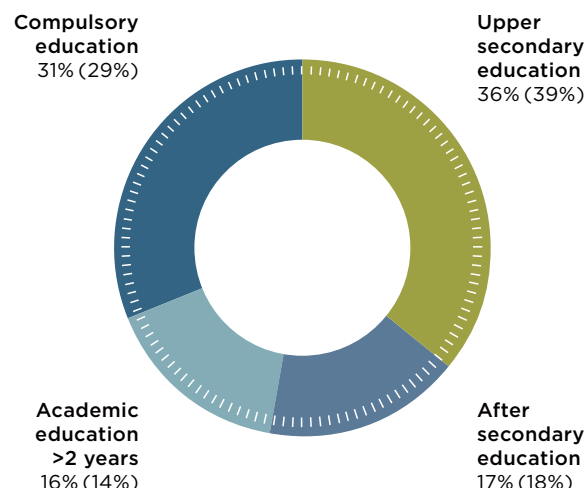
## AVERAGE NUMBER OF EMPLOYEES, RELATIONSHIP BETWEEN MEN AND WOMEN



## MEN AND WOMEN IN LEADING POSITIONS



## EDUCATIONAL LEVELS IN THE ELANDERS GROUP



## HUMAN CAPITAL RATIOS

	2013	2012	2011
Average number of employees	1,864	1,587	1,546
Number of employees per 31 December	1,898	1,780	1,582
Average age	39.8	39.9	39.2
Personnel turnover, %	5.6	5.4	5.6
Revenues per employee, SEK '000s	1,125	1,213	1,189
Added value per employee, SEK '000s	670	675	655
Operating result per employee, SEK '000s	70	75	71

**N**ever before have so many people been able to say that they work at Elanders. This is in spite of the fact that the Group is a part of the graphic industry which has just been through a radical restructuring with major personnel reductions.

When it comes to adapting production capacity to a lessening demand Elanders has been on the forefront, particularly in the Swedish and German markets.

A few years ago we implemented a new organization and business model which has changed the distribution of responsibility in the Group. One of the differences is that Polish operations now sort under the Swedish. The same applies for Hungarian operations that are now included in the German.

Parallel with this development Elanders had an offensive acquisition strategy in order to broaden the Group's offer, lessen dependence on the graphic industry and be able to better handle fluctuations

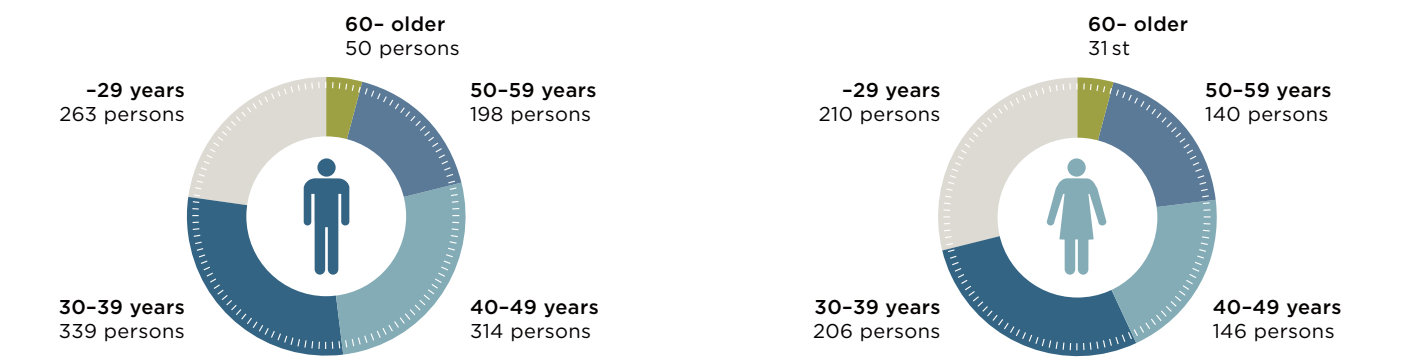
on the market. This strategy was crowned with the acquisition of the German myphotobook GmbH in August 2013 and the Singapore based Mentor Media in January 2014.

THE WORK MODEL that was introduced some years ago intensified the exchange of experiences between employees and companies, and internal networks have become even more important with production moving between countries and the growing number of multinational customers. The acquisition of Mentor Media and the new product area Supply Chain further emphasizes the need for exchanging experiences between the different parts of the Elanders Group.

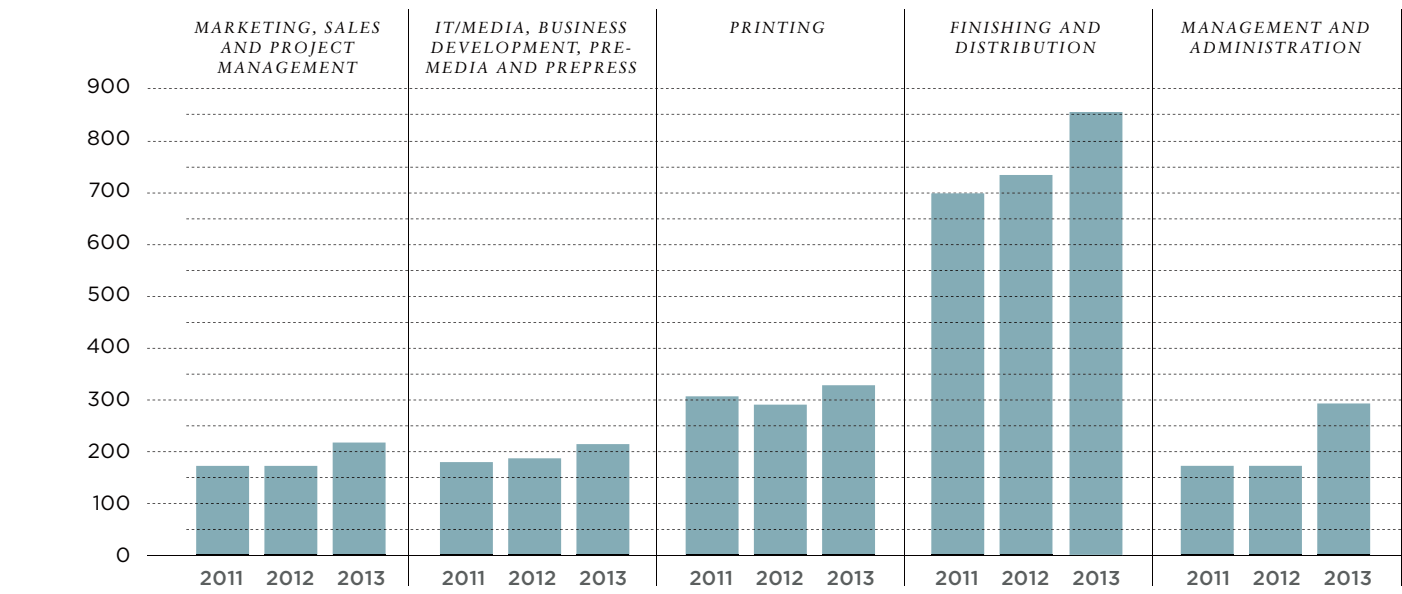
Customer demand and changed market pre-requisites are the driving forces for employees and the entire organization. All group employees are encouraged to assume responsibility and take initiatives. Entrepreneurship is an important part of our business culture and a particularly good

# SUSTAINABLE DEVELOPMENT PERSONNEL

## AGE DISTRIBUTION, NUMBER OF EMPLOYEES



## ROLE IN THE ORGANISATION, NUMBER OF EMPLOYEES 2011-2013



way to meet the clear need for change in the graphic industry and to hasten the strategic shift.

Employees can be active in many ways, for instance, by making improvement suggestions. They also feel pride in always doing their best and taking responsibility for customer deliveries. Another aspect of Elanders’ work climate is absence due to sickness. Low absence is highly beneficial for both employees and the company. A POSITIVE EXAMPLE of a good workplace is Elanders’ operations in the USA. For the thirteenth

year in a row Midland Information Resources was named best workplace among the American graphic companies, an industry consisting of over 100,000 companies and a million employees. The award “Best of the Best Workplace” is the result of a goal oriented HR work that was initiated in 2000. The company was judged based on eight criteria such as work environment, safety instructions, health programs and how the company helps the employees to find a healthy balance between work and private life.



# Accountability on all levels

Elanders is a company that contributes to the societal development in the countries where it has operations. The guidelines for CSR work describe the responsibility each company and employee takes to lower environmental impact, create fair working conditions and counteract corruption.

**T**he way a company treats its employees, customers, partners and society at large is becoming increasingly important.

A growing and broad environmental engagement has led many companies to draw up guidelines on acting ethically (*Code of Conduct*) and achieving the goals of its CSR work (*Corporate Social Responsibility*). In the ongoing debate about the industry's role in creating a functional and sustainable society new words like social capitalist and social entrepreneurship are emerging. This is in part a response to questions about the legitimacy of our current life patterns like consumption, learning and distribution of resources.

CSR ISSUES HAVE been prominent at Elanders for years, particularly when it comes to how the companies in the Group influence how society deals with equality and environmental issues. Elanders has above all worked passionately with different environmental demands, certifications and ecolabels. A concrete example is the climate neutral Annual Report that you are currently reading. Another initiative is the Visiting Professor Programme, a visiting professorship at the University of Gothenburg School of Business Economics and Law that Elanders is sponsoring with one million

// CSR ISSUES HAVE  
BEEN PROMINENT  
AT ELANDERS  
FOR YEARS. //

Swedish kronor annually since 2009. The goal is to support education, research and social development on an international level. Elanders has also sponsored *The Gothenburg Award for Sustainable Development* since it was founded in 2000. This is an award that is given to people or organizations that have made important changes for a sustainable world and the laureates come from all corners of the earth.

Elanders and many other companies have discovered that improvements to the environment and work processes governed by quality assurance programs are usually profitable investments. They result in conserving both natural resources and money in operations while sharpening a company's competitive edge. On top of this, more and more procurements demand environmental certifications and quality assured deliveries.

# FIVE YEARS IN SUMMARY

## Year 2013

**T**hrough the acquisition of the Singapore based company Mentor Media Elanders increased its net sales by close to 60 percent from 2.2 to 3.5 million Swedish kronor annually and the number of employees increased from 1,900 to 3,600. The deal was initiated in the middle of 2013 and after intensive negotiations at the end of the year the contract was signed 7 January 2014.

With this acquisition Elanders was able to create three strong product areas. The completely new Supply Chain Solutions is based on Mentor Media's operations primarily in Asia but also on sections in the US and Europe. The two other product areas are Print & Packaging Solutions and e-Commerce Solutions. The global economy continued to be uncertain in 2013 but it was a strong year for Elanders with an increase in net sales of 9 percent to MSEK 2,096 (1,924). Our result increased by 10 percent to MSEK 131 (119).

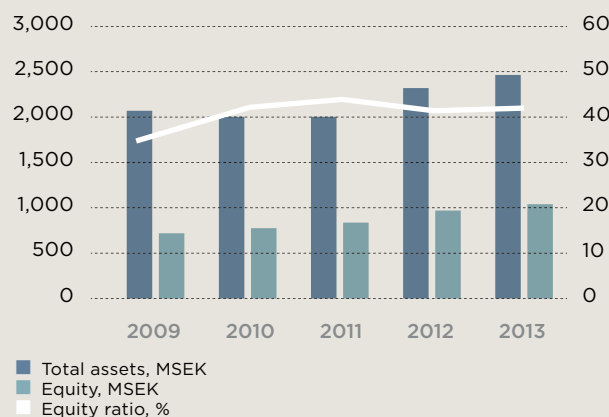
Elanders had a positive quarterly development throughout the year with both increased net sales and results. The main reason for this is that the acquisitions made in the last two years are starting to show on the books.

Elanders countered the reduced demand in Commercial Print by concentrating production units to fewer units in both Sweden and Germany. McNaughtan's in Scotland, a specialist in printing labels and exclusive packaging, was acquired in the first quarter.

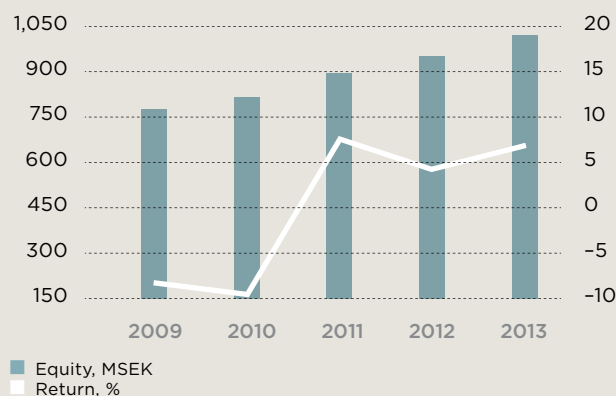
Another acquisition was made in the third quarter, the German company myphotobook GmbH. It's one of Europe's leading e-commerce companies in the segment personalized photo products to consumers.

The fourth quarter saw a lot of activity which produced a result of MSEK 54 (48).

### ■ EQUITY RATIO



### ■ RETURN ON EQUITY



For Elanders the year 2013 entailed to some extent an entirely new direction in our range of global services. During the last month of the year negotiations for the acquisition of the supply chain company Mentor Media were completed, a deal right in line with Elanders' strategy to reduce our exposure to traditional printing.

## 2012

Uncertainty regarding the global economy characterized pretty much all of 2012 but somehow didn't affect Elanders. In the first quarter all shares were acquired in the German companies fotokasten GmbH and d|o|m Deutsche Online Medien GmbH. Both companies are forerunners when it comes to offering and developing technical solutions for digital photo and print services.

Late in December the acquisition of the American company Midland Information Resources was made public. Through this acquisition Elanders will continue its international expansion and increase its presence on the world's single largest graphic market.

The fourth quarter is usually the best and 2012 was no exception. For the full year the operating result was MSEK 119 (110), of which one-off items were MSEK 15 (25).

## 2011

The year started with a definite increase in net sales and result. This was especially noticeable in higher German production in our Hungarian unit and Swedish production in our Polish unit. In January parts of the Swedish printer Fälfth & Hässler were acquired, broadening Elanders' product range with qualified illustrated books.

Elanders' conscious investment to offer personalized print and develop new product concepts gave results. A deal was signed with the CPT Group in September to take over parts of the Swedish printer NRS Tryckeri.

The year ended with a ten percent increase in net sales in the fourth quarter and a strong result of MSEK 57 (6). For the full year the operating result was MSEK 110 (-76), of which one-off items were MSEK 25 (-59).

## 2010

The entire year was characterized by the budding global recovery in many important markets. Demand increased from customers primarily in automotives and other industries. The Group received more orders for packaging, marketing materials and personalized products.

Operating result for the year was a loss of MSEK 76, of which one-off items in connection to restructuring amounted to MSEK 75. Net sales for the full year were MSEK 1,706 (1,757), a reduction of 3 percent.

A new share issue in the third quarter strengthened Elanders' financial position and created a platform for continued expansion of the company, raising MSEK 208 for the Group after issue expenses.

A good example of Elanders' desire to expand was the acquisition of the German packaging company Printpack.

## 2009

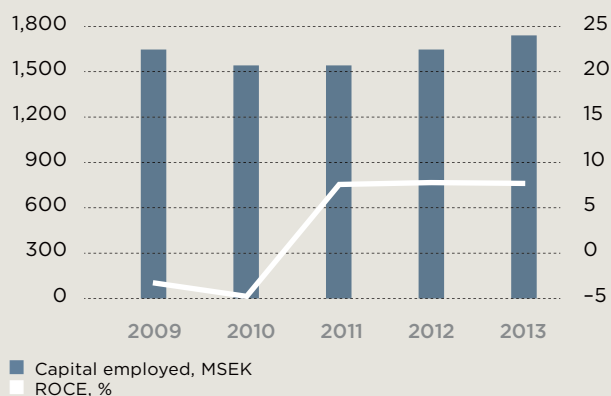
The Group was generally hit hard by the downturn in the economy and the financial crisis that started in Europe and the USA. The most important customer categories in industry, mainly automotives and consumer electronics, reduced their orders by up to 50 percent compared to the previous year. Swedish operations, with their main focus in the automotive industry, were hit the hardest while the foreign operations were generally spared.

At the end of the first half-year Magnus Nilsson became President and CEO of Elanders.

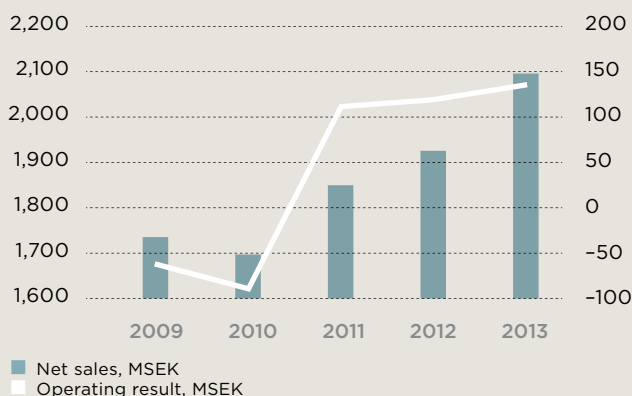
Personnel cuts in the Group on the whole were 15 percent and in Sweden 20 percent. An extensive program to organize the Group around the best use of production capacity, mainly in low-cost countries, was initiated.

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

## RETURN ON CAPITAL EMPLOYED



## OPERATING RESULT



# FIVE YEARS IN SUMMARY

## ■ SUMMARY OF THE INCOME STATEMENTS

MSEK	2013	2012	2011	2010	2009
Net sales	2,096	1,924	1,839	1,706	1,757
Operating expenses	-1,965	-1,806	-1,729	-1,782	-1,817
EBIT	131	119	110	-76	-60
Financial items	-29	-25	-30	-29	-36
Result after financial items	102	93	80	-105	-96
Result for the year	70	45	60	-84	-74
EBITDA	229	209	196	26	41

## ■ SUMMARY OF THE BALANCE SHEETS

MSEK	2013	2012	2011	2010	2009
Goodwill	1,090	978	834	836	895
Other fixed assets	582	541	515	575	625
Inventory	107	116	126	119	95
Accounts receivable	387	393	385	365	351
Other current assets	82	66	64	67	69
Cash and cash equivalents	215	168	81	50	79
Equity	1,039	954	880	819	765
Interest-bearing liabilities	954	856	758	782	916
Non-interest-bearing liabilities	471	451	367	411	432
Total assets	2,464	2,261	2,005	2,012	2,114

## ■ CASH FLOW IN SUMMARY

MSEK	2013	2012	2011	2010	2009
Cash flow from operating activities	128	215	84	-58	55
Paid taxes	-57	-23	-7	-8	-8
Investments	-164	-197	-28	-69	-52
Operating cash flow	50	67	93	-90	42
Change in net debt	51	13	-57	-105	-6

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

*// GROUP OPERATING RESULT EXCLUDING ONE-OFF ITEMS INCREASED TO MSEK 132 (104), WHICH WAS THE EQUIVALENT OF AN OPERATING MARGIN OF 6 (5) PERCENT.//*

## ■ KEY RATIOS

	2013	2012	2011	2010	2009
Operating margin, %	6.2	6.2	6.0	-4.5	-3.4
Profit margin, %	4.8	4.9	4.3	-6.2	-5.5
Gross profit/Added value, %	40.4	34.3	34.8	28.1	33.0
Capital net sales rate, times	0.9	0.9	0.9	0.8	0.8
Equity ratio, %	42.2	42.2	43.9	40.7	36.2
Risk capital ratio, %	44.8	44.4	45.6	42.1	37.6
Interest coverage ratio, times	5.3	5.6	4.4	neg.	neg.
Debt/equity ratio, times	0.7	0.7	0.8	0.9	1.1
Return on equity, %	7.0	4.8	7.1	-10.6	-9.1
Return on capital employed, %	7.7	7.4	7.1	-4.8	-3.6
Return on total assets, %	5.6	5.6	5.5	-3.2	-2.2
EBIT-multiple, times	9.9	9.9	9.1	-14.1	-19.5
Average number of employees	1,864	1,587	1,546	1,520	1,581
Net debt/EBITDA, times	3.2	3.3	3.4	28.4	20.5
Enterprise Value, MSEK	1,298	1,177	1,005	1,269	1,174
Risk capital, MSEK	1,104	1,004	915	848	794
Capital employed, MSEK	1,777	1,642	1,556	1,552	1,602
Net debt, MSEK	739	688	676	732	837

## ■ DATA PER SHARE

	2013	2012	2011	2010	2009
Result, SEK	3.08	2.05	3.09	-6.79	-7.57
Share price at year-end, SEK	24.60	21.50	16.80	27.50	34.50
P/E ratio	8.0	10.5	5.4	-4.1	-4.5
P/S ratio	0.3	0.2	0.2	0.2	0.2
Dividend, SEK	0.80 <sup>1)</sup>	0.60	0.50	-	-
Dividend yield, %	3.7	2.7	2.3	-	-
Share price/equity, times	0.5	0.5	0.4	0.4	0.4
Net asset value, SEK	45.69	41.96	45.04	66.39	78.35
Risk capital, SEK	48.57	44.18	46.80	68.71	81.27
EBITDA, SEK	10.04	9.65	10.04	2.09	4.19
Operating cash flow, SEK	2.22	3.08	4.78	-7.33	4.31
Cash flow from operating activities, SEK	5.64	9.92	4.31	-4.68	5.60
Average number of outstanding shares, in thousands	22,730	21,646	19,530	12,342	9,765
Turnover rate	0.11	0.08	0.13	0.32	0.45

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

# Continued positive development in the Elanders share

## SHAREHOLDER INFORMATION

Elanders' financial information can be found at the Group website [www.elanders.com](http://www.elanders.com). Questions can also be asked to Elanders directly via e-mail at [info@elanders.com](mailto:info@elanders.com). Annual Reports, quarterly reports and other information can be requested from Group headquarters at telephone number +46 31 750 00 00, our website or through the above e-mail address. We are also happy to provide information about the many occasions when we present Elanders at activities that are arranged by shareholder organizations, Swedish and foreign stockbrokers and banks. One analyst continuously monitors our development and regularly publishes analyses of Elanders: Remium AB Equity research Claes Vikbladh, telephone +46 8 454 32 94.

**T**he Elanders share had a development on par with the Stockholm Stock Exchange for most of 2013. For the full year the Elanders share increased in value by over 14 percent. The acquisition of Mentor Media at the beginning of the new financial year led to an increased interest in the share. The principle owner of Elanders is Carl Bennet AB.

**HISTORY** – Elanders' B shares were first listed on the Stockholm Stock Exchange on 9 January 1989. On 31 December 2013 the company had 21,563,332 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 the next page.

**DEVELOPMENT DURING THE YEAR** – The market value of B shares rose by 14.4 (28.0) percent

during 2013. During 2013 a total of Elanders' 2,402,537 shares (1,838,877) were traded, which is equivalent to an average trading rate of approximately 0.11 times (0.08 times). The lowest share price was SEK 19.10 on 2 August and the highest was SEK 27.00 on 2 December. The final share price in 2013 was SEK 24.60 (SEK 21.50), which means that Elanders' stock market value at year-end was approximately MSEK 559 (489).

The positive development continued in 2014, which is shown in the graph below. During January and February the highest share price was SEK 49.90 on 14 February. During the first two months 2014 a total of 3,336,978 shares were traded, which extrapolated is equivalent to an average trading rate of 0.88 times.

## CLASS OF SHARES AND LIQUIDITY GUARANTEE

At year-end there were 1,166,666 A shares and 21,563,332 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 next 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 2,134 (2,270) Elanders shareholders at year-end. The allocation is analyzed in the tables on the following page.

**DIVIDEND POLICY** – Regarding the proposed dividend in years to come, the Board of Directors has taken into account the Group's development potential, its financial position and the adopted key ratio goals relating to debt/equity ratio, equity ratio and 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.

■ ELAN B  
■ OMX Stockholm PI  
■ Number of traded shares in 1,000s per month

© NASDAQ OMX



## ■ MAJOR SHAREHOLDERS 31 DECEMBER 2013

	Number of A shares	Number of B shares	Percent of votes	Percent of share capital
Carl Bennet AB	1,166,666	13,004,098	74.24	62.34
Carnegie Funds	-	1,690,400	5.09	7.44
Försäkringsaktiebolaget Avanza Pension	-	1,480,645	4.46	6.51
Peter Sommer	-	578,000	1.74	2.54
P-A Bendt AB	-	506,500	1.52	2.23
Skandinaviska Enskilda Banken S.A.	-	199,983	0.60	0.88
Nordnet Pensionsförsäkring AB	-	165,791	0.50	0.73
Danica Pension	-	161,800	0.49	0.71
Zebub Förvaltnings AB	-	120,000	0.36	0.53
Handelsbanken Fonder AB	-	105,100	0.32	0.46
Other shareholders	-	3,551,015	10.69	15.62
<b>Total</b>	<b>1,166,666</b>	<b>21,563,332</b>	<b>100.00</b>	<b>100.00</b>

## ■ SHAREHOLDER CATEGORIES 31 DECEMBER 2013

	Percent of share capital	Percent of votes
Swedish institutions and investment companies	16.01	10.95
Swedish companies and private persons	78.03	84.97
Foreign owners	5.96	4.08
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## ■ SHAREHOLDER STATISTICS 31 DECEMBER 2013

Number of shares	Number of shareholders	Number of A shares	Number of B shares	Percent of share capital	Percent of votes
1-500	1,423	-	257,734	1.13	0.78
501-5,000	589	-	922,045	4.06	2.77
5,001-50,000	103	-	1,685,471	7.42	5.07
50,001-500,000	14	-	1,451,674	6.39	4.37
500,001-	5	1,166,666	17,246,408	81.01	87.01
<b>Total</b>	<b>2,134</b>	<b>1,166,666</b>	<b>21,563,332</b>	<b>100.00</b>	<b>100.00</b>

## ■ SHARE CAPITAL DEVELOPMENT

	Number of A shares	Number of B shares	Accumulated shares	Share capital, SEK
At Stock Exchange introduction in 1989	200,000	1,380,000	1,580,000	15,800,000
1991 Directed share issue to acquire Fabritius A/S in Norway	-	252,000	1,832,000	18,320,000
1993 Bonus issue 1:1	200,000	1,632,000	3,664,000	36,640,000
1997 Directed share issue to acquire the Graphic Systems Group	-	650,000	4,314,000	43,140,000
1997 Directed share issue to acquire Skandinaviska Lithorex	-	250,000	4,564,000	45,640,000
1997 Directed share issue to acquire Gummessons	-	350,000	4,914,000	49,140,000
1997 New share 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 New share 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
2010 New share issue 1:1	583,333	9,181,666	19,529,998	195,299,980
2012 Directed share issue to acquire d o m och fotokasten	-	3,200,000	22,729,998	227,299,980
<b>Outstanding shares and share capital on 31 December 2013</b>	<b>1,166,666</b>	<b>21,563,332</b>	<b>22,729,998</b>	<b>227,299,980</b>

Source: Euroclear Sweden AB.

# RISKS AND UNCERTAINTY FACTORS

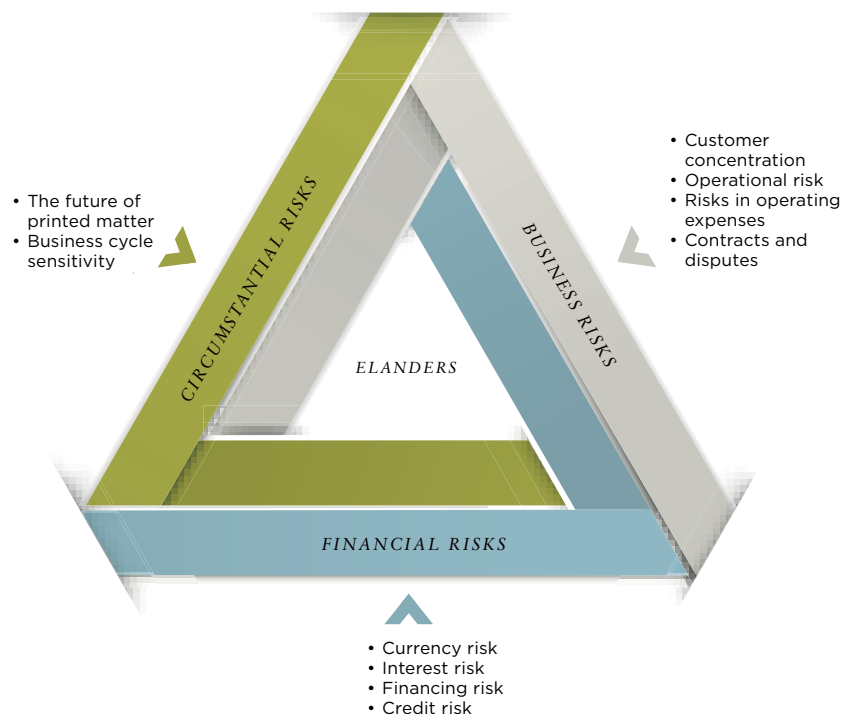


EMERGENCY  
SERVICE  
RESPONSE TIME  
median  
12.0 minutes

## Expanded offer to reduce exposure

The categories of risks that Elanders faces are circumstantial risks, financial risks and business risks. On the following pages we will describe the most significant risks that Elanders has identified and the work we do to prevent and minimize these.





## CIRCUMSTANTIAL RISKS

The circumstantial risks that affect Elanders' operations the most are the future of printed matter and the global economy. Since these factors are outside of group control we continuously work to minimize any negative effects by adapting operations to meet new circumstances. In recent years this work has been aimed at expanding Elanders' offer and reducing exposure to traditional printing.

**THE FUTURE OF PRINTED MATTER** – Printed matter will continue to grow in the coming years as a bearer of information on a global level although to a lesser degree as time passes. The lion's share of this increase will consist of packaging. Packaging markets everywhere in the world where Elanders is active continue to grow but the Asian market is expected to increase the most. Printing capacity for offset in Western Europe and North America will exceed demand for some time, which will hold down prices for printed matter produced with offset technology or even cause them to fall. However, the demand for offset print will continue to increase in Asia primarily, but in Eastern Europe and Latin America as well.

Elanders' position as one of the leading digital printers in Europe and our competitive offset capacity in Eastern Europe and Asia along with our growing shift in production to more packaging concurs with this anticipated development.

In 2014 Elanders will become less dependent on the future of printed matter as a result of the acquisition of Mentor Media.

**BUSINESS CYCLE SENSITIVITY** – The most tangible business cycle sensitivity is in group operations that supply our customers in the manufacturing industry, particularly in automotive and consumer electronics. Our customers in food stuffs, cosmetics, pharmaceuticals and the public sector are not as sensitive to the business cycle. Sales to consumers are also less affected by the general economic situation.

We work consciously to reduce the influence of business cycles by increasing sales to customers in less sensitive trades and customer groups as well as by increasing the geographic spread of sales. The Group's focus on packaging also reduces sensitivity to shifts in the economy since these products are not as affected by them.

## FINANCIAL RISKS

The greatest financial risks for Elanders are currency risks, interest risks and financing risks. The financial policy established by the Board governs how the risks should be monitored and possibly hedged. Group Finance is primarily responsible for handling these risks.

**CURRENCY RISK** – The Group runs into currency risk through transactions in currencies other than the companies local currency (transaction exposure) or when converting net result and net assets from foreign subsidiaries (translation exposure).

The transaction risk in 2013 has been relatively low since most income and costs in companies are in local currencies. In cases of transactions in other currencies this risk is hedged mainly by using forward exchange contracts.

Elanders' net inflow of foreign currency consists primarily of EUR, CNY, USD, GBP and PLN. Exposure of net assets in foreign subsidiaries is mainly connected to USD and EUR and hedging has been made in part through taking loans in each currency. Apart from this hedging no other hedging has been made to counter the translation risk.

**INTEREST RISK** – Exposure in the form of changes in the interest rate stems mainly from group interest-bearing liabilities with floating interest. Outstanding liabilities are primarily in USD, EUR and SEK.

Elanders strives to achieve a balance between cost-effective financing and the risk exposure of a negative influence in the result if interest levels suddenly changed significantly. The interest rate for liabilities, totaling MSEK 300, was hedged in 2011 until 30 September 2014. Which means that 41 percent of group net debt as of 31 December 2013 was protected against an increase in interest rates.

**FINANCING RISK** – Elanders is dependent on obtaining financing from credit institutions. The Group's financing needs comprises current operations and preparedness for possible future investments. The availability of financing depends on fac-

tors such as the general availability of capital and Elanders' credit rating.

The Group's goal is to always have more than one party that is willing to offer financing on market terms. In 2013 a new two year credit agreement was signed with two Swedish banks regarding operational financing.

**CREDIT RISK** – The Group is exposed to losses through the risk of a counterparty not meeting their obligations. Credit risk can be divided into financial credit risk and commercial credit risk where the financial risk primarily concerns investing surplus liquidity and trading exchange derivative instruments and the commercial risk concerns accounts receivable. Elanders' commercial credit risk is spread out over a large number of customers and at the same time a few customers represent a large part of the Group's accounts receivable. These customers are almost exclusively large, reputable, listed companies with good credit ratings.

The financial credit risk is limited and controlled by the fact that financial transactions may only be carried out with financial institutions that are approved of by Group Finance. The commercial credit risk is primarily handled by each subsidiary through external checks on credit ratings, regular communication with customers, monitoring their ability to pay and following up their financial reports.

## BUSINESS RISKS

Elanders encounters risks in operations daily and normally these are within the Group's control. Group Management's close collaboration with the different group operations is a key factor in controlling these risks.

**CUSTOMER CONCENTRATION** – The Group's major customers are primarily active in the manufacturing industry and agreements with these customers normally run over two or three years. Elanders' ten largest customers represent 38 (34) percent of net sales in 2013.

Elanders' strategy is not only to supply our larger industrial customers with printed matter but to take care of all their need of printed matter logistics. This approach makes Elanders a strategic partner and builds the basis for long-term business relations. Elanders has worked together with several of the Group's largest customers for many years. This is true also for the Group's new product area Supply Chain which has served most of its customers for years.

**OPERATIONAL RISK** – The risk that the Group will suffer a major stop in production is small. The Group's production units are largely compatible and can help each other if there are any hitches in production and it is rare that there are no alternative suppliers of input goods.

Elanders Blue is a program to identify and prevent risks that can lead to disturbances in production. The work involves regular controls of the production sites where identified improvement areas are the basis for action plans. The Group also has business interruption insurance that covers the loss of margins for up to twelve months.

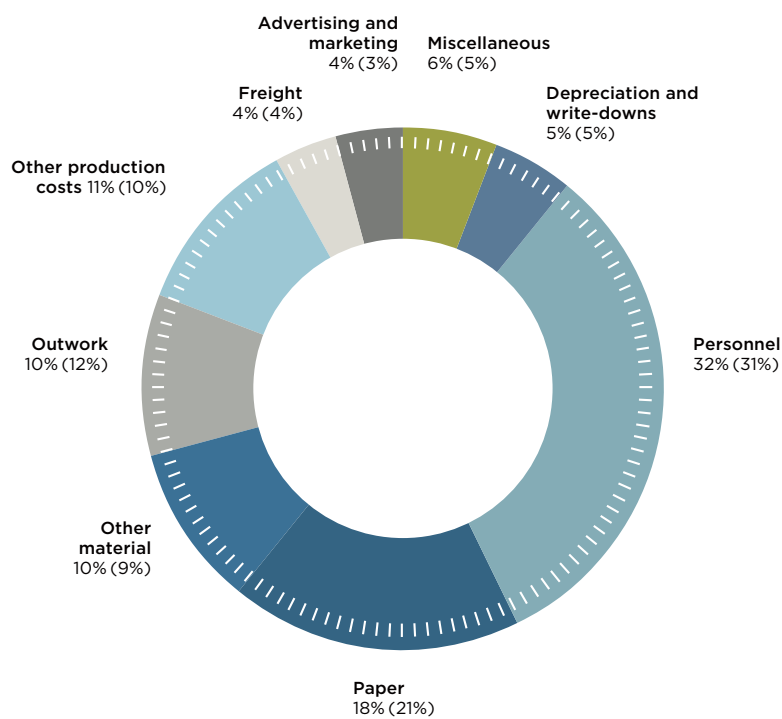
**RISKS IN OPERATING EXPENSES** – Elanders' main operating costs are personnel costs, paper costs and the cost of outwork. These three categories represent 62 (64) percent of total operating costs.

The Group does not see any direct risk that any of these costs will rise in the near future to such a degree that that it would have a material effect on group results.

**CONTRACTS AND DISPUTES** – In business daily operations can give rise to disputes.

In order to minimize the risk of disputes Elanders normally uses the contracts prepared by our trade organizations. Elanders is not aware of any dispute that may have any significant effect on the Group's financial position. The Group's insurance program contains global liability insurance that covers general liability, product liability, crime fidelity, business interruption and limited protection against environmental damage. The Group also has

## ■ COST STRUCTURE



liability insurance for members of the Board and officers.

## SENSITIVITY ANALYSIS

In note 19 to the consolidated financial statements there is a summarized analysis of how changes in the level of the variables described above would have affected group results after financial items.

# THE FINANCIAL REPORTS

The acquisition of Mentor Media provides Elanders with a broader product and service offer and makes it possible for Elanders to offer global solutions within all three product areas and can act as a strategic partner to the customers in their work to optimize and develop processes critical to their business.

## 00:69 Board of Directors' report

The Board of Directors and the President and Chief Executive Officer of Elanders AB (publ) present their annual report and the consolidated financial statements for 2013.

## 00:75 Corporate Governance report

The Board is elected by the Annual General Meeting and proposed by the nomination committee. The Board is ultimately responsible for the management of the company.

## 00:81 Group

### 00:81 Income statements

The Group's net sales increased during the year with 9 percent to MSEK 2,096 (1,924) and the operating result improved to MSEK 131 (119).

### 00:81 Statements of comprehensive income

Total comprehensive income for the year attributable to parent company shareholders amounted to MSEK 98 (15).

## 00:82 Statements of financial position

The Group's total assets increased by MSEK 203 to MSEK 2,464 and the capital employed increased with MSEK 135 and amounted to MSEK 1,777.

## 00:83 Statements of changes in equity

The Group's equity increased with MSEK 85 to MSEK 1,039, the equity ratio was unchanged and amounted to 42.2 percent.

## 00:84 Statements of cash flow

Cash flow from operating activities amounted to MSEK 208.

## 00:85 Notes

The Group's accounting principles and supplementary disclosures to the financial statements.

## 01:11 Parent company

## 01:11 Income statements

## 01:11 Statements of comprehensive income

### 01:12 Balance sheets

### 01:14 Statements of changes in equity

### 01:14 Cash flow statements

### 01:15 Notes

### 01:23 Proposed appropriations of profits

The Board of Directors and the Chief Executive Officer propose that SEK 0.80 per share total SEK 18,183,998.40 is paid as dividend to the shareholders.

### 01:24 Auditor's report

The auditor's recommend that the profit is dealt with in accordance to the proposed appropriations of profits and that the members of the Board of Directors and the Chief Executive Officer is discharged from liability for the financial year.

# 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 2013.

**E**landers AB (publ) is the parent company of the Elanders Group and the company's B shares are listed on NASDAQ OMX Stockholm's Small Cap list. Elanders AB (publ) is a subsidiary to Carl Bennet AB, corporate identity no 556379-0715, registered in Gothenburg. Carl Bennet AB prepares consolidated financial statements that include Elanders.

## GROUP STRUCTURE

In 2013 Elanders reported the entire business as one segment since this reflects the manner in which the Group is led, managed and operates. Operations in each country are all managed by Group Management and ultimately by the President.

## OVERVIEW OF OPERATIONS

In 2013 Elanders was primarily a global printing group with production units in nine countries on four continents. Our product areas consisted of Commercial Print, Packaging and e-Commerce. As a result of the acquisition of the supply chain company Mentor Media in January 2014 Elanders has changed its product areas to Print & Packaging Solutions, Supply Chain Solutions and e-Commerce Solutions. The acquisition of Mentor Media provides Elanders with a broader product and service offer and makes it possible for Elanders to offer global solutions within all three product areas and can act as a strategic partner to the customers in their work to optimize and develop processes critical to their business. Elanders' typical customers are companies in the manufacturing industry with products such as vehicles, consumer electronics, and white goods etc.

There are a number of strong brands in the Elanders Group's three new product areas:

### *Supply Chain Solutions*

Mentor Media, the Elanders Group's brand in Supply Chain Management, is one of the leading companies in the world in this area. The company is responsible for, and optimizes, their customers' material and information flows – everything from sourcing and procurement combined with storage to after sales service.

### *Print & Packaging Solutions*

Elanders, the Group's brand in Print & Packaging, offers cost effective solutions through its innovative power and global presence that can meet customers' local and global needs for printed material and packaging.

### *e-Commerce Solutions*

fotokasten, myphotobook and d|o|m are the Group's brands in e-Commerce. fotokasten and myphotobook offer a wide range of photo products mainly to consumers with the help of d|o|m's technology in e-commerce.

## GROUP OPERATIVE LOCATIONS

In 2013 the Group had operations in nine countries: Brazil (São Paulo), Italy (Treviso), China (Beijing), Poland (Płońsk), United Kingdom (Glasgow and Newcastle), Sweden (Gothenburg, Malmö and Stockholm), Germany (Berlin and Stuttgart), Hungary (Zalaötvő and Jászberény) and the USA (Atlanta and Davenport). Elanders is also represented by sales offices and development divisions in a number of locations. As of January 2014 in connection with the acquisition



# BOARD OF DIRECTORS' REPORT

of Mentor Media Elanders now has further sale locations in China (Chengdu, Chongqing, Kunshan, Shanghai, Shenzhen, Songjiang, Suzhou and Xiamen), India (Chennai), Japan (Tokyo), Mexico (Juárez), Taiwan (Taipei), The Czech Republic (Brno) and the USA (Miami and Ontario).

## NET SALES AND RESULT

Group net sales increased by MSEK 172 to MSEK 2,096 (1,924) i.e. 9 percent compared to 2012. The increase in net sales is primarily due to the new acquisitions Midland and myphotobook. The year on the whole has been characterized by a relatively weak demand from customers in the manufacturing industry, in particular those active on the Western European and North American markets. Net sales in organic growth contracted by 3 percent compared to last year.

Group operating result excluding one-off items increased to MSEK 132 (104), which was the equivalent of an operating margin of 6 (5) percent. Including one-off items the operating result amounted to MSEK 131 (119). The one-off items were mainly book VAT in Sweden taken up as income, restructuring measures in operations in Sweden and Germany and consultation costs in connection with acquisitions.

During the year the joint venture Hansaprint Elanders Hungary Kft, which Elanders has run together with the Finnish Hansaprint Oy in Hungary, was liquidated. The effect on results was MSEK -0.1 but it had a positive effect of MSEK 1.2 on group cash flow. The company had been more or less dormant for several years.

From 2010 to 2013 Elanders submitted claims for VAT refunds to the Swedish Tax Agency pertaining to 2004-2007. In the years 2011-2013 the Swedish Tax Agency made consequential amendments regarding many of Elanders' customers who have then demanded compensation from Elanders. It is Elanders' position that the Swedish Tax Agency cannot make consequential amendments. Several judgments from the Court of Appeals in Stockholm, Gothenburg and Jönköping have supported Elanders' position. The Swedish Tax Agency has now appealed some of the decisions and sought reconsideration by the Supreme Administrative Court. The verdict was announced in February 2014 and was in favor of the Tax Agency. This verdict is not expected to have any significant effect on either Elanders' result or financial position. There is also a case in the Court of Appeals where a customer is claiming back VAT from the printing company which also may have an effect on the issue. A verdict from the Court of Appeals is expected within shortly.

In July 2011 the Swedish Tax Agency presented its position regarding income tax for graphic companies that

have claimed a refund of outgoing VAT. The Swedish Tax Agency's position is that the graphic companies that have made a claim for the refund of outgoing VAT must recognize this revenue in the year the claim is made to the Swedish Tax Agency and not, as Elanders has applied, the year the refund has been paid or at least when payment can be reliably expected. As a result the Swedish Tax Agency has raised Elanders' taxable income for the fiscal year of 2010 by MSEK 70. Elanders is in the opinion that Elanders is right in this matter and has contested this decision. Our total exposure is around MSEK 16, since we can only set off some of the refund against the loss carry-forwards Elanders has. During the first quarter of 2013 the period of respite for these MSEK 16 ended and a payment for this amount was made. The case has been heard in the Court of Appeals in Gothenburg in February 2014, but the verdict has not yet been announced.

## SIGNIFICANT EVENTS DURING THE YEAR

Elanders acquired the labeling company McNaughtan's Printers Ltd in Glasgow, Scotland in February. The company has annual net sales of around MGBP 2 and several well known whisky distillers are customers. Their products are mainly labels with extremely high quality and a high level of enrichment. One of the aims of this acquisition was to get access to their customer portfolio in order to be able to offer their customers packaging – everything from deluxe packaging manufactured at Elanders in China to carton boxes produced at other Elanders units. In August Elanders signed a contract for the acquisition of the German myphotobook GmbH, one of Europe's leading e-commerce companies in the sales of personalized photo products to consumers. myphotobook has its headquarters in Berlin and is currently represented in 16 countries in Europe. In 2012 the company had net sales of around MEUR 15. The purchase price was MEUR 10.5 and the company was consolidated as of 30 September 2013. The acquisition is expected to have several synergies with Elander's existing operations in fotokasten and d|o|m, among them purchasing, marketing, technological development and customer support.

## INVESTMENTS AND DEPRECIATION

During the year net investments amounted to MSEK 164 (197), of which MSEK 103 (160) were acquisitions. Most of the other investments were replacement investments in Europe. Depreciation amounted to MSEK 98 (91).

## FINANCIAL POSITION, CASH FLOW AND EQUITY RATIO

Group net debt on 31 December 2013 amounted to MSEK 739 (688). The increase since the previous year-end is a result of the purchase prices for the acquisition of myphotobook and McNaughtan's, which were financed by external credits. In September Elanders signed a new two-year credit agreement with the company's main banks. The agreement ends on 30 September 2015 and will not generate any significantly higher costs for financing.

Operating cash flow amounted to MSEK 50 (67) for the year, of which company acquisitions amounted to MSEK -103 (-126).

The equity ratio at year end was 42,2 (42,2) percent. The equity ratio is now on the same level as it was before the acquisition of myphotobook and McNaughtan's.

## RESEARCH AND DEVELOPMENT

The Group continuously develops different offers that are usually developed in connection with specific customer projects and consist of, for instance, order interfaces, image databases and other publication tools. Continuous development of order platforms takes place in our e-commerce business where costs for most of the work is recognized as they occur.

## PERSONNEL

The average number of employees in the Group during the year was 1,864 (1,587) of which 391 (406) were in Sweden. The total number of employees at year-end amounted to 1,898 (1,780). Further information concerning the number of employees, as well as salaries, remuneration and terms of employment is given in note 5 to the consolidated financial statements.

## PARENT COMPANY

During the year the parent provided joint group services. No external sales took place. Investments in 2013 amounted to MSEK 1 (160), of which MSEK 1 (160) were investments in subsidiaries. The average number of employees during the year was 9 (8) and the number at year-end amounted to 9 (9). Other information concerning the number of employees, salaries, remuneration and conditions of employment is given in note 5 to the consolidated financial statements.

## ENVIRONMENTAL IMPACT

The Group is responsible for direct environmental impact primarily through noise and emissions of solvents into the air as well as some minor 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 carried out before an acquisition. Under the Environmental Act in Sweden and equivalent legislature in other countries several printing sites are required to have permits or submit reports, depending on their total consumption of solvents.

In 2013 the Swedish organization had operations in Falköping that were obliged to submit reports and operations in Mölnlycke that required permits. Outside Sweden Elanders has operations in varying degrees in United Kingdom, Poland, Hungary, China, Germany and the USA that require permits. No significant accidents or incidents occurred in 2013.

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 printed matter, business cycles), financial risks (currency, interest, financing and credit risk) as well as business risks (customer concentration, operational risk, risks in operating expenses, contracts and disputes). For more detailed information than given below, as well as a sensitivity analysis, please see note 19 in the consolidated financial statements.

## *Circumstantial risks*

Printed matter will continue to grow on a global level as a bearer of information in coming decades although to a lesser degree. A significant part of this growth will be in packaging. In North America and Western Europe offset



# BOARD OF DIRECTORS' REPORT

production capacity will continue to exceed demand in the foreseeable future. However, the demand for offset printing will continue to grow in Asia primarily but Eastern Europe and Latin America as well. Elanders' position as one of the leading digital printers in Europe and our competitive offset capacity in Eastern Europe and Asia along with our growing shift in production to more packaging concurs with this anticipated development. In 2014 Elanders will become less dependent on the future of printed matter as a result of the acquisition of Mentor Media.

The most tangible business cycle sensitivity is in group operations that supply our customers in the manufacturing industry, particularly in automotives and consumer electronics. We work consciously to reduce the influence of business cycles by increasing sales to customers in less sensitive trades and customer groups as well as by increasing the geographic spread of sales. The Group's focus on packaging also reduces sensitivity to shifts in the economy since these products are not as affected by them.

## *Financial risks*

The exchange risk in the Group primarily comes from transactions in other currencies than the companies' local currency and the conversion of net results and net assets from our foreign subsidiaries. The Group handles currency risks by hedging transactions in foreign currency and partly net assets in EUR and USD. Elanders' net influx of foreign currency from the subsidiaries is not hedged and is mainly in EUR, CNY, USD, GBP and PLN. Exposure regarding changes in interest levels stems from group interest-bearing liabilities with floating interest rates. Outstanding debt is mostly in USD, EUR and SEK. In 2011 Elanders hedged the interest level for MSEK 300 of debts and the hedge matures on 30 September 2014.

Elanders is dependent on receiving financing via credit institutes. During the year the Group signed a credit agreement with two Swedish banks that cover operational financing which matures on 30 September 2015. The Group is exposed to credit risks through the risk that a counterparty cannot meet its obligations. The most crucial financial credit risk for the Group arises when investing surplus liquidity and trading derivatives. This risk is limited through the sole usage of by the Group approved financial institutions. Although the commercial credit risk is spread out over many different customers there is a concentration to a few. These customers are almost completely large, listed companies with good reputations that have good credit ratings.

## *Business risks*

None of Elanders' customers generate more than 8 percent of net sales. The ten largest customers represent less than 38 (34) percent of net sales. Elanders' strategy is to be more than a supplier of printed matter. We also serve customers with information and printed matter logistics, thereby creating customer value which makes Elanders more a strategic partner than a pure supplier. This approach builds the basis for long-term business relations. Many of Elanders' largest accounts have been customers for years. This is also the case for Elanders' new product area Supply Chain where Mentor Media has served most of its customers for several years.

The risk that the Group will suffer a major stop in operations is low since the Group has similar production capacity in several production units and it is rare that there are no alternative suppliers of input goods. Elanders' work to identify and rectify any risks that could lead to production stops is well organized. The Group also has a business interruption insurance that covers losses caused by a stop in production of up to twelve months.

Elanders' main operating costs are for personnel, paper and outwork. These three categories represented 62 (64) percent of total operating costs in 2013. Elanders sees no direct risk that these costs will increase so much in the near future that they would have a significant effect on group result.

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, business interruption and limited protection against environmental damage.

## INFORMATION CONCERNING COMPANY SHARES

### *Total number of shares, votes, dividends and new shares*

On 31 December 2013 there were 1,166,666 registered A shares and 21,563,332 registered B shares; in total 22,729,998 shares. B shares are listed under the symbol ELAN B on the NASDAQ OMX Stockholm, Small Cap list. Each A share represents ten votes and each B share represents one vote. Shareholders may vote for all the shares they own or represent. All shares receive the same dividend. The Annual General Meeting has not given the Board any authority to purchase shares or issue shares. There are no bonus programs with dilution effects.

### *Transferability*

There are no restrictions in B shares transferability according to the articles of association or current



legislation. The articles of association do contain a pre-emption clause concerning the company's A shares.

The company knows of no other agreements between shareholders that limit the transferability of the shares.

#### *Shareholdings*

The only direct or indirect shareholding exceeding a tenth of the votes in the company per 31 December 2013 was Carl Bennet AB with 74.2 (66.4) percent. No shares are owned by personnel through pension foundations or the like.

#### *Contracts with clauses regarding ownership changes*

The company has certain contracts that can be terminated if there is a change in ownership.

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.

### **GUIDELINES FOR REMUNERATION TO SENIOR OFFICERS**

The company's guidelines for remuneration to senior officers were adopted by the Annual General Meeting on 7 May 2013. The Board proposes that the Annual General Meeting 2014 adopt guidelines that to all extents and purposes correspond to the present guidelines and are as follows:

Senior officers are persons who together with the Chief Executive Officer constitute Group Management. The guidelines are valid for employment contracts signed after the Annual General Meeting has adopted the guidelines as well as those cases in which changes are made in existing agreements after the decision by the Annual General Meeting.

The total compensation Elanders offers should be 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.

#### *Basic wage*

The basic wage will take into consideration the individual's responsibility and experience.

#### *Variable remuneration*

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 Chief Executive Officer and Chief

Financial Officer may amount to, at most, 50 percent of the basic wage. For other senior officers variable remuneration may amount to, at most, 40 percent of the basic wage.

#### *Other benefits*

Senior officers have the right to other customary benefits such as company cars, company health care, etc.

#### *Pension*

Pension provisions may be no more than 35 percent of the basic wage or, if applicable, no more than the ITP cost and the legal general pension, or the equivalent. The Board has the right to renew already signed pension agreements with essentially unchanged conditions without the guidelines creating any hindrance. Salary pension is based on the basic wage.

#### *Severance pay etc*

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 normally varies between 3 to 18 months. Normal wages are paid during the period of notice. No severance pay is paid.

#### *Deviation from guidelines*

The Board has the right to deviate from the above mentioned guidelines if it believes an individual case warrants this.

### **OUTLOOK**

Elanders continues to have a strong position among the global customers in the manufacturing industry and this is where the greatest opportunities for both long and short term expansion can be found. The acquisition of Mentor Media gives Elanders access to more global customers and significantly broadens our offer to existing and new customers. The undeniable trend is that a growing number of global companies are centralizing their purchasing processes while requesting local deliveries. This means that Elanders' market position and global presence are perfectly in tune with the times.

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

In January 2014 Elanders signed a contract for the acquisition of Mentor Media Ltd, a supply chain company with a strong foothold in Asia. The acquisition will increase Elanders' annual net sales to around 3.5 billion Swedish kronor and the number of employees will rise from some

# BOARD OF DIRECTORS' REPORT

1,900 to 3,600. Mentor Media will be consolidated into Elanders as of 1 January 2014 and is expected to contribute a substantial increase in profit already in 2014. The purchase price is around MSEK 312 on a debt and cash free basis. As part of the financing of the acquisition the Board of Elanders intends to propose a new issue with preference for existing shareholders of some MSEK 125. The new issue will be proposed to the Annual General Meeting to decide on 6 May 2014. As previously announced the entire amount of the new issue will be guaranteed by Carl Bennet AB. The complete proposal for a new issue with all the terms and time schedules will be presented in connection with the notice to attend the Annual General Meeting. The Board has announced that it intends to propose an issue price of SEK 33 per share and that six existing shares entitle the holder to subscribe for one new share in Elanders. Carl Bennet AB, which owns around 74 percent of the votes in Elanders, supports the proposal. The new issue is expected to be completed around the end of May, beginning of June 2014.

From 2010 to 2013 Elanders submitted claims for VAT refunds to the Swedish Tax Agency pertaining to 2004–2007. In the years 2011–2013 the Swedish Tax Agency made consequential amendments regarding many of Elanders' customers who have then demanded compensation from Elanders. It is Elanders' position that the Swedish Tax Agency cannot make consequential amendments. Several judgments from the Court of Appeals in Stockholm, Gothenburg and Jönköping have supported Elanders' position. The Swedish Tax Agency has now ap-

pealed some of the decisions and sought reconsideration by the Supreme Administrative Court. The verdict was announced in February 2014 and was in favor of the Tax Agency. This verdict is not expected to have any significant effect on either Elanders' result or financial position. There is also a case in the Court of Appeals where a customer is claiming back VAT from the printing company which also may have an effect on the issue. A verdict from the Court of Appeals is expected within shortly.

Except the above no important events took place after the balance sheet date and until the signing of this Annual Report.

## APPROPRIATION OF PROFITS

The Board of Directors and Chief Executive Officer propose that the profit and other unreserved funds of SEK 276,391,156.36 in the parent company at the disposition of the Annual General Meeting should be dealt with accordingly:

- SEK 0.80 per share is distributed  
to the shareholders SEK 18,183,998.40
- the remaining balance is to be  
carried forward SEK 258,207,157.96

The Board of Directors believes that the proposed dividends are justifiable in relation to the demands that the business' nature, scope and risks make on group equity and on the Group's consolidation needs, liquidity and its position in general.

# Corporate Governance report

This corporate governance report, a part of the Board of Director's report in the Annual Report, describes Elanders' corporate governance, which comprise the management and the administration of the company operations as well as internal control over financial reporting.

**T**he role of corporate governance in Elanders is to create a good foundation for active and responsible ownership, a suitable distribution of responsibility between the different company bodies as well as good communication with all of the company's interested parties.

## SWEDISH CODE OF CORPORATE GOVERNANCE

Elanders follows the Swedish Code of Corporate Governance ("the Code"). The code is based on the principle "follow or explain", meaning that a company following the code can deviate from certain rules, but then needs to explain why. The following deviations from the Code at Elanders are:

- The Chairman of the Board is the Chairman of the nomination committee.

This deviation is further explained in the section on the nomination committee. More information about the Code can be found at [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se).

## CORPORATE GOVERNANCE IN ELANDERS - A BRIEF OVERVIEW

Corporate governance in Elanders is based on legal requirements (primarily the Companies Act and accounting regulations), the articles of association, NASDAQ OMX Stockholm's issuer rules, internal regulations, policies and the Code.

The Elanders Group's corporate governance, management and control are shared by the shareholders at the Annual General Meeting, the Board of Directors and the Chief Executive Officer in



accordance with the Companies Act, the articles of association as well as the Group Management. Shareholders appoint the company's nomination committee, Board and external auditors at the Annual General Meeting.

## SHAREHOLDERS

On 31 December 2013 there were 2,134 (2,270) shareholders. On 31 December 2013 foreign ownership in Elanders was 6 (19) percent of shares and 4 (13) percent of votes.

The only direct or indirect shareholding exceeding a tenth of the votes in the company per 31 December 2013 was Carl Bennet AB with 74.2 percent. No shares are owned by personnel through pension foundations or the like.



# BOARD OF DIRECTORS' REPORT

## ANNUAL GENERAL MEETING

Shareholders execute their influence at the Annual General Meeting, the company's highest decision-making body, see figure on previous page. All shareholders recorded in the share register that have declared their intention to participate in the Annual General Meeting within the stated time limit have the right to participate in the Meeting. Shareholders that cannot participate in person can elect a representative. At the Annual General Meeting an A share represents ten votes and a B share represents one vote. A shares and B shares have the same right to a share of company assets and profit. At the Annual General Meeting each person with voting rights is entitled to vote for their entire holding or represented holding without restrictions. Elanders' A shares are included in pre-emption as stated in the articles of association.

The Annual General Meeting decides on changes in the articles of association, chooses a Chairman, the Board and external auditors, adopts the annual accounts, decides on dividends if any and any other disposition of the result as well as discharges the Board from liability. Furthermore the Annual General Meeting decides on guidelines for salaries and other remuneration for leading senior officers, any new share issue and the manner in which the nomination committee is to be elected. Any shareholder with a matter they would like the Annual General Meeting to deal with should present their proposal to the Chairman of the Board or present any nomination proposal to the nomination committee. Minutes from Elanders' Annual General Meetings can be downloaded from [www.elanders.com](http://www.elanders.com) under Corporate Governance.

## ANNUAL GENERAL MEETING 2013

The Annual General Meeting 7 May 2013 decided:

- to adopt the Annual Report for 2012,
- to distribute a dividend of SEK 0.60 per share for the financial year 2012,
- to discharge the members of the Board of Directors and the Chief Executive Officer from liability for 2012,
- to grant according to a proposal in the summons the Board and committee remuneration for a total of SEK 2,390,000 to be divided within the Board,
- to appoint the following Board Members:
  - Carl Bennet (re-elected)
  - Erik Gabrielson (re-elected)
  - Göran Johnsson (re-elected)
  - Cecilia Lager (re-elected)
  - Magnus Nilsson (CEO) (re-elected)
  - Kerstin Paulsson (re-elected)
  - Johan Stern (re-elected)

- to appoint Carl Bennet Chairman of the Board,
- to elect PricewaterhouseCoopers as company auditors until the next Annual General Meeting,
- to authorize the Chairman of the Board to summon the nomination committee before the Annual General Meeting 2014,
- to adopt regulations for the nomination committee work etc as stated in the summons to the Annual General Meeting,
- to approve the Board's suggestion in the summons for remuneration to leading senior officers.

## ANNUAL GENERAL MEETING 2014

The next Annual General Meeting for shareholders in Elanders will take place at Elanders headquarters in Mölnlycke Tuesday 6 May 2014. Further information about the Annual General Meeting will be published at [www.elanders.com](http://www.elanders.com).

## NOMINATION COMMITTEE

The nomination 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 audit committee. The nomination committee meets as needed and at least once a year. The nomination 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, the audit and the composition of the nomination committee. This year the committee has consisted of Carl Bennet, Chairman (Carl Bennet AB), Hans Hedström (Carnegie Funds) and Britt-Marie Årenberg (representative for the smaller shareholders). No remuneration has been paid to the nomination committee. The members' contact information is found in the Annual Report and on [www.elanders.com](http://www.elanders.com).

The Chairman of the Board is also the chairman of the nomination committee, which is a deviation from the Code. Elanders believes it is reasonable that the shareholder with the largest number of votes be the chairman of the nomination committee since he ought to have a decisive influence on the composition of the nomination committee because he has a majority of the votes at the Annual General Meeting.

## THE BOARD OF DIRECTORS AND ITS WORK IN 2013

The Board is elected by the Annual General Meeting and proposed by the nomination committee. The Board is ultimately responsible for the management of the com-

pany, monitoring the work of the Chief Executive Officer and continuously following developments in operations as well as the reliability of the company's internal control. 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. The Group and its management have several methods to control the risks connected to operations. The Board supports Group Management by continually monitoring and identifying business risks in a structured manner as well as steering the work in the Group in how it handles the most significant risks. In conclusion this constitutes the Board's responsibility for corporate governance.

In accordance with Elanders' articles of association the Board of Directors should consist of at least three and no more than nine members with a maximum of two deputies. In 2013 the Board consisted of seven members

without deputies: Carl Bennet, Chairman, Johan Stern, Vice Chairman, Erik Gabrielson, Göran Johnsson, Cecilia Lager, Magnus Nilsson and Kerstin Paulsson. In addition, employees were represented by Lena Hassini and Lilian Larnefeldt. Charlotte Trelde and Claes-Göran Vinberg are deputies to the employee representatives. All the members of the Board elected by the Annual General Meeting have an independent relationship to the company except Magnus Nilsson. Erik Gabrielson, Göran Johnsson, Cecilia Lager and Kerstin Paulsson are independent in relationship to the company's largest owner. Carl Bennet is dependent with regards to the shareholder Carl Bennet AB where he is Chairman of the Board and owner. Johan Stern is also dependent in relation to Carl Bennet AB where he is a member of the Board.

The Board has produced and adopted a work plan 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

## ■ MEMBERS OF THE BOARD, REMUNERATION, ATTENDANCE, ETC

Member	Board, attendance (number of meetings)	Remuneration Committee, attendance (number of meetings)	Audit Committee, attendance (number of meetings)	Total attend- ance, %	Remuneration Board + Committee work, SEK '000s	Share- holding <sup>1)</sup>	Independent
<b>Members chosen by the AGM</b>							
Carl Bennet, Chairman	12 (12)	2 (2)	Not member	100	566 + 62	1,166,666 A 13,004,098 B	No, owner
Johan Stern, Vice Chairman	12 (12)	2 (2)	3 (3)	100	283 + 114 + 31	65,000 B	No, owner
Erik Gabrielson	12 (12)	2 (2)	Not member	100	283 + 31	-	Yes
Göran Johnsson	12 (12)	Not member	3 (3)	100	283 + 57	2,066 B	Yes
Cecilia Lager	12 (12)	Not member	3 (3)	100	283 + 57	24,122 B	Yes
Magnus Nilsson, CEO	11 (11)	Not member	Not member	100	Employee	47,300 B	No, company
Kerstin Paulsson	11 (12)	Not member	2 (3)	87	283 + 57	2,000 B	Yes
<b>Employee representatives</b>							
Lena Hassini	12 (12)	Not member	Not member	100	Employee	-	No, company
Lilian Larnefeldt	12 (12)	Not member	Not member	100	Employee	-	No, company
Charlotte Trelde	2 (2)	Not member	Not member	100	Employee	-	No, company
Claes-Göran Vinberg	8 (9)	Not member	Not member	89	Employee	-	No, company
<b>Total</b>				<b>98</b>	<b>2,390</b>		

<sup>1)</sup> Shareholding per 31 December 2013.

# BOARD OF DIRECTORS' REPORT

be put before the Board. The work plan is revised once a year or as needed.

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

The Board followed the meeting plan for the year. The Board also met five times to handle matters concerning acquisitions, financing and remuneration to senior officers.

At the constitutional meeting of the Board the work plan and instructions for the Chief Executive Officer are reviewed and the customary decisions concerning authorized signatories are taken. In addition, the work plans for the remuneration and audit committees are adopted and their members appointed. At the constitutional meeting of the Board after the Annual General Meeting 2013 Johan Stern was made Vice Chairman. The Board in its entirety was 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 Chief Executive Officer or any other member from Group Management. The Board travels as often as possible to visit and hold its meetings in one of the Group's subsidiaries. The Board members' remuneration and presence is presented in detail in the table above.

## 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 must also make sure that during the year an evaluation of the Board's work is carried out and that the nomination committee is 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 2013 was 4.75 (4.61).

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. Carl Bennet has been the Chairman of the Board since 1997.

## 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, Erik Gabrielson and Johan Stern. The guidelines for remuneration to leading officers adopted at the Annual General Meeting 2013 can be found in note 5 in the formal financial statements and on the company's website, [www.elanders.com](http://www.elanders.com) under Corporate Governance. The guidelines for remuneration to leading officers for 2013 and the Board of Director's proposal for guidelines for 2014 can be found on page 73 in the Annual Report 2013. The company has not issued, and will not issue any share-based payment obligation, or any similar incitement programs.

## AUDIT COMMITTEE

The audit committee is appointed from within the Board based on members' experience of, and expertise in financial reporting, accounting and internal control. The committee follows a work plan adopted by the Board. Its primary task is monitoring internal control, procedures for financial reporting, compliance of related laws and regulations as well as the external audit in the Group. The committee also evaluates the external auditors' qualifications and independence. The audit committee reports their observations on a regular basis to the Board and provides, as needed, external auditor candidates to the nomination committee. The committee meets at least twice a year and as needed. The external auditors normally participate in committee meetings. The committee met three times in 2013. The auditors reported on the audit of the nine month report and the year-end report, the company's situation with the Code of Corporate Governance and internal control were discussed. The members of the audit committee in 2013 were Johan Stern, Chairman, Göran Johnsson, Cecilia Lager and Kerstin Paulsson.



## CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is the President of the Group, a member of the Board and leads the Group's operations. The Chief Executive Officer's work is steered by the Companies Act, other laws and regulations, current laws for listed companies including the Code, the articles of association and the framework established by the Board in, among other things, the CEO instruction. 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 subsidiaries. The Chief Executive Officer is responsible for providing the Board with continual reports on group results and financial position 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 written instructions. These instructions contain a division of responsibility between the Board and the managing director and guidelines the managing director must observe in the running of operations.

## GROUP MANAGEMENT

The President and Chief Executive Officer lead the work performed by Group Management and make decisions in consultation with members of Group Management. Group 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. Group Management makes sure that the competence and capacity of the Group is coordinated and adjusted to be as useful and profitable as possible in the short and long term. Elanders' Group Management consists of :

- Magnus Nilsson, President and Chief Executive Officer,
- Per Brodin, responsible for Print & Packaging in Asia,
- Lim Kok Khoo, responsible for Supply Chain Solutions (from January 2014),
- Martin Lux, responsible for e-Commerce Solutions,
- Åsa Severed, responsible for Print & Packaging in Sweden and Poland,
- Thomas Sheehan, responsible for Print & Packaging in the Americas (from January 2014),
- Peter Sommer, responsible for Print & Packaging in Germany, Hungary and Italy as well as
- Andréas Wikner, Chief Financial Officer.

Group Management meets formally almost once a month, often in conjunction with a visit to a unit within the Group.

## THE BOARD'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The purpose of internal control over 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. According to the Swedish Companies Act and the Code of Corporate Governance the Board is ultimately responsible for an effective, functioning internal control in the Group. Internal control is based on the framework for internal control published by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and which comprises the control environment, risk assessment, control activities, information, communication as well as follow-up. The Chief Executive Officer is responsible for an organization and processes that ensure the quality of financial reports to the Board and the market.

### *Control environment*

The control environment at Elanders is characterized by the proximity between Group Management and the operating units. All members of Group Management, except the Chief Executive Officer and the Chief Financial Officer are also MDs in one or more of the larger operative units in the Group. The framework for internal control over financial reporting in Elanders consists of routines and distribution of responsibility that are clearly communicated in internal policies and different kinds of manuals. The Board has adopted a work plan that regulates the Board's responsibility and the manner in which work is done in committees. The Board also has an audit committee that is responsible for ensuring that established principles in financial reporting and internal control are complied with and developed. It also maintains regular contact with the external auditors. In order to maintain an effective control environment and good internal control the Board has delegated the practical responsibility to the Chief Executive Officer and established a CEO instruction which defines the division of responsibility between the Board and the Chief Executive Officer.

### *Risk assessment*

It is the responsibility of the Board to identify and handle any major financial risks and the risk of mistakes in financial reporting. This includes identifying areas in financial

# BOARD OF DIRECTORS' REPORT

reporting where the risk of making a crucial mistake is higher as well as developing control systems to prevent and discover these faults. This is primarily done by identifying situations in operations and events in the outside world that could have an impact on financial reporting.

## *Control procedures*

The aim of the control procedures is to ensure that financial reporting is correct and complete and that it is based on the Group's requirements for internal control over financial reporting. Control procedures consist of general and detailed controls and can be both preventive and detective. For instance, the Board continuously follows developments in the operations through monthly reports containing detailed financial information as well as the Chief Executive Officer's comments on operations and result and financial position. Group Management or representatives from Group Finance regularly visit each unit and evaluate internal control and financial reporting. The MD in each subsidiary is responsible for making sure group governance regulations are implemented and followed and that any deviations are reported. Companies in the Elanders Group make annual evaluations of how internal control functions in relation to the Group's goals.

## *Information and communication*

In order to make Elanders employees aware of the Group's policies and manuals the information is available on the Group intranet. Information is also regularly communicated via internal newsletters. To ensure that information communicated externally is correct and complete the Board has adopted an Information policy that dictates what should be communicated, by whom and how the information should be released.

## *Follow-up*

The Board follow-up of the internal control over financial reporting is first and foremost handled by the audit

committee. The observations and potential areas of improvement in internal control that have been identified in the external audit are processed by the audit committee together with the external auditors and the Chief Financial Officer. The annual evaluation of internal control in each individual company is reviewed by Group Finance, sometimes in cooperation with the external auditors. Conclusions from this review have been reported to the audit committee.

## **SPECIAL AUDIT FUNCTION, INTERNAL AUDIT**

Elanders does not have a special internal audit function at the moment. This function is performed by Group Management and Group Finance, supported by the audit committee and the external auditors. The Board annually evaluates the need for an internal audit function but so far, considering the size of the Group and Group Management's operative character, it does not believe a special audit function would be of any significant advantage. A continuous dialogue between the company and the external auditors together with the controls carried out by Group Management is considered sufficient to ensure that internal controls are kept on an acceptable level. Due to the changed structure of the Group after the acquisition of Mentor Media, special consideration regarding this evaluation will be made during 2014.

## **EXTERNAL AUDIT**

The Annual General Meeting 2013 chose the authorized public accounting company PricewaterhouseCoopers AB until the next Annual General Meeting. Head auditor is the authorized public accountant Johan Rippe. Once a year the auditors meet the Board in its entirety without the Chief Executive Officer or any other member of Group Management present, normally at the meeting that deals with the year-end report. The auditors also participate in the Board meeting dealing with the report for the first nine months of the year.



# Group

## ■ INCOME STATEMENTS

SEK '000s	Note	2013	2012
Net sales	2	2,096,333	1,924,193
Cost of products and services sold		-1,591,359	-1,557,154
<b>Gross profit</b>		<b>504,974</b>	<b>367,039</b>
Selling expenses		-167,309	-128,705
Administrative expenses		-248,291	-185,161
Other operating income	3	50,326	78,457
Other operating expenses	3	-8,709	-13,067
<b>Operating result</b>	5, 6, 7, 8	<b>130,991</b>	<b>118,563</b>
Financial income	9	15,179	7,843
Financial expenses	9	-44,659	-32,963
<b>Result after financial items</b>		<b>101,511</b>	<b>93,443</b>
Taxes	10	-31,530	-48,992
<b>Result for the year</b>		<b>69,981</b>	<b>44,451</b>
Result for the year attributable to			
- parent company shareholders		69,981	44,502
- non-controlling interests		-	-51
Earning per share, SEK <sup>1)</sup>	11	3.08	2.05

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

## ■ STATEMENTS OF COMPREHENSIVE INCOME

SEK '000s	2013	2012
<b>Result for the year</b>	<b>69,981</b>	<b>44,451</b>
Translation differences	28,370	-30,324
Change in value of cash-flow hedges, net	2,642	-1,130
Tax effect on change in value of cash-flow hedges, net	-581	297
Change in fair value of the hedge of the net investment abroad	-2,459	2,632
Tax effect on the change in fair value of the hedge of net investments abroad	541	-692
<b>Total other comprehensive income</b>	<b>28,513</b>	<b>-29,217</b>
<b>Total comprehensive income for the year</b>	<b>98,494</b>	<b>15,234</b>
Total comprehensive income attributable to		
- parent company shareholders	98,494	15,345
- non-controlling interests	-	-111

### COMMENTS ON THE INCOME STATEMENT

During 2013 net sales increased with 9% compared to last year. The newly acquired Midland and myphotobook are primarily responsible for the increase in net sales. The year has been characterized by a relatively weak demand from customers in the manufacturing industry, primarily in Western Europe and North America.

The operating result, excluding one-off items, increased to an operating margin corresponding to 6 (5)%. The one-off items are primarily book VAT recognized as revenue, restructuring costs for operations in Sweden and Germany and consultation costs in connection with acquisitions.

## ■ STATEMENTS OF FINANCIAL POSITION

SEK '000s	Note	2013	2012
<b>ASSETS</b>			
<b>Fixed assets</b>	26		
Intangible assets	14	1,156,401	1,031,299
Tangible assets	15, 25	350,364	347,142
Shares in jointly controlled entities	4	-	1,383
Deferred tax assets	10	153,869	124,158
Other financial assets		11,113	14,561
<b>Total fixed assets</b>		<b>1,671,747</b>	<b>1,518,543</b>
<b>Current assets</b>			
Inventory	16	107,219	115,692
Accounts receivable	19	387,356	392,501
Current tax receivables	10	7,513	5,631
Other receivables		43,733	29,630
Prepaid expenses and accrued income	17	31,072	31,224
Cash and cash equivalents	18	215,299	167,968
<b>Total current assets</b>		<b>792,192</b>	<b>742,646</b>
<b>Total assets</b>		<b>2,463,939</b>	<b>2,261,189</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Equity attributable to parent company shareholders</b>			
Share capital	20	227,300	227,300
Other contributed capital		585,862	585,862
Hedging reserves		-2,095	-4,156
Translation reserves		-10,333	-36,785
Retained earnings		237,846	181,560
<b>Total equity attributable to parent company shareholders</b>		<b>1,038,580</b>	<b>953,781</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Other interest-bearing liabilities	19, 21, 25	418,632	34,489
Provisions for post-employment benefits	22	13,872	12,491
Other provisions	23	3,677	5,887
Deferred tax liabilities	10	65,309	50,525
<b>Total long-term liabilities</b>		<b>501,490</b>	<b>103,392</b>
<b>Short-term liabilities</b>			
Interest-bearing liabilities	19, 21, 25	521,784	809,426
Accounts payable	19	216,476	204,731
Current tax liabilities	10	17,482	9,515
Other liabilities		47,885	46,710
Accrued expenses and deferred income	24	111,812	118,924
Other provisions	23	8,430	14,710
<b>Total current liabilities</b>		<b>923,869</b>	<b>1,204,016</b>
<b>Total equity and liabilities</b>		<b>2,463,939</b>	<b>2,261,189</b>

## ■ STATEMENTS OF CHANGES IN EQUITY

SEK '000s	Equity attributable to parent company shareholders						Equity of non-controlling interest	Total equity
	Share capital	Other contributed capital	Hedging reserve	Translation reserve	Retained earnings	Total		
<b>Opening balance on 1 Jan. 2012</b>	<b>195,300</b>	<b>549,062</b>	<b>-3,323</b>	<b>-8,344</b>	<b>146,817</b>	<b>879,512</b>	<b>111</b>	<b>879,623</b>
New share issue	32,000	36,800	-	-	-	68,800	-	68,800
Dividend to parent company shareholders	-	-	-	-	-9,765	-9,765	-	-9,765
Total comprehensive income for the year	-	-	-833	-28,384	44,508	15,402	-111	15,177
<b>Closing balance on 31 Dec. 2012</b>	<b>227,300</b>	<b>585,862</b>	<b>-4,156</b>	<b>-36,785</b>	<b>181,560</b>	<b>953,781</b>	<b>-</b>	<b>953,781</b>
Dividend to parent company shareholders	-	-	-	-	-13,638	-13,638	-	-13,638
Total comprehensive income for the year	-	-	2,061	26,452	69,981	98,494	-	98,494
<b>Closing balance on 31 Dec. 2013</b>	<b>227,300</b>	<b>585,862</b>	<b>-2,095</b>	<b>-10,333</b>	<b>237,846</b>	<b>1,038,580</b>	<b>-</b>	<b>1,038,580</b>

### COMMENTS ON THE STATEMENT OF FINANCIAL POSITION

Total assets increased by MSEK 202 and capital employed by MSEK 135. The increase in total assets was mainly an effect of this year's acquisitions, which among other things added MSEK 123 to intangible assets.

A new credit agreement, which ends on 30 September 2015, was signed with the company's main banks. The loans that run for the period of the agreement are accounted for as long-term interest-bearing liabilities.

### COMMENTS ON THE STATEMENT OF CHANGES IN EQUITY

Dividend to parent company shareholders amounted to SEK 13,638 thousands, which was an increase with 40% compared to 2012. Besides the result for the year also the other comprehensive income for the year was positive, foremost due to currency effects from translation of equity in foreign subsidiaries.

# GROUP

## ■ STATEMENTS OF CASH FLOW

SEK '000s	Note	2013	2012
<b>Operating activities</b>			
Result after financial items		101,511	93,443
Adjustments for items not included in cash flow	12	80,597	97,574
Paid taxes	10	-56,906	-23,334
<b>Cash flow from operating activities before changes in working capital</b>		<b>125,202</b>	<b>167,683</b>
<b>Cash flow from changes in working capital</b>			
Increase (-) / decrease (+) in inventory		10,558	5,328
Increase (-) / decrease (+) in operating receivables		6,360	40,715
Increase (+) / decrease (-) in operating payables		-13,904	980
<b>Cash flow from operating activities</b>		<b>128,216</b>	<b>214,706</b>
<b>Investing activities</b>			
Investments in intangible and tangible assets	14, 15	-92,068	-74,827
Divestment of tangible assets	15	25,841	2,969
Acquisition of operations	28	-102,737	-125,601
Divestment of operations		-	-752
Payments received regarding long-term holdings		4,830	1,686
<b>Cash flow from investing activities</b>		<b>-164,134</b>	<b>-196,525</b>
<b>Financing activities</b>			
Amortization of loans		-43,116	-37,115
New loans		91,095	-
Other changes in interest-bearing liabilities	12	42,857	119,496
Dividend to parent company shareholders		-13,638	-9,765
<b>Cash flow from financing activities</b>		<b>77,198</b>	<b>72,616</b>
<b>Cash flow for the year</b>		<b>41,280</b>	<b>90,797</b>
Cash and cash equivalents at the beginning of the year		167,968	81,195
Translation difference in cash and cash equivalents		6,051	-4,024
<b>Cash and cash equivalents at year-end</b>		<b>215,299</b>	<b>167,968</b>
<b>Change in net debt</b>			
Net debt at the beginning of the year		688,335	675,546
Net debt in acquired and divested operations		-17,710	-7,788
Translation difference		-320	-3,634
Change in interest-bearing liabilities and cash and cash equivalents		68,581	24,211
<b>Net debt at year-end</b>		<b>738,886</b>	<b>688,335</b>
<b>Operating cash flow</b>	13		
Cash flow from operating activities excl. financial items and paid tax		214,602	263,160
Net investments		-164,134	-196,525
<b>Operating cash flow</b>		<b>50,468</b>	<b>66,635</b>

### COMMENTS ON THE STATEMENT OF CASH FLOWS

Investments for the period totaled MSEK164 of which MSEK103 were acquisitions. Other investments foremost related to replacement investments in production equipment in Europe. Notwithstanding the

investments the net debt only increased by MSEK 51 resulting in a debt/equity ratio of 0.7 times, which is on par with last year.

## ■ NOTE 1 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 NASDAQ OMX Stockholm, Small Cap. 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 2013 were approved by the Board and will be presented to the Annual General Meeting on 6 May 2014 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 2013. In addition, the Group follows the Swedish Financial Reporting Board Recommendation RFR1 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 kronor. All amounts are given in thousands of Swedish kronor, 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. All transactions and balances between group companies are eliminated in the consolidated accounts.

#### 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. Acquisition value is the fair value of the assets left as reimbursement to the seller as well as the liabilities taken over on the acquisition date. If the acquisition price is lower than the fair value of the acquired subsidiary's net assets, the difference is recorded directly in the income statement. Additional purchase sums are recorded as provisions until they are settled. All acquisition costs are expensed. Companies acquired in the current year are included in group accounting from the acquisition date. Divested companies are included in group accounting up until the divestiture date.

#### Shares in 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. 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 entity's result is recognized in the consolidated income statement. In transactions between the Group and a jointly controlled entity the part of unrealized results which are equivalent to the Group's share in the jointly controlled entity are eliminated.

#### Non-controlling interests

Non-controlling interests consist of the fair value of shares in net assets of subsidiaries, owned by non-controlling interests, which are included in group accounting at the time of the original acquisition and their share of changes in equity after the acquisition. Non-controlling interests are reported as a separate category in equity. The result for the year attributable to non-controlling interests is specified after the result for the year in the income statement.

#### 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 agreement involves a transfer of virtually all rights and obligations that normally characterize ownership from the lessor to the lessee. The leasing agreements that are not finance leases are classified as operating lease agreements. An asset possessed through a finance lease agreement 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 recorded 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 kronor, which is the parent company's functional and reporting currency.

#### 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

## ■ NOTE 1 ACCOUNTING PRINCIPLES (CONT.)

differences in operating receivables and payables are recorded under operating results while differences in financial assets and liabilities are reported under financial items.

### Translation of foreign subsidiaries

When preparing the consolidated financial statements the balance sheets of foreign operations are translated to Swedish kronor with balance sheet date rates while income statements are translated to the average exchange rates 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 kronor are reported as assets and liabilities in the acquired unit's currency and translated to balance sheet date rates.

### Government support

The Group does not report governmental funding or grants in the income statement or balance sheet before there is a reasonable assurance that the company will meet the requirements attached to the funds. Furthermore the Group 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 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. 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 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 recorded 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 recorded against equity. Then the tax effect is recorded 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 the 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 repairs 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
• Printing presses, web offset	10 years
• Printing presses, sheet-fed offset	7 years
• Printing presses, digital	3–5 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 recorded directly as income in the income statement. Goodwill has an undefined useful life and is recorded 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.

## ■ NOTE 1 ACCOUNTING PRINCIPLES (CONT.)

### Other intangible assets

Other intangible assets are customer relations, brands, 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 2-5 years.

### Impairment losses

Group assets are assessed at every reporting date to determine whether or not there are a potential need for a write-down. Potential impairment losses relating to goodwill is, however, tested at least once a year. If there is an indication the recoverable amount of the asset is calculated. Goodwill is allocated to the smallest cash generating unit, which corresponds to group operating segments. 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. Impairment losses relating to goodwill are not recovered in a following period.

### Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is calculated in accordance with the First-in, First-out method (FIFO) 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 are valued the first time at fair value, while attributable transaction costs are valued through the result. Acquisitions and divestitures of financial assets are recorded 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.

### 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.

### Offsetting 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 Loans and receivables.

### Accounts receivable

Accounts receivable are categorized as Loans and receivables, which means they are recorded at amortized cost and are not discounted. Write-downs of accounts receivables are included in operating expenses.

### Long-term receivables, current receivables and other receivables

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

### Derivative instruments

Derivative instruments are recorded at their fair value in the balance sheet. Changes in the value of cash flow hedges are reported in particular categories under other comprehensive results until the hedged item is recorded 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.



## ■ NOTE 1 ACCOUNTING PRINCIPLES (CONT.)

### Accounts payable

Accounts payable are categorized as Other financial liabilities which means they are reported at amortized cost. Accounts payable are recorded at their nominal value without a discount due to their expected short-term.

### Other financial liabilities

Liabilities to credit institutions 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 recorded as a liability.

### Provisions

Provisions are recorded in the balance sheet when a company has a formal or informal obligation as a result of a past event and it is likely that an outflow of resources will be necessary to resolve the obligation and a reliable estimation of the amount can be made. Provisions for restructuring costs are reported when the Group has an established, detailed restructuring plan that has been announced to the parties concerned. Provisions are reconsidered every time an external report is made. No discounting is made regarding recorded provisions.

### Reporting on segments

Group operations are reported as one reportable segment, since this is how the Group is governed. This analysis identified the President as the highest executive decision-maker and the units in different countries, or groups of countries, were identified as operating segments. The operating segments were then merged to create a single reportable 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 2013

During the year no interpretations or amendments of existing standards have come into effect and had a significant effect on Elanders' financial reports. Due to the limited extent of Elanders' defined benefit pension plans the changes in IAS 19, which came into effect in 2013, did not have any significant effect on Elanders' result and financial position.

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

International Accounting Standards Board (IASB) has issued the new and revised standards that have not yet come into effect. None of these are expected to have any significant effect on the Group financial reports the period they are applied for the first time.

### 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 Group 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 impairment testing, valuation of tax carry forwards, provisions for and book VAT.

### Goodwill

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 the lowest identified cash generating level, which for Elanders is the operating segment level. The impairment test contains a number of assumptions that can, according to different assessments, have a significant impact on the calculation of recoverable values such as:

- operating margins/results
- 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.

### Valuation of tax loss carry forwards

Deferred tax assets concerning tax loss carry forwards reported by the Group amount to MSEK 114 (114) per 31 December 2013. The recorded value of these tax assets have been tested at year-end and it is deemed probable that these can be set off against taxable gains. The tax assets primarily refer to Swedish tax loss carry forwards that can be utilized for an unlimited amount of time. The Group's Swedish operations have historically been profitable and are expected to generate a substantial surplus in the future. Elanders therefore believes it is safe to say that it will be possible to set off the deficit deduction which the tax assets 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.



## ■ NOTE 1 ACCOUNTING PRINCIPLES (CONT.)

### Book VAT

In February 2010 a judgment in the so-called Graphic Procède case was reached in the Court of Justice in the European Union. In Sweden this is particularly important when differentiating between providing goods (i.e. printed matter) and providing services, and the application of the so-called book VAT, a value added tax of six percent. This means that some of the turnover taxable for VAT has related to providing goods instead of services. From 2010 to 2013 Elanders submitted claims for VAT refunds to the Swedish Tax Agency pertaining to 2004-2007. In the years 2011-2013 the Swedish Tax Agency made consequential amendments regarding many of Elanders' customers who have then demanded compensation from Elanders. It is Elanders' position that the Swedish Tax Agency cannot make consequential amendments. Several judgments from the Court of Appeals in Stockholm, Gothenburg and Jönköping have supported Elanders' position. The Swedish Tax Agency has appealed some of the decisions and sought reconsideration by the Supreme Administrative Court. The verdict was announced in February 2014 and was in favor of the Tax Agency. This verdict is not expected to have any significant effect on either Elanders' result or financial position. There is also a case in the Court of Appeals where a customer is claiming back VAT from the printing company which also may have an effect on the issue. A verdict from the Court of Appeals is expected within shortly.

### Raised tax assessment due to Book VAT

On 7 July 2011 the Swedish Tax Agency presented its position regarding income tax for graphic companies that have claimed a refund of outgoing VAT. The Swedish Tax Agency's position is that the graphic companies that have made a claim for the refund of outgoing VAT must recognize this revenue as income in the year the claim is made to the Swedish Tax Agency and not, as Elanders has applied, the year the refund has been paid or at least when the income can be reliably expected. As a result the Swedish Tax Agency has raised Elanders' taxable income for the fiscal year of 2010 by MSEK 70. Elanders is in the opinion that Elanders is right in this matter and has contested this decision. Our total exposure is around MSEK 16, since we can only set off some of the refund against the loss carryforwards Elanders has. During the first quarter 2013 the period of respite for these MSEK 16 ended and a payment for this amount was made. This did not have any effect on group result since it is recompensed by an increase in loss carry-forwards. However, it did have a negative effect on Elanders' cash flow and net debt for the period.

The case was heard in the Court of Appeals in Gothenburg in February 2014, but the verdict has not yet been announced.

## ■ NOTE 2 SEGMENT REPORTING

Group operations are reported as one reportable segment, since this is how the Group is governed. The units in each country or sometimes groups of countries are identified as operating segments. The operating segments have then been merged to create a single reportable segment, consisting of the entire Group. The units have similar economic characteristics and resemble each other regarding the nature of their products and services, production processes, customer types etc. The President has been identified as the highest executive decision-maker.

Financial information concerning the Group's reportable segment is reported in consolidated income and financial position statements as well as other pertaining notes.

### SALES PER GEOGRAPHIC AREA

SEK '000s	2013	2012
Sweden	676,522	712,394
Germany	538,233	516,970
United Kingdom	197,085	179,877
China	188,859	122,902
USA	158,057	83,011
Poland	61,552	68,592
Italy	37,514	33,133
Hungary	34,139	39,791
Other countries	204,372	167,523
<b>Total</b>	<b>2,096,333</b>	<b>1,924,193</b>

The classification above is based on the domicile for the customers.

## ■ NOTE 2 SEGMENT REPORTING (CONT.)

### INVESTMENTS BY GEOGRAPHIC AREA

SEK '000s	2013	2012
Germany	131,765	85,370
United Kingdom	32,391	18,065
China	16,615	3,547
Poland	12,534	28,933
USA	6,548	140,259
Sweden	6,478	1,345
Hungary	5,786	15,453
Other countries	326	3,428
<b>Total</b>	<b>212,443</b>	<b>296,400</b>

Investments above are including acquisitions amounting to MSEK120 (222), of which MSEK 70 in 2012 was made by a preferential new share issue.

### FIXED ASSETS BY GEOGRAPHIC AREA

SEK '000s	2013	2012
Germany	91,055	62,894
China	69,387	64,656
Hungary	64,989	70,379
Poland	62,872	57,174
USA	62,055	72,043
Sweden	30,443	38,226
United Kingdom	27,981	23,070
Other countries	8,455	13,019
<b>Total</b>	<b>417,237</b>	<b>401,461</b>

Fixed assets above include tangible and other intangible assets as well as shares in jointly controlled entities. Goodwill of MSEK1,090 (970) has not been divided geographically since it is divided into the various operating segments which do not always coincide with each country.

### INFORMATION CONCERNING THE GROUP'S LARGEST CUSTOMERS

The Group has no customer where sales in 2013 and 2012 exceed 10 percent of the Group's total net sales.

## ■ NOTE 3 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

### OTHER OPERATING INCOME

SEK '000s	2013	2012
Exchange rate gains	3,460	8,231
Capital gains from the sales of fixed assets	8,197	1,993
Income from sales of coupons	5,536	6,908
Other	33,133	61,325
<b>Total</b>	<b>50,326</b>	<b>78,457</b>

The item Other above consists mainly of income relating to VAT refund and sales of waste paper and used printing plates.

### OTHER OPERATING EXPENSES

SEK '000s	2013	2012
Exchange rate losses	-3,875	-5,606
Other	-4,834	-7,461
<b>Total</b>	<b>-8,709</b>	<b>-13,067</b>

## ■ NOTE 4 SHARES IN JOINTLY CONTROLLED ENTITIES

SEK '000s	2013	2012
Opening book value	1,383	1,383
Repayment of investment	-1,383	-
<b>Closing book value</b>	<b>-</b>	<b>1,383</b>

Group shares in jointly controlled entities consisted in 2012 of Hansaprint Elanders Kft in Komarom, Hungary. The liquidation of the company was finalized in 2013.

## ■ NOTE 5 PERSONNEL

### AVERAGE NUMBER OF EMPLOYEES

	2013		2012	
	Total	Whereof men, %	Total	Whereof men, %
<b>Parent company</b>				
Sweden	9	67	8	75
<b>Subsidiaries</b>				
Sweden	382	67	398	68
China	370	50	293	49
Germany	277	69	260	70
Hungary	206	57	203	55
United Kingdom	185	75	167	77
Poland	158	63	140	60
USA	228	57	57	72
Brazil	35	54	31	55
Italy	14	29	20	25
Norway	-	-	10	90
<b>Total</b>	<b>1,864</b>	<b>53</b>	<b>1,587</b>	<b>62</b>

### SALARIES AND OTHER REMUNERATION

SEK '000s	2013			2012		
	Board and CEO			Board and CEO		
	Basic wage incl. other benefits	Variable remuneration	Other employees	Basic wage incl. other benefits	Variable remuneration	Other employees
Parent company	6,589	1,915	10,001	6,356	470	6,932
Subsidiaries	15,922	3,862	476,640	13,436	2,534	392,978
<b>Total</b>	<b>22,511</b>	<b>5,777</b>	<b>486,641</b>	<b>19,792</b>	<b>3,004</b>	<b>399,910</b>

SEK '000s	2013			2012		
	Salaries and remuneration	Social security contributions	Pension contributions	Salaries and remuneration	Social security contributions	Pension contributions
Parent company	18,505	5,650	4,578	13,759	4,373	1,697
Subsidiaries	496,424	98,541	25,261	408,947	86,068	23,592
<b>Total</b>	<b>514,929</b>	<b>104,191</b>	<b>29,839</b>	<b>422,706</b>	<b>90,441</b>	<b>25,289</b>

## ■ NOTE 5 PERSONNEL (CONT.)

### DIVISION OF MEN AND WOMEN IN MANAGEMENT

	2013		2012	
	Total	Whereof men, %	Total	Whereof men, %
Board members	7	71	7	71
Group Management	6	83	6	100
Supervisors	118	68	94	60

### REMUNERATION TO THE BOARD, CHIEF EXECUTIVE OFFICER AND OTHER SENIOR OFFICERS 2013

SEK '000s	Basic wage/ Board remuneration	Variable remuneration	Other benefits	Pension contributions	Remuneration for committee work
Carl Bennet, Chairman	566	-	-	-	62
Johan Stern, Vice Chairman	283	-	-	-	145
Erik Gabrielson	283	-	-	-	31
Göran Johnsson	283	-	-	-	57
Cecilia Lager	283	-	-	-	57
Kerstin Paulsson	283	-	-	-	57
<b>Total remuneration to the Board</b>	<b>1,981</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>409</b>
Magnus Nilsson, Chief Executive Officer	4,199	1,915	67	1,464	-
Other senior officers (5 persons)	12,336	2,837	1,502	1,541	-
<b>Total remuneration to CEO and senior officers</b>	<b>16,535</b>	<b>4,752</b>	<b>1,569</b>	<b>3,005</b>	<b>-</b>
<b>Total remuneration to the Board, CEO and senior officers</b>	<b>18,516</b>	<b>4,752</b>	<b>1,569</b>	<b>3,005</b>	<b>409</b>

### REMUNERATION TO THE BOARD, CHIEF EXECUTIVE OFFICER AND OTHER SENIOR OFFICERS 2012

SEK '000s	Basic wage/ Board remuneration	Variable remuneration	Other benefits	Pension contributions	Remuneration for committee work
Carl Bennet, Chairman	550	-	-	-	60
Johan Stern, Vice Chairman	275	-	-	-	140
Erik Gabrielson	275	-	-	-	30
Göran Johnsson	275	-	-	-	55
Cecilia Lager	275	-	-	-	55
Kerstin Paulsson	275	-	-	-	55
<b>Total remuneration to the Board</b>	<b>1,925</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>395</b>
Magnus Nilsson, Chief Executive Officer	4,036	470	68	1,371	-
Other senior officers (5 persons)	12,435	2,069	346	1,536	-
<b>Total remuneration to CEO and senior officers</b>	<b>16,471</b>	<b>2,539</b>	<b>414</b>	<b>2,907</b>	<b>-</b>
<b>Total remuneration to the Board, CEO and senior officers</b>	<b>18,396</b>	<b>2,539</b>	<b>414</b>	<b>2,907</b>	<b>395</b>

## ■ NOTE 5 PERSONNEL (CONT.)

### 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 Group Management in 2013.

### Variable remuneration

The proportion between basic salary and variable remuneration corresponds to the officer's responsibility and authority. For the Chief Executive Officer variable remuneration may not exceed 50 percent of his annual salary. 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 2013 and paid out in 2014.

Bonus for the Chief Executive Officer is based on goals established by the Board. For other senior officers variable remuneration is based on goals established by the President together with the remuneration committee. No variable remuneration or any other kind of remuneration had a dilution effect.

### Other benefits

Other benefits refers to housing, company cars etc.

### Pensions

The Group has both defined benefit and defined contribution pension plans. Pension cost is the cost that affects the result for the year. One former employee and member of Group Management had defined benefit and defined contribution pension plans. The present value of the defined benefit obligation under those plans 31 December 2013 was MSEK 2.8 (2.2) on the balance sheet date. All pensions are fully vested, i.e. there is no dependency on future employment.

The current Chief Executive Officer only has a defined contribution pension corresponding to 35 percent of the salary pension. The salary pension is based on the basic wage. The retirement age is 65 years.

For the other senior officers the retirement age is 65 years. Pension provisions are no more than 35 percent of the basic wage or, if applicable, no more than the ITP cost and the legal general pension, or the equivalent.

### 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 is normally 12 months. Usually no severance pay is paid no matter which party gives notice. Normal wages are paid during the period of notice.

### Preparation and decision process

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

The Board has determined the remuneration for the Chief Executive Officer for the financial year of 2013 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, Johan Stern and Erik Gabrielson. The remuneration committee meets when necessary but at least once a year to prepare proposals for the remuneration of the Chief Executive Officer and agree or disagree to his proposal for remuneration and conditions for senior officers who report directly to him. In addition, the remuneration committee draws up principles for salary levels and employment terms for Group 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 2013. The committee has been supported by external expertise in matters concerning compensation levels and structures.

## ■ NOTE 6 FEES TO THE AUDITORS

SEK '000s	2013	2012
<b>PwC</b>		
Audit assignment	2,837	2,217
Audit-related services	26	286
Tax advisory services	778	1,924
Other services	1,475	1,990
<b>Other</b>		
Audit assignment	235	274
Audit-related services	-	-
Tax advisory services	347	139
Other services	113	165
<b>Total</b>	<b>5,811</b>	<b>6,995</b>

Audit assignment is defined as the statutory audit, i.e. the work necessary to produce the auditors' report as well as so called audit consultation given in connection with the audit.

## ■ NOTE 7 EXPENSES ALLOCATED PER TYPE OF COST

SEK '000s	2013	2012
Depreciation and write-downs	97,664	90,633
Cost for remuneration to employees	655,260	582,097
Changes in work-in-progress and finished products	-1,766	-2,766
Cost of paper	371,520	391,160
Other material	193,433	175,528
Cost of sub-contracted work	206,529	224,429
Other production costs	215,173	184,845
Freight costs	83,330	72,479
Cost for advertising and marketing	75,159	56,249
Other costs	110,657	96,366
<b>Total</b>	<b>2,006,959</b>	<b>1,871,020</b>

The table shows the total cost for sold products and services, sales costs and administrative costs allocated per type of cost.

## ■ NOTE 8 OPERATING LEASE AGREEMENTS

SEK '000s	Annual cost	
	2013	2012
Computer equipment	2,601	1,623
Machinery and other equipment	55,893	53,533
Rental contracts, premises	37,568	41,086
<b>Total</b>	<b>96,062</b>	<b>96,242</b>

SEK '000s	Future lease payments and rental costs		
	2014	2015-2018	2019-
Computer equipment	3,171	3,268	-
Machinery and other equipment	47,316	99,557	3,340
Rental contracts, premises	39,373	133,930	20,956
<b>Total</b>	<b>89,860</b>	<b>236,755</b>	<b>24,296</b>

Lease agreements for machines and equipment normally run for 3-8 years.

## ■ NOTE 9 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME		
SEK '000s	2013	2012
Interest income	1,556	1,814
Exchange rate gains	13,623	6,029
<b>Total</b>	<b>15,179</b>	<b>7,843</b>

FINANCIAL EXPENSES		
SEK '000s	2013	2012
Interest expenses	-24,963	-21,306
Exchange rate losses	-15,724	-6,381
Other	-3,972	-5,276
<b>Total</b>	<b>-44,659</b>	<b>-32,963</b>

## ■ NOTE 10 TAXES

### RECORDED TAX

SEK '000s	2013	2012
Current tax on the result for the year	-39,140	-22,256
Withholding tax on dividends and other taxes	-4,543	-3,725
Correction of previous years' current tax expense	-202	60
Deferred tax	12,355	-23,071
<b>Recorded tax</b>	<b>-31,530</b>	<b>-48,992</b>

### RECONCILIATION OF RECORDED TAX

SEK '000s	2013	2012
Result before taxes	101,511	93,443
Tax according to Swedish tax rate of 22.0 (26.3)%	-22,332	-24,576
Tax effect of:		
Differences in tax rates for foreign subsidiaries	-3,254	4,492
Non-deductible costs	-2,487	-4,167
Change in unrecorded deferred tax assets	2,535	1,080
Change in legal tax rate	-	-22,277
Tax losses carried forward not valued	-815	-461
Correction of previous years' tax expense	-202	60
Withholding tax on dividends and other taxes	-4,543	-3,725
Other	-432	582
<b>Recorded tax</b>	<b>-31,530</b>	<b>-48,992</b>

### DEFERRED TAX ASSETS AND LIABILITIES BY NATURE, NET

SEK '000s	2013	2012
Tax loss carryforwards	127,245	125,832
Restructuring reserves	1,853	2,638
Fixed assets	-42,351	-45,635
Other items	14,689	2,752
	101,436	85,587
Less:		
Unrecorded deferred tax assets	-12,876	-11,954
<b>Deferred tax assets/liabilities, net</b>	<b>88,560</b>	<b>73,633</b>

Unrecorded deferred tax assets refer to not valued tax loss carryforwards and primarily stem from operations in Brazil and Italy. For information concerning the valuation of the tax loss carryforwards please see note 1, section Important estimations and assessments on page 88.

### ALLOCATION OF DEFERRED TAX ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

SEK '000s	2013	2012
Deferred tax assets	153,869	124,158
Deferred tax liabilities	-65,309	-50,525
<b>Closing value, net</b>	<b>88,560</b>	<b>73,633</b>

### CHANGE IN DEFERRED TAX

SEK '000s	2013	2012
Opening value, net	73,633	110,077
Sales/acquisitions of operations	-11,056	-13,524
Recorded deferred tax on the result for the year	12,355	-23,071
Tax items charged directly against other comprehensive income	-40	-395
Effect from raised tax assessment	13,110	-
Translation differences	558	546
<b>Closing value, net</b>	<b>88,560</b>	<b>73,633</b>

Tax items charged directly against other comprehensive income refer to the Group's hedge reserve and hedging of net investments abroad.

### DUE DATE STRUCTURE - DEFERRED TAX ASSETS RELATING TO TAX LOSS CARRYFORWARDS

SEK '000s	2013	2012
Due after 10 years	12,163	9,606
No due date	115,082	116,226
<b>Closing value</b>	<b>127,245</b>	<b>125,832</b>

## ■ 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.

	2013	2012
Result for the year attributable to shareholders, SEK '000s	69,981	44,502
Average number of outstanding shares, in thousands	22,730	21,646
<b>Earnings per share, SEK<sup>1)</sup></b>	<b>3.08</b>	<b>2.05</b>

<sup>1)</sup> Earnings per share before and after dilution.

## ■ NOTE 12 SUPPLEMENTARY INFO. TO CASH FLOW STATEMENTS

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of cash and bank balances. Short-term placements are classified as cash and cash equivalents when:

- the risk of changes in their fair value is insignificant
- they are easily converted
- they mature in less than three months from the date they were acquired.

### ADJUSTMENT FOR ITEMS NOT INCLUDED IN CASH FLOW

SEK '000s	2013	2012
Depreciation, amortization and write-downs of intangible and tangible assets	97,664	90,632
Depreciation of assets held for sale	-	9,569
Changes in provisions that affect cash flow	-4,535	-7,317
Unrealized exchange rate gains and losses	-4,437	2,923
Result from sales of operations	-	289
Result from disposal of tangible assets	-8,095	1,478
<b>Total</b>	<b>80,597</b>	<b>97,574</b>

### PAID AND RECEIVED INTEREST

SEK '000s	2013	2012
Paid interest	-25,020	-21,680
Interest received	1,556	1,814
<b>Total</b>	<b>-23,464</b>	<b>-19,866</b>

### BANK OVERDRAFT

The item Other changes in interest-bearing liabilities mainly refers to changes stemming from the use of bank overdrafts.

## ■ NOTE 13 OPERATING CASH FLOW

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

SEK '000s	2013	2012
Cash flow from operating activities	128,216	214,706
Financial items	29,480	25,120
Paid taxes	56,906	23,334
Acquisitions and sales of operations	-102,737	-126,353
Other items included in cash flow from investing activities	-61,397	-70,172
<b>Operating cash flow</b>	<b>50,468</b>	<b>66,635</b>



## ■ NOTE 14 INTANGIBLE ASSETS

SEK '000s	Goodwill		Other intangible assets		Total	
	2013	2012	2013	2012	2013	2012
Opening acquisition value	977,670	834,330	119,521	82,086	1,097,191	916,416
Investments	-	-	4,646	1,094	4,646	1,094
Acquired operations	94,675	162,355	28,073	39,780	122,748	202,135
Disposals	-	-	-18,943	-1,371	-18,943	-1,371
Translation difference	17,873	-19,015	2,684	-2,068	20,557	-21,083
<b>Closing acquisition value</b>	<b>1,090,218</b>	<b>977,670</b>	<b>135,981</b>	<b>119,521</b>	<b>1,226,199</b>	<b>1,097,191</b>
Opening accumulated amortization	-	-	-59,464	-40,480	-59,464	-40,480
Accumulated amortization in acquired operations	-	-	-	-1,172	-	-1,172
Amortization for the year	-	-	-21,669	-19,584	-21,669	-19,584
Disposals	-	-	18,943	661	18,943	661
Translation difference	-	-	-1,180	1,111	-1,180	1,111
<b>Closing accumulated amortization</b>	<b>-</b>	<b>-</b>	<b>-63,370</b>	<b>-59,464</b>	<b>-63,370</b>	<b>-59,464</b>
Opening accumulated write-downs	-690	-690	-5,738	-5,738	-6,428	-6,428
<b>Closing accumulated write-downs</b>	<b>-690</b>	<b>-690</b>	<b>-5,738</b>	<b>-5,738</b>	<b>-6,428</b>	<b>-6,428</b>
<b>Net residual value</b>	<b>1,089,528</b>	<b>976,980</b>	<b>66,873</b>	<b>54,319</b>	<b>1,156,401</b>	<b>1,031,299</b>

Acquired Other intangible assets in 2013 and 2012 refers to customer relationships, software and trademark.

### AMORTIZATION AND WRITE-DOWNS SPECIFIED PER FUNCTION IN THE INCOME STATEMENT

SEK '000s	2013	2012
Cost of products and services sold	-4,118	-5,943
Selling expenses	-9,092	-2,569
Administrative expenses	-8,459	-11,072
<b>Total</b>	<b>-21,669</b>	<b>-19,584</b>

### IMPAIRMENT TEST ON GOODWILL

Goodwill is subjected to impairment tests annually and when there are indications that a write-down may be necessary. Normally tests are made on the cash generating unit connected to the goodwill.

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 operating segments and which also corresponds to operations in individual countries, or groups of countries.

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 budgets and strategic plans. In the following period cash flows are assumed to have a growth rate corresponding to inflation of 2 (2) percent, which is below the company's expectations. The discount rate 10.0 (9.3) percent 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 recorded value for all cash generating units.

### GOODWILL WITH INFINITE USEFUL LIFE DIVIDED BY CASH GENERATING UNIT

SEK '000s	2013	2012
Germany/Hungary	445,454	358,184
Sweden/Poland	385,811	385,811
USA	116,084	111,991
China	75,005	73,076
United Kingdom	58,114	37,938
Brazil	9,060	9,980
<b>Total</b>	<b>1,089,528</b>	<b>976,980</b>

### Sensitivity analysis

A number of sensitivity analyses have been made to evaluate whether or not feasible unfavorable changes could lead to write-downs. A reduction in the average growth rate or an increase in discount rate with one percentage unit or a combination of the both would not imply any need for write-downs. Additionally, a reduction in the average growth rate or an increase in discount rate with two percentage units does not imply any need for write-downs. A combination of lower growth rate and increased discount rate with two percentage units would indicate need for write downs of MSEK 32 related to the operations in Sweden/Poland, MSEK 24 to USA and MSEK 3 to Brazil.

# NOTE 15 TANGIBLE ASSETS

SEK '000s	Buildings and land <sup>1)</sup>		Plant and machinery		Equipment, tools, fixtures and fittings	
	2013	2012	2013	2012	2013	2012
Opening acquisition value	110,069	60,085	696,624	642,862	118,681	104,637
Investments	1,100	38	73,041	26,614	8,004	3,367
Acquired/sold operations	-	42,195	1,177	54,167	2,063	20,722
Disposals	-	-	-58,023	-23,574	-5,446	-5,934
Reclassification	1,497	8,603	20,243	14,061	-398	-1,086
Translation difference	1,678	-852	11,365	-17,506	1,469	-3,025
<b>Closing acquisition value</b>	<b>114,344</b>	<b>110,069</b>	<b>744,427</b>	<b>696,624</b>	<b>124,373</b>	<b>118,681</b>
Opening accumulated depreciation and write-downs	-28,690	-10,963	-478,136	-397,292	-99,141	-82,586
Accumulated depreciation in acquired/sold operations	-	-15,338	-	-49,940	-	-16,460
Depreciation for the year	-4,228	-2,459	-61,980	-59,351	-9,787	-9,238
Disposals	-	-	40,787	20,024	5,109	5,747
Translation difference	-353	70	-6,497	8,423	-756	3,396
<b>Closing accumulated depreciation and write-downs</b>	<b>-33,271</b>	<b>-28,690</b>	<b>-505,826</b>	<b>-478,136</b>	<b>-104,575</b>	<b>-99,141</b>
<b>Net residual value</b>	<b>81,073</b>	<b>81,379</b>	<b>238,601</b>	<b>218,488</b>	<b>19,798</b>	<b>19,540</b>

<sup>1)</sup> Buildings and land include land with a book value of SEK 9,599 (9,596) thousands.

SEK '000s	Fixed assets under construction <sup>2)</sup>		Total	
	2013	2012	2013	2012
Opening acquisition value	27,735	3,534	953,109	811,118
Investments	5,277	43,726	87,422	73,745
Acquired/sold operations	-	2,391	3,240	119,475
Disposals	-173	-	-63,642	-29,508
Reclassification	-21,342	-21,578	-	-
Translation difference	-605	-338	13,907	-21,721
<b>Closing acquisition value</b>	<b>10,892</b>	<b>27,735</b>	<b>994,036</b>	<b>953,109</b>
Opening accumulated depreciation and write-downs	-	-	-605,967	-490,841
Accumulated depreciation in acquired/sold operations	-	-	-	-81,738
Depreciation for the year	-	-	-75,995	-71,048
Disposals	-	-	45,896	25,771
Translation difference	-	-	-7,606	11,889
<b>Closing accumulated depreciation and write-downs</b>	<b>-</b>	<b>-</b>	<b>-643,672</b>	<b>-605,967</b>
<b>Net residual value</b>	<b>10,892</b>	<b>27,735</b>	<b>350,364</b>	<b>347,142</b>

<sup>2)</sup> Fixed assets under construction include advances related to tangible assets of SEK 10,494 (2,477) thousands.

## ■ NOTE 15 TANGIBLE ASSETS (CONT.)

### DEPRECIATION SPECIFIED PER FUNCTION

SEK '000s	2013	2012
Cost of products and services sold	-70,750	-66,022
Selling expenses	-387	-718
Administrative expenses	-4,858	-4,308
<b>Total</b>	<b>-75,995</b>	<b>-71,048</b>

### FINANCE LEASE AGREEMENTS

The net residual value of tangible assets possessed through finance leases is SEK 11,631 (17,241) thousands. All leasing objects are reported as plant and machinery.

### FUTURE MINIMUM LEASE PAYMENTS FOR FINANCE LEASES

SEK '000s	2013	2012
Within 1 year	1,547	2,942
Between 1 and 5 years	6,189	9,968
More than 5 years	2,316	-
<b>Total</b>	<b>10,052</b>	<b>12,910</b>
Future interest expenses for finance leases	-759	-1,329
<b>Current finance lease liability</b>	<b>9,293</b>	<b>11,581</b>

## ■ NOTE 16 INVENTORY

SEK '000s	2013	2012
Raw materials and consumables	36,158	32,459
Work in process	25,153	28,706
Finished goods	45,908	54,527
<b>Total</b>	<b>107,219</b>	<b>115,692</b>

Costs relating to obsolescence expensed during the year amounted to SEK 5,924 (12,887) thousands and at year-end the obsolescence reserve was SEK 5,364 (10,839) thousands.

## ■ NOTE 17 PREPAID EXPENSES AND ACCRUED INCOME

SEK '000s	2013	2012
Machine rent paid in advance	3,505	5,164
Premise rent paid in advance	5,176	7,457
Other prepaid expenses and accrued income	22,391	18,603
<b>Total</b>	<b>31,072</b>	<b>31,224</b>

## ■ NOTE 18 CASH AND CASH EQUIVALENTS

SEK '000s	2013	2012
Cash and bank	215,299	167,968
<b>Cash and cash equivalents</b>	<b>215,299</b>	<b>167,968</b>

Translation differences in cash and cash equivalents for the year were SEK 6,051 (-4,024) thousands

## ■ NOTE 19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### FINANCIAL GOALS REGARDING CAPITAL STRUCTURE

The major financial goal of Elanders is to create value for the owners of the company. The purpose of the goals regarding group capital structure are to ensure the company's ability to continue operations and generate returns to its shareholders as well as be useful to other interested parties. Achieving a good balance between equity and loan financing ensures the flexibility the Group needs in order to be able to invest in operations while maintaining control over the cost of capital. Dividends to shareholders, redemption of shares, issuing new shares or divesting assets are examples of measures the Group can use to adjust its capital structure.

Elanders' goal is a debt/equity ratio under 1 times and on 31 December 2013 it amounted to 0.7 (0.7) times.

Elanders' goal is a return on employed capital of at least 10 percent long-term. In 2013 it amounted to 7.7 (7.4) percent.

Elanders' goal is an equity ratio of at least 30 percent and on 31 December 2013 it amounted to 42 (42) percent.

### FINANCIAL RISK MANAGEMENT

The major purpose of group financial risk management is to identify, control and minimize the Group's financial risks. Risk management is centralized to Group Finance. All current or future financial risks in the Group's subsidiaries are managed by Group Finance that acts as an internal bank. The exception is commercial credit risks, which are handled by each subsidiary. The financial policy adopted by the Board steers which currency risks are hedged as well as how interest, financing and liquidity risks are handled. The greatest financial risks the Group is exposed to are currency risk, interest risk, financing risk and credit risk.

#### Currency risk

Elanders runs into a currency risk primarily through transactions in another currency than that of the companies local currency (transaction exposure) and when converting net profit and net assets from foreign subsidiaries (translation exposure).

#### Transaction exposure

Actual receivables and payables along with contracted purchase and sales orders with payment flows within a twelve month period are hedged in their entirety. Orders with flows for longer periods are normally hedged at 80 percent since there is often room for volume deviations within the framework of the contract. Anticipated or budgeted flows are not hedged.

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 for forward exchange contracts per 31 December 2013 amounted to MSEK 0.1 (-0.3) and will be returned to the income statements in 2014.

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 and the associated hedging instruments are reported under financial items.

#### Translation exposure

Financial assets and liabilities are hedged while exposure due to the translation of net results in foreign subsidiaries is not hedged. Elanders' net results from foreign subsidiaries in foreign currency consist primarily of EUR, CNY, USD, GBP and PLN. A change in the currency rates up or down by 5 percent in these currencies would affect profit by MSEK 8.4 (3.0).

In regards to net assets in foreign subsidiaries the exposure is primarily in EUR, USD and CNY. The German operations have been partly hedged and also the acquisition of Midland have been hedged through loans in EUR and USD. If the exchange rates in EUR, USD and CNY changed by 5 percent it would affect equity by MSEK 28.8 (20.6), including hedging effects.

#### Currency hedges

The table below shows a compilation over the Group's outstanding forward exchange contracts per 31 December 2013. All the contracts are due within a year.

Currencies	Nominal amount SEK '000s	Average hedging rate
SEK/GBP	3,244	10.71
PLN/SEK	2,579	2.11
EUR/SEK	17,812	8.91
EUR/PLN	6,988	4.27
SEK/USD	5,750	6.46

#### Interest risk

Interest risk is defined as the risk of lower profits caused by a change in interest rates. The Group strives to achieve a balance between cost efficient borrowing and the risk exposure if a sudden, substantial interest rate change should occur and negatively influence profits and cash flow. In 2011 an interest rate swap was contracted to hedge the interest level of MSEK 300 of the Group's liabilities. The due date of the hedge is 30 September 2014 at a level of 3.7 percent. A change in market interest rates by one percentage unit affects group profit after financial items by MSEK 4.4 (3.9), calculated on the outgoing net debt less liabilities with a fixed interest rate. The hedging reserve per 31 December 2013 amounted to MSEK -2.2 (-3.9) and will be returned to the income statements in 2014. The table below presents the allocation of interest-bearing and noninterest-bearing financial assets and liabilities. Reserves for pensions have been included in interest-bearing liabilities. In the table regarding dividing financial instruments into categories farther down in this note they are included in non-financial liabilities.

## ■ NOTE 19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT.)

SEK '000s	Interest-bearing		Non-interest-bearing
	Fixed interest	Floating interest	
Long-term receivables	4,781	-	4,474
Current receivables	-	-	409,324
Cash and bank	-	215,299	-
Long-term liabilities	-300,000	-132,401	-103
Current liabilities	-	-521,784	-243,465
<b>Total</b>	<b>-295,219</b>	<b>-438,886</b>	<b>170,230</b>

### 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. Currently the Group has credit agreement with two Swedish banks that cover operational financing and runs until September 2015. Related to the Group's interest bearing liabilities there are covenants from the credit institutions. As of December 31, 2013 all covenants were fulfilled. See page 104 concerning due date structure regarding financial liabilities.

### Credit risk

Credit risk is defined as the risk of a counterparty not meeting their obligations. Credit risk can be divided into financial credit risk and commercial credit risk.

#### Financial credit risk

The most crucial financial credit risk for the Group arises when trading exchange derivative instruments and investing surplus liquidity. Hence, in order to reduce the risk, the financial policy stipulates that only approved financial institutions should be used. On 31 December 2013 total exposure regarding financial credit risks was MSEK 246.5 (201.8). The exposure is based on the recorded value of all financial assets except shareholdings and accounts receivable.

#### Commercial credit risk

The commercial credit risk consists of the payment ability of customers and is handled by the subsidiaries through careful monitoring of payment ability, 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 accounts receivable and amounted to MSEK 387.4 (392.5) per 31 December 2013.

In 2013 credit losses amounted to MSEK 3.2 (2.4), of which MSEK 0.4 (0.5) were previously reserved.

### HEDGE ACCOUNTING

Financial instruments used to hedge currency and interest risks in contracted cash flows as well as net investments abroad have been recorded, in accordance with IAS 39, at market value in the balance sheet.

The hedge reserve consists of forward exchange contracts and interest rate swaps that fix the interest levels of interest-bearing liabilities.

### OPERATIONAL RISKS

In addition to the financial risks above Elanders is exposed to risks tied to daily operations. Handling operational risks is part of the day-to-day work in our subsidiaries and in Group Management. In terms of responsibility all group operations are represented in Group Management which meets and communicates on a regular basis.

### SENSITIVITY ANALYSIS

The table below presents how group results after net financial items would have been affected by a change of one percentage point in the variables connected to Elanders various operational risks. Each variable has been treated individually under the condition that 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. The analysis does not pretend to be exact. It is merely indicative and aims to show the most relevant, measurable factors in this connection. The figures are presented in MSEK.

• Net sales	12.5
• Cost of paper	3.7
• Personnel cost	6.5
• Sick leave	12.5
• Cost of sub-contracted work	2.1

## ■ NOTE 19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT.)

### CATEGORIZATION OF FINANCIAL INSTRUMENTS

The categorization of financial instruments in the balance sheets for 2013 and 2012 is presented in the tables below.

#### 2013 ASSETS

SEK '000s	Derivative instruments in designa- ted hedge accounting relation- ships	Loans and recei- vables	Available- for-sale financial assets	Non- financial assets	Total
<b>Intangible assets</b>	-	-	-	1,156,401	1,156,401
<b>Tangible assets</b>	-	-	-	350,364	350,364
<b>Financial assets</b>	-	8,393	862	155,727 <sup>1)</sup>	164,982
<b>CURRENT ASSETS</b>					
Inventory	-	-	-	107,219	107,219
Accounts receivable	-	387,356	-	-	387,356
Current tax receivables	-	-	-	7,513	7,513
Other receivables	106	21,862	-	21,765	43,733
Prepaid expenses and deferred income	-	-	-	31,072	31,072
Cash and cash equivalents	-	215,299	-	-	215,299
<b>Total current assets</b>	<b>106</b>	<b>624,517</b>	<b>-</b>	<b>167,569</b>	<b>792,192</b>
<b>Total assets</b>	<b>106</b>	<b>632,910</b>	<b>862</b>	<b>1,830,061</b>	<b>2,463,939</b>

<sup>1)</sup> Mainly refers to deferred tax assets.

#### 2013 LIABILITIES

SEK '000s	Derivative instruments in designa- ted hedge accounting relation- ships	Other financial liabilities	Non- financial liabilities	Total
<b>Long-term liabilities and provisions</b>	-	418,632	82,858	501,490
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Interest-bearing liabilities	-	521,784	-	521,784
Accounts payable	-	216,476	-	216,476
Current tax liabilities	-	-	17,482	17,482
Other liabilities	2,167	24,822	20,896	47,885
Accrued expenses and prepaid income	-	-	111,812	111,812
Provisions	-	-	8,430	8,430
<b>Total current liabilities and provisions</b>	<b>2,167</b>	<b>763,082</b>	<b>158,620</b>	<b>923,869</b>
<b>Total liabilities and provisions</b>	<b>2,167</b>	<b>1,181,714</b>	<b>241,478</b>	<b>1,425,359</b>

## ■ NOTE 19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT.)

### 2012 ASSETS

SEK '000s	Derivative instruments in designa- ted hedge accounting relation- ships	Loans and recei- vables	Available- for-sale financial assets	Non- financial assets	Total
<b>Intangible assets</b>	-	-	-	1,031,299	1,031,299
<b>Tangible assets</b>	-	-	-	347,142	347,142
<b>Financial assets</b>	-	10,817	862	128,423 <sup>1)</sup>	140,102
<b>CURRENT ASSETS</b>					
Inventory	-	-	-	115,692	115,692
Accounts receivable	-	392,501	-	-	392,501
Current tax receivables	-	-	-	5,631	5,631
Other receivables	50	14,400	-	15,180	29,630
Prepaid expenses and deferred income	-	-	-	31,224	31,224
Cash and cash equivalents	-	167,968	-	-	167,968
<b>Total current assets</b>	<b>50</b>	<b>574,869</b>	<b>-</b>	<b>167,727</b>	<b>742,646</b>
<b>Total assets</b>	<b>50</b>	<b>585,686</b>	<b>862</b>	<b>1,674,591</b>	<b>2,261,189</b>

<sup>1)</sup> Mainly refers to deferred tax assets.

### 2012 LIABILITIES

SEK '000s	Derivative instruments in designa- ted hedge accounting relation- ships	Other financial liabilities	Non- financial liabilities	Total
<b>Long-term liabilities and provisions</b>	-	34,489	68,903	103,392
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Interest-bearing liabilities	-	809,426	-	809,426
Accounts payable	-	204,731	-	204,731
Current tax liabilities	-	-	9,515	9,515
Other liabilities	4,206	23,535	18,969	46,710
Accrued expenses and prepaid income	-	-	118,924	118,924
Provisions	-	-	14,710	14,710
<b>Total current liabilities and provisions</b>	<b>4,206</b>	<b>1,037,692</b>	<b>162,118</b>	<b>1,204,016</b>
<b>Total liabilities and provisions</b>	<b>4,206</b>	<b>1,072,181</b>	<b>231,021</b>	<b>1,307,408</b>

## ■ NOTE 19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT.)

### DUE DATE STRUCTURE REGARDING FINANCIAL LIABILITIES

Due date structure regarding financial liabilities including interest expenses, excluding utilized bank overdrafts, is presented in the table below. The credit agreement with the Group's main banks expires 30 September 2015.

SEK '000s	Jan.-Mar., 2014	Apr.-Dec., 2014	2015- 2016	2017- 2018	2019-
Borrowing debts	10,566	509,650	410,907	-	-
Finance lease liabilities	384	1,184	2,708	2,754	2,263
Accounts payable	216,476	-	-	-	-
Other financial liabilities	25,515	271	-	-	-
Interest	8,737	21,629	20,870	340	63
<b>Total</b>	<b>261,678</b>	<b>532,734</b>	<b>434,485</b>	<b>3,094</b>	<b>2,326</b>

### FINANCIAL INSTRUMENTS - INITIAL ASSESSMENT

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 '000s	2013	2012
1-30 days overdue	46,035	67,548
31-60 days overdue	9,269	14,649
61-90 days overdue	1,663	2,651
91-120 days overdue	723	2 158
More than 120 days overdue	3,258	3,766
<b>Total</b>	<b>60,948</b>	<b>90,772</b>

Only accounts receivables are included in the table above. No other overdue receivables existed as of 31 December 2013 or 2012. Beside the amount above Elanders has overdue receivables of MSEK 2 that is invoiced to third parties and are guaranteed by Elanders principal.

### CHANGE IN PROVISION FOR DOUBTFUL RECEIVABLES

SEK '000s	2013	2012
Opening provision for doubtful receivables	-6,247	-6,401
Reversal of provision from previous year	1,898	813
Confirmed losses	401	506
Provisions during the year	-2,822	-1,870
Translation difference	184	705
<b>Closing provision for doubtful receivables</b>	<b>-6,586</b>	<b>-6,247</b>

### INTEREST INCOME AND EXPENSES STEMMING FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

SEK '000s	2013	2012
Interest income from financial assets	1,556	1,814
Interest expenses due to financial liabilities	-24,610	-20,768
<b>Total</b>	<b>-23,054</b>	<b>-18,954</b>

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

### NET PROFIT/LOSS 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.
- Profits and losses stemming from derivatives where hedge accounting is not applied.

SEK '000s	2013	2012
Loans and receivables	9,200	2,924
Other financial liabilities	-11,002	-2,467
<b>Total</b>	<b>-1,802</b>	<b>457</b>

### FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The financial instruments recognized at fair value in the Group's report on financial position are derivatives identified as hedging instruments. The derivatives consist of forward exchange contracts and interest rate swaps and are used for hedging purposes. Valuation at fair value of forward exchange contracts is based on published forward rates on an active market. Valuation at fair value of interest rate swaps is based on forward interest rates derived from observable yield curves. All derivatives are therefore included in level 2 in the fair value hierarchy. Since all the financial instruments recognized at fair value are included in level 2 there have been no transfers between valuation levels. The table below presents fair value respective booked value per class of financial assets and liabilities, which are recorded gross.



## ■ NOTE 19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT.)

SEK '000s	2013	2012
Other current assets - Derivative instruments in hedge accounting relationships	106	50
Non-interest-bearing current liabilities - Derivative instruments in hedge accounting relationships	2,167	4,206

The fair value of other financial assets and liabilities valued at their amortized purchase price is estimated to be equivalent to their book value.

### INEFFECTIVITY IN HEDGE ACCOUNTING

All hedging relations regarding cash flow and net investment hedging have been effective within a span of 80 percent to 125 percent. See the presentation of Other comprehensive income on page 81 for further information.

## ■ NOTE 20 SHARE CAPITAL

Number of registered shares in the parent company	2013	2012
Issued per 1 January	22,729,998	19,529,998
New share issue	-	3,200,000
Issued per 31 December	22,729,998	22,729,998

	Number of shares	Number of votes	Share capital, SEK
A shares	1,166,666	11,666,660	11,666,660
B shares	21,563,332	21,563,332	215,633,317
	22,729,998	33,229,992	227,299,977

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

## ■ NOTE 21 INTEREST-BEARING LIABILITIES

The Group had a total of MSEK 1,320 (798) per 31 December 2013 in credit facilities of which MSEK 531 (51) were unutilized. The facilities includes an acquisition credit for the acquisition of Mentor Media that was completed in the beginning of January 2014. The purchase price amounted to MSEK 312 on a cash and debt free basis. The financing is conditioned of that a new share issue amounting to MSEK 125 is realized during the first six months 2014.

The financing cost is priced according to a fixed interest term and an agreed margin. The Group's average effective interest rate during the year was 3.3 (3.3) percent.

### LONG-TERM LIABILITIES

SEK '000s	2013	2012
Finance lease liabilities	7,725	9,718
Borrowing debts	410,907	24,771
Total	418,632	34,489

### CURRENT LIABILITIES

SEK '000s	2013	2012
Finance lease liabilities	1,568	2,940
Borrowing debts	520,216	806,486
Total	521,784	809,426

### BANK OVERDRAFT FACILITIES

Utilized amounts and available credit in Group bank overdraft facilities are given below.

SEK '000s	2013	2012
Bank overdraft facilities, utilized amount	-	-
Bank overdraft facilities, granted amount	50,000	50,000
Unutilized amount	50,000	50,000

### PLEDGED ASSETS

See note 25 for information on pledged assets.

## ■ NOTE 22 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

### DEFINED BENEFIT PENSION PLANS

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

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

Percent	2013	2012
Discount rate <sup>1)</sup>	3.3	3.2
Expected inflation	1.6	1.6
Expected return on plan assets	3.3	3.2

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

### PENSION PROVISIONS

SEK '000s	Funded plans		Unfunded plans		Total	
	2013	2012	2013	2012	2013	2012
Present value of pension obligations	2,199	2,200	14,235	12,774	16,434	14,974
The fair value of plan assets	-2,562	-2,483	-	-	-2,562	-2,483
<b>Provisions for pensions recognized in the statements of financial position</b>	<b>-363</b>	<b>-283</b>	<b>14,235</b>	<b>12,774</b>	<b>13,872</b>	<b>12,491</b>

### CHANGE IN CURRENT VALUE OF THE PENSION OBLIGATION

SEK '000s	2013	2012
Opening balance	14,974	13,747
Interest on the obligation	569	538
Current year service cost	246	-
Pensions paid out	-484	-364
Translation difference	48	86
Actuarial profits (-)/losses (+)	1,081	967
<b>Closing balance</b>	<b>16,434</b>	<b>14,974</b>

### NET EXPENSE RECOGNIZED IN THE INCOME STATEMENT REGARDING DEFINED BENEFIT PLANS

SEK '000s	2013	2012
Current year service cost	246	-
Interest on the obligation	569	538
Actuarial profits (-)/losses (+)	1,081	-1,143
Expected return on plan assets	-79	-83
<b>Pension costs for defined benefit plans</b>	<b>1,817</b>	<b>-688</b>

### CHANGE IN PLAN ASSETS FAIR VALUE

SEK '000s	2013	2012
Opening balance	2,483	4,472
Expected return on plan assets	79	83
Payments made by employer	-	38
Actuarial profits (-)/losses (+)	-	-2,110
<b>Closing balance</b>	<b>2,562</b>	<b>2,483</b>

## ■ NOTE 22 PROVISIONS FOR POST-EMPLOYMENT BENEFITS (CONT.)

### 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 SEK 27,072 (25,290) thousands.

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 2012 since at the moment Alecta cannot provide specific defined benefit pension for those insured. Pension plans that are safeguarded through insurance in Alecta are therefore reported as a defined contribution plan. Fees for 2013 for pension insurance from Alecta totaled SEK 3,809 (3,686) thousands.

### ALLOCATION OF PENSION COSTS IN THE INCOME STATEMENT

Percent	2013	2012
Cost of products and services sold	58	58
Administrative expenses	28	29
Selling expenses	14	13

## ■ NOTE 23 OTHER PROVISIONS

SEK '000s	2013	Provided for during the year	Utilized during the year	Reversal of unutilized amounts	Translation difference	2012
<b>PROVISIONS FOR RESTRUCTURING MEASURES</b>						
Personnel	8,430	13,000	-12,643	-1,200	-	9,273
Premises	-	-	-5,431	-	-	5,431
<b>OTHER PROVISIONS</b>						
Additional purchase sums	-	-	-	-3,529	-	3,529
Other	3,677	1,300	-	-	13	2,364
<b>Total</b>	<b>12,107</b>	<b>14,300</b>	<b>-18,074</b>	<b>-4,729</b>	<b>13</b>	<b>20,597</b>
Of which current	8,430					14,710

Provisions for restructuring measures are primarily for cost adjustments and reorganizations.

## ■ NOTE 24 ACCRUED EXPENSES AND DEFERRED INCOME

SEK '000s	2013	2012
Holiday pay liability	26,243	25,659
Social security contributions	16,910	18,128
Accrued salaries and remuneration	10,359	11,257
Other accrued expenses and deferred income	58,300	63,880
<b>Total</b>	<b>111,812</b>	<b>118,924</b>

## ■ NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS		
SEK '000s	2013	2012
Real estate mortgages	45,421	39,386
Floating charges	194,850	194,850
Other pledged assets	366,962	326,414
<b>Total</b>	<b>607,233</b>	<b>560,650</b>
Pledged to:		
Credit institutions	607,233	560,650
<b>Total</b>	<b>607,233</b>	<b>560,650</b>

Other pledged assets refer primarily to collateral in the form of shares in subsidiaries. The item also includes assets held under a retention of title clause, such as financial leasing. See note 15 for further information.

CONTINGENT LIABILITIES		
SEK '000s	2013	2012
Other contingent liabilities	1,772	1,707
<b>Total</b>	<b>1,772</b>	<b>1,707</b>

## ■ NOTE 26 INVESTMENT OBLIGATIONS

There were no significant investment obligations per 31 December 2013 or 31 December 2012.

## ■ NOTE 27 TRANSACTIONS WITH RELATED PARTIES

The transactions between subsidiaries have taken place with normal business terms and at market prices. During the year intra-group sales of products and services amounted to MSEK 416 (352). Intra-group transactions and balances have been eliminated and are therefore not included in the figures below concerning the Group.

### SALES OF PRODUCTS AND SERVICES

During 2013 and 2012 there have not been any sales of products and services to related parties.

### PURCHASE OF PRODUCTS AND SERVICES

During the year purchases has been made from Carl Bennet AB amounting to MSEK 0.5 (0.5). The transactions primarily concern cost stemming from Carl Bennet's role as Chairman of the Board in Elanders AB. As of 31 December 2013 liabilities to Carl Bennet AB amounted to MSEK 0.2 (0.2). Erik Gabrielson, who is member of the Board, is partner in Vinge Law Firm that during the year has provided legal counsel and invoiced fees amounting to MSEK 3.7 (3.7).

Related parties to Peter Sommer, who is member of Group Management and MD of Elanders GmbH, own the property where Elanders GmbH runs most of its operations. During the year Elanders GmbH has paid MSEK 11.1 (7.5) in rent for this property, which is on par with the market.

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.

## ■ NOTE 28 ACQUISITIONS

### 2013

#### McNaughtan's Printers Limited

Elanders acquired all the shares in the labelling company McNaughtan's Printers Limited in Glasgow, Scotland in February. The company is specialized in the whisky trade and several well known whisky distilleries are customers. The purchase price was MGBP 2.8 and was financed with cash.

The acquisition costs amounted to some MSEK 0.5. The company has contributed with around MSEK 20 to the consolidated net sales.

#### myphotobook GmbH

In September Elanders acquired myphotobook GmbH, one of Europe's leading e-commerce companies in personalized photo products to consumers. myphotobook was founded in 2004 and the company's net sales were about MEUR 15 in 2012. Its headquarters are in Berlin and the company has about 70 employees. The purchase price was MEUR 10.5 on a cash and debt free basis and was financed through loans.

The acquisition costs amounted to some MSEK 2. The company has contributed with around MSEK 55 to the consolidated net sales.

### SPECIFICATION OF FAIR VALUE ADJUSTMENTS

MSEK	Recorded value in acquired operations	Adjustments to fair value	Recorded value in the Group
Intangible assets	14.1	27.9	42.0
Tangible assets	3.2	-	3.2
Inventory	0.5	-	0.5
Accounts receivable	3.6	-	3.6
Other current assets	0.8	-	0.8
Cash and cash equivalents	17.7	-	17.7
Accounts payable	-5.4	-	-5.4
Other short liabilities	-11.4	-	-11.4
Non-interest bearing liabilities	-3.4	-7.9	-11.3
<b>Identifiable net assets</b>	<b>19.7</b>	<b>19.9</b>	<b>39.6</b>
Goodwill			80.9
<b>Total purchase sums</b>			<b>120.5</b>
Cash and cash equivalents in acquisitions			17.7
<b>Total deductible items</b>			<b>17.7</b>
<b>Negative effect on cash and cash equivalents for the Group</b>			<b>-102.7</b>

### 2012

#### d|o|m Deutsche Online Medien GmbH and fotokasten GmbH

In May 2012 Elanders acquired all the shares in d|o|m Deutsche Online Medien GmbH and fotokasten GmbH, both located outside Stuttgart in Germany. d|o|m develops technical solutions for digital photo and print services. fotokasten is a strong and well known brand on the growing German market in personalized consumer photo products such as photo books and calendars.

The acquisitions was made through a preferential new share issue of 3.2 million class B shares in Elanders AB. The purchase price corresponded to MSEK 81.6 and was distributed on recorded net assets of MSEK 10.7, adjustments to fair value of MSEK 6.4 and goodwill of MSEK 64.5

The acquisition costs amounted to around MSEK 2. In total the companies have contributed with some MSEK 105 to the consolidated net sales. They have also had around MSEK 45 in group purchases that previous years have been recorded as external net sales by the selling company.

#### Midland Information Resources Company

In December 2012 Elanders acquired all shares in Midland Information Resources Company. Midland is located in Davenport, Iowa, USA, and is a leader in global print management with its innovative solutions for content management services, just-in-time-deliveries in digital print as well as fulfillment and distribution. The acquisition was financed with cash and loans.

The purchase price amounted to MSEK 140.0 and was distributed on recorded net assets of MSEK 20.3, adjustments to fair value of MSEK 21.9 and goodwill of MSEK 97.8

The acquisition costs amounted to around MSEK 4. Since acquisition was made as of December 31 2012 the company did not contribute to the consolidated net sales in 2012.

## ■ NOTE 29 EVENTS AFTER THE BALANCE SHEET DATE

### ACQUISITION OF MENTOR MEDIA LTD

In January 2014 Elanders signed an agreement for the acquisition of Mentor Media Ltd, a supply chain company with a strong foothold in Asia. The acquisition will increase Elanders' annual net sales to around 3.5 billion Swedish kronor and the number of employees will rise from some 1,900 to 3,600. Mentor Media will be consolidated into Elanders as of 1 January 2014 and is expected to contribute a substantial increase in profit already in 2014. The purchase price is around MSEK 312 on a debt- and cash-free basis. As part of the financing of the acquisition the Board of Elanders intends to propose a new issue with preference for existing shareholders of some MSEK 125. The shareholders will be requested to resolve on the rights issue at the annual general meeting.

The schedule below shows preliminary assessment of the fair values in the company.

MSEK	Recorded value in acquired operations	Adjustments to fair value	Recorded value in the Group
Tangible assets	59,903	34,935	94,837
Inventory	88,884	-	88,884
Accounts receivable	264,943	-	264,943
Other current assets	28,304	-	28,304
Cash and cash equivalents	141,474	-	141,474
Accounts payable	-129,545	-	-129,545
Other non-interest bearing liabilities	-70,210	-10,481	-80,691
Interest-bearing liabilities	-47,985	-	-47,985
<b>Identifiable net assets</b>	<b>335,767</b>	<b>24,454</b>	<b>360,220</b>
Goodwill			30,079
<b>Total purchase sums</b>			<b>390,300</b>
Cash and cash equivalents in acquisitions			141,474
<b>Total deductible items</b>			<b>141,474</b>
<b>Negative effect on cash and cash equivalents for the Group</b>			<b>-248,826</b>

### BOOK VAT

From 2010 to 2013 Elanders submitted claims for VAT refunds to the Swedish Tax Agency pertaining to 2004-2007. In the years 2011-2013 the Swedish Tax Agency made consequential amendments regarding many of Elanders' customers who have then demanded compensation from Elanders. It is Elanders' position that the Swedish Tax Agency cannot make consequential amendments. Several judgments from the Court of Appeals in Stockholm, Gothenburg and Jönköping have supported Elanders' position. The Swedish Tax Agency has appealed some of the decisions and sought reconsideration by the Supreme Administrative Court. The verdict was announced in February 2014 and was in favor of the Tax Agency. This verdict is not expected to have any significant effect on either Elanders' result or financial position. There is also a case in the Court of Appeals where a customer is claiming back VAT from the printing company which also may have an effect on the issue. A verdict from the Court of Appeals is expected within shortly.

### OTHER EVENTS

Except the above no important events took place after the balance sheet date and until the signing of this Annual Report.

# Parent company

## ■ INCOME STATEMENTS

SEK '000s	Note	2013	2012
Net sales		-	-
Cost of products and services sold		-	-
<b>Gross profit</b>		<b>-</b>	<b>-</b>
Administrative expenses	2, 7, 8	-30,747	-29,260
Other operating income	3	210	505
Other operating expenses	3	-673	-633
<b>Operating result</b>	<b>4, 16</b>	<b>-31,210</b>	<b>-29,388</b>
<b>Result from financial items</b>			
Result from shares in subsidiaries		118,712	81,193
Interest income		7,223	5,216
Other financial income		12,155	6,585
Interest expenses		-18,691	-15,540
Other financial expenses		-15,611	-8,557
<b>Result after financial items</b>	<b>5, 10, 16</b>	<b>72,578</b>	<b>39,509</b>
Taxes	6	-6,245	-22,179
<b>Result for the year</b>		<b>66,333</b>	<b>17,330</b>

## ■ STATEMENTS OF COMPREHENSIVE INCOME

SEK '000s	2013	2012
<b>Result for the year</b>	<b>66,333</b>	<b>17,330</b>
Change in value of cash-flow hedges	1,604	-3,567
Tax effect on change in value of cash-flow hedges	-353	938
<b>Other comprehensive income</b>	<b>1,251</b>	<b>-2,629</b>
<b>Total comprehensive income for the year</b>	<b>67,584</b>	<b>14,701</b>

# PARENT COMPANY

## ■ BALANCE SHEETS

SEK '000s	Note	2013	2012
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	7	2,807	4,388
Tangible fixed assets	8	354	413
Shares in subsidiaries	9	1,246,548	1,245,915
Shares in jointly controlled entities	10	-	1,383
Receivables from group companies		110,622	98,748
Deferred tax assets	6	74,959	79,536
Other financial assets		9,304	11,728
<b>Total fixed assets</b>		<b>1,444,594</b>	<b>1,442,111</b>
<b>Current assets</b>			
Accounts receivable		253	253
Receivables from group companies		255,829	117,503
Current tax receivables	6	21	-
Other receivables		5,047	4,940
Prepaid expenses and accrued income		9,822	5,588
Cash and bank balances		62,730	13,797
<b>Total current assets</b>		<b>333,702</b>	<b>142,081</b>
<b>Total assets</b>		<b>1,778,296</b>	<b>1,584,192</b>



## ■ BALANCE SHEETS (CONT.)

SEK '000s	Note	2013	2012
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Restricted equity</b>			
Share capital		227,300	227,300
Statutory reserve		332,383	332,383
<b>Total restricted equity</b>		<b>559,683</b>	<b>559,683</b>
<b>Unrestricted equity</b>			
Retained earnings		210,058	205,115
Result for the year		66,333	17,330
<b>Total unrestricted equity</b>		<b>276,391</b>	<b>222,445</b>
<b>Total equity</b>		<b>836,074</b>	<b>782,128</b>
<b>PROVISIONS</b>			
Provisions for pensions and similar obligations		1,371	1,371
Other provisions	11	1,548	5,077
<b>Total provisions</b>		<b>2,919</b>	<b>6,448</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Liabilities to credit institutions	12, 14	286,478	-
Liabilities to group companies		70,565	70,565
Other liabilities		103	103
<b>Total long-term liabilities</b>		<b>357,146</b>	<b>70,668</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	12, 14	412,134	598,867
Accounts payable		6,570	4,693
Liabilities to group companies		142,360	98,395
Current tax liabilities		-	1,244
Other liabilities		2,678	3,963
Accrued expenses and deferred income	13	18,415	17,786
<b>Total current liabilities</b>		<b>582,157</b>	<b>724,948</b>
<b>Equity, provisions and liabilities</b>		<b>1,778,296</b>	<b>1,584,192</b>
<b>Pledged assets</b>	14	<b>430,044</b>	<b>430,044</b>
<b>Contingent liabilities</b>	14	<b>209,272</b>	<b>157,025</b>

# PARENT COMPANY

## ■ STATEMENTS OF CHANGES IN EQUITY

SEK '000s	Share capital	Statutory reserve	Unrestricted equity	Total
<b>Opening balance on 1 Jan. 2012</b>	<b>195,300</b>	<b>332,383</b>	<b>180,709</b>	<b>708,392</b>
Dividend	-	-	-9,765	-9,765
New share issue	32,000	-	36,800	68,800
Total comprehensive income for the year	-	-	14,701	14,701
<b>Closing balance on 31 dec. 2012</b>	<b>227,300</b>	<b>332,383</b>	<b>222,445</b>	<b>782,128</b>
Dividend	-	-	-13,638	-13,638
Total comprehensive income for the year	-	-	67,584	67,584
<b>Closing balance on 31 dec. 2013</b>	<b>227,300</b>	<b>332,383</b>	<b>276,391</b>	<b>836,074</b>

## ■ CASH FLOW STATEMENTS

SEK '000s	Note	2013	2012
<b>Operating activities</b>			
Result after financial items		72,578	39,059
Adjustments for items not included in cash flow from operating activities	15	-5,129	-12,291
Paid taxes		-1,689	-415
<b>Cash flow from operating activities before changes in working capital</b>		<b>65,760</b>	<b>26,353</b>
<b>Cash flow from changes in working capital</b>			
Increase(-)/decrease(+) in operating receivables		-4,362	-376
Increase(+)/decrease(-) in operating liabilities		-30	3,633
<b>Cash flow from operating activities</b>		<b>61,368</b>	<b>29,610</b>
<b>Investing activities</b>			
Acquisition of tangible assets and intangible assets	7, 8	-23	-72
Investment in subsidiaries	9	-789	-159,642
Received dividends from subsidiaries	15	53,712	30,256
Payments received regarding long-term holdings		3,812	2,429
Lending to and from subsidiaries		-147,457	-56,139
<b>Cash flow from investing activities</b>		<b>-90,745</b>	<b>-183,168</b>
<b>Financing activities</b>			
Amortization of loans		-35,000	-2,563
New loans		91,095	-
Other changes in interest-bearing liabilities		35,853	179,588
Dividend to parent company shareholders		-13,638	-9,765
<b>Cash flow from financing activities</b>		<b>78,310</b>	<b>167,260</b>
<b>Cash flow for the year</b>		<b>48,933</b>	<b>13,702</b>
Cash and cash equivalents at the beginning of the year		13,797	95
<b>Cash and cash equivalents at year-end</b>		<b>62,730</b>	<b>13,797</b>
<b>Change in net debt</b>			
Net debt at the beginning of the year		586,441	426,898
Change in interest-bearing liabilities and cash and cash equivalents		50,812	159,543
<b>Net debt at year-end</b>		<b>637,253</b>	<b>586,441</b>

# PARENT COMPANY

## ■ NOTE 1 ACCOUNTING PRINCIPLES

A presentation of Elanders' accounting principles can be found in note 1 to Elanders' consolidated financial statements. The parent company has prepared its annual accounts according to the Annual Accounts Act and the Swedish Financial Reporting Board Recommendation RFR 2 Accounting for legal entities and where applicable statements made by the Swedish Financial Reporting Board. RFR 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.

### Taxes

Tax laws allow provisions for special reserves and funds that are reported separately in the parent company. This allows companies within limits to allocate and retain recorded results in operations without them being immediately taxed. The untaxed reserves are not subject to taxation until they are dissolved. If companies 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. Acquisition-related costs for subsidiaries, which are expensed in group accounting, are included as part of the acquisition value for participation in subsidiaries. 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 p. 71 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.

### Group and shareholder contributions

Group and shareholder contributions are recognized according to the principal rule in the Swedish Financial Reporting Board Recommendation RFR 2. This means that received group contributions are recognized as income from shares in group companies according to the same principles used for normal dividends. Paid group contributions are also recognized as income from shares in group companies. Shareholder contributions are activated in shares and participations, as long as write-downs are not required.

### Standards, amendments and interpretations of existing standards that have taken effect in 2013

No new standards, amendments or interpretations that have had significant effect on the company's financial reports have come into effect during 2013.

## ■ NOTE 2 FEES TO THE AUDITORS

SEK '000s	2013	2012
<b>PwC</b>		
Audit assignment	466	475
Audit-related services	-	220
Tax advisory services	242	449
Other services	1,475	1,990
<b>Total</b>	<b>2,183</b>	<b>3,134</b>

No fees were paid to other auditing firms.

Audit assignment is defined as the statutory audit, i.e. the work necessary to produce the auditors' report as well as so called audit consultation given in connection with the audit.

## ■ NOTE 3 OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME			
SEK '000s	2013	2012	
Exchange rate gains	210	505	
Other	-	-	
<b>Total</b>	<b>210</b>	<b>505</b>	

OTHER OPERATING EXPENSES			
SEK '000s	2013	2012	
Exchange rate losses	-673	-633	
<b>Total</b>	<b>-673</b>	<b>-633</b>	

## ■ NOTE 4 PERSONNEL

Please see note 5 to the consolidated financial statements for personnel related information.

## ■ NOTE 5 RESULT FROM FINANCIAL ITEMS

### RESULT FROM SHARES IN SUBSIDIARIES

SEK '000s	2013	2012
Received group contribution	65,000	53,000
Write-down of shares in subsidiaries	-	-2,000
Sale of shares in subsidiaries	-	-63
Dividends from subsidiaries	53,712	30,256
<b>Total</b>	<b>118,712</b>	<b>81,193</b>

### INTEREST INCOME

SEK '000s	2013	2012
Interest income, external	471	546
Interest income, subsidiaries	6,752	4,670
<b>Total</b>	<b>7,223</b>	<b>5,216</b>

### OTHER FINANCIAL INCOME

SEK '000s	2013	2012
Exchange rate gains	8,626	6,585
Other	3,529	-
<b>Total</b>	<b>12,155</b>	<b>6,585</b>

### INTEREST EXPENSES

SEK '000s	2013	2012
Interest expenses, external	-18,061	-13,626
Interest expenses, subsidiaries	-630	-1,914
<b>Total</b>	<b>-18,691</b>	<b>-15,540</b>

### OTHER FINANCIAL EXPENSES

SEK '000s	2013	2012
Exchange rate losses	-11,897	-4,346
Other financial expenses	-3,714	-4,211
<b>Total</b>	<b>-15,611</b>	<b>-8,557</b>

## ■ NOTE 6 TAXES

### TAX ON THE RESULT FOR THE YEAR

SEK '000s	2013	2012
Withholding tax on dividends from subsidiaries	-2,021	-917
Correction of previous years' current tax expense	-	67
Deferred tax	-4,224	-21,329
<b>Total</b>	<b>-6,245</b>	<b>-22,179</b>

### RECONCILIATION OF RECORDED TAX

SEK '000s	2013	2012
Result before taxes	72,578	39,509
Tax according to Swedish tax rate of 22.0 (26.3)%	-15,967	-10,391
Tax effect of:		
Withholding tax on dividends from subsidiaries	-2,021	-917
Correction of previous year's current tax expense	1,579	67
Non-taxable dividends from subsidiaries	11,817	7,957
Non-deductible write-downs of shares in subsidiaries and jointly controlled entities	-	-849
Contribution, representation and association costs	-71	-75
Legal change in tax rate	-	-15,401
Non-deductible costs in relation to acquisitions of operations	-1,270	-2,101
Other	-312	-469
<b>Total</b>	<b>-6,245</b>	<b>-22,179</b>

### DEFERRED TAX RECEIVABLES

SEK '000s	2013	2012
Tax loss carry forwards	70,471	75,758
Other	4,488	3,778
<b>Total</b>	<b>74,959</b>	<b>79,536</b>

# PARENT COMPANY

## ■ NOTE 7 INTANGIBLE ASSETS

SEK '000s	Goodwill		Other intangible assets		Total	
	2013	2012	2013	2012	2013	2012
Opening acquisition value	1,959	1,959	11,129	11,129	13,088	13,088
Acquisitions	-	-	-	-	-	-
<b>Closing acquisition value</b>	<b>1,959</b>	<b>1,959</b>	<b>11,129</b>	<b>11,129</b>	<b>13,088</b>	<b>13,088</b>
Opening accumulated amortization	-882	-784	-6,792	-5,039	-7,674	-5,823
Amortization for the year	-98	-98	-1,483	-1,753	-1,581	-1,851
<b>Closing accumulated amortization</b>	<b>-980</b>	<b>-882</b>	<b>-8,275</b>	<b>-6,792</b>	<b>-9,255</b>	<b>-7,674</b>
Opening accumulated write-downs	-	-	-1,026	-1,026	-1,026	-1,026
<b>Closing accumulated write-downs</b>	<b>-</b>	<b>-</b>	<b>-1,026</b>	<b>-1,026</b>	<b>-1,026</b>	<b>-1,026</b>
<b>Net residual value</b>	<b>979</b>	<b>1,077</b>	<b>1,828</b>	<b>3,311</b>	<b>2,807</b>	<b>4,388</b>

Amortization has been charged entirely to administrative expenses.

Other intangible assets refer to software.

## ■ NOTE 8 TANGIBLE FIXED ASSETS

SEK '000s	Equipment, tools, fixtures and fittings	
	2013	2012
Opening acquisition value	1,966	1,894
Acquisitions	23	72
<b>Closing acquisition value</b>	<b>1,989</b>	<b>1,966</b>
Opening accumulated depreciation	-1,553	-1,439
Depreciation for the year	-82	-114
<b>Closing accumulated depreciation</b>	<b>-1,635</b>	<b>-1,553</b>
<b>Net residual value</b>	<b>354</b>	<b>413</b>

Depreciation has been charged entirely to administrative expenses.

There has been no financial leasing.

## ■ NOTE 9 SHARES IN SUBSIDIARIES

SEK '000s	2013	2012
Opening book value	1,245,915	1,017,536
Investment/subscription for new shares	789	228,442
Sale of subsidiaries	-156	-63
Shareholders' contribution	-	2,000
Write-downs	-	-2,000
<b>Closing book value</b>	<b>1,246,548</b>	<b>1,245,915</b>

### SPECIFICATION OF SHARES IN SUBSIDIARIES

SEK '000s	Identity no.	Registered office	Number of shares	Owned share in percent	Book value of holding
d o m Deutsche Online Medien GmbH	HRB265124	Waiblingen, Germany	-	100	23,835
myphotobook GmbH	HRB94377	Berlin, Germany	-	100	-
Elanders Anymedia AB	556559-5922	Stockholm, Sweden	6,000	100	13,614
Elanders (Beijing) Printing Company Ltd	77765103X	Beijing, China	-	100	186,564
Elanders (Beijing) Digital Development Ltd	110000450078296	Beijing, China	-	100	2,824
Elanders do Brasil Ltda	08.789.936/0001-55	São Paulo, Brazil	-	100	12,228
Elanders Reprodução de Imagens Ltda	08.849.405/0001-00	São Paulo, Brazil	-	100	9,360
Elanders GmbH	HRB722349	Waiblingen, Germany	-	100	108,576
Elanders International AB	556058-0622	Kungsbacka, Sweden	-	100	-
Elanders Printpack GmbH & Co. KG	HRB211285	Waiblingen, Germany	-	100	-
Elanders Hungary Kft	20-09-065122	Zalalövő, Hungary	-	100	146,112
Elanders Infologistics AB	556121-8891	Gothenburg, Sweden	314,330	100	286,765
Elanders Sverige AB	556262-1689	Härryda, Sweden	-	100	-
Falköping Karlavagnen 6 AB	556832-7844	Härryda, Sweden	-	100	-
Elanders NRS AB	556229-6938	Härryda, Sweden	1,000	100	100
Elanders FoH AB	556099-5663	Härryda, Sweden	30,000	100	50,342
Elanders Italy S.r.l.	5686620963	Ponzano Veneto, Italy	-	100	2,702
Elanders Ltd	GB 3788582	Newcastle, UK	-	100	31,403
McNaughtan's Printers Ltd	SC 135425	Glasgow, UK	-	100	-
Elanders Polska Sp. z o.o.	KRS 0000101815	Płońsk, Poland	-	100	89,869
Elanders Taiwan Co. Ltd	53729508	Taipei, Taiwan	200,000	100	470
ElandersUSA Inc.	58-1448183	Atlanta, USA	-	100	82,288
Elanders UK Ltd	GB 2209256	Harrogate, UK	-	100	923
fotokasten GbmH	HRB24050	Waiblingen, Germany	-	100	57,824
Midland Information Resources Company	42-1468885	Davenport, USA	10,000	100	140,750
Midland Press Corporation	42-1183862	Davenport, USA	-	100	-
Midland Digital Color, Inc.	42-1468961	Davenport, USA	-	100	-
<b>Total</b>					<b>1,246,548</b>

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

# PARENT COMPANY

## ■ NOTE 10 SHARES IN JOINTLY CONTROLLED ENTITIES

SEK '000s	2013	2012
Opening book value	1,383	1,383
Repayment of investment	-1,383	-
<b>Closing book value</b>	<b>-</b>	<b>1,383</b>

Group shares in jointly controlled entities consisted in 2012 of Hansaprint Elanders Kft in Komarom, Hungary. The liquidation of the company was finalized in 2013.

## ■ NOTE 11 OTHER PROVISIONS

SEK '000s	2013	Reversal of unutilized amounts	2012
Environmental obligations	1,500	-	1,500
Additional purchase sums	-	-3,529	3,529
Other	48	-	48
<b>Total</b>	<b>1,548</b>	<b>-3,529</b>	<b>5,077</b>

Provisions for environmental obligations are based on any future obligations that were not yet completed on the balance sheet date.

Other provisions primarily refer to costs for any future financial obligations.

## ■ NOTE 12 LIABILITIES TO CREDIT INSTITUTIONS

All liabilities are borrowing debts.

Loans from Elanders' main banks follows the terms in the credit agreement and maturity is in September 2015.

Elanders AB has loans in SEK, EUR and USD. The interest rate on the loans per 31 December 2013 was in the interval 2.20-4.30 (1.94-3.70) percent.

### BANK OVERDRAFT FACILITIES

Utilized amounts and available credit in group bank overdraft facilities are given below.

SEK '000s	2013	2012
Bank overdraft facilities, utilized amount	-	-
Bank overdraft facilities, granted amount	50,000	50,000
<b>TOTAL</b>	<b>50,000</b>	<b>50,000</b>

## ■ NOTE 13 ACCRUED EXPENSES AND DEFERRED INCOME

SEK '000s	2013	2012
Salaries and holiday pay	4,101	2,420
Social security contributions	3,820	2,700
Interest	197	225
Other accrued expenses and deferred income	10,297	12,441
<b>Total</b>	<b>18,415</b>	<b>17,786</b>



## ■ NOTE 14 PLEDGED ASSETS AND CONTINGENT LIABILITIES

### PLEDGED ASSETS

SEK '000s	2013	2012
Floating charges	3,300	3,300
Other pledged assets	426,744	426,744
<b>Total</b>	<b>430,044</b>	<b>430,044</b>
Given to:		
Credit institutions	430,044	430,044
<b>Total</b>	<b>430,044</b>	<b>430,044</b>

Other pledged assets primarily refer to collateral in the form of shares in subsidiaries.

### CONTINGENT LIABILITIES

SEK '000s	2013	2012
Surety and contingent liabilities given for subsidiaries	209,272	157,025
<b>Total</b>	<b>209,272</b>	<b>157,025</b>

## ■ NOTE 15 SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF CASH FLOW

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of cash and bank balances. Short-term investments 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 FROM OPERATING ACTIVITIES

SEK '000s	2013	2012
Depreciation, amortization and write-downs of intangible and tangible assets	1,663	1,965
Dividends from subsidiaries	-12,490	-9,082
Other items	5,698	-5,174
<b>Total</b>	<b>-5,129</b>	<b>-12,291</b>

### PAID AND RECEIVED INTEREST

SEK '000s	2013	2012
Paid interest	-18,719	-15,956
Interest received	7,223	5,216
<b>Total</b>	<b>-11,496</b>	<b>-10,740</b>

### DIVIDENDS RECEIVED FROM SUBSIDIARIES

SEK '000s	2013	2012
d o m Deutsche Online Medien GmbH	5,114	-
Elanders (Beijing) Printing Company Ltd	37,189	16,860
Elanders Hungary Kft	4,164	4,314
Elanders Ltd	-	9,082
fotokasten GmbH	7,245	-
<b>Total</b>	<b>53,712</b>	<b>30,256</b>

# PARENT COMPANY

## ■ NOTE 16 TRANSACTIONS WITH RELATED PARTIES

### SALES OF PRODUCTS AND SERVICES

The parent company reimburse its subsidiaries for services mainly relating to marketing, IT, auditing, insurance, etc. The reimbursement and the costs they stem from was recorded net. In 2013 total reimbursements amounted to MSEK 25.1 (22.6). Besides this there have been no sales of products or services to related parties.

### PURCHASE OF PRODUCTS AND SERVICES

SEK '000s	2013	2012
Subsidiaries	6,567	5,919
Carl Bennet AB	517	511
<b>Total</b>	<b>7,084</b>	<b>6,430</b>

The transactions with Carl Bennet AB and Elanders primarily concern costs stemming from Carl Bennet's role as Chairman of the Board in Elanders AB. As of 31 December 2013 liabilities to Carl Bennet AB amounted to MSEK 0.2 (0.2). Erik Gabrielson, who is member of the Board, is partner in Vinge Law Firm that during the year has provided legal counsel and invoiced fees amounting to MSEK 3.7 (3.7).

No Board member or senior officer has or has had direct or indirect participation in any business transactions, between themselves or the company that are or were of an unusual nature concerning the terms.

Remuneration to Board members and Group Management is reported in note 5 to the consolidated financial statements.

### RECEIVED GROUP CONTRIBUTIONS

SEK '000s	2013	2012
Elanders FoH AB	-	2,000
Elanders Infologistics AB	25,000	30,000
Elanders NRS AB	-	1,000
Elanders Sverige AB	40,000	20,000
<b>Total</b>	<b>65,000</b>	<b>53,000</b>

# Proposed 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 Parliament's and Council's 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 276,391,156.36 in the parent company at the disposition of the Annual General Meeting should be dealt with accordingly:

- SEK 0.80 per share, a total of SEK 18,183,998.40 is distributed to the shareholders
- the remaining balance of SEK 258,207,157.96 is to be carried forward.

The Board of Directors believes that the proposed dividends are justifiable in relation to the demands that the business' nature, scope and risks make on Group equity and on the Group's consolidation needs, liquidity and its position in general.

This Annual Report will be presented at the Annual General Meeting 6 May 2014 for adoption.

Mölnlycke 7 March 2014

Carl Bennet  
Chairman of the Board

Johan Stern  
Vice Chairman of the Board

Erik Gabrielson

Cecilia Lager

Göran Johnsson

Kerstin Paulsson

Lena Hassini

Lilian Larnefeldt

Magnus Nilsson  
Chief Executive Officer

Our auditor's report was issued on 7 March 2014  
PricewaterhouseCoopers AB

Johan Rippe  
Authorized Public Accountant

# Auditor's report

To the annual meeting of the shareholders of Elanders AB (publ), corporate identity number 556008-1621

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Elanders AB (publ) for the year 2013 except for the corporate governance statement on pages 75–80. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 69–123.

### *Responsibilities of the Board of Directors and the Chief Executive Officer for the annual accounts and consolidated accounts*

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Chief Executive Officer determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual

accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive Officer, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 75–80. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Chief Executive Officer of Elanders AB (publ) for the year 2013. We have also conducted a statutory examination of the corporate governance statement.

***Responsibilities of the Board of Directors and the Chief Executive Officer***

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Chief Executive Officer are responsible for administration under the Companies Act and that the corporate governance statement on pages 75–80 has been prepared in accordance with the Annual Accounts Act.

***Auditor's responsibility***

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Chief Executive Officer is liable to the company. We also examined whether any member of the Board of Directors or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

***Opinions***

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Gothenburg 7 March 2014  
PricewaterhouseCoopers AB

Johan Rippe  
Authorized Public Accountant

# 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 sales in relation to average total assets.

## Debt/equity ratio

Interest bearing liabilities less liquid funds in relation to total equity, including equity relating to non-controlling interest.

## Dividend yield

Dividends in relation to average share price.

## Earnings per share

Result for the year divided by the average number of shares.

## EBIT

Earnings before interest and taxes; operating result.

## EBITDA

Earnings before interest, taxes, depreciation and amortization; operating result plus depreciation, amortization and write-downs of intangible assets and tangible assets.

## EBIT-multiple

Enterprise value divided by operating result.

## 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 result 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 result in relation to net sales.

## Operating result

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

Result 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 (ROCE)

Operating result in relation to average capital employed.

## Return on equity

Result for the year in relation to average equity.

## Return on total assets

Operating result plus financial income in relation to total assets.

## Risk capital

Equity plus deferred tax liabilities.

## Commercial Print

Production of printed matter such as magazines, books, catalogues, manuals, marketing material etc. Production is made by both offset technique and digital print.

## Digital print and digital print technique

The transfer of information to paper via a digital file that is then printed out with the help of a high-speed printer. This technique is a prerequisite for Print-on-Demand and makes quick deliveries in small editions possible. Offset technique is still more efficient for larger editions and four color production.

## e-Commerce

Orders are made via Web shop platforms by end customers themselves. This includes cases where Elanders sells directly to consumers and where we are subcontractors to e-Commerce 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, bar-coding, 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.

## 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.

## Outsourcing

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

## Packaging

A product manufactured to protect, handle, deliver and present an item.

## Premedia

Our collective term for the work done before printing/publishing. The term includes layout, typography, image retouching and production of originals. In our world even other services are included such as: advertisement management, file management, quality assurance, printing plate production as well as database solutions for digital material.

## Print-on-Demand

With the help of high-speed printers printed matter can be produced as needed and in very small editions.

## Supply chain

The movement and storage of goods and or information from point of origin to end-users. Supply chain management can be defined as the design, planning, execution, control and monitoring of activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand and measuring performance globally.

## Web-to-Print (W2P)

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.

## White-labelling

This is a concept that is the equivalent of private labeling where retailers sell products under their own brand (for example Coop, ICA, Tesco) although the items are produced by a supplier to them. White-labeling is based on the suppliers' perspective when they provide this kind of service.

# BOARD OF DIRECTORS

CARL  
BENNET

**Chairman  
of the Board.**

**b. 1951.**

**Elected in:** 1997.

**Education:** Bachelor  
of Science (Econ.)  
Dr. Technol. h.c.

**Appointments on the  
Elanders Board:** Chair-  
man of the Board since  
1997. Chairman of the  
nomination committee  
and remuneration com-  
mittee.

**Current appointments:**  
CEO of Carl Bennet AB.  
Chairman of the board  
of Getinge AB and Lifco  
AB. Member of the board  
of Holmen AB and L E  
Lundbergföretagen AB.

**Previous appointments:**  
President and CEO of  
Getinge AB.

**Shareholding through  
companies:** 1,166,666  
class A shares and  
13,004,098 class B  
shares.



JOHAN  
STERN

**Deputy Chairman  
of the Board.**

**b. 1951.**

**Elected in:** 1998.

**Education:** Bachelor of  
Science (Econ.).

**Appointments on the  
Elanders Board:** Chairman  
of the audit committee  
and member of the remu-  
neration committee.

**Current appointments:**  
Chairman of the board of  
HealthInvest Partners AB,  
Fådriften Invest AB, Harry  
Cullbergs Fund Foundation  
and Skanör Falsterbo  
Kallbadhus AB. Member of  
the board of Carl Bennet AB,  
Getinge AB, Lifco AB,  
Rolling Optics AB,  
RP Ventures AB, Swedish-  
American Chamber of  
Commerce, Inc. and  
Estea AB.

**Previous appointments:**  
Active within SEB's  
operations in Sweden  
and the US.

**Shareholding:**  
65,000 class B shares.



GÖRAN  
JOHNSSON

**Member of the Board.**

**b. 1945.**

**Elected in:** 2006.

**Education:** Elementary  
school and education  
within the trade unions.

**Appointments on the  
Elanders Board:** Member  
of the audit committee.

**Current appointments:**  
Chairman of the board  
of Sveriges Television  
AB, Calmando AB and  
Rådhusgruppen City AB.  
Deputy chairman of EKN.  
Member of the board  
of IQ-Initiativet AB and  
Stockholm Business  
Region AB.

**Previous appointments:**  
Chairman of the Swedish  
Metal Workers' Union.

**Shareholding:**  
2,066 class B shares.



ERIK  
GABRIELSON

**Member of the Board.**

**b. 1962.**

**Elected in:** 2012.

**Education:** Master of  
Laws.

**Appointments on the  
Elanders Board:** Member  
of the remuneration com-  
mittee.

**Current appointments:**  
Lawyer, partner and  
member of the board  
of the law firm Vinge.  
Member of the board  
of Generic Sweden AB,  
Lifco AB, Rosengård  
Invest AB and Storegate  
AB as well as deputy in  
Lamiflex International AB.  
**Shareholding:** None.



CECILIA LAGER

**Member of the Board.**

**b. 1963.**

**Elected in:** 2009.

**Education:** Business  
Administration.

**Appointments on the  
Elanders Board:** Member  
of the audit committee.

**Current appointments:**  
Chairman of the board  
of Max Matthiessen  
Värdepapper AB and  
Sherpani Advisors AB.  
Member of the board of  
Dibs Payment Services  
AB, Knowit AB and  
Cinnober Financial  
Technology AB.

**Previous appointments:**  
CEO SEB Funds, Marketing  
Director Alecta.

**Shareholding:**  
24,122 class B shares.



LENA  
HASSINI

**Employee representative.**

**b. 1961.**

**Elected in:** 2008.

**Education:** Upper secondary education.

**Work:** Premedia/Prepare.

**Shareholding:** None.



CLAES-GÖRAN  
VINBERG

**Deputy employee representative.**

**b. 1952.**

**Elected in:** 2013.

**Education:** Upper secondary education.

**Work:** Premedia.

**Shareholding:** None.



LILIAN  
LARNEFELDT

**Employee representative.**

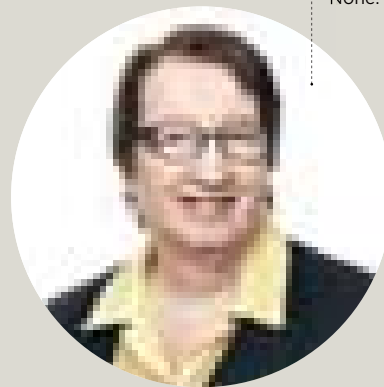
**b. 1950.**

**Elected in:** 2009.

**Education:** College Diploma in Business Administration from Vasa Handelsläroverk.

**Work:** Storage/Distribution.

**Shareholding:** None.



MAGNUS  
NILSSON

**Member of the Board.  
President and Chief Executive Officer.**

**b. 1966.**

**Elected in:** 2010.

Employed in Elanders since 1999.

**Education:** Education in Graphic Technology, Design, Business Administration and Marketing.

**Shareholding:** 47,300 class B shares.



KERSTIN  
PAULSSON

**Member of the Board.**

**b. 1963.**

**Elected in:** 2007.

**Education:** Master of Science in Engineering.

**Appointments on the Elanders Board:** Member of the audit committee.

**Current appointments:** Managing director of Netsoft Lund AB. Deputy Chairman of the board of the Swedish Defence Materiel Administration. Member of the board of the Swedish Agency for Economic and Regional Growth.

**Previous appointments:** Head of Research and Development Kockums AB.

**Shareholding:** 2,000 class B shares.



CHARLOTTE  
TRELDE

**Deputy employee representative.**

**b. 1966.**

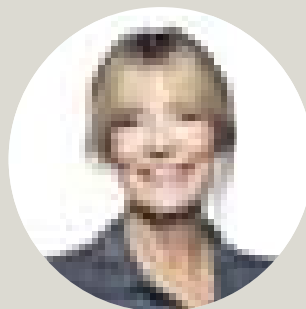
**Elected in:** 2013.

**Education:** Education in Business Administration and Marketing. Certified Public Bid Manager.

**Work:** Sales.

**Shareholding:** None.

# GROUP MANAGEMENT



**MAGNUS  
NILSSON**

**President and  
Chief Executive  
Officer.**

**b. 1966.**  
**Education and  
background:**  
Employed since  
1999. Education  
in Graphic Tech-  
nology, Design,  
Business Admin-  
istration and  
Marketing. Active  
within the graphic  
industry since  
1987. Head of pro-  
duction Elanders  
in Hungary 2002.  
MD Elanders  
Berlings Skogs  
2003-2005 and  
Elanders in China  
2005-2009.  
**Shareholding:**  
47,300 class B  
shares.

**LIM KOK  
KHOON**

**Responsible for  
Supply Chain  
Solutions.**

**b. 1956.**  
**Education and  
background:**  
Employed since  
2014. Bachelor  
degree in Electrical  
& Electronics  
Engineering from  
Concordia Univer-  
sity in Canada  
and Master of  
Science in Indus-  
trial Engineering  
from National  
University in Sin-  
gapore. More than  
30 years of experi-  
ence in world-  
class multinational  
corporations.  
Joined Elanders in  
connection with  
the acquisition of  
Mentor Media in  
2014, where he  
was CEO.  
**Shareholding:**  
None.

**THOMAS  
SHEEHAN**

**Responsible for  
Print & Packaging  
in the Americas.**

**b. 1960.**  
**Education and  
background:**  
Employed since  
2012. Master in  
Business Admin-  
istration (MBA)  
from Colorado  
State University  
and Bachelor of  
Arts (BA) in Eco-  
nomics, Business  
Administration and  
Computer Science  
from Coe College.  
30 years of experi-  
ence in delivering  
IT and graphic arts  
solutions to multi-  
national clients.  
Joined Elanders in  
connection with  
the acquisition of  
Midland Informa-  
tion Resources in  
2012, where he  
was CEO.  
**Shareholding:**  
None.

**ÅSA  
SEVERED**

**Responsible for  
Print & Packaging  
in Sweden and  
Poland.**

**b. 1958.**  
**Education and  
background:**  
Employed since  
2013. Master of  
Science in Indus-  
trial and Manage-  
ment Engineer-  
ing, MBA Oxford  
Brooke University.  
Extensive experi-  
ence from leading  
positions in the  
manufacturing  
industry and me-  
dia, most recently  
as CEO of TV4  
Sverige.  
**Shareholding:**  
None.

**PER  
BRODIN**

**Responsible for  
Print & Packaging  
in Asia.**

**b. 1961.**  
**Education and  
background:**  
Employed since  
1998. Diploma  
from Grafiska  
Institutet. Active  
within the graphic  
industry since  
1976. MD Eland-  
ers in Hungary  
2002-2009  
and Elanders in  
Poland 2010-2011.  
Joined Elanders  
in connection  
with the acquisi-  
tion of the Skogs  
group in 1998.  
**Shareholding:**  
50,000 class B  
shares.

**MARTIN  
LUX**

**Responsible for  
e-Commerce  
Solutions.**

**b. 1964.**  
**Education and  
background:**  
Employed since  
2012. Master  
in Electrical  
Engineering.  
20 years experi-  
ence within IT  
and e-commerce.  
Joined Elanders  
in connection  
with the acquisi-  
tion of d|o|m  
and fotokasten  
in 2012, where he  
was CEO.  
**Shareholding:**  
None.

**PETER  
SOMMER**

**Responsible for  
Print & Packaging  
in Germany,  
Hungary and  
Italy.**

**b. 1957.**  
**Education and  
background:**  
Employed since  
2007. Graphic  
engineer. Sole  
founder of Sommer  
Corporate Media.  
Joined Elanders  
in connection  
with the acquisi-  
tion of Sommer  
Corporate Media  
in 2007, where he  
was CEO.  
**Shareholding:**  
578,000 class B  
shares.

**ANDRÉAS  
WIKNER**

**Chief Financial  
Officer.**

**b. 1971.**  
**Education and  
background:**  
Employed since  
2007. Master of  
Science in Busi-  
ness Administra-  
tion. Auditor  
during 1997-2007.  
Approved Public  
Accountant 2004.  
Authorized Public  
Accountant 2005.  
**Shareholding:**  
3,000 class B  
shares.

# AUDITORS AND NOMINATION COMMITTEE

PANTONE  
MATCHING  
SYSTEM  
51 years old

## AUDITORS

PricewaterhouseCoopers AB  
with the authorized public  
accountant:

### **Johan Rippe, b. 1968**

Company auditor since 2008

Other appointments:

AB Volvo, Collector AB, Stena  
AB and Stena Metall AB

## THE NOMINATION COMMITTEE

### **Carl Bennet**

Chairman and contact,  
represents Carl Bennet AB,  
telephone: +46 31 74164 00

### **Hans Hedström**

CEO and responsible  
for owner matters in  
Carnegie Funds,  
telephone: +46 8 69617 00

### **Britt-Marie Årenberg**

Representative for the smaller  
shareholders

Nomination committee  
questions can be submitted  
by e-mail or post mail to:

[valberedning@elanders.com](mailto:valberedning@elanders.com)

### **Elanders AB**

Att: Nomination Committee  
Box 137  
435 23 Mölnlycke  
Sweden

# CONTACT ELANDERS



## HEAD OFFICE

### ELANDERS AB (PUBL)

President and  
Chief Executive Officer:  
Magnus Nilsson  
magnus.nilsson@elanders.com

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www.elanders.com  
info@elanders.com

## PRINT & PACKAGING

### ASIA

#### ELANDERS (BEIJING) PRINTING CO LTD

MD: Per Brodin  
per.brodin@elanders.com

No. 30 YuHua Road,  
Beijing TianZhu Airport Industrial  
Zone, ShunYi District, Beijing 101318,  
P.R. China

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#### ELANDERS GERMANY GMBH

MD: Peter Sommer  
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Fax: +36 92-57 10 78

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info@elanders-hungary.com

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Fax: +39 422 44 22 53

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Fax: +44 1912-80 04 01

#### Harrogate

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Yorkshire, HG1 5JW, England

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Fax: +44 1423-53 06 10

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addingvalue@elanders.com

#### MCNAUGHTAN'S PRINTERS LIMITED

MD: Kevin Rogers  
kevin.rogers@elanders.com

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Industrial E, G68 9HQ  
Cumbernauld, Glasgow  
Scotland

Telephone: +44 1236 733 833

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addingvalue@elanders.com

#### ELANDERS POLSKA SP. Z O.O.

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asa.severed@elanders.com

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Fax: +48 23-662 31 46

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recepca.plonsk@elanders.com

#### ELANDERS SVERIGE AB

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asa.severed@elanders.com

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Fax: +46 31 750 00 10

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Lovenegatan 4, Box 807,  
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Fax: +46 515 164 64

**Jönköping, Elanders**  
**NRS Tryckeri**  
Linnégatan 2, Box 3188,  
550 03 Jönköping, Sweden  
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**Malmö**  
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212 39 Malmö, Sweden  
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Fax: +46 40 93 18 68

**Vällingby, Stockholm**  
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Fax: +46 8 454 68 16

**Värnamo, Elanders**  
**Fälth & Hässler**  
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**Västerås**  
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72136 Västerås, Sweden  
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info.sweden@elanders.com

## NORTH AND SOUTH AMERICA

### MIDLAND INFORMATION RESOURCES COMPANY

MD: Thomas Sheehan  
tsheehan@elandersamericas.com

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Fax: +1 563 823 7651

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### ELANDERSUSA INC.

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### ELANDERS REPRODUÇÃO DE IMAGENS LTDA

Operations Manager: Martin Skogmar  
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09980-025 - Diadema - SP, Brazil

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Fax: +55 11 3195 3400

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orcamento@elanders.com

## SUPPLY CHAIN

### ASIA

#### MENTOR MEDIA LTD CORPORATE HQ

MD: Lim Kok Koohn  
kok-khoon\_lim@mentormediacorp.com

No. 1, Bukit Batok Street 22, #07-01  
Singapore 659592

Telephone: +65-6631 3333 /  
+65-6896 3773  
Fax: +65 6896 3777 /  
+65 6896 3826

www.mentormedia.com.sg  
sales@mentormediacorp.com

#### Mentor Media Ltd, Fulfillment Plant

No. 46 Penjuru Lane,  
C&P Building, #03-03,  
Singapore 609206  
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+65-6896 3773  
Fax: +65 6896 3777 /  
+65 6896 3826

**MENTOR MEDIA TAIWAN BRANCH**

Rm. 2, 7F., No.146,  
Wenxing Rd., Guishan Township,  
Taoyuan County, 33377  
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Telephone: +886-3-3279389#429  
Fax: +886-3-3279380 / 3279382

**SHANGHAI  
MENTOR MEDIA CO., LTD**

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Pudong Shanghai 201203  
P.R. China

Telephone: +86-21 5834 1893  
Fax: +86-21 5834 0155

**SHANGHAI MENTOR MEDIA  
PRINTING CO., LTD**

25 Yun Qiao Road, T22/32,  
Jinqiao Export Processing Zone  
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P.R. China

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**MENTOR MEDIA  
(SHENZHEN) CO., LTD**

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Guangdong Province 518038  
Kina

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+86-755 8359 5154  
Fax: +86-21-5834 3005

**MENTOR MEDIA (XIAMEN) CO., LTD**

8F, East Side of 37#  
Building No. 52,  
HuLi Dadao, HuLi District, Xiamen,  
Fujian, 361006  
P.R. China

Telephone: +86-592 570 3399 /  
+86-592 570 3377  
Fax: +86-592 570 3377

**MENTOR MEDIA  
(SONGJIANG) CO., LTD**

10th Building in Phase IV of Royal  
Industry Park,  
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Export Processing,  
Zone Shanghai 201613  
P.R. China

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Fax: +86-21 5774 9939 /  
+86-21 5774 9806

**MENTOR MEDIA  
(KUNSHAN) CO., LTD**

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Zone, Kunshan City,  
Jiangsu Province 301,  
P.R. China

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Fax: +86-512 5772 0228

**MENTOR MEDIA (SUZHOU) CO., LTD**

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Suzhou New Hi-Tech  
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Suzhou, Jiangsu Province 215011  
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**MENTOR MEDIA  
(CHONGQING) CO., LTD**

No.22, Xi Yuan Yi Lu,  
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Fax: +86-23 8652 9828

**MENTOR MEDIA CBZ  
(CHONGQING) CO., LTD**

2-2 Workshop, Zone B  
Xi Yong CBZ,  
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Shapingba District,  
Chongqing City. 401331  
P.R. China

Telephone: +86-23 6562 0388  
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**MENTOR MEDIA  
(CHENGDU) CO., LTD**

High-tech Comprehensive  
Bonded Zone  
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Gongxing Town  
Chengdu City 610213,  
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**MENTOR MEDIA  
PRINTING & LOGISTICS PVT LTD**

B-50 & 51 SIPCOT Industrial Park,  
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Irunkattukottai- 602 105, Chennai,  
Tamil Nadu, India

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Fax: +91 44 4710 3902

**MENTOR MEDIA (JAPAN)  
GODOKAISHA**

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Tokyo, Japan 103-0027

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**EUROPE****MENTOR MEDIA CZECH S.R.O.**

Škrobářenská 6, 617 00 Brno  
Czech Republic

Telephone: +420 515 577 401  
Fax: +420 515 577 402

**NORTH AMERICA****MENTOR MEDIA (USA) SUPPLY  
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1770 S Vineyard Avenue  
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**MENTOR MEDIA MIAMI**

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Fax: +1 786 235 1595

**MENTOR MEDIA  
JUÁREZ S.A. DE C.V.**

Avenida Libre Comercio No. 2164,  
Parque Industrial las Américas  
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C.P. 32596. Mexico

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**E-COMMERCE****DIOIM DEUTSCHE ONLINE  
MEDIEN GMBH**

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martin.lux@d-o-m.org

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info@d-o-m.org

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# WELCOME TO ELANDERS' ANNUAL GENERAL MEETING

Shareholders in Elanders AB (publ) are welcomed to the company's Annual General Meeting Tuesday 6 May 2014 at 3 p.m. at Elanders' headquarters at Designvägen 2, Mölnlycke, Sweden.

**S**hareholders who wish to participate in the Annual General Meeting must be inscribed in the register of the shareholders held by Euroclear Sweden AB no later than Tuesday 29 April 2014. Intent to participate must be reported by Tuesday 29 April 2014, (preferably before 1:00 p.m.).

SHAREHOLDERS WHO HAVE nominee registered their shares must, through the services of a nominee, register their shares in their own name with Euroclear Sweden AB. This reregistering, which may be temporary, must be carried out after having requested it from the nominee no later than Tuesday 29 April 2014. This means that the shareholder must notify the nominee of this well in advance of this day.

INTENT OF PARTICIPATION can be made in writing to Elanders AB (publ), Box 137, SE-435 23 Mölnlycke, Sweden and please write "Annual General Meeting" on the envelope.

It is also possible to notify via telephone +46 31 750 07 21, fax +46 31 750 07 25, via e-mail [arsstamma@elanders.com](mailto:arsstamma@elanders.com), or via the company website [www.elanders.com](http://www.elanders.com).

Please include name, personal or organization number, address and telephone number, number of shares and, if applicable, assistants (no more than two), that will assist at the Annual General Meeting.

THE ANNUAL GENERAL MEETING will handle the matters stipulated in the articles of association together with any other business named in a separate summons.

# Calendar

- ANNUAL GENERAL MEETING – 6 May 2014
- QUARTERLY REPORT Q1 – 6 May 2014
- QUARTERLY REPORT Q2 – 17 July 2014
- QUARTERLY REPORT Q3 – 22 October 2014
- YEAR-END REPORT 2014 – 27 January 2015
- ÅRSREDOVISNING 2014 – 27 March 2015

## Distribution policy

ELANDERS' ANNUAL REPORT IS DISTRIBUTED to all shareholders that have not actively declined to receive a printed version. New shareholders are welcomed with their own copy of the Annual Report but it is possible to unsubscribe from future printed reports via Elanders' website or via e-mail: [arsredovisning@elanders.com](mailto:arsredovisning@elanders.com)

It is also possible to download the Annual Report both in Swedish and English from Elanders' website. Those interested can via the website read Elanders' Annual Reports from the last ten years and order printed Annual Reports five years back.

### PRODUCTION FACTS

**Production:** Elanders AB in collaboration with More PR AB and Rubrik AB.

**Paper:** Cover: Ensocoat 275 g.  
Insert: MultiDesign Smooth white 115 g.

Elanders Fälth & Hässler, which has long been a leader in this technology having used it in innumerable advanced book and catalogue productions, has done the repro work and extreme compensation of images.

Net sales and other statistics for the industry have been provided by the market research company Smithers Pira Ltd and the interest organization Packbridge.

### CLIMATE NEUTRAL ANNUAL REPORT

There have been tremendous developments concerning the environment in the past few years and ecolabeled 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 ecolabeled and FSC® labeled. It is also a climate neutral product.



### PHOTO

**Photographer Mikael Göthage:** page 18, 19, 23, 27 and 128–131.

**Flickr/Daring Librarian:** page 15.

**Istock Photo:** page 16.

**Shutterstock:** page 2, 6, 8, 10–11, 13, 15, 41, 45, 47, 49–50, 54 and 64.

**Wikipedia:** F Schmutzer page 7, Bundesarchiv page 7, Daniel Cardle page 15 and DeLorean page 15.

### TRANSLATION

Camille Forslund.

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.

Tick. Tock.

