

IN TOUCH WITH THE FUTURE

ELANDERS<sup>12</sup>

A close-up photograph of a person's hand reaching out and touching the surface of blue water. The hand is positioned in the lower half of the frame, with fingers slightly spread. The water is a deep blue color and shows concentric ripples emanating from the point of contact. In the upper left quadrant, there is a black rectangular box containing the text "YOUR COVER" in white, uppercase letters. A thin white dotted line extends from the top right corner of this box towards the water's surface, ending in a small white square.

YOUR COVER

The front cover is one of 5,678 randomly selected images generated from the picture on the page to the left. The marker shows where in the image your cover is generated from. It has been blown up 325 times. You can find more information on page 131.

# IN TOUCH WITH THE FUTURE

IT'S NO COINCIDENCE that the words touch and feel encompasses emotional aspects as well as physical.

Touch is one of our most important senses and when we are born touching is critical to our survival and development. Touching is the first language we learn – and feeling is its grammar.

It becomes a tool for investigating the world around us. It allows us to determine if things are warm or cold, wet or dry, soft or hard, rough or smooth, dead or alive. Textures and forms come to us first through touching. It's the doorway to all our other senses, but the digital revolution forgot about the sense of touch.

ON 29 OCTOBER 1969 a research team at UCLA under the leadership of Leonard Kleinrock wrote the word “login” on a computer and sent it over a network to another computer. That was the start of the Internet, which according to several self-appointed experts was the beginning of the end for printed media.

We have moved our lives from the physical room to virtual worlds. We have built networks and simulated realities which would not have been possible other-

wise. Our daily lives have been supplemented with a parallel life being played on monitors – in computers, mobiles, tablets and displays. Our reality is increasingly being formed by pixels.

And yes, pixels can make an impression. But you can't *touch* them.

ELANDERS ANNUAL REPORT 2012 gazes into the future and sees a clear trend where printed media is central, albeit in a completely new role. We are standing on the edge of a new technological era which will spawn a social and economic upheaval on par with the revolutions once created by the printing press, steam engine, electricity and the Internet.

A shift to the physical room is taking place as a reaction to the past decades' virtual worlds. More and more people are going to leave the isolated situation of communicating behind monitors and instead experience and integrate digital information in the real, physical environment together with other people. Physical reality, the one we can touch and that touches us, is going to have a renaissance.

We call it the pixel liberation – a future we can feel.



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MAGNUS NILSSON | ELANDERS

## THE VALUE OF THE REAL THING

LAST YEAR WE decided to completely overhaul the contents and design of Elanders' Annual Report. We were richly rewarded and received the Swedish Publishing Award for "The Best Annual Report for a Public Company". The jury's motivation was "Elanders does so much more than just describe their company."

And this was exactly what we intended to do – through our Annual Report we wanted to show where the graphic industry is headed on a global level, and the position Elanders has taken in a business that is changing at the speed of light.

This year's edition is also focused on future developments – those in our industry and those in communication in general. We see a renaissance in the value of the real thing. After decades of virtual

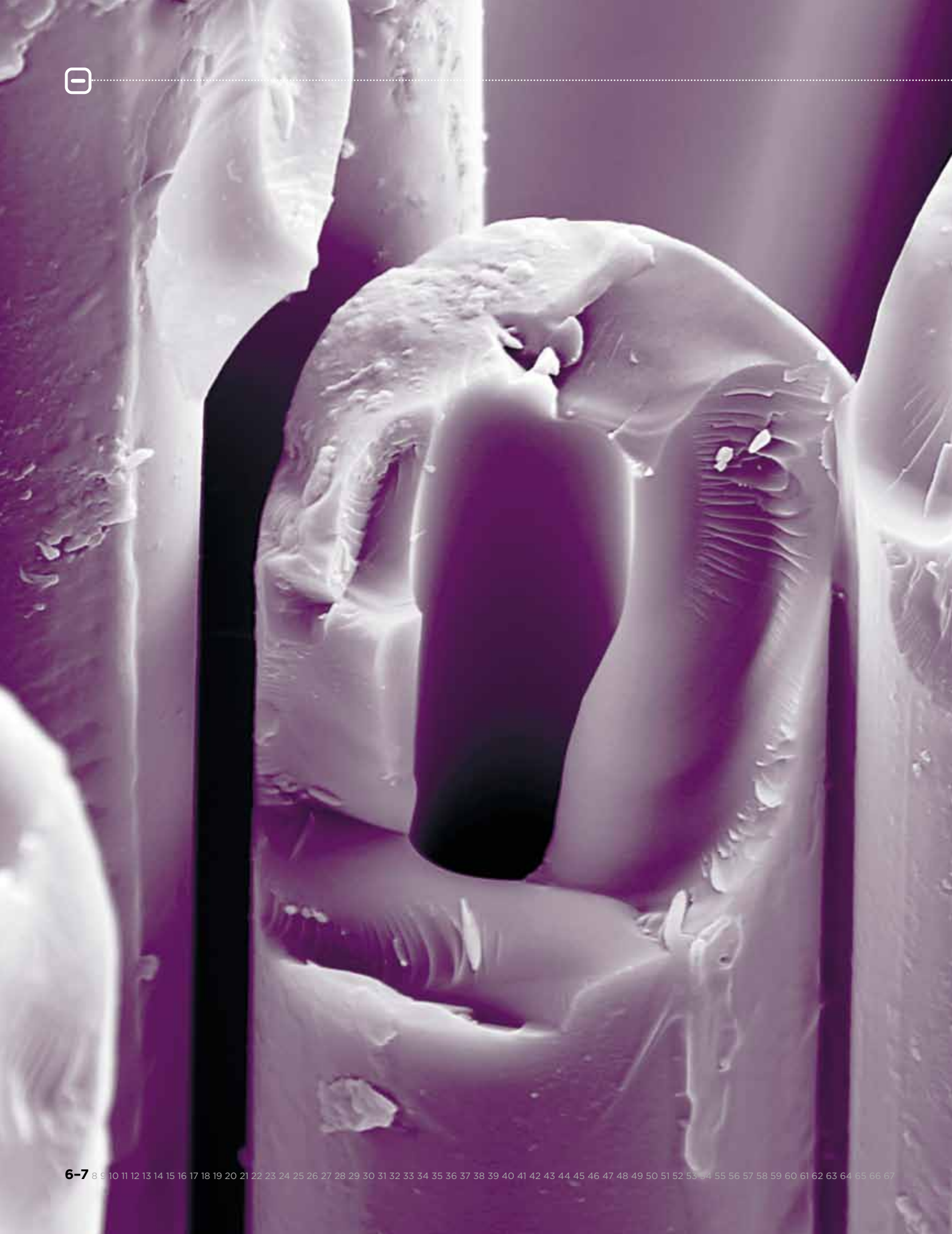
worlds, printed media is still front and center. Our role may have changed but we're still here.

Whether or not the graphic industry keeps or wins new market shares is utterly dependent on how well it can integrate developments in digital print. At the same time printed products have the advantage of possessing dimensions that appeal to more senses than just sight. In other words, printed products touch.

Welcome to the Elanders Annual Report.



Magnus Nilsson  
President and CEO







OPTICAL FIBER CABLE  
OF GLASS, SCALE 1008:1

# THE LIBERATION OF PIXELS

*Obviously reality is always going to have a higher resolution than the best simulation, no matter how much the latter tries to reach this goal. So from this perspective digital will always be inferior to the real thing – what we see, hear, smell and taste in our surroundings.*

*However, there is one aspect where digital technique is absolutely brilliant and that is in allowing us to realize our fantasies – pixel dreams. All of a sudden, with new instruments that can connect visions to physical space, we can create things that have never existed before.*

*Digital visions – but for real.*





OPTICAL FIBER CABLE  
OF GLASS, SCALE 9:1

## THE NEW STRUCTURE

*The future is within our grasp. It's so close we can touch it.*

*A great deal of research today revolves around materials. One hot item at the moment is graphene, a carbon allotrope that may come to be used in everything from malleable monitors and advanced batteries to artificial retinas.*

*New materials – and new ways to use existing materials – will revolutionize our daily life. The past few years focus has been on information technology, communication and the Internet. In the future we will focus just as much on how we are going to transform our physical reality.*



# // THERE IS AN ENORMOUS AMOUNT OF INFORMATION OUT THERE – SOONER OR LATER SOMEONE IS GOING TO CONNECT IT WITH REALITY.//

THE INTERNET OF THINGS – the idea of getting all our things to communicate and cooperate with each other – was launched as a concept back in 1999. Since then technology has caught up with the vision and these kinds of solutions will become more common in the coming years. For instance, the technique of being able to stamp electronics directly onto paper, plastic, glass, metal etc. will fundamentally change our everyday appliance lives. Packages will be able to talk to refrigerators that will communicate with electricity meters that will have interact with the heating system and the electricity grid which will speak to the Internet that ...

We will soon take for granted that everything communicates with everything and we won't remember what it was like when things were mute. Kind of like the way we look back at information before Internet.

AUGMENTED REALITY can be described as laying a digital layer over reality – something previously only existing as a concept in science fiction but now completely possible with today's mobiles that have built-in gps, compasses and cameras. Practical solutions for this are rapidly becoming available.

For example, purchasers of the December 2012 edition of Esquire magazine could read the printed magazine through a mobile app and, among other things, see an animated front page, pull up moving film clips and save pages in pdf format. Or how about future technical support that can see what

you record with your mobile camera and insert guides and help text directly into the image? Future travel guides will most probably point out sites, restaurants and bus stops directly in your mobile phone camera.

Or how about telephone directories that are laid out like a virtual film wherever you go so that you can see who lives where? There is an enormous amount of information out there - sooner or later someone is going to connect it with reality.

3D PRINTERS ARE another phenomena that feel like they are right out of a science-fiction story. The technology has been around awhile but it's expected to explode in the next few years when the hardware becomes cheap enough to use at home.

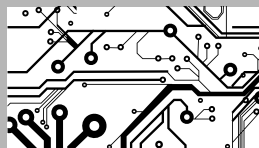
Briefly, the technology takes a 3D drawing in a computer and builds an object by putting on one layer at a time in a specially made printer. The material can vary – currently it includes plastic, different metals, ceramics, plaster, paper, resin and even chemicals depending on the purpose. The possibilities are endless; spare parts, art, jewelry, models to scale for manufacturing or construction, components, household objects...

One profession that has been particularly quick to adopt this technology is – shoe designers. The shoes that can be dreamed up in a computer and gotten out of a 3D printer wouldn't have been possible without the new solutions this technology offers.

## FOUR VISIONS OF THE FUTURE



**THE PRINTED HOUSE**  
Architect Janjaap Ruijsse-naars has high-flying plans to build houses with parts printed by a 3D printer. He believes the technology offers completely new possibilities to form houses exactly the way you want them. The material – sand and binder – will be stronger than cement.



**PACKAGES THAT SNIFF**  
A research team at Stanford University, USA, has tested printing circuits with a DNA-based electrically conductive ink on paper. The circuits can sense if food stuffs like milk, meat or fruit are turning bad and then signal this with fluorescent light.



**NET GLASSES**  
Google is currently developing glasses with a built-in computer and a tiny monitor that is activated when you look at it. The technology makes it possible to work with augmented reality. The glasses are expected to be available to consumers sometime in 2014.



**GRID TALK**  
The smart electric car Elviis is the result of collaboration between Ericsson, Volvo and Gothenburg Energy. A computer monitors the car battery and communicates directly with the electricity grid. One of the effects is that the driver always pays for the electricity, no matter where you charge up.

# A COMPETITIVE GLOBAL AND LOCAL OFFER

*Elanders operates on global market and has three product areas: Commercial Print, Packaging and e-Commerce. With production in nine countries on four continents Elanders is one of the few suppliers that can offer global solutions for all kinds of printed information.*

COMMERCIAL PRINT comprises magazines, books, catalogues, information and marketing material. Manuals and product information are also included in this category and the entire product area represents close to 80 percent of Elanders' net sales.

Elanders is a global player that can offer and deliver tailor-made solutions to global customers that are often in the automotive industry or manufacture consumer electronics. Mid-sized companies, organizations and authorities are also prioritized customer groups. A line of business Elanders aims for in the future is to serve small companies that place online orders and cut manual handling to a minimum.

The competition in Commercial Print is fierce on pretty much every market in the world. However, thanks to its size and global resources Elanders has been able to shift printing from the high-cost countries Germany and Sweden to the low-cost countries Poland and Hungary. Since 2009 these printing volumes have quadrupled and it appears this trend will hold over the next few years.

Developments in Western Europe have been very difficult for printing companies that have not been able to move production like Elanders has. The graphic industry has been going through structural changes for years in the West and this accelerated af-

ter the economic crisis in 2008. There is an ongoing natural elimination of unprofitable players and this has opened up new opportunities for Elanders to make strategic acquisitions and take market shares.

Despite the weakening market, primarily in Europe and the US, Elanders has succeeded in meeting the new situation by giving customers greater added value in the form of logistic solutions, personalized printing and more.

A good example of this is the demand for manuals in the automotive industry. The manuals have become simpler and thinner and part of the information that was previously printed is now delivered digitally.

Elanders can provide a customer further added value by also offering packaging print and packing together with the manuals. The same trend can be found among producers of home appliances where Elanders often becomes a comprehensive print supplier that offers just-in-time deliveries and storage.

The demand for customized and chassis unique manuals is on the rise in the automotive industry. Elanders has long and extensive experience in this area and a large number of leading, global vehicle manufacturers are our customers.





## // THE GRAPHIC INDUSTRY HAS BEEN GOING THROUGH STRUCTURAL CHANGES FOR YEARS IN THE WEST AND THIS ACCELERATED AFTER THE ECONOMIC CRISIS IN 2008. //

PACKAGING is the section of the graphic industry with the largest volumes and everything points to continued growth in this product area in the near future. Demand is stable in Western Europe and the US and increasing slightly in Latin America. Packaging is expected to grow in Asia by around 35 percent from 2012 to 2016.

In the past few years Elanders has singled out and acquired companies that will help us grow in this area. Elanders offers an entire range from simple boxes to exclusive handmade packaging in everything from small to enormous editions.

Elanders can also offer personalized print on packaging and this segment is growing stronger every year. Packaging print is getting more complex technically to produce, requiring special machines and skilled workers with experience.

The importance of a company's brand is escalating and this is driving developments towards packaging that gets attention and sticks out on shop shelves. And when it's a matter of premium quality, the packaging also needs to tell you have made the right choice. Although this is particularly obvious in home electronics you can also see it in other areas like cosmetics, pharmaceuticals and food.

E-COMMERCE is a prioritized product area for Elanders which in just a few short years has grown to represent ten percent of the Group net sales. The acquisition of fotokasten GmbH and dloIm Deutsche Online Medien GbmH has given Elanders hundreds of thousands of consumer customers.

Technical developments are fast in this product area and consumers' purchase patterns are constantly changing. *e-Commerce* is growing in both the US and Western Europe and Elanders specialization in personalization is more often the rule rather than the exception. Customers can put in their orders for photo books, calendars and other printed material on specially designed websites and in some cases even follow the entire process from order to delivered printed matter.

In addition to the volumes, delivery speed is also impressive. Within 48 hours customers can receive their photo books, calendars or whatever they have ordered. The technical solutions are such that it only takes a few minutes to prepare a photo book for print.

Elanders' strategy in *e-Commerce* is to serve our existing customers in the best way possible via order portals but also to be the obvious choice for customers that are focused on end consumers where Elanders can even offer white labeling solutions.

# CUSTOMER BENEFITS IN EVERYTHING WE DO

*During a year Elanders produces thousands of deliveries for customers in nine countries and on four continents. On the next two pages we have chosen to describe a few examples to illustrate the breadth, complexity and benefits in Elander's offers. Cases from this year demonstrate how well digital developments can work together with an innovative graphic industry.*



**BMW**

**COMMERCIAL PRINT:**  
Manuals and other  
printed information

**PRODUCTION:**  
Elanders in Germany

**DESCRIPTION:**  
Elanders began supplying manuals and other printed information to BMW two years ago. In order to deliver "just-in-sequence" in to BMW's production line Elanders has a direct connection, and is integrated with, their factory in Dingolfing. We deliver the exact quantity of kits required and a kit can consist of several different printed items. What we produce is decided by the number and model of vehicles in the production process. With this system Elanders guarantees that BMW always has the right number of products no later than two days before the vehicles roll out of the factory. This means producing around 1,500 packed kits a day. Elanders also delivers to several other major car manufacturers in the premium and middle range.

## FRIEND- CALENDAR. COM

**E-COMMERCE:**  
Facebook application and  
personalized calendars

**PRODUCTION:**  
djo|n and Elanders  
in Germany

**DESCRIPTION:**  
In the autumn of 2012 Friend-Calendar.com launched a Facebook application where the user can create a photo calendar with pictures of their best friends – one for each month and three images per friend. The application has a built-in algorithm which automatically chooses which friends end up in the pictures based on the number of "likes", comments and other kinds of interaction.







## FOTOKASTEN

**PACKAGING  
AND E-COMMERCE:**  
Christmas and  
Photo Calendars

**PRODUCTION:**  
Elanders in Germany

**DESCRIPTION:**  
Through fotokasten,  
Elanders' brand for selling  
personalized photo products  
on the Internet, anyone can  
quickly and easily create  
their own customized Christ-  
mas Calendar. The customer  
can choose between 24 of  
their own pictures or personal  
messages that are hidden  
behind delicious chocolate  
hearts from world leading  
chocolate-maker Lindt.

## TESCO

**COMMERCIAL PRINT:**  
Brochures, magazines and  
retail marketing material

**PRODUCTION:**  
Elanders in Great Britain,  
Poland and Hungary

**DESCRIPTION:**  
Almost a year ago Elanders  
began to work extensively  
with Tesco in Great Britain.  
With over 500,000 em-  
ployees in 14 countries and  
stores in Europe, North  
America and Asia, Tesco is  
one of the largest retailers  
in the world. Besides printed  
retail marketing material  
for its stores we work with  
several other Tesco business  
areas; Tesco Bank, Tesco  
Clubcard, Tesco Dobbies,  
Tesco Photo, Tesco Cloth-  
ing range - F & F, One Stop  
Shop and Tesco Events.  
Our collaboration has now  
expanded to comprise  
Tesco's other European  
operations as well and, all in  
all, it is expected to grow to  
four times current volumes  
before the end of 2013.





**ELANDERS'  
OFFER**

## GUNNEBO SLOTT

**COMMERCIAL PRINT  
AND PACKAGING:**  
Book and present box

**PRODUCTION:**  
The book:  
Elanders in Sweden  
(Fälth & Hässler)  
Present box:  
Elanders in China

**DESCRIPTION:**  
Gunnebo House and Gardens is one of Sweden's foremost 18th century facilities and is beautifully situated in Mölndal, just south of Gothenburg. In order to generate more interest in the facility Gunnebo House and Gardens produced a book about the palace, gardens and horticulture that also includes their ecological philosophy on food. The book is printed with Elanders' own developed HD technology which produces brilliant definition and printed images even on uncoated paper. Since the book will often be used by the city and local companies as a present and marketing material for special guests its exclusive present box is a fitting part of the delivery.



## VOLVO TRUCK CORPORATION

**COMMERCIAL PRINT  
AND E-COMMERCE:**  
Company calendars

**PRODUCTION:**  
Elanders in Sweden

**DESCRIPTION:**  
Elanders produces three different calendars for Volvo Truck Corporation. Around 300 dealers can get their calendars customized and printed with their own logo. The dealers can order the number of calendars they want through a web portal and based on those orders Elanders sets up an optimal and cost-effective production plan. Before they are delivered the calendars are packed in specially produced packaging.

## PRINTSY POSTCARDS

**E-COMMERCE:**  
iPhone application and  
personalized postcards

**PRODUCTION:**  
d|o|m and Elanders  
in Germany

**DESCRIPTION:**  
Printsy Postcards makes  
it possible for owners of  
iPhones, iPads and iPod  
touches to send personal-  
ized postcards directly from  
their devices. Unlike other  
such applications Printsy  
isn't limited by national  
borders. The physical cards  
can therefore be sent to any-  
where in the world with fast  
deliveries. Printsy Postcards  
is Elanders' first applica-  
tion based on a number of  
ideas about how people can  
use their mobile pictures in  
better and more fun ways.  
The application has been  
developed by d|o|m and the  
postcards are produced in  
Germany.



## SVENSKA SPEL

**COMMERCIAL PRINT:**  
All printed retail  
marketing information

**PRODUCTION:**  
Elanders in Sweden

**DESCRIPTION:**  
Svenska Spel is the largest  
gaming company in Sweden  
with several strong and well  
known brands. Elanders won  
a very comprehensive,  
complex procurement of  
printing suppliers for retail  
marketing information. Since  
the company is owned by  
the Swedish government  
requirements were particu-  
larly high. It was especially  
important that the printing  
supplier worked seriously  
to reduce its environmental  
impact. The contract covers  
retail marketing informa-  
tion for all Svenska Spel  
products, among them  
Triss which is the most sold  
scratch-off lottery ticket in  
Sweden and one of  
Sweden's most popular  
lotteries. Thanks to Elanders  
Svenska Spel has improved  
the work process between  
printer and orderers and at  
the same time cut costs.



# THIS HAPPENED IN 2012

**NET SALES**

Net sales amounted to MSEK1,924 (MSEK 1,839), which was an increase by 5 percent over 2011. With the same exchange rate and comparable units as last year net sales were unchanged.

**OPERATING  
RESULT**

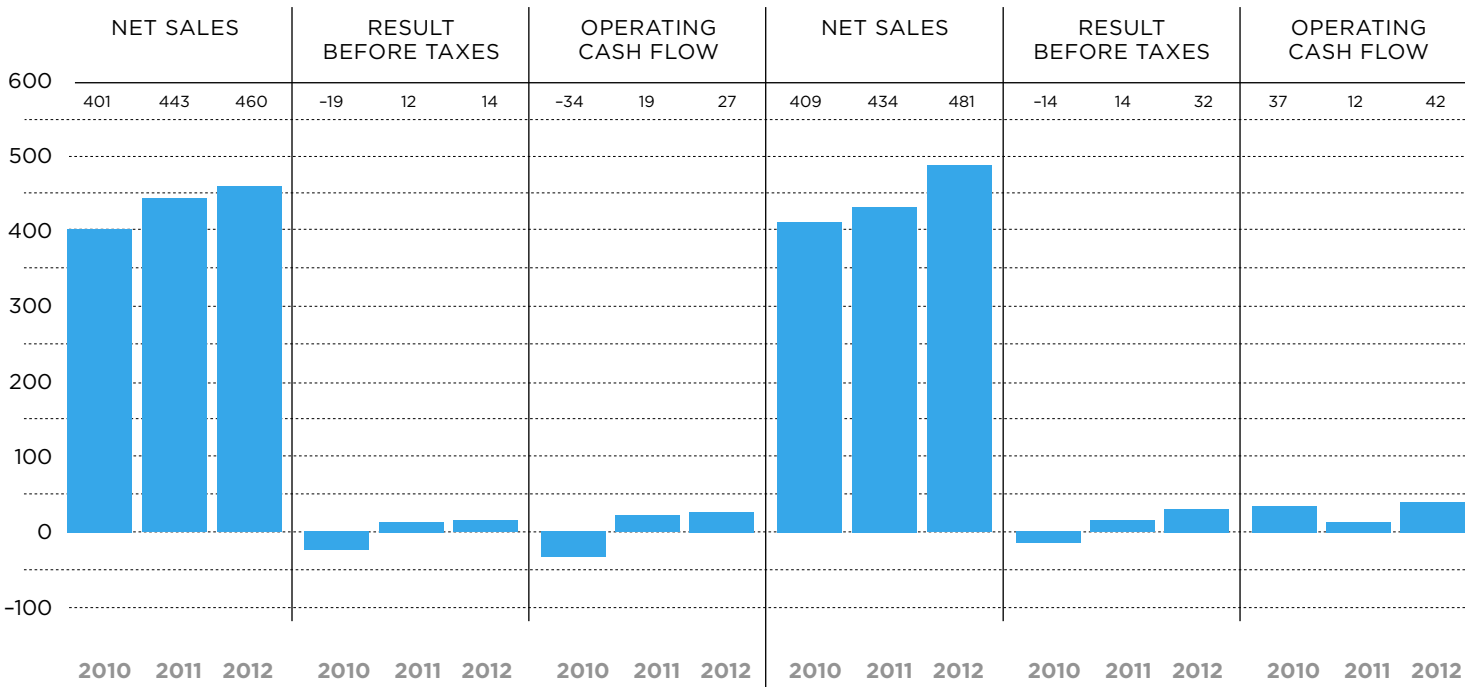
The operating result was MSEK 119 (110) and was affected positively by net one-off items of MSEK 15 (25).

**NET RESULT**

Net result amounted to MSEK 44 (60) and was affected in part by a tax cost of MSEK -22 due to a reevaluation of deferred tax receivables stemming from a reduction in company tax in Sweden.

**STRATEGICALLY  
IMPORTANT  
ACQUISITIONS**

German companies fotokasten GmbH and d|o|m Deutsche Online Medien GbmH as well as Midland Information Resources Company in the US were strategically important acquisitions.



**FIRST  
QUARTER**

- Net sales increased by 4 percent and amounted to MSEK 460 (443).
- An agreement was made in March to acquire the German companies fotokasten GmbH and d|o|m Deutsche Online Medien GbmH.

**SECOND  
QUARTER**

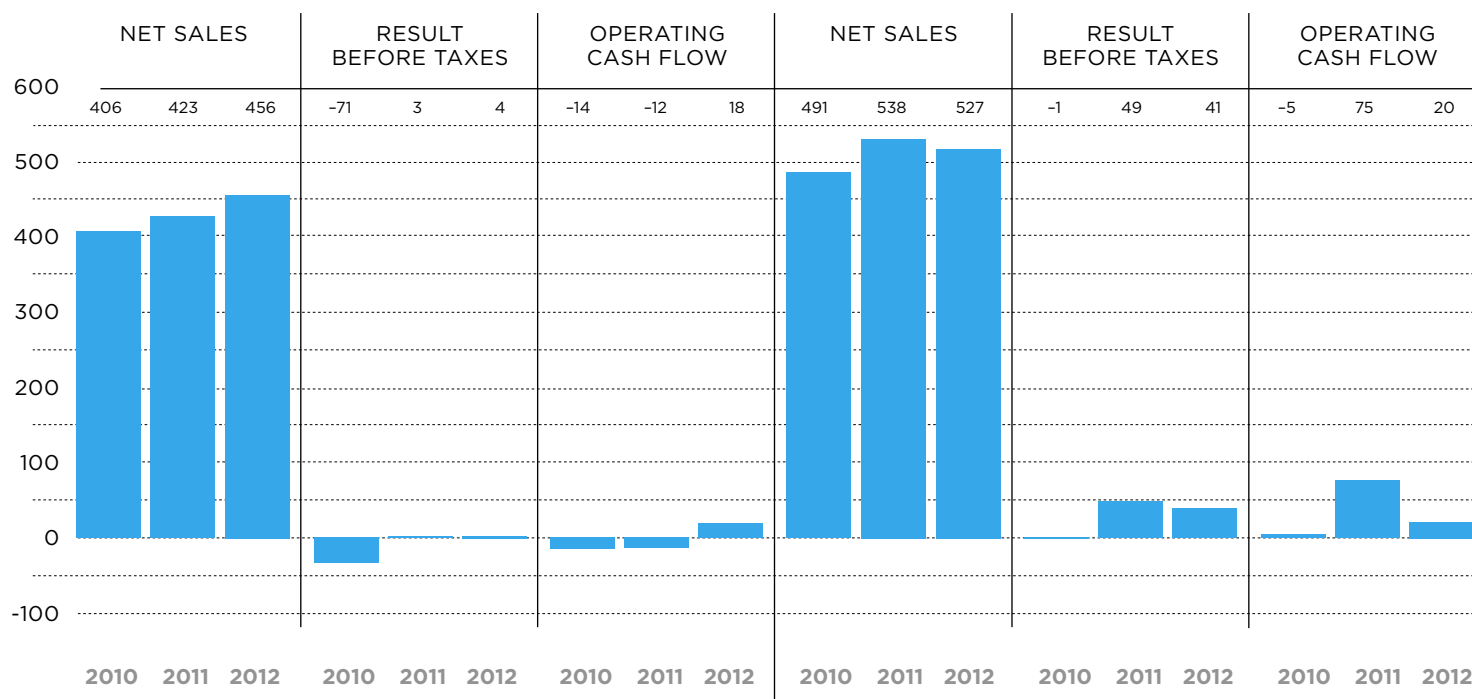
- Net sales increased by 11 percent and amounted to MSEK 481 (434).
- The increase was due primarily to good capacity utilization and new market shares in the Swedish, German, Chinese and British companies.



## ■ FIVE YEARS IN SUMMARY

	2012	2011	2010	2009	2008
Net sales. MSEK	1,924.0	1,838.8	1,705.9	1,756.7	2,191.2
Operating result. MSEK	118.5	109.8	-76.2	-60.1	16.0
Result before taxes. MSEK	93.4	80.0	-105.2	-96.1	-34.4
Average number of employees	1,587	1,546	1,520	1,581	1,809
Earnings per share. SEK	2.05	3.09	-6.79	-7.57	-2.62
Dividend per share. SEK	0.60 <sup>1)</sup>	0.50	-	-	-

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



### THIRD QUARTER

- Net sales increased by 8 percent and amounted to MSEK 456 (423).
- Elanders' recovery on the Chinese market and higher volumes entail investments in greater production capacity during 2013.

### FOURTH QUARTER

- Net sales amounted to MSEK 527 (538).
- At the end of the fourth quarter the acquisition of the American company Midland Information Resources Company was announced. It will be a cornerstone for Elanders' global offer.



EARTH,  
SCALE 1:1275610000000

# WORLD WIDE WORLD

*The nine countries where Elanders is currently represented are obviously the Group's primary market. Naturally we deliver to many more countries, which means the global graphic company lives up to its slogan "Your worldwide printing partner"*





## BRAZIL

São Paulo



Elanders was established in Brazil by acquiring parts of Artcopy in 2007. Three years later the rest of the shares were bought and a new 3,000 m<sup>2</sup> facility was inaugurated. With its high tech equipment the company is successfully attracting new customers.

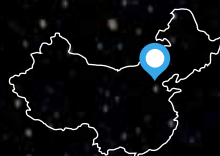
### GROWING MIDDLE CLASS

Brazil has experienced strong economic development the past few years. Around 15 million people have been raised out of poverty. Brazil has 192 million inhabitants, which is the largest population in Latin America.



## CHINA

Beijing



Elanders has been represented on the Chinese market with our own factory since 2006 and operations have developed very well. Our offer covers almost everything and our specialty is handmade exclusive packaging for discriminating customers.

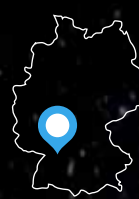
### PULLING THE HEAVIEST LOAD

The big question occupying many economic forecasters in 2012 was which direction China's economy was going to take. Compared to the West, China is still the global economy's locomotive.



## GERMANY

Stuttgart



In just a few years the German business has developed into an important factor in Group net sales. After the acquisition of Sommer Corporate Media in 2007 the company has snapped up niche companies like Printpack, fotokasten and d|o|m and profiled Elanders as one of Germany's leading digital printers.

### THE WORLD'S LARGEST EXPORT NATION

With its 82 million inhabitants Germany not only has the largest population in Europe, it's also far and above the most important European economy and the world's largest export nation. Germany has done well in a time when the global economy is faltering.



## GREAT BRITAIN

Newcastle  
Glasgow



Elanders has two plants in Great Britain that together can offer a comprehensive range. Elanders has grown by around 10 percent in 2012 and won several new customers. One of the more well known is the worldwide retail chain Tesco.

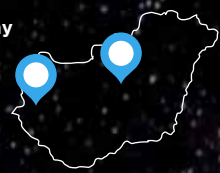
### PROLONGED SLOW ECONOMY

Surrounded by water 60 million people live on the British islands. Great Britain is still struggling after the economic crisis that hit the financial sector particularly hard.



## HUNGARY

Zalaölöv  
Jászbéreny



Since 2010 Hungarian operations work under the German organization. Elanders has specialized in high quality print in Hungary but also produces user manuals directly delivered to the assembly lines at a number of global manufacturers.

### CONTROVERSIAL GOVERNMENT

The slowdown in the global economy has affected Hungarian politics and contributed to political instability. The change in government in 2010 put the social conservatives in the majority and the Fidesz party has pushed through some very controversial laws.



## ITALY

Treviso



An important product group for Elanders' Italian operations is manuals for household appliances and deliveries are made on a daily basis to Electrolux. Since the unit was established in 2007 it has been focused on digital print and finishing along with new software solutions.

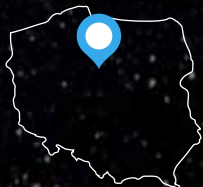
### CONTINUED FINANCIAL TURBULENCE

The current financial turbulence brought down Prime Minister Silvio Berlusconi at the end of 2011. Political veteran Mario Monti took over to restore the market's faith in the country. Italy has had weak economic growth since the mid-1990s.



## POLAND

Płonsk



Since 2010 the Polish operations work under the Swedish organization and around 40 percent of net sales stem from orders connected to Sweden. The company primarily offers marketing material, manuals, magazines and packaging. Elanders Polska has been a part of Elanders since 1995.

### POSITIVE GROWTH

Poland is the only EU country that has shown positive growth throughout the global financial crisis and an expansive Polish economy is attracting more and more foreign investors.



## SWEDEN

Falköping  
Gothenburg  
Malmö  
Stockholm



Elanders was founded in Sweden and the Swedish market is still the largest in the Group. In a shrinking print market Elanders in Sweden has done far better than most in 2012.

### HOLDING ITS OWN

Up until 2012 Sweden was surprisingly unaffected by the financial turbulence in the world but redundancies grew after the summer in this export-dependent nation. Continued good state finances have, however, given the country a top rating among Europe's economies.



## USA

Atlanta  
Davenport



Elanders is investing in the American market. Seiz Printing in Atlanta was acquired in 2008 and at the end of 2012 Elanders acquired Midland Information Resources, a leading player in global print management and digital print.

### POLITICAL CHALLENGE

The US continues to struggle with a gigantic deficit and the political stand-off between Republicans and Democrats. Re-elected President Obama has a tough job ahead of him but it looks like he might be aided by an improving domestic economy.





MAGNUS  
NILSSON  
CEO

#### FOUR SIDES OF MAGNUS NILSSON

##### *CHARACTERIZED BY SKÅNE*

Magnus Nilsson was born 1966 in Malmö. He was raised and lived many years in Eslöv.

##### *FAITHFUL TO THE TRADE*

He has been active in the graphic industry since 1989. He started at Elanders as a business developer and in 2001 helped build up Elanders operations in Hungary. He became CEO for Elanders Skogs Grafiska in 2003.

##### *MISSES CHINA*

He helped establish the business in China and was the CEO for operations there from 2005–2009. Sometimes he misses the pioneer spirit, team feeling, personnel and food in China.

PEOPLE PERSON  
Magnus easily gets to know people and can quickly adjust to new situations. He likes to discover new cultures and explore business climates.

# STILL GOING AGAINST THE STREAM

*Elanders is one of the few players in the graphic industry that can look back on 2012 as a good year. The company made an acceptable profit and at the same time acquired strategically important companies on the international market.*

*"We broadened Elanders' offer with the purchase of Midland in the US and German fotokasten and dlo|m. These are acquisitions that will positively affect future developments at Elanders in many aspects," states Magnus Nilsson.*

WHEN WE MEET at Elanders' headquarters in Mölnlycke Magnus Nilsson has just come home from a weeklong tour in the US. After acquiring Midland he wanted to meet the employees as well as some of Midland's key accounts.

Magnus got a wonderful response all week long. Both customers and personnel were impressed with Elanders' products and that it has a clear development strategy for the coming years in an industry where demand is falling on several markets. Although restructuring in the graphic industry is substantial and not yet in line with customers' needs, for a company with Elanders' size and global resources the situation opens up a whole realm of business opportunities. And with its strong cash flow the company can go forward offensively.

*You promised that 2012 would be better than 2011. Did Elanders live up to promise?*

"We are pleased with developments in 2012, especially considering how tough and competitive the market is. Although the result was affected by some one-off costs it was still better than 2011. Not counting one-off items profits rose by 40 percent and not many in the graphic industry can say that.

We had a positive year in nearly every one of the markets we operate in. The exception was the US which struggled with some problems. These are

now fixed and with the acquisition of Midland we foresee a bright future for our American presence in 2013 and onwards.

The outcome of 2012 shows that we won market shares on several markets which have stagnated or shrunk. This is particularly true in Germany, Great Britain and Sweden. Developments in China have also been good and we look forward to continued expansion in 2013."

*What do you think were the most important events in 2012?*

"Obviously the acquisitions we made, for instance fotokasten and dlo|m. They met our expectations and contributed directly to our result in 2012. Printing volumes grew in both companies but more importantly these acquisitions broadened Elanders' range in product area e-Commerce.

We have had a long-term goal to establish more operations in the American market. We have worked together with Midland in Iowa for several years so it was natural to approach them. It turned out to be perfect timing since Midland had begun a process in which the previous principle owner wanted to sell the business.

It only took a couple of months to complete the strategically very important deal. Midland has several large American accounts that are represented on mar-

kets all over the world. Two of them make Elanders' top ten list of largest companies right off the bat.

Like Elanders Midland is successful in global print management, in other words serving global customers with local production in different parts of the world, either with partners or alone.

Through the acquisition Elanders and Midland will be able to offer existing and new global customers complete solutions for global print management with production and deliveries on every continent.

A consequence of the acquisition is that Elanders now has the world's three largest manufacturers of construction equipment as customers and we mainly deliver manuals and marketing material."

*In the past few years Elanders has broadened its offer, largely due to international acquisitions. Will this development continue and, in that case, how?*

"Net sales and volumes in traditionally printed catalogues, manuals, magazines and books are diminishing every year at a pretty rapid rate. So Elanders needs to expand in other product areas as well as increase our market share in Commercial Print. The vision in our long-term plan that stretches to 2017 is to reduce Commercial Print's current 80 percent of Elanders' net sales to 40 while we increase today's 20 percent of net sales in e-Commerce and Packaging to 60.

Thanks to our focused investments in e-Commerce Elanders has a complete offer that includes order platforms via Internet for both companies and consumers.

Looking five years ahead the biggest challenge is going to be creating equilibrium between higher profitability and building for the future through investments and product developments in an industry that changes over night. And like the rest of the graphic industry Elanders must continue to consolidate to achieve optimal production.

This is the path we have chosen for Elanders and we can't stop now. A passive attitude might raise results for a year or two but then competitors who take advantage of the opportunities provided by new technology and solutions will leave us in the dust."

*Elanders is represented in many parts of the world. How did the different geographic markets develop in 2012?*

"Business in Europe has been good. Germany and Great Britain did particularly well and although



// **LOOKING FIVE YEARS  
AHEAD THE BIGGEST  
CHALLENGE IS GOING  
TO BE CREATING  
EQUILIBRIUM BETWEEN  
HIGHER PROFITABILITY  
AND BUILDING FOR  
THE FUTURE.** //





the market contracted in Sweden we gained market shares. We are not exposed towards Southern Europe so haven't been affected by the financial turbulence there.

Elanders' business in China has also developed well where packaging is quite successful. Management there is very strong and has succeeded in getting existing customers to place more orders while attracting completely new accounts. We have a good mix in China of local Chinese customers and global manufacturing companies that have their headquarters in Europe.

Developments in Brazil have been stable but the business in the US had a weak year. However, as previously mentioned, through the acquisition of Midland we can advance our positions there."

*For years the structural change in the graphic industry has been a topic of discussion, both nation-*

*ally and internationally. What is your take on the graphic industry today?*

"The situation is still pretty bad. Consumption of fine paper continues to diminish in Western Europe and the US. Even the number of paper plants is dwindling, which is a clear indication of the state of the industry. Demand is contracting faster than the rate of consolidation and this means that the price press will continue for some time ahead."

*Since you became the CEO in the last half of 2009 Elanders has turned heavy years of losses to profit in 2011 and 2012. What is the explanation for this and is there more to do?*

"Our strategy – moving some of our production capacity to low-cost countries while increasing capacity utilization in existing production equipment – is a crucial factor. We also implemented an extensive action plan in the Swedish operations over the past few years and as a result they are now profitable.

Our success on the German market where we have gained market shares for a number of years now through organic growth and acquisitions has also been a big help.

Focusing on developing and diversifying our product offer with, for instance, photo products, different kinds of packaging solutions and order options has brought us new business and strengthened our offer to existing customers.

We continually consolidate our operations and have successfully taken advantage of our machinery, and moved it to where it does the most good. We have also been able to buy used equipment at very good prices thanks to our size and financial muscle. This, in turn, has made it possible to maintain a low level of investments.

The trend is a clearly moving towards production in as few places as possible. Our goal is to run three shifts wherever possible."

*How do you want 2013 to develop in order to sleep well at night?*

"Elanders is definitely on the right track and that feels great. Nonetheless there are some storm clouds ahead, particularly when it comes to the direction the economy is taking. I would like to see the economy stabilize and growth return in the USA and Western Europe. Even though we have handled shrinking volumes well we are obviously not insensitive to how our customers are affected by the current economy."

**IMPROVED  
COMPETITIVE  
CAPACITY**

By optimizing the Group's total capacity Elanders can handle the continued price press on several markets.

**BROADER RANGE**

The writing is on the wall; traditional print media are losing ground to digital production. Elanders can offer both.

# BROADER CUSTOMER BASE AND MORE ATTRACTIVE OFFER

*We want to make the Group's customers more competitive with the help of our knowledge, high capacity and technology. Not only that, we are one of few printing companies that can offer global solutions for almost any kind of printed information. Our customers will always be local, but their needs may be local and global.*

## BUSINESS CONCEPT

Elanders helps its customers to take control over the challenges in their communication processes. We believe in the printed word, naturally in combination with new media. Elanders, one of the few printers that can really deliver global solutions for any kind of information, is determined to be one of the most efficient companies.

## VISION

Elanders' vision is to develop our position as one of the leading graphic companies in the world. By leading we do not mean largest. We mean it is going to be the company that best meets customer demands on efficiency and delivery ability.

## CORE VALUES

Elanders' core values Effective, Innovative and Responsible are not only a part of the Group's vision as they are also 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 we create solutions which suit each customer's unique printed matter requirements. We readily take on the challenge of solving our customers' different problems by using profitable production methods and by being pioneers in new technology.

By Responsible we mean that we always put the environment and customers' needs first. The reason

Elanders can be found in Hungary, China, the USA and Brazil today is because Elanders followed its customers out into the world so that we could 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 and continue developing W2P.
4. Develop products for future needs that can be used in our current business.
5. Strong expansion in product areas Packaging and e-Commerce.
6. 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 a 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.

#### POWERFUL EXPANSION

Net sales and the result will increase by five to ten percent annually and at least half of growth will be organic.

#### MORE GLOBAL WORK

Elanders has been good at following customers out into new markets. Even local customers can have global needs.



Naturally this also includes services that can be offered locally in some other part of the Group. For example, most of the packaging capacity and competence in packaging which Elanders has in China and Eastern Europe has been used for local deliveries. In the past few years Swedish customers have been offered printing production in Poland and Hungary has received more and more work from German customers.

This offer and working method has resulted in more orders from the automotive industry and consumer electronics producers.

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

Most of 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 are now run under the same management as are the units in Germany and Hungary, which significantly increases the ability to offer high quality deliveries at competitive prices on the Swedish and German markets.

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 Group continually evaluates new technology but investments will only be made where they, from a Group perspective, make the most money. Elanders is also going to take a closer look at increasing specialization in our various units in order to raise quality and productivity.

We have every possibility to improve profitability by more efficient use of our current capacity and the work to move production to Eastern Europe continues.

#### 3. Create uniform and automated processes in the Group and continue investment in W2P.

Elanders has worked with many of its major customers through order portals on the Internet for years. 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 often called web-to-print (W2P) and the process transfers some of the work



currently done by the printer to the customer. It's a lot like what banks have done through Internet banks where most of the manual work is performed by the customer. In W2P the customer decides on the design of the printed matter, pays for it and then creates print-ready material that goes directly into production through the order portal. 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. It's therefore vital that Elanders continues to develop order portals that are integrated with our business system and further develop existing order platforms in order to augment the automation and efficiency in order management. This minimizes the amount of work performed manually and increases productivity.

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.

This is a crucial factor in our ability to remain competitive. Nonetheless, we believe W2P will become more and more important and Elanders already sees excellent opportunities to develop in this area.

**4.** *Develop products for future needs that can be used 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 company to the global printing Group it is today. Sometimes our eagerness to fulfill customers' wishes has had a negative effect on short-term profitability because our existing production capacity was not suited to handle the new services.

Elanders will not slow down the pace of new product development. On the contrary, Elanders is going to raise the tempo, but product development will, to a higher degree than previously, be based on the needs we believe our customers will have in two or three years' time and take into consideration our current capacity, competence and organization.

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. This does not mean, for example, that just because Elanders is not a cargo company and does not plan to become one that we will not handle our customers' transportation needs. We will always have outsourced services connected to our deliveries. However, our primary services will always be based on the capacity and competence of the Group.

**5.** *Strong expansion in Packaging and e-Commerce.*

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.

We have also 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 valuable expertise. Included in recipient-oriented print are customized and chassis unique manuals for the automotive industry where Elanders is on the cutting edge of technology. Bank and insurance companies also increasingly require personalized print in their communication to their customers.

**6.** *Broaden our customer base and product offer to lower sensitivity to fluctuations in the economy.*

Historically most of Elanders' sales have been in the product area Commercial Print. The investments being made in Packaging, e-Commerce and personalized products is a deliberate strategy to over time compensate for the natural and anticipated drop in volumes in Commercial Print due to the tough competition printed media is getting from digital media. The production capacity in Commercial Print can happily be used for production of packaging and personalized products, for example, different photo products.

Today sales are divided among the product areas as follows: Commercial Print 80 percent, Packaging 10 percent and e-Commerce 10 percent. Our vision for 2017 is that Commercial Print will have 40 percent of sales and Packaging and e-Commerce will together have 60 percent.

# FINANCIAL AND GROWTH GOALS

*Elanders' 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 2011.*

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

GOALS FOR 2012	OUTCOME 2012	GOALS FOR 2013
<b>FINANCIAL GOALS</b> Long-term goal of an operating margin of 7-10 percent.	Operating margin amounted to 6 percent cleared of one-off items of 5 percent. In 2013 Elanders will continue to consolidate and optimize existing production units to increase capacity utilization and profitability.	Long-term goal of an operating margin of 7-10 percent.
A return on capital employed of at least 10 percent long-term.	Return on capital employed 2012 was 7 percent; excluding one-off items 7 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.	Equity of at least 30 percent.
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 71, corresponding to 79 percent of depreciation and 3.7 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 5 percent compared with the previous year but with unchanged exchange rates net sales were the same. The operating result increased by 8 percent but cleared of one-off items it was 22 percent.	Net sales and the operating result will increase annually by 5-10 percent and at least half of growth will be organic.

*SUSTAINABILITY*

The planet's resources are limited. Environmental consideration, community benefits and sustainability are catchwords for the future now that sustainable production with minimal environmental impact has become a competitive advantage.

*LOW-COST  
PRODUCTION*

One way to meet the price press is by using production capacity in low-cost countries like those in Eastern Europe.

*EXCLUSIVITY*

In contrast to low-cost production there is a growing demand for exclusive packaging, which puts higher demands on equipment and skilled workers.

# MARKET BY MARKET

## USA

Despite an economic crisis the graphic market in the US continues to be the single largest market in the world. Just as it has in Western Europe, the graphic industry has been consolidating in recent years but it is still fragmented and the 50 largest players have no more than 30 percent of the market share together.

Since 2008 the total vol-

ume has contracted every year. A big part of this is the decline in daily newspapers but books have been hit as well. Only one segment is really growing and that is digital print. It makes up 10 percent of the market today and is expected to double within a few years. Net sales in the graphic market in the USA are around USD 200 billion.

## LATIN AMERICA

The Latin American graphic market largely consists of Brazil and Mexico, which represent some 80 percent of the market. Growth in Brazil is particularly impressive at some 5 percent annually on a market calculated

at about USD 25 billion. Books are a large part of production but packaging print is what mainly drives growth.

Some 15 million people are believed to have been lifted out of poverty in recent years and can now

be considered part of the lower middle class. The rising living standard is primarily reflected in more and larger packaging. Even more educational material and magazines are being produced.





#### GROWING MIDDLE CLASS

More and more people are rising out of poverty, particularly in the BRIC countries. A larger middle class with greater purchasing power contributes to an increasing demand for educational material, magazines and packaging.

#### GLOBAL PURCHASING

Purchasing decisions are being taken higher and higher up in customers' organizations and in certain cases all the way up to executive management level. Global purchasing departments are becoming more influential in big companies.

#### COORDINATION

When big companies want to coordinate all their printing purchasing they need larger printing plants that can also offer logistic solutions in the form of storage and just-in-time deliveries.

## CHINA

In 2013 China is expected to pass Japan and take over second place when it comes to the largest printing volumes in the world.

The competition is fragmented in China. There are some 200,000 printers and most of them are located in the fastest growing geographic regions. A large part of production is focused on marketing material, product information and packaging, which goes hand-in-hand with the expansive manufacturing industry.

## EUROPE

Growth in the total European graphic market is pretty much standing still. Western Europe still dominates volumes (around 90 percent) and the largest markets are Germany followed by Great Britain, France and Italy. Almost every West European country has been affected by the slow economy and financial turbulence that has hit southern Europe hardest. Volume increases are predominately in Eastern Europe, for example Hun-

gary and Poland, where growth is stable due to the production placed there by West European players, although Poland also has a growing domestic market.

Packaging and digital print are the products and print techniques increasing the most. Among the losers are newspapers and offset, which seem to be contracting with every quarter. The exception is offset volumes in Eastern Europe which are increasing in part due to a growing middle

class and manufacturing industry. Eastern Europe is therefore growing at a much faster rate than the more mature economies in the West but it still has a smaller portion of the total market.

For years the graphic industry has been undergoing a tough restructuring and consolidation. Elanders is an active player in this process, especially on the Swedish and German markets. As total print volumes have diminished Elanders has been able to

compensate by offering advanced technical solutions or logistic services that small and mid-sized printers often lack or can't handle. In addition, Elanders has a relatively strong financial position and an international organization that many other printers don't have.

All in all, the graphic market in Europe amounts to approximately USD 210 billion.









COATED PAPER  
80 GRAMS, SCALE 2522:1



# COMMERCIAL PRINT

*Paper as a medium has a lot of advantages. At least on paper.*

*Print on paper has a much higher resolution than computer monitors. Paper doesn't require electricity, it isn't dependent on file formats, doesn't crash and can achieve its purpose even in remote corners of the world. If you drop a newspaper in the bathtub you can dry it; the information will still be there. You can roll it up and fold it without destroying it and you can still read the contents in strong sunlight.*

*So even if paper is an expensive way to distribute information, it's a cheap and easy way to store it. Paper also communicates information and feelings above and beyond what is printed: structure, scent, the rustle when you take hold of the corner and lift the sheet.*

*Think about that when you turn this page.*





COATED PAPER  
80 GRAMS, SCALE 8:1

## RESTRUCTURING CONTINUES

*Commercial Print is a mature section of the graphic industry and the product area looks pretty much the same in most countries. The players on the market are predominantly small or mid-sized family companies that mainly offer conventional printing on the local market, and this is where restructuring is felt the most.*



## // ABOVE ALL DIFFERENT TYPES OF MARKETING MATERIAL WILL CONTINUE TO GROW AND THE FORECAST FOR 2016 SHOWS THAT VOLUMES IN THAT AREA WILL SURPASS RECORD YEAR 2008. //

AFTER THE FINANCIAL crisis in 2008 demand in global printing volumes has declined. This has resulted in an overcapacity and tough price press. Fewer copies but more editions as well as a shift from offset to digital print are also obvious trends.

However, the change in volumes between 2011 and 2012 is marginal. Looking ahead to 2016 volumes will continue to shrink in total by a few percent but this will vary a great deal among the different sections in Commercial Print. Above all different types of marketing material will continue to grow and the forecast for 2016 shows that volumes in that area will surpass record year 2008.

Developments in magazines have been pretty much the same up to 2012 and no major changes are expected as far ahead as 2016. However, book volumes are contracting and catalogue volumes are expected drop dramatically – in percentage as much as a double-digit figure – between 2012 and 2016.

IF WE DIVIDE the European market in West and East and the American market into North and South

we can see a few clear trends up to 2016. Printing volumes are still relatively low in South America and Eastern Europe but they are slowly but surely growing. In North America and Western Europe volumes are definitely decreasing at an accelerating rate. The exception to this is digital print which is steadily gaining market shares.

The only market with real growth in the future appears to be in Asia after a period of stagnation from 2008 to 2012. Japan has the next largest printing industry in the world but growth will be driven by other countries in the area, not least China and India. The fact that such a large portion of goods are produced in Asia contributes to this expansion and this includes packaging, which is also rapidly rising on the Asian market.

EVEN IF PRINTING volumes are decreasing in the USA the country still dominates total volumes and produces almost twice the printed matter of runner up Japan, and also twice as much as Germany, France, Great Britain and Italy together.

## 4 GAME WINNERS IN COMMERCIAL PRINT



### CONSOLIDATION

In recent years the print industry has been going through structural changes. Large, comprehensive players and smaller, specialized printers are taking market shares from the mid-sized and traditional printers.



### DIGITAL PRINT

While offset and sheet-fed printing is decreasing digital print is growing on every geographic market. The trend towards more complex, but fewer, printing assignments favors digital print as does Web interfaces where consumers can order printed matter on their own.



### MOVING PRODUCTION

More and more production in Western Europe is being moved from high-cost countries to low-cost countries. BRIC countries will continue to develop economically and that generates printing. This is particularly true for China and India.



### E-COMMERCE

It took quite awhile before e-commerce took off but now it's developed into a business model that even graphic companies can use. However, it takes technological know-how, capacity and user friendliness to be successful.

RESTRUCTURING

A necessary restructuring is happening within Commercial Print. The losers are the mid-sized companies without niche products. The winners are smaller specialized players and large graphic groups with a broad product range combined with spearhead expertise.

PERSONALIZATION

New digital technology and smart system solutions have created the option of advanced personalized information and completely new printing assignments. Elanders is one of the leaders in this development.

## ELANDERS WINS NEW MARKET SHARES

*Elanders' roots and home ground is Commercial Print. Despite a slight slump in Western Europe for the product area Elanders has won new shares on this mature market through its broad range and by moving production to low-cost countries.*

THERE ARE JUST a few groups the size of Elanders in each country. Several of them are not pure commercial printers. They are publishers or newspapers with in-house printing that sell their overcapacity on the market. Dwindling volumes for both publishers and newspapers have augmented overcapacity and pressed prices. With its global presence and ability to print in low-cost countries Elanders has managed to create a valuable competitive advantage.

SWEDEN IS STILL Elanders' single largest market and Elanders is an important player and partner to the automotive and manufacturing industries as well as the public sector.

We are the only company in Sweden and other countries that can cross national borders to provide large companies with full-service solutions comprising printed matter, packaging and other services that often include a considerable amount of logistics. The competition is as tough on a European level as it is in Sweden but even during the economic crisis Elanders has developed well in, for instance, Germany and Great Britain. In the Nordic region and Germany Elanders competes with differ-

ent players that are primarily aimed at consumers and smaller companies.

To meet the price press in the markets Elanders operates on we have chosen to successively move production volumes to low-cost countries like China, Hungary and Poland. As a result production and net sales for the Western European market have quadrupled in Elanders' Polish and Hungarian facilities since 2009. This is one of the main factors behind Elanders' positive development from 2010 and why Elanders has won market shares in Western Europe during a period where the market has contracted as a whole.

THE COMPETITION IN just-in-time production of manuals and other after sales information is a number of smaller, local printers that on their own cannot handle the needs of global customers.

Elanders has the advantage of its graphic expertise, global presence and with our broad customer base we offer customers comprehensive solutions that cover everything from advanced technological order platforms to fulfillment and distribution services. As a result the amount of work of a global



#### COORDINATION

When big companies want to coordinate all their printing purchasing they need suppliers that can offer storage, just-in-time deliveries and cover the entire supply chain. Global purchasing departments are becoming more and more influential when it comes to choosing suppliers.

#### LOW-COST COUNTRIES

One way of meeting the market's demand for lower prices is to use production capacity in low-cost countries. Elanders started this process back in 2009 and since 2011 Polish operations work under Swedish operations and Hungarian operations work under German operations.

## DEVELOPMENT OF THE GLOBAL PRINT VOLUME - BY CATEGORY 2008-2016 (MILLION US DOLLARS)

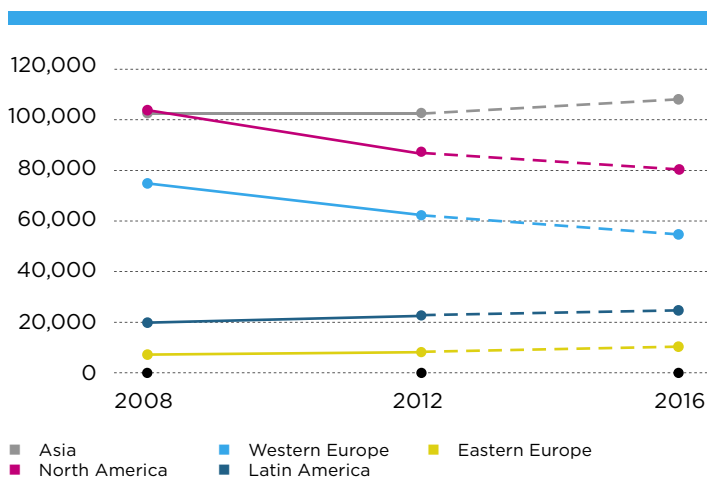
	2008	2012	2016	
Books	39,803	35,080	32,130	↘
Magazines	74,411	68,561	67,114	↘
Catalogues	46,834	35,506	30,427	↘
Commercial	157,100	153,127	157,732	→
<b>TOTAL</b>	<b>318,148</b>	<b>292,274</b>	<b>287,403</b>	↘

character we have received has gone up from eight percent in 2007 to 30 percent today. Elanders' strategy is to continue this development by increasing volumes with existing customers and, of course, attracting new customers with global operations.

In order to understand the complexity in some of Elanders' business we offer an illustrative example: Elanders delivers printed matter to a major industrial customer's assembly line every four hours, every day, year round! Everything is handled by our own developed platform that the customer feeds orders into.

This is an example from a global account but we are just as devoted to being a good and priceworthy alternative on the local market. Therein lays a challenge for Elanders – attracting and building long-term relationships with small and mid-sized companies. These are important customer segments which will primarily place their orders through Web portals. This makes for a minimum of manual handling in order to be cost-effective in every step of the process, and this means even smaller orders can be profitable.

## MARKET DEVELOPMENT COMMERCIAL PRINT 2008-2016 (MILLION US DOLLARS)





COMMERCIAL  
PRINT - CASE

1960s

*OWN JUNGLE  
PARADISE*

Born 1963 in Fairfield, Connecticut. Currently lives in Hollywood but also has a jungle paradise and organic farm in the rain forest in Hawaii.

1980s

*TAUGHT BY  
WARHOL*

Got the chance as a young and inexperienced photographer to work for Andy Warhol and the then influential magazine Interview.

1990s

*TOOK PHOTOS  
OF CELEBRITIES*

Many members of the international celebrity elite have posed for his camera; Michael Jackson, Madonna, David Bowie and David Beckham to name a few.



2000s

**LEFT  
ADVERTISING**  
LaChapelle left the commercial arena 2006. At the time he was one of the best paid advertising photographers. He now spends his time on various art projects.

2010s

**MODERN  
ICARUS**  
Can criticism of our modern society get any better than the Icarus piece from 2012? A perfect image of today's throw-away society and over consumption.

2013

**DREW  
RECORD CROWD**  
The exhibition Burning Beauty was both LaChapelle's and Fotografiska's largest ever. More than 250 works of art, films and music videos drew a record audience.

DAVID LACHAPELLE | AMERICAN PHOTOGRAPHER

# PHOTOGRAPHER THAT DELIGHTS AND DISTURBS

*Kitsch, surrealistic, commercial, pornographic, entertaining and a critical of society – photographer David LaChapelle's works cannot be labeled. His cross-border images attracted a huge audience to Fotografiska, the Swedish Museum of Photography in Stockholm.*

THE EXHIBITION BURNING BEAUTY was David LaChapelle's largest so far and for the first time Fotografiska filled every room with one single artist.

It was also a challenge for Elanders' Fäth & Hässler which received the prestigious commission to produce the extensive catalogue and collector's album connected to the exhibition. The first edition quickly sold out and another edition was ordered.

The couple Ida Wessel and Jonas Banker was responsible for the book's design. They knew right away that they wanted the cover to stand out and in particular feel different when you touched it. The creators had to fish around in their deep pool of knowledge and come up with some completely new production ideas.

After making several tests the cover was silver laminated and opaque white was printed twice under the image to make sure the image was reproduced well while the title was etched out so that it would be in silver. In order to avoid thumbprints the cover was then laminated. Instead of normal cardboard a foam-covered cardboard was used to give the book its "pillowed" feel.

When Fotografiska and David LaChapelle received the 300 page exhibition album with more than 200 of LaChapelle's best known work they had nothing but praise for it. A thank-you letter to Elanders Fäth & Hässler proved the end result was just as good as everyone had hoped for. LaChapelle himself was particularly pleased with the quality of the images.







ALUMINIUM FOIL,  
SCALE 16762:1

# PACKAGING

*An old Yuletide truth is that it's often more fun to play with the package than its contents.*

*Every time Apple launches a new product Youtube is filled with discovery films, where gadget enthusiasts reverently and breathlessly, step by step, liberate the contents. In other words, packaging has become a significant part of the product and the brand.*

*Packaging is usually the first interface with the customer, it's the face of the company. It's not just about appearance, a fact which becomes apparent when you lift or open the package. The construction, function, weight, texture, choice of material, environmental friendliness – everything plays in, tangibly.*

*Quite simply, packages are exciting. A good packaged solution does so much more than just keep contents in place.*





ALUMINIUM FOIL,  
SCALE 8:1

## NOTABLE EXPANSION AND NEW INNOVATIONS

*Packaging is the segment of the graphic industry where volumes are on the rise in every market. The fastest growing volumes are in Asia but the really exciting part is the product development going on all over the world through innovative technology.*





## // WHAT WE ALREADY KNOW TODAY IS THAT CONSUMERS INFLUENCE THE DESIGN OF PACKAGING. //

CARDBOARD AND CORRUGATED cardboard are the dominate materials in the production and printing of packaging. On a global level net sales are several hundreds of billion dollars annually and growth is stable on all markets, not counting the Asian market which is growing much faster. Although China is the locomotive, like in so many situations touching on economy, a great deal of packaging is produced in Japan. The printing and packaging industry is also growing in India.

What is perhaps even more interesting than volumes is the intense product development under-way. In recent years digital print and flexoprint have grown considerably. The methods aren't new but they are constantly developing. Digital print is used more and more as the need for smaller editions and personalized messages increases. Flexoprint is used to print on material like plastic or metal folio and is common in the food industry. The demand for flexoprint is expect to rise, in part because solvents can be reduced to a minimum in food stuff packaging.

LOOKING A LITTLE farther into the future packaging and other products will be printed with sensors and lights in order to be able to communicate with the world around them. They might send a signal that

stores need to fill up on a product or a medication package might remind its user that it's time to take the medicine. A large part of this kind of communication will take place through the Internet and in trade terms it's called "the Internet of Things". We are all more connected and the technology is already in place for small electronic chips in jogging shoes or a bathroom scale to communicate relevant information. In the next step – probably in a few years – we will see the same development in packaging as well as in other material. 3D print is a new technology. With a 3D printer it will be possible to produce three dimensional objects based on a digital model. In the future 3D print is expected to be able to print a number of products like toys and jewelry, and even human organs.

CONSUMERS' INTEREST AND response will steer how much new technology will be introduced to packaging. What we already know today is that consumers influence the design of packaging.

Competition on store shelves is fierce and most consumers select conservatively. In a grocery store with 25,000 products the average customer has around 75 favorite items and buys 25 of those regularly. Rarely do customers purchase completely new products.

## 4 GAME WINNERS IN PACKAGING



### INNOVATIVE

Increasingly packaging will communicate with the world around it by being connected to the Internet. Sensors and lights can already be printed on packages and we've only just begun this development which goes under the name "the Internet of Things".



### EXCLUSIVE

Demand is growing for more exclusive packaging and packaging solutions. This also raises the requirements on equipment and production technology know-how. Personalization definitely creates added value in this segment.



### PERSONAL

Digital print technology became the starting point for personalized printed matter and personal messages and consumers have become producers as well as senders. Any material that can be printed can be personalized.



### SUSTAINABLE

There has long been a demand for packaging with a lower environmental impact in industrial countries. Now we can see the same consumer demand in other global markets where people with limited resources have become middle-class and improved their purchasing power.

**RECYCLING**

The trend is to reduce product's environmental footprints. Recycled material is going to be much more in demand.

**SOCIAL MEDIA**

Packaging and social media are going to go hand-in-hand as packaging becomes increasingly vital to brand building. Many companies are taking "zero moment of truth" into consideration.

## A PRODUCT AREA WITH INTENSE GROWTH

*Packaging is a prioritized product area for Elanders. Our vision 2017 is that Packaging together with e-Commerce will make up 60 percent of net sales. The way to achieve this is by growing both organically and through acquisitions and investing in increasingly advanced packaging solutions.*

ELANDERS IS FOCUSED on three areas in packaging. The first is customers in consumer electronics, food stuffs and pharmaceuticals. These packaging assignments can be relatively traditional but what they all have in common is the importance customers put on appearances. In addition to printing the packaging Elanders also prints the user manual and makes sure it gets packed in the packaging. An example of this is how Elanders makes just-in-time deliveries to certain customers' assembly lines every four hours, 24 hours a day, every day of the year.

THE SECOND AREA is characterized by exclusive packaging which in some cases is handmade in limited editions. Some of our customers are cosmetic companies like Thomas Sabo. Others are car-makers that want select packaging for their manuals and service books where the packaging replaces a leather or plastic wallet.

THE THIRD AREA is directly connected to personalization and this area is showing strong growth. Elanders has a long tradition of offering personalized printed matter but thanks to the acquisition of the

German Printpack we can combine packaging print with personal greetings. Some of our customers that use this service are the well known chocolate companies Ritter Sport and Lindt but our customer base also includes businesses in food stuffs, cosmetics and pharmaceuticals.

PACKAGING CAN BE very simple, produced from recycled material under a tough price press, very much like the price press the graphic industry is experiencing in conventional printing. On the other end of the scale is handmade, exclusive luxury packaging in small editions with better margins. Elanders has mainly chosen to work with customers that have complex packaging solutions and we gladly provide personalization.

One the previous page we described the fierce competition for customers' attention in stores, that which market theories express as the moment of truth. However, companies have not only investigated what allures people to buy something. It's just as important to understand underlying factors like general attitudes to packaging. Studies done by the paper manufacturer Billerud have shown that many

#### CUSTOMIZE

"One size fits all" is quite simply not true. You always have to be ready to adjust to each market.

#### INTELLIGENCE

Intelligent packaging that can, for example, communicate its freshness and content is beginning to appear.

#### SMALL EDITIONS

A faster turnover in design with limited editions of packaging will become more and more common in coming years.

## DEVELOPMENT OF THE GLOBAL PRINT VOLUME – PACKAGING 2008–2016 (MILLION US DOLLARS)

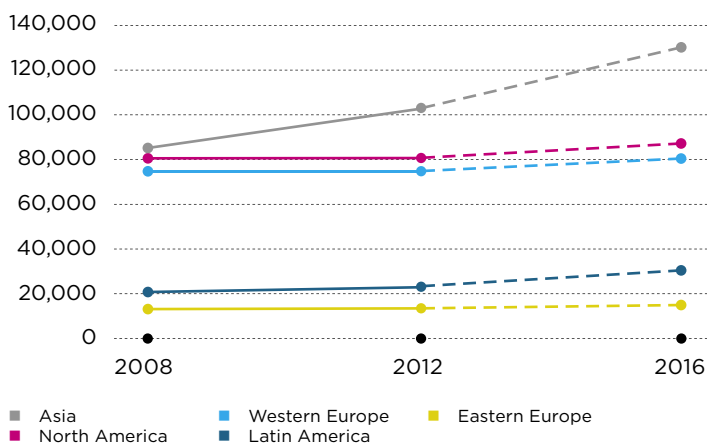
	2008	2012	2016	
Packaging	261,050	279,971	324,327	↑
Labels	30,390	31,495	39,865	↑
<b>TOTAL</b>	<b>291,440</b>	<b>311,466</b>	<b>364,192</b>	↑

European consumers consider packaging a waste of resources and are rather skeptical to the packaging and food stuff industries. A lot of people are also upset about all the food thrown away in the industrialized world and it's kind of a paradox that well designed packages are the best way to preserve food.

Some of the things the questioned consumers don't like about packaging are poor function, dishonest messages, ugly designs or packaging that seems to be superfluous. They like packaging that has a fresh feeling and can be recycled. Customers are also drawn to nostalgic packaging.

IF WE BROADEN our perspective to a global level we see that several markets like China, India and Brazil are affected by the fact that more and more of their citizens are rising out of poverty and into the middle class. A simple thing like access to a refrigerator obviously changes buying habits. Common for all of these countries is that the demand for bigger, but also more environmentally friendly, packages is growing.

## MARKET DEVELOPMENT PACKAGING 2008–2016 (MILLION US DOLLARS)





PACKAGING  
- CASE

600s

CHINESE ORIGINS

The Japanese further developed the Chinese art of folding paper and thereby laid the foundation for three dimensional figures and symbols.

1600s

INCREASE IN PAPER  
MANUFACTURING

During the Edo period (1603 to 1868) paper manufacturing rose in Japan and was no longer a valuable resource for the upper class alone. Origami became a hobby for more and more people.

1800s

GENUINE  
HANDICRAFT

Up to the middle of the 1800s paper was made by hand. In time the industrial revolution came to include machine-made paper.



## 1900s

### CONSUMER PACKAGING

Up until the middle of the 1900s it was natural to weigh, cut up and sell items in bags. Plastic wrap, tetra packs and other types of disposable packaging became common after the 1950s.

## 2000s

### PART OF THE BRAND

Strong brands have taken a central role in an extremely competitive consumer market. The packaging of the product has become much more essential to fulfilling the brand's promise and overall impression.

## PACKAGING | THOMAS SABO

# PLEASURE IN EVERY SENSE

*For hundreds of years Asia has had a tradition of giving away beautiful and carefully decorated presents and packages. They are meant to be a pleasure in every sense.*

HERE ARE MANY aspects of the Asian culture that sharply contrast with the throwaway mentality of the West like taking care of our bodies and souls with yoga, conserving precious natural resources, avoiding ready-made food or putting your heart and soul into how a present is packaged. In both China and Japan a beautiful and personally designed package is an important part of the present. Giving away a present unwrapped is unthinkable. On the other hand giving a less valuable gift in sumptuous wrapping is not unusual and says something about the Asian philosophy. A present's exterior can reflect the season, the contents or the recipient's personality.

It is therefore no coincidence that Elanders' most exclusive packaging is made in China, the same country that hundreds of years ago invented the technique of folding paper that the Japanese later perfected under the concept origami.

Elanders in China has a special team that produce luxury packaging which requires a great deal of handi-craft. Skilled workers wallpaper the interior of the package, glue it together, punch it out and print it. The biggest challenge is in making each unique copy with the same quality, not only visually but in the way they feel when you open and close them.

Thomas Sabo, who manufactures jewelry and beauty supplies, is typical for the kind of account that tries to attract the most discerning and fashion conscious customers. Here the package is an intrinsic part of the product experience. Some accounts in automobiles have also begun to ask for packaging that can live up to the price tag on the vehicle. The way the manual is packaged should also say something about the buyer and preferably have a personal dimension.









SILICON CIRCUIT BOARD,  
SCALE 1937:1

# E-COMMERCE

*It's not hard to put your finger on what makes e-commerce so attractive.*

*You can have anything you point at, if you can afford it. It's almost like magic: a sleight of hand and suddenly – or at least after a day or two – your every desire is yours. Abracadabra! From click to reality.*

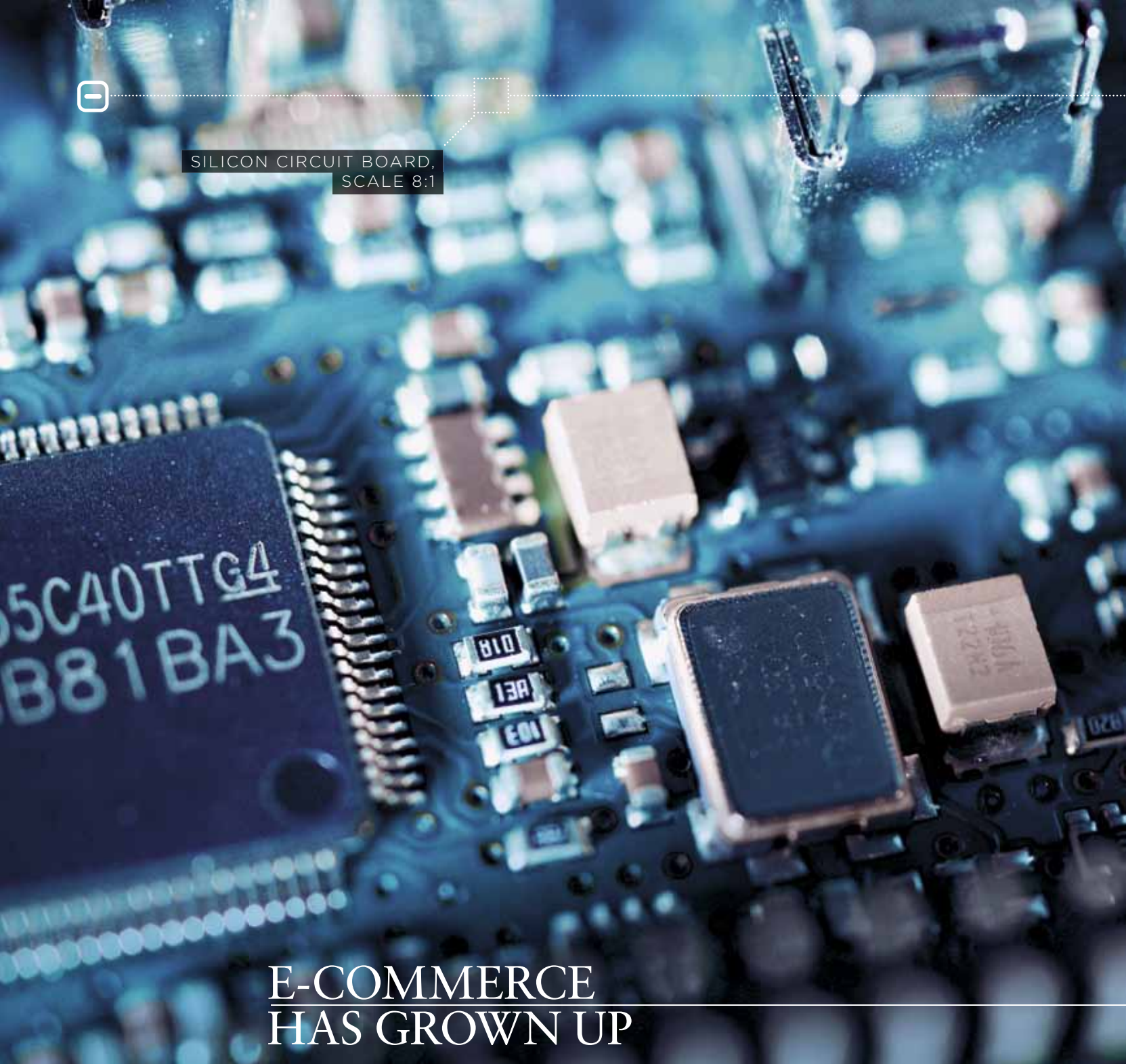
*So it's no wonder shopping over the Internet is growing at a tremendous pace. Quick deals, simpler purchasing processes and, above all, an endless range of things to choose from. The entire planet's market is at your fingertips. You don't have to forage out into the world. The world has come home to you. Any product you can imagine is usually only a search away.*

*In the past few years the market has become increasingly mobile and personal. Your very own global marketplace, in your pocket.*





SILICON CIRCUIT BOARD,  
SCALE 8:1



## E-COMMERCE HAS GROWN UP

*There was a time when many experts predicted that e-commerce would dominate in all kinds of product ranges. After a number of failed projects, and even more successful ones, the e-commerce market has matured and is taking over larger and larger chunks of retailers' net sales.*



# // TECHNIQUE THAT FUNCTIONS AND AN ATTRACTIVE OFFER ARE A NECESSITY. THE REAL CHALLENGE IS SUCCESSFULLY CHANNELING TRAFFIC TO YOUR WEB SHOP.//

WHEN A MAJOR change in technology occurs most people believe the new system will completely replace the old. This, however, is seldom the case. Photography did not wipe out painting, TV didn't replace the radio and cyberspace has not eradicated our physical reality.

THE SWEDISH INITIATED fashion site boo.com was launched almost 15 years ago with enormous expectations. It was quickly followed by other Web shops with various business models like LetsBuyit, Dressmart and Boxman. For many of them their adventure ended with the IT crash in 2000. In the case of boo.com a couple billion Swedish crowns went up in smoke.

Does that mean the e-commerce pioneers were wrong? No, far from it. American Amazon has developed into one of the world's largest marketplaces and there are a number of similar examples. Ten years ago we didn't have the digital infrastructure we have today with robust broadband, wi-fi and smartphones. Business models were in their infancy and websites were not very user friendly. Today particularly fashion sites with their range are successful and a significant chunk of post order trade has moved to the Internet. In the food

industry being able to have a week's worth of food delivered to your home has changed the purchase patterns of many consumers.

HOME ELECTRONICS, CLOTHES AND books are predominant sectors in e-commerce in many markets worldwide. More and more consumers, drawn by their interest in buying or bidding on secondhand items, consider the Internet a natural place to shop. And completely new initiatives like Groupon or Let's Deal are popping up and offering quantity discounts.

What all the successful players in e-commerce have in common, in addition to attractive products and prices, is that they have understood what customers want. A site has to have a user friendly technical platform for traffic via a computer or a mobile phone.

Technique that functions and an attractive offer are a necessity. The real challenge is successfully channeling traffic to your Web shop. Advertising in printed media and search word optimizing are two ways to market a product range but nowadays many companies, particularly those in fashion, are also turning to bloggers and social media.

## 4 GAME WINNERS IN E-COMMERCE



### USER FRIENDLINESS

Anyone that can't combine attractive products with good prices and a big portion of user friendliness won't be around for long. This is the area where e-commerce has developed the most, aided by faster and faster connectivity.



### SPEED

A Web shop is accessible 24 hours a day, 365 days a year and customers expect quick deliveries. For instance, if someone orders a photo book through fotokasten.de they are guaranteed delivery within 48 hours.



### INNOVATION

When it started up e-commerce reflected traditional retailing but now new ideas and business models that take advantage of the digital revolution are becoming more common. A smart and implementable idea can be the embryo to a future multinational company.



### BRAND

Being top-of-mind is always important in influencing buying decisions but it is absolutely essential in e-commerce. Which is why having a good Web shop doesn't cut it. The brand must receive exposure, be developed and carefully cultured to stay on top.



## NICHING

Many successful online shops are very specialized, and none more so than Of a Kind, which only sells limited editions or unique products from designers.

## RAPID EXPANSION VIA ACQUISITIONS

*Elanders' infrastructure in print capacity works well together with our range in e-Commerce. The company's strategy is to combine organic growth with strategic acquisitions on a swiftly expanding market.*

SELLING TO CONSUMERS on the Internet is not commonplace in the graphic industry. Although Web portals for professional users are common, it's a whole different ballgame to sell directly to the huge consumer market.

Through the acquisitions of fotokasten and d|o|m (Deutsche Online Medien GmbH) in 2012 Elanders obtained the competence and customer base necessary to 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, interior design products but also products with unique packaging made by, among others, Ritter Sport.

THE GERMAN COMPANIES have developed their customer-oriented websites over several years and the rate of innovation is high. We wrote about Ritter Sport's personal chocolate greetings in last year's Annual Report. Similar solutions are under-

way for other chocolate-makers. Another innovation is Printsy that makes it easy to send personal postcards from smartphones to destinations all over the world. Another offer that works together with social media is ordering personally designed calendars via Facebook under the brand Friend-Calendar. The program automatically produces a calendar that contains the people that have interacted the most in the past year. Naturally you can exchange pictures of people anyway you like.

FOTOKASTEN AND D|O|M have around 400,000 recurring customers and continue to run their businesses under respective brand. Thanks to Elanders' global presence they can expand into other regional markets. Characteristic for this side of the graphic industry is, along with personalization, quick deliveries. It's possible to produce your own photo book in just a few minutes – a photo book which is then delivered within 48 hours. For instance, certain days during the rush season fotokasten receives 20,000 orders that are produced, packaged and distributed the same day. This puts big demands

#### PRICE COMPARISONS

There are more and more apps that compare prices between different outlets appearing on the market, for example, BuyVia and ShopSavvy. Consumers are taking over.

#### WORDPRESS

Blog tool WordPress has popped up as a serious challenger to more commercial Web shop tools. It has numerous Web shop themes that can be downloaded.

#### PERSONAL

If the product isn't unique in itself you can make it special through personalization. Suppliers like Amazon offer lots of ways to put your own touch on a product.

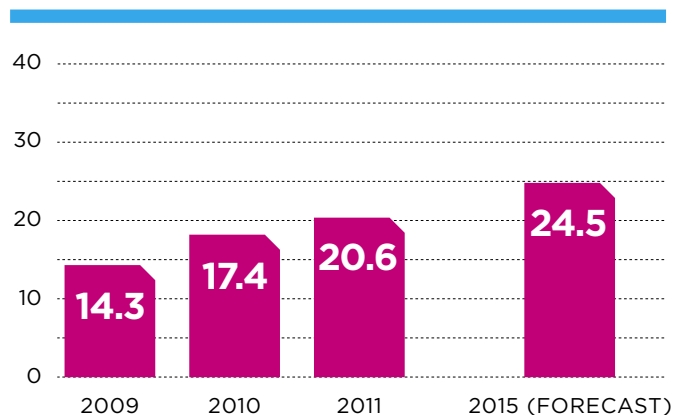


on traceability in the production and distribution chains, which is important for both customers and Elanders.

The market for photo books in Western Europe varies greatly. More than 22 million were sold last year. Around five percent of the population in Germany and the Benelux countries ordered one or more photo books. The equivalent figure in Great Britain and Italy is one percent. In other words there is a very good platform for strong expansion as market penetration increases. Around 25 million photo books are expected to be sold by 2015 but the potential is much higher, especially with the connectivity to social media.

Currently the product area e-Commerce stands for ten percent of Elanders' net sales. The goal is to sharply increase this share by 2017.

#### NUMBER SOLD PHOTO BOOKS IN WESTERN EUROPE 2009-2015 (MILLION UNITS)





*EARLY WALLPAPER*

The first wallpaper was made from rags by hand in little pieces that were expensive and required excellent puzzle skills. Wallpapering a room in the 17th or 18th century could cost more than buying an entire house.

*ARSENIC GREEN*

The Swedish chemist Scheele composed a popular green color in the 1700s that was used for a long time in wallpaper. Afterwards it turned out to be a pretty bad idea since the color contained a large dose of arsenic.



#### WALLPAPER TRENDS

Wallpaper has followed the same trends as society in general. At the end of the 1800s it was full of Art Nouveau with willowy stalks. The 1950s functionalism shifted to medallions in the 70s and pastels in the 80s.

#### WALL PHOTO

Photo wallpaper became popular in the 70s with motifs like the New York City skyline or a sunset on a beach with palm trees. Today's photo wallpaper can look anyway you want it to.

E-COMMERCE | FOTOKASTEN

## EXPLORING WALLSPACE

*There is no reason to be satisfied with showing other people's dreams when it's so easy to display your own. These days you can put that beloved landscape you discovered when you went out hiking onto your living room wall.*

A LOT MORE photos are being taken than just a few years ago thanks to smartphones and digital cameras. This, together with individuals' need to be seen and the desire to be unique, has driven an intense growth in the market for photo products in recent years. No longer do people's pictures have to stay in their computers or come out in the world on pieces of photographic paper. Now they can be exposed in such diverse forms as posters, key rings, coffee cups, t-shirts, jewelry, toys, porcelain, paintings, photo books, calendars and even wallpaper. The pre-fab sunsets of the 70s are out – now people can decide for themselves what they want.

“When it comes to personalization, I can't really think of any limitations,” says Martin Lux, MD of the German companies fotokasten and dlolm which are now part of the Elanders Group

“You can create your own clothes, cars and even food. Just a few years ago it was hard to imagine being able to order and produce individualized curtains. The product area and technology is developing rapidly and this makes it easier to satisfy new desires from customers that want their own personal favorite item. Printing photo products with the help of 3D technique is an example of technology that opens up for completely new possibilities.”

Martin Lux believes the graphic industry is just beginning to evolve and that there will be one change after another in the coming years. However, the main focus will always be on people, not technology.

“Our goal is to make e-commerce an entertaining and unique experience for every customer – from the first click on the website to packing up the product.”



**THE SWAN**

A Nordic eco-label 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.



The mark of  
responsible forestry



## QUALITY MANAGEMENT WITH AN ENVIRONMENTAL TOUCH

*The demand for climate neutral printed matter continued to grow even though it's still a minor portion of total production. Elanders' overriding environmental goal is to minimize the company's environmental impact without affecting the quality of the finished product.*

#### 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.



ELANDERS NOTED A couple of trends in the area of environment and quality in 2012. The interest for climate neutral products is on the rise, mostly on the German, Swedish and British markets, but it's still on a low level compared to the total annual print volume.

In addition, the demands on Elanders' quality-managed and goal-steered production are rising. These requests and demands come from both existing and new customers, particularly industrials. This development is in part driven by public procurements, which often have extensive environmental and quality requirements.

EACH SUBSIDIARY IN Elanders is responsible for its own work with environmental and quality matters in order to best meet local and regional regulations. All told there are 13 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. Elanders has had environmental goals to reduce its ecological footprint for years and at the same time introduced quality management on every market. The only production units that are not certified according to ISO 9001 and/or 14001 are the digital print unit in Italy and the newly acquired American company Midland. Elanders' first facility in the US (Atlanta) was certified according to the automotive industry quality standard TS 16949 in 2012. This is a comprehensive quality standard for suppliers to the automotive industry that ensures very good order and extensive controls.

Swedish operations began work on certification according to ISO 12467 in 2012 and expect to be certified in the beginning of 2013. Quality work has been initiated to further facilitate cooperation between various production units in order to create greater flexibility. If necessary, one unit will be able to takeover production from another without the customer noticing any difference in print quality.

ELANDERS' WORK WITH environmental matters includes a number of areas such as reducing paper waste, greenhouse gas emissions, hazardous waste and lowering energy consumption. Elanders has progressively broadened the scope of this work to include our customers' choices of printing and distribution solutions, where minimal environmental impact is becoming an increasingly common request. Elanders' overriding environmental goal is that all companies work actively to reduce the environmental impact of energy consumption and the amount of hazardous waste, and that more companies will be able to offer FSC® production (Forest Stewardship Council®).

One of the eco-labels Elanders is certified for is the Nordic Swan which we have offered since the 90s. A much younger ecolabel is the Climate Neutral Enterprise (Klimatneutralt företag) which was introduced in 2010 and Climate Neutral Product (Klimatneutral produkt) which in Germany is Print CO<sub>2</sub> verified. A more detailed description of Elanders' ecolabels is given on this spread.

THE GOTHENBURG AWARD for Sustainable Development has been awarded since the year 2000 and Elanders is one of the companies that sponsors the prize of one million Swedish crowns. The theme for 2012 was "Closing the Loop" and the laureates were American Dr. Michael Biddle and Swedish Björn Söderberg.

Recycling is closely connected to sustainable development. Nature's own eco-cycle has proven to have a fantastic ability to cleverly recycle rest products into nutrition and energy. The industrial world has just embarked on its journey to efficient recycling and closing the loop. Waste problems, lack of resources and squandering energy are currently the rule rather than the exception.

Both Michael Biddle and Björn Söderberg have shown that well thought-out solutions for closed eco-cycles are necessary and, above all, possible. After completing his chemistry doctorate Dr Michael Biddle started MBA Polymers in



his garage in the early 1990s. He wanted to prove that plastics could be recycled from mixed waste and turned into high-quality raw material. Plastic is the least recycled material. Michael Biddle has now developed a technique that can separate and refine plastic waste. His garage business has grown into large-scale industrial production in the USA, Europe and China. Listen to his TED lecture here:

<http://youtu.be/RD07GkmM2fc>

AT JUST 19, Björn Söderberg went to Nepal as a volunteer, where he encountered both widespread poverty and environmental devastation. Where others saw problems, as a young entrepreneur, Björn saw the foundation for a business that created jobs and improved the environment by being based on a life cycle philosophy. Björn's first company, Watabaran, manufactured paper from waste and his most recent company, Shuba Briquettes Pvt Ltd, manufactures briquettes from waste to produce Nepal's cheapest fuel. Learn more about Björn's business philosophy through this link:

<http://youtu.be/4M4xN3Yquno>

PROJECTS IN 2012

- 1. Elanders' Swedish operations began work on certification according to ISO 12647 for graphic production. This will facilitate cooperation primarily between our offset printing plants in Mölnlycke and Falköping.
- 2. Over one hundred climate neutral editions of printed matter were produced in Sweden and Germany. Customers are predominantly municipalities and annual report producers.

- 3. The Brazilian operations have replaced the alcohol in damping water in its printing presses to an alternative with a lower environmental impact. The company was ISO 9001 certified in the beginning of 2012. During the year the work has continued to be certified according to ISO 14001 in 2013.
- 4. All Elanders production units are certified according to ISO 9001 and/or 14001 except the digital print unit in Italy and the newly acquired American company Midland. The plant in Atlanta is working to be ISO 14001 certified in 2013.
- 5. Elanders in Great Britain has introduced measures to save energy by replacing lighting and overhauling its servers. Waste is also handled better. For Elanders part the demand for FSC® products is highest in Great Britain.
- 6. Several different environmental improvements have been made in the Chinese operations, among them changing to vegetable ink.
- 7. All Elanders units work to some degree with the Japanese quality improvement methodology 5S to ensure order and organization at workplaces. 5S stands for Sorting, Set in order, Systematic cleaning, Standardizing and Sustaining.
- 8. The climate calculator that Elanders developed together with Chalmers University of Technology was updated in 2012. The calculator makes it much easier to work out what is required to make a product climate neutral.

GOALS FOR 2012	OUTCOME 2012	GOALS FOR 2013
<ul style="list-style-type: none"><li>➔ All companies must work actively to reduce costs stemming from shortcomings in quality.</li><li>➔ Half of Elanders companies will calculate their carbon-dioxide emissions and at least two will become climate neutral.</li><li>➔ The number of companies that offer FSC® production will grow.</li><li>➔ All companies will work actively to reduce environmental impact from the use of solvents.</li></ul>	<ul style="list-style-type: none"><li>➔ All companies have worked with their quality shortcomings and improved their work. The goal has been met.</li><li>➔ Two companies have calculated their emissions and one of them is climate neutral. The goal has not been met.</li><li>➔ Another company received FSC® certification. The goal has been met.</li><li>➔ All companies work to cut down on solvents. The goal has been met.</li></ul>	<ul style="list-style-type: none"><li>➔ All companies will work actively to reduce costs stemming from shortcomings in quality.</li><li>➔ More renewable energy will be used.</li><li>➔ All companies will work actively to reduce environmental impact from the use of solvents.</li><li>➔ The amount of unsellable waste per ton product will be measured and reduced in the future.</li></ul>

## ■ ENVIRONMENTAL ACCOUNTS 2008-2012

SEK '000s	2012	2011	2010	2009	2008
<b>Environmentally related expenses</b>					
Waste expenses and treatment	1,916	2,147	1,927	2,262	4,051
Ecolabeling fees, net <sup>1)</sup>	328	216	431	116	141
Fees, insurance and carbon dioxide tax	1,259	1,280	1,461	952	1,084
<b>TOTAL</b>	<b>3,504</b>	<b>3,643</b>	<b>3,819</b>	<b>3,330</b>	<b>5,276</b>
<b>Environmentally related income</b>					
Paper waste	10,875	11,402	5,246	4,399	7,374
<b>ENVIRONMENTALLY RELATED INVESTMENTS</b>					
Investments for the purpose of minimizing environmental impact or conserving resources	610	119	362	277	48

<sup>1)</sup> From 2008 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 2008-2012

	2012	2011	2010	2009	2008
Solvent consumption, kilos per MSEK in net sales	111	111	92	98	115
Solvent consumption per ton product	6.0	5.9	5.6	6.1	6.3
Electricity, kWh per ton product	883	832	915	985	800
Hazardous waste, tons	342	333	368	396	473
Hazardous waste, kg per ton product	9.6	10.0	13.0	12.0	12.9
Proportion of vegetable cleansers, %	5.1	2.8	1.3	1.8	1.4

## ■ FINANCIALLY RELATED ENVIRONMENTAL RATIOS 2008-2012

	2012	2011	2010	2009	2008
Financial effect of the change in paper waste, SEK '000s	4,129	-1,821	-3,602	4,074	7,127
Paper waste compared with previous years, %	-4.4	2.0	5.0	-6.0	-8.0

The tables above comprises the companies that were part of the Elanders Group throughout 2012.





## A YEAR WHEN OUR NUMBERS GREW

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*Entrepreneurship is an important part of Elanders' business and work climate. Customers' demands and changing market conditions are what drives our employees and entire organization. After a couple of years of cutbacks our staff grew in 2012 through international acquisitions.*

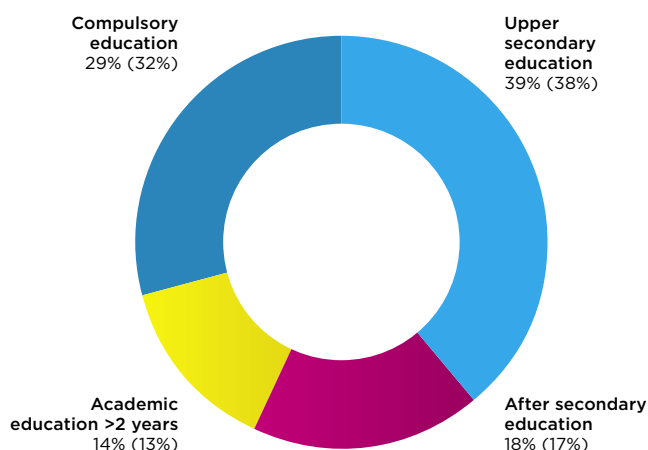
## ■ AVERAGE NUMBER OF EMPLOYEES, RELATIONSHIP BETWEEN MEN AND WOMEN



## ■ MEN AND WOMEN IN LEADING POSITIONS



## ■ EDUCATIONAL LEVELS IN THE ELANDERS GROUP



## ■ HUMAN CAPITAL RATIOS

	2012	2011	2010
Average number of employees	1,587	1,546	1,520
Number of employees per 31 December	1,780	1,582	1,564
Average age	39.9	39.2	39.0
Personnel turnover, %	5.4	5.6	7.3
Revenues per employee, SEK '000s	1,213	1,189	1,122
Added value per employee, SEK '000s	675	655	599
Operating result per employee, SEK '000s	75	71	-50
Competence development cost per employee, SEK '000s	1	1	1

IN 2012 THE work climate in almost all of Elanders' units was characterized by good capacity utilization and a number of new assignments. The number of employees, which during a couple of years has dropped by due to necessary reductions, grew in connection with the acquisition of the German fotokasten and dloim and the American Midland. The acquisitions contributed more than 200 new employees and at the end of the year Elanders had 1,780 employees.

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 unit. The same applies for Hungarian operations that are now included in the German organization. This change allows Elanders to profit from having printing operations in different regional markets, making it more competitive when price levels or lead times steer customers' choices.

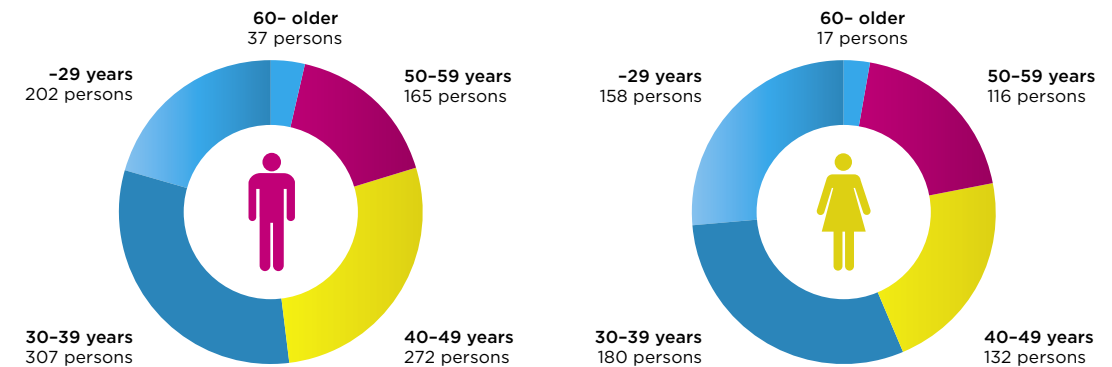
THE EXCHANGE OF experience between employees and between companies is intensified in the new model and internal networking takes on a whole new importance when production moves between countries.

The acquisition of new companies to the Group broadened our product range and heightened Elanders' role as a global player. In time the acquisitions will lead to an even greater exchange of experience between production plants.

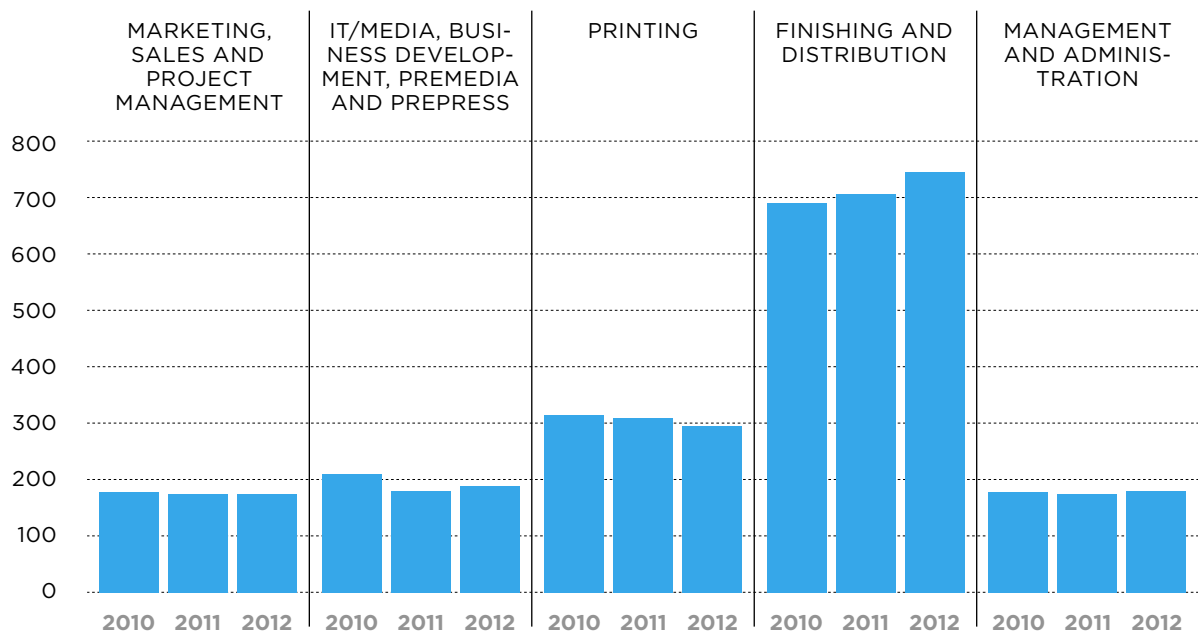
It's worth noting how the American acquisition Midland Information Resources Company has performed as an employer. Midland has been named the best workplace in the graphic industry in the US twelve years in a row. This is an industry with around 10,000 companies and more than a million employees. Over the years Midland has carried out a very goal-oriented personnel policy. In addition to creating the best possible work environment the company has focused on each individual employee's goals and ambitions.



■ AGE DISTRIBUTION, NUMBER OF EMPLOYEES



■ ROLE IN THE ORGANISATION, NUMBER OF EMPLOYEES



The other companies in the Group also encourage employees to take responsibility and initiative. Entrepreneurial skills are an important part of our company culture and a good way to meet the constant change the industry is going through. Employees are active in the company by, for instance, making suggestions for improvement. They also feel pride in always doing their best and taking responsibility for customer deliveries.

Another aspect of the work climate is absence due to sickness. Low absence is highly beneficial for both employees and the company.

Elanders works with physical fitness in part through a Health Group made up of representatives from different units. The Health Group arranges various activities like seminars connected to diet, health, stress and physical wellbeing. Elanders works extensively to prevent stress related illnesses, through for example, workplace adjustments that facilitate returning to work after convalescence.

Elanders is also a member of the Good Graphic Company, a group of union and company representatives that, among other things, work to raise health ratios in the graphic industry.

## CSR IN PRACTISE

### SCHOOLBOOKS TO AFRICA

During the year Elanders donated notebooks and note paper to school children in Kenya, in total about 318,400 pages.

### VISITING PROFESSOR PROGRAMME

Elanders has been a co-financer of the Visiting Professor Programme at the School of Business, Economics and Law at the University of Gothenburg since 2009. Over a five-year period more than MSEK 50 will cover the cost of having 20 to 25 well known guest professors from around the world visit the school.

### AWARDED EMPLOYER

Elanders' new acquisition Midland has been named the best workplace in the graphic industry in the US twelve years in a row. In addition to creating the best possible working environment the company has also focused on helping each individual employee achieve their goals and ambitions.

## SUSTAINABLE DEVELOPMENT CSR

# ONLY WINNERS IN OUR CSR WORK

*At Elanders our CSR work is aimed at reducing the company's ecological footprint and being a player appreciated by customers, co-workers, partners and society at large on the markets where the Group is active.*

FOR A NUMBER of companies around the world interest in environmental matters has also led to prioritizing issues connected with CSR (Corporate Social Responsibility) in general. In other words how a company takes responsibility for the effect it has on society – financially, environmentally and socially. This is true for Elanders as well. Investors have taken a growing interest in this area in recent years because the stock market has seen a clear parallel between how the company handles sustainability matters and long-term financial results. Elanders has also noted that there is a genuine interest from employees and others to know more about Elanders' ambitions in these areas which include promoting human rights and fair working conditions, taking responsibility for environmental impact and working against corruption.

GROUP POLICIES SUCH as the Code of conduct, Anti-bribery policy, personnel policy, environmental policy etc make-up the guidelines and regulations for how Elanders relates to employees, customers, suppliers and the society the company is active in. These are vital tools in the CSR work performed by Elanders.

Elanders has prioritized environmental issues for years and actively engaged in the work concerning environmental demands, certification and ecolabeling. For this reason it has been particularly important for Elanders to support the Gothenburg Award for Sustainable Development.

To support education and research in general and contribute to social development Elanders has, for example, sponsored a guest professorship at the School of Business, Economics and Law at the University of Gothenburg, the Visiting Professor Programme, with one million Swedish crowns a year since 2009. Another example is Elanders' donation of notebooks and note paper to 3,000 students in Kenya in 2012.

AFTER THE FINANCIAL crisis in 2008 and the following slump in the economy it's no secret that high environmental goals and expanded CSR programs have had a low priority in many companies. This is especially true in the graphic industry where lots of companies have struggled just to survive. However, thanks to its size and financial clout Elanders has been able to continue to take the initiative in this area despite hard times. A significant issue is how well the company can long-term adjust operations to future, tougher emission limitations and more inclusive ethical guidelines. It is also important to identify the competitive advantages that come from being a totally environmentally certified graphic group, a goal Elanders is already well on its way to fulfilling. The only units not environmentally certified are the operations in Italy and the new acquisition Midland Information Resources in the US.





## 2012

Uncertainty regarding the global economy characterized pretty much all of 2012 but somehow didn't affect Elanders as much as many other companies. The most notable event in the first quarter was the acquisition of the German companies foto-kasten GmbH and d|o|m Deutsche Online Medien GmbH. Both companies are far ahead when it comes to offering and developing technical solutions for digital photo and print services.

Capacity utilization was also good in the second quarter, particularly in the Swedish, German, Chinese and British units. The American company had a tougher time on its market and therefore cost adjustments were made there.

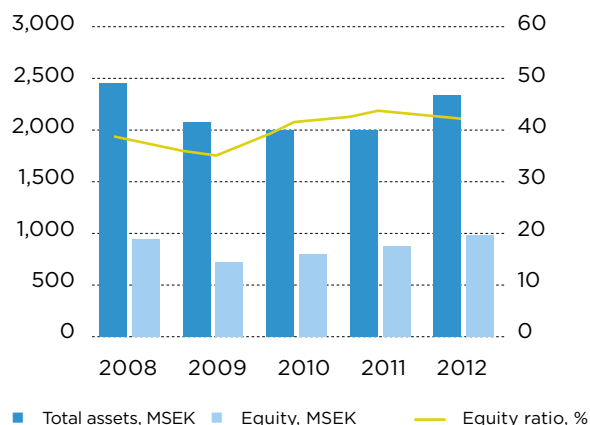
The third quarter is usually the weakest of the year but, as in 2011, it was also a strong quarter in 2012 and both net sales and results grew. The German, British and Chinese businesses were particularly successful in winning new market shares on a rather hesitant market. Late in December the American company Midland Information Resources was acquired. 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).

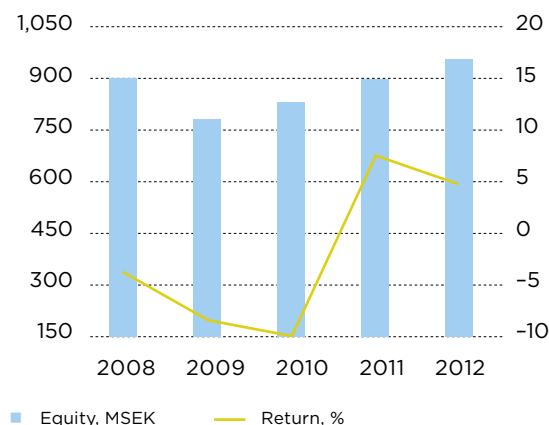
# ON THE RIGHT PATH IN A TURBULENT WORLD

*Elanders' turnaround in 2011 was no coincidence. In a rather turbulent world the company continued, cleared of one-off items, to improve profitability and increase net sales. The year concluded with a relatively strong quarter and the acquisition of the American company Midland Information Resources.*

## EQUITY RATIO



## RETURN ON EQUITY



## 2011

The year started with a definite increase in net sales and result. This was a testament to the effects of the structural changes that we made the previous year, which were especially noticeable in greater 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 offer with qualified illustrated books.

Elanders' conscious investment to offer personalized print and develop new product concepts gave results and brought in new customers and projects. One of many successful examples was the project to print 11,003 unique covers for the Swedish magazine Cap&Design.

A deal was signed with the CPT Group in September to take over parts of the Swedish printer NRS Tryckeri, which further broadened Elanders' customer base.

The year ended with a ten percent increase of 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 corresponded to 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.

The year's result was a reflection of the aftermath of the recession that affected Elanders during 2010 and the wait and see attitude many customers still had. The result for the year was a loss of MSEK 110, of which one-off items 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. In the first quarter the remaining shares in the Brazilian operations were acquired.

## 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 as a whole were 15 percent, mainly in Sweden and Hungary where they were 20 percent in Sweden. An extensive program to organize the Group for the best use of production capacity, mainly in low-cost countries, was initiated. The increasing trend towards more and more business connected to the entire Group made the former division of the Group's companies into business areas redundant.

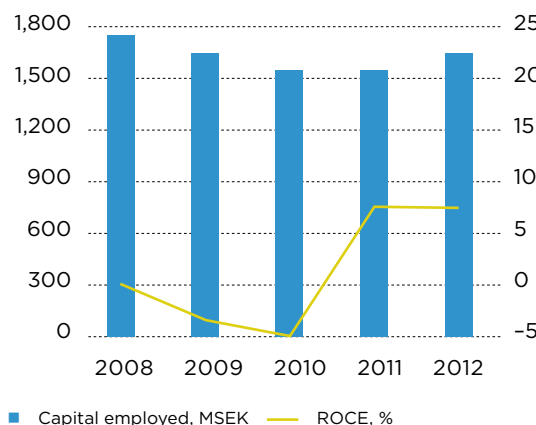
Group net sales fell by 20 percent and operating result dropped by MSEK 76 to MSEK -60.

## 2008

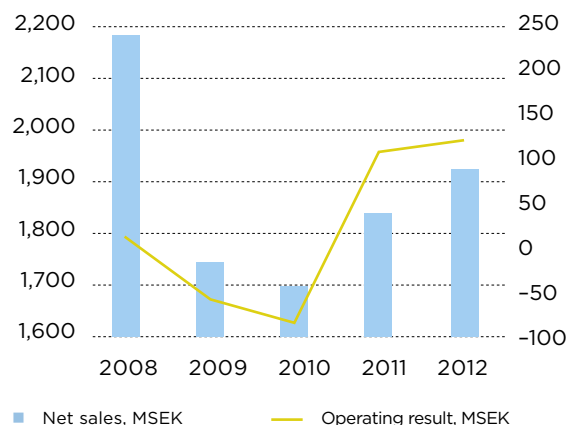
A major source of joy during our Jubilee Year was our operations in China which surpassed all expectations through the successful development of packaging production. The Group also did well in Germany. Mairs Graphische Betriebe, in Stuttgart, Germany was acquired and integrated, providing access to new technology and new, important customers. Seiz Printing Co in Atlanta, US was also acquired with the aim of creating a platform on the important North American market.

The year, particularly the latter half, was characterized by a general downturn in orders from consumer electronics customers, white goods and automotives. This downturn is calculated to have charged Group result with about MSEK 75, above all in Sweden and Hungary. Business in the USA, Poland and Italy did not meet expectations either and measures were taken to adjust costs in Sweden and Hungary to the worsening market situation. Costs for these measures amounted to a total of MSEK 89.

### RETURN ON CAPITAL EMPLOYED



### OPERATING RESULT





// THROUGH THE ACQUISITION OF MIDLAND ELANDERS WILL CONTINUE ITS INTERNATIONAL EXPANSION AND INCREASE ITS PRESENCE ON THE WORLD'S SINGLE LARGEST GRAPHIC MARKET. //

## ■ SUMMARY OF THE INCOME STATEMENTS

MSEK	2012	2011	2010	2009	2008
Net sales	1,924.2	1,838.8	1,705.9	1,756.7	2,191.2
Operating expenses	-1,805.6	-1,729.0	-1,782.1	-1,816.8	-2,175.1
EBIT	118.6	109.8	-76.2	-60.1	16.0
Financial items	-25.1	-29.8	-29.0	-36.0	-50.4
Result after financial items	93.4	80.0	-105.2	-96.1	-34.4
Result for the year	44.5	60.4	-83.7	-74.4	-25.7
EBITDA	208.9	196.2	25.8	41.0	122.1

## ■ SUMMARY OF THE BALANCE SHEETS

MSEK	2012	2011	2010	2009	2008
Goodwill	977.7	833.6	836.1	894.9	917.7
Other fixed assets	540.8	515.3	575.4	624.6	660.4
Inventory	115.7	125.6	118.7	95.1	120.1
Accounts receivable	392.5	385.3	365.1	351.5	470.9
Other current assets	66.5	63.6	66.9	68.8	75.9
Cash and cash equivalents	168.0	81.2	50.1	78.9	141.7
Equity	953.8	879.6	819.3	765.1	877.7
Interest-bearing liabilities	856.3	757.7	782.3	916.3	970.7
Non-interest-bearing liabilities	451.1	367.2	410.7	432.4	538.3
Total assets	2,261.2	2,004.6	2,012.3	2,113.8	2,386.7

## ■ CASH FLOW IN SUMMARY

MSEK	2012	2011	2010	2009	2008
Cash flow from operating activities	214.7	84.3	-57.8	54.6	120.6
Paid taxes	-23.3	-6.8	-7.6	-7.9	-31.7
Investments	-196.5	-27.6	-69.2	-52.2	14.5
Operating cash flow	66.6	93.3	-90.4	42.1	217.2
Change in net debt	12.8	-56.6	-105.2	-5.9	25.8

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

## ■ KEY RATIOS

	2012	2011	2010	2009	2008
Operating margin, %	6.2	6.0	-4.5	-3.4	0.7
Profit margin, %	4.9	4.3	-6.2	-5.5	-1.6
Gross profit/Added value, %	34.3	34.8	28.1	33.0	36.7
Capital net sales rate, times	0.9	0.9	0.8	0.8	1.0
Equity ratio, %	42.2	43.9	40.7	36.2	36.8
Risk capital ratio, %	44.4	45.6	42.1	37.6	38.0
Interest coverage ratio, times	5.6	4.4	neg.	neg.	0.4
Debt/equity ratio, times	0.7	0.8	0.9	1.1	1.0
Return on equity, %	4.8	7.1	-10.6	-9.1	-3.0
Return on capital employed, %	7.4	7.1	-4.8	-3.6	0.9
Return on total assets, %	7.4	7.3	-3.2	-2.2	1.7
EBIT-multiple, times	9.9	9.1	-14.1	-19.5	68.2
Average number of employees	1,587	1,546	1,520	1,581	1,809
Net debt/EBITDA, times	3.3	3.4	28.4	20.5	6.9
Enterprise Value, MSEK	1,177.0	1,004.6	1,269.3	1,174.3	1,092.3
Risk capital, MSEK	1,004.3	915.0	848.0	793.6	907.7
Capital employed, MSEK	1,642.1	1,556.2	1,551.5	1,602.5	1,721.0
Net debt, MSEK	688.3	676.5	732.2	837.4	843.3

## ■ DATA PER SHARE

	2012	2011	2010	2009	2008
Result, SEK	2.05	3.09	-6.79	-7.57	-2.62
Share price at year-end, SEK	21.50	16.80	27.50	34.50	25.50
P/e ratio	10.5	5.4	-4.1	-4.5	-9.7
P/s ratio	0.2	0.2	0.2	0.2	0.1
Dividend, SEK	0.60 <sup>1)</sup>	0.50	-	-	-
Dividend yield, %	2.7	2.3	-	-	-
Share price/equity, times	0.5	0.4	0.4	0.4	0.3
Net asset value, SEK	44.06	45.04	66.39	78.35	89.88
Risk capital, SEK	44.18	46.80	68.71	81.27	92.96
EBITDA, SEK	9.65	10.04	2.09	4.19	12.50
Operating cash flow, SEK	3.08	4.78	-7.33	4.31	22.24
Cash flow from operating activities, SEK	9.92	4.31	-4.68	5.60	22.24
Average number of outstanding shares, in thousands	21,646	19,530	12,342	9,765	9,765
Turnover rate	0.08	0.13	0.32	0.45	0.23

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



# POSITIVE DEVELOPMENT IN THE ELANDERS SHARE

*The Elanders share developed favorable in 2012. An issue in kind was carried out in connection with the acquisition of the German company fotokasten GmbH and dlolm Deutsche Online Medien GmbH. 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 2012 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 28.0 (–38.9) percent during 2012 which was considerably better than the OMX Stockholm PI index which increased by (–18.3) percent during the same period. During 2012 a total of Elanders 1,838,877 shares (2,633,829) were traded, which is equivalent to an average trading rate of approximately 0.08 times (0.13 times).

The lowest share price was SEK 16.90 on 2 January and the highest was SEK 25.30 on 26 March. The final share price in 2012 was SEK 21.50 (SEK 16.80), which means that Elanders' stock market value at year-end was approximately MSEK 489 (approximately MSEK 328).

## CLASS OF SHARES AND LIQUIDITY GUARANTEE

At year-end there were 1,166,666 A shares and 21,563,332 (18,363,332) 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 this page and the next for share capital and voting disposition. The B share is covered by a liquidity guarantee and Remium AB is the guarantor.

## SHARE ALLOCATION

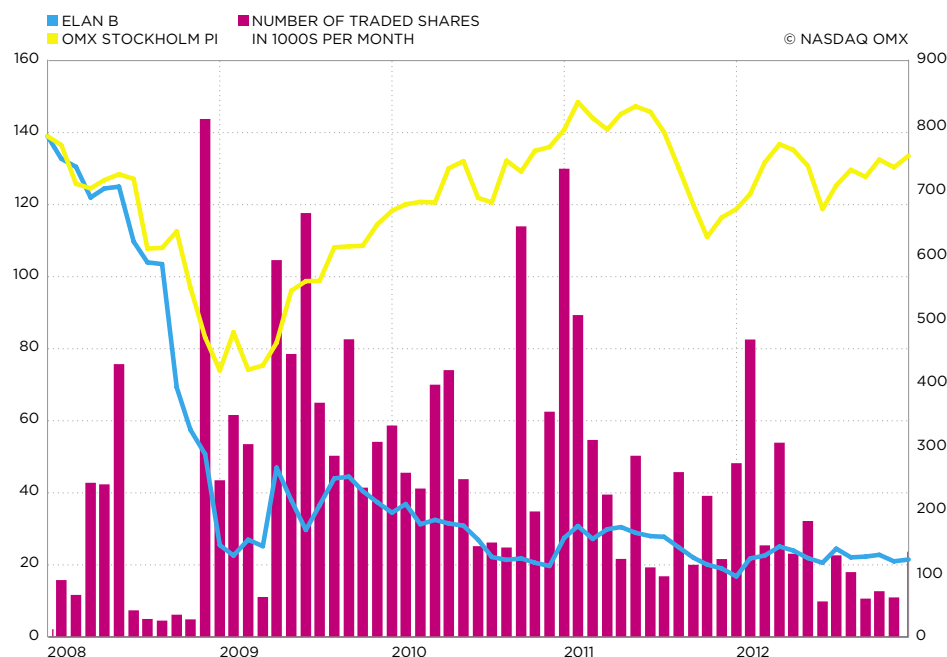
There were 2,270 (2,413) Elanders shareholders at year-end. The allocation is analyzed in the tables on this page and the next.

## DIVIDEND POLICY

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

## SHAREHOLDER INFORMATION

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



## MAJOR SHAREHOLDERS 31 DECEMBER 2012

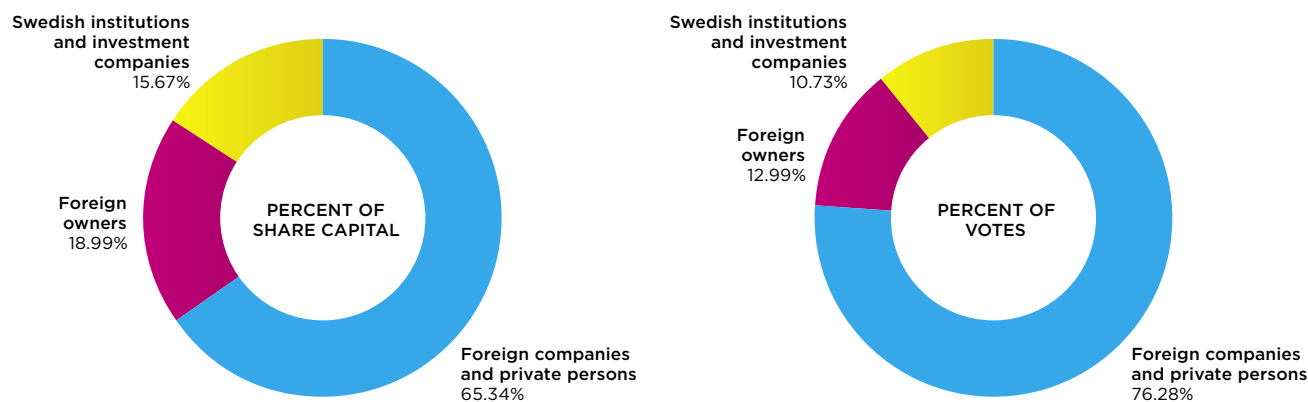
	Number of A shares	Number of B shares	Percent of votes	Percent of share capital
Carl Bennet AB	1,166,666	10,382,098	66.35	50.81
Carnegie Funds (Sweden)	-	1,640,400	4.94	7.22
Försäkringsaktiebolaget Avanza Pension	-	1,273,370	3.83	5.60
Peter Sommer	-	578,000	1.74	2.54
Per Anders Bendt with companies	-	320,000	0.96	1.41
Nordnet Pensionsförsäkring AB	-	259,358	0.78	1.14
Danica Pension	-	125,400	0.38	0.55
AB Stena Metall Finans	-	100,000	0.30	0.44
T&O Investment Aktiesparklubb	-	100,000	0.30	0.44
Zebub Förvaltnings AB	-	100,000	0.30	0.44
Other shareholders	-	6,684,706	20.12	29.41
<b>TOTAL</b>	<b>1,166,666</b>	<b>21,563,332</b>	<b>100.00</b>	<b>100.00</b>

Other shareholders includes shares that are held through foreign nominees and where Elanders do not have information regarding the ultimate owners. This ownership amounts to 15.7 percent of the capital and 10.8 percent of the votes.

## SHARE CAPITAL DEVELOPMENT 2012

	Number of A shares	Number of B shares	Accumulated shares	Share capital, SEK
Outstanding shares and share capital on 31 December 2011	1,166,666	18,363,332	19,529,998	195,299,980
Directed share issue to acquire d o m and fotokasten	-	3,200,000	3,200,000	32,000,000
<b>OUTSTANDING SHARES AND SHARE CAPITAL ON 31 DECEMBER 2012</b>	<b>1,166,666</b>	<b>21,563,332</b>	<b>22,729,998</b>	<b>227,299,980</b>

## SHAREHOLDER CATEGORIES 31 DECEMBER 2012



## SHAREHOLDER STATISTICS PER 31 DECEMBER 2012

Number of shares	Number of shareholders	Number of A shares	Number of B shares	Percent of share capital	Percent of votes
1-500	1,532	-	272,265	1.20	0.82
501-5,000	614	-	959,087	4.22	2.89
5,001-50,000	102	-	1,632,578	7.18	4.91
50,001-500,000	17	-	2,182,534	9.60	6.57
500,001-	5	1,166,666	16,516,868	77.80	84.81
<b>TOTAL</b>	<b>2,270</b>	<b>1,166,666</b>	<b>21,563,332</b>	<b>100.00</b>	<b>100.00</b>

Source: Euroclear Sweden AB.



**RISKS &  
UNCERTAINTY  
FACTORS**

**FOUR SAFETY MEASURES**

**ELANDERS BLUE**

Elanders Blue is what we call the Group's program for working with risk management in production. Elanders' facilities are inspected regularly in order to minimize the risk of operational disturbances.

**CURRENCY HEDGING**

During the year Group Finance made around 200 currency transactions to hedge Group exposure in foreign currency.



## BROADENING OUR OFFER TO COUNTER CIRCUMSTANTIAL RISKS

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

**CUSTOMER CONCENTRATION**  
Elanders' ten largest customers stand for 34 percent of net sales and none of them generate more than 7 percent of Group net sales individually.

**PAPER COSTS**  
Paper is the most important input goods and represents 21 percent of operational costs. Elanders hedges the effects of a rise in paper costs through a paper price clause in longer customer contracts.

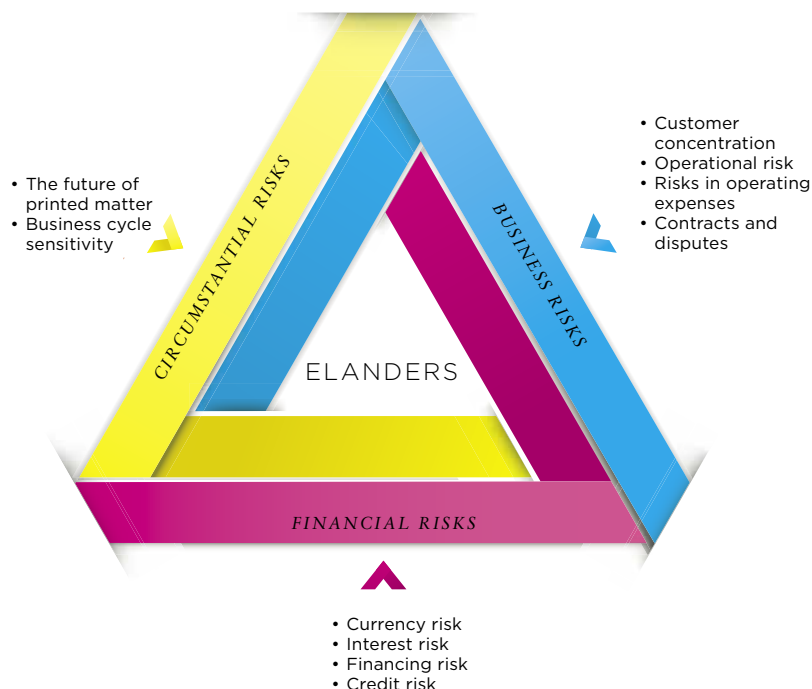
### CIRCUMSTANTIAL RISKS

The circumstantial risks with the largest effect on Elanders' operations 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 broadening Elanders' offer and customer base.

#### *The future of printed matter*

Printed matter will continue to grow as a bearer of information on a global level in coming decades although to a lesser degree as time passes. The major part of this increase will consist of packaging, information and marketing material. The latter will mainly increase through the use of digital print technology and in the form of individual-oriented printed matter. 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. On the other hand the demand for offset technology will continue to increase in Asia, and Eastern Europe and Latin America as well.

Elanders' position as one of the leading digital printed matter players in Europe and our competitive offset capacity in Eastern Europe and Asia concurs with this anticipated development. Elanders has also prepared for the increase in packaging and the fact that more and more orders are being placed via public or customer adapted websites by reorganizing our production. The acquisition of dloim, fotokasten and Midland are good examples of how Elanders invests resources to remain on the cutting edge of technology in the industry. Investments in



offset are almost exclusively made in the Polish, Hungarian, Brazilian and Chinese units while the units in Sweden, Germany and Great Britain increasingly shift their production to receiver-oriented printed matter, produced with digital technology and orders made via a Web interface.

#### *Business cycle sensitivity*

The most tangible business cycle sensitivity is in Group operations that supply our customers in industry, particularly automotives and consumer electronics, as well as advertising financed products to publishers. Our customers in food stuffs, cosmetics, pharmaceuticals, publishers of educational material and the public sector are not as sensitive. Sales to consumers are also less affected by the general economic situation.

We work consciously to reduce the influence of business cycles by increasing net sales to existing and new customers active in the less sensitive industries and customer groups. The Group's focus on packaging also reduces sensitivity to shifts in the economy since these products are not as affected by them. During the year these investments continued to produce results in the form of new customers and sales of new products to existing customers. The Group's work to increase orders of standardized printed matter via the Internet is crucial to reaching new and less business cycle sensitive customer groups.



## **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 is 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. Actual payables and liabilities as well as contracted purchase and sales orders, where the timeframe of the flow is within the next twelve months, are hedged in their entirety. Orders where the timing of the flow is beyond twelve months are normally hedged at 80 percent since there is room for certain volume deviations within the framework of the contracts. Expected and budgeted flows are not hedged.

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 EUR, CNY and USD. Net assets in the German operations have been hedged by taking loans in EUR and in the newly acquired company Midland by taking loans in USD. 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 SEK and EUR.

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 44 percent of Group net debt is currently protected against an increase in interest rates.

### ***Financing risk***

Elanders is dependent on obtaining financing from credit institutions. The Group financing need comprises current operations and preparedness for possible future investments. The availability of financing depends on factors 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. Credit agreements were signed with two Swedish banks regarding operational financing during the year. The credit agreements end 30 September 2013 and negotiations concerning new agreements will begin in the spring of 2013. The Group's financing policy specifies a liquidity buffer of MSEK 100. At the end of 2012 the liquidity buffer amounted to MSEK 219.

### ***Credit risk***

The Group is exposed to losses through the risk of a counterparty to a financial instrument 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. However, in actuality a few customers represent a large part of the Group's accounts receivable. These customers are for the most part 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. The Group also has credit insurance that covers substantial credit losses attributable to insured customers. In 2012 42 (41) percent of net sales was insured.

## **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 counteracting business risks in Elanders.

### **Customer concentration**

The Group's major customers are primarily active in industry and agreements with these customers normally run over two or three years. Elanders' ten largest customers represent 34 (36) percent of net sales. No single customer represents more than 7 percent of Group 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. Elanders has worked together with several of the Group's largest customers for many years.

### **Operational risk**

The risk that the Group will suffer a major stop in operations is minimal. The Group's production units are largely compatible and can help each other if there are any hitches in operations 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 the producing units. The work involves regular controls of production plants where identified improvement areas are the basis for action plans and follow-up. The units can compare themselves with the other plants in the Group and learn from each other. The Group also has business interruption insurance that covers the loss of margins for up to twelve months.

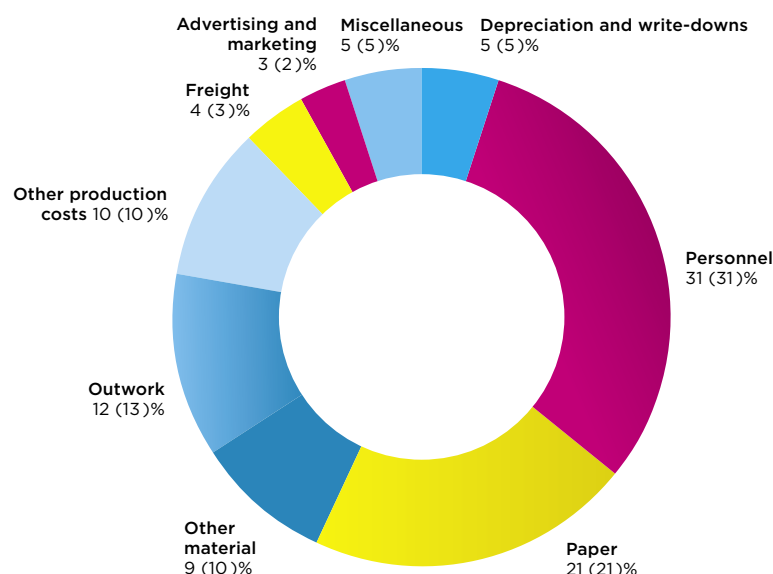
### **Risks in operating expenses**

Elanders' main operating costs are personnel costs, paper costs and the cost of outwork. These three categories represent 69 (70) percent of total operating costs.

Both personnel and the company have a great deal to gain from low levels of sick leave and Elanders works continuously to promote health. The salary development of employees follows general developments on the labor market in each individual country, which in its turn is connected to the economy in general.

The Group protects itself against price fluctuations through a paper price clause in the larger and longer contracts with our customers. When selling to customers without contractual prices production and delivery generally take place quite close in time and customer prices are based on current paper prices.

## **■ COST STRUCTURE**



Since the industry is characterized by surplus capacity and there is a price press on most markets Elanders is active in, there is normally no difficulty in finding subcontractors with competitive prices. The Group's size compared to that of the competitors on the local markets usually creates a good situation to negotiate reasonable prices for outwork.

### **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 believes no dispute attributable to daily operations has or will have important consequences for the Group's financial position. The Group's insurance program contains global liability insurance that, among other things, covers general liability, product liability, crime fidelity, business interruption and limited protection against environmental damage. The Group also has liability insurance for members of the Board and officers.

### **SENSITIVITY ANALYSIS**

In note 19 to the financial reports there is a summary of an analysis of how changes in the level of the variables described above would have affected Group results after financial items.

# THE FINANCIAL REPORTS

*Elanders continues to have a strong position among the global industrial customers and this is where the greatest opportunities for both long and short term expansion can be found. The undeniable trend is that a growing number of global companies are centralizing their purchasing processes while requesting local deliveries.*

73 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 2012.

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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.

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83 INCOME STATEMENTS

The Group’s net sales increased during the year with 5 percent to MSEK 1,924 (1,839) and the operating result improved to MSEK 119 (110).

83 STATEMENTS OF  
COMPREHENSIVE INCOME

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

84 STATEMENTS OF  
FINANCIAL POSITION

The Group’s total assets increased by MSEK 256 to MSEK 2,261 and the capital employed increased with MSEK 87 and amounted to MSEK 1,642.

85 STATEMENTS OF  
CHANGES IN EQUITY

The Group’s equity increased with MSEK 74 to MSEK 954 while the equity ratio decreased with 1.7 basis points and amounted to 42.2 percent.

86 STATEMENTS OF  
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Cash flow from operating activities improved with MSEK 130 and amounted to MSEK 215.

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

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The Board of Directors and the Chief Executive Officer propose that SEK 0.60 per share total SEK 13,637,998.80 is paid as dividend to the shareholders.

120 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 2012.*

*Elanders AB (publ) is the parent company of Elanders, a global printing group.*

*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

Elanders reports 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

Elanders is a global printing group with production units in nine countries on four continents. In 2012 our product areas consisted of Commercial Print, Packaging and Web2Business (W2B). In 2013 W2B will be renamed and called e-Commerce. Elanders' typical customers are companies in manufacturing (automotives, consumer electronics, white goods etc), companies in the food industry and publishers. Elanders sells photo products directly to consumers under the brand fotokasten, primarily in Germany.

## GROUP OPERATIVE LOCATIONS

In 2012 the Group had operations in 15 companies in ten countries. In November the Norwegian company was sold to its minority owners and since then operations are run in nine countries. The Norwegian business had annual net sales of around MNOK 25. At the end of the year Elanders had production units located in Brazil (São Paulo), Italy (Treviso), China (Beijing), Poland (Płońsk), Great Britain (Newcastle), Sweden (Falköping, Gothenburg, Malmö and Stockholm), Germany (Stuttgart), Hungary (Zalalövő and Jászberény) and the USA (Atlanta and Davenport). Elanders is also represented by sales offices and development divisions in a number of locations.

## NET SALES AND RESULT

Group net sales increased by 5 percent to MSEK 1,924 (1,839) in 2012. With comparable units and the same exchange rates net sales were in line with last year.

Group operating result increased to MSEK 119 (110), and cleared of one-off items of MSEK 15 (25) the improvement in the result was MSEK 19. The positive development is primarily due to the new acquisitions, made in the first quarter, dlolm and fotokasten which lived up to our high expectations. We have also had continued positive development for operations in Germany, China and Great Britain. The one-off items are mainly book VAT in Sweden taken up as income, restructuring measures in operations in the US, Sweden and Germany, severance pay and consultation costs in connection with acquisitions.

Result before tax totaled MSEK 93 (80) and result after tax was MSEK 45 (60). The decrease in result after tax was primarily an effect of the decision by the Swedish Parliament to reduce the company tax rate from 26.3 percent to 22 percent. This led to an increase in tax costs by MSEK 22 since deferred tax assets attributable to loss carryforwards at year-end were revaluated at the new tax rate.

## SIGNIFICANT EVENTS DURING THE YEAR

As part of Elanders' declared strategy to grow in the segment e-Commerce during the first quarter Elanders acquired the German companies fotokasten GmbH and dlolm Deutsche Online Medien GmbH. Fotokasten is a strong and well known brand on the growing German market in personalized photo products such as photo books and calendars for consumers. dlolm develops technical solutions for digital photo and print services. When Elanders acquired the companies they had a total net sales of MSEK 150, an operating margin of 10 percent and around 35 employees. The acquisition was made through a directed new issue of 3,200,000 B shares together with a cash purchase sum of maximum EUR 800,000.

In November 2012 the MD of Elanders Swedish operations resigned on his own accord.

During the fourth quarter Elanders acquired all the shares in Midland Information Resources Company, situated in Davenport, Iowa, USA. The company is a leader in global print management and is serving several Fortune 500 companies with deliveries all over the world. In 2012 Midland had net sales of MUSD 29 and currently has around 180 employees. The purchase price was MUSD 23 on a cash-and-debt-free basis.

In February 2010 a verdict was reached in the Court of Justice of the European Union in the so called Graphic Procédé case. In Sweden this is of particular importance for printing companies and the definition of what is goods (i.e. printed matter) and what is services as well as for the application of the so-called book VAT, i.e. a Value Added Tax of six percent. Based on this, from 2010 to 2012 Elanders has submitted claims for VAT refunds to the Swedish Tax Agency pertaining to 2004 through 2007. Some of these refunds have been recorded as income. In 2011 and 2012 the Swedish Tax Agency made consequential amendments regarding many of Elanders' customers who have then have demanded compensation from Elanders. It is Elanders' position that the Swedish Tax Agency cannot make consequential amendments and a judgment on May 16th 2012 from the Court of Appeals in Stockholm supported that position. The Swedish Tax Agency has now appealed the Court of Appeals decision and sought reconsideration by the Supreme Administrative Court. Until this judgment has finally become legally binding Elanders believes there is still a great deal of uncertainty regarding the remaining amounts for 2004 and 2007 and therefore it is difficult to assess what effect they will have on Elanders' result.

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 position is that the graphic companies that have made a claim for the refund of outgoing VAT must recognize this as revenue in the year the claim is made to the Swedish Tax Agency and not 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 it will be taken to the Administrative Court. The total exposure is around MSEK 16, since only some of the refund can be set off against the tax loss carryforwards Elanders has. Elanders has not made any provisions for this amount.

#### **INVESTMENTS AND DEPRECIATION**

During the year investments amounted to MSEK 197 (28), of which MSEK 126 (10) were acquisitions. Investments in production equipment were mostly new and replacement investments, primarily in Eastern Europe in order to handle growing volumes in Sweden and Germany. Depreciation amounted to MSEK 91 (86).

#### **FINANCIAL POSITION, CASH FLOW AND EQUITY RATIO**

At year-end net debt was MSEK 688 (676). Not utilized credit facilities including cash and cash equivalents were MSEK 219 (266) at year-end. Operating cash flow amounted

to MSEK 67 (93) for the year, of which company acquisitions amounted to MSEK -126 (-10). Equity at year end amounted to MSEK 954 (880), making for an equity ratio of 42 (44) percent.

Loans from the Group's main banks are recorded as interest-bearing current liabilities since the credit agreement matures on 30 September 2013. Negotiations for a new credit agreement will be initiated in the spring of 2013.

#### **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.

#### **PERSONNEL**

The average number of employees in the Group during the year was 1,587 (1,546) of which 406 (395) were in Sweden. The total number of employees at year-end amounted to 1,780 (1,582) of which 418 (399) were in Sweden. Further information concerning the number of employees, as well as salaries, remuneration and terms of employment is given in note 5 to the Group financial reports.

#### **PARENT COMPANY**

During the year the parent provided joint Group services. No external sales took place. Investments in 2012 amounted to MSEK 126 (1), of which MSEK 126 (0) was investments in subsidiaries. The average number of employees during the year was 8 (8) and the number at year-end amounted to 9 (8). Other information concerning the number of employees, salaries, remuneration and conditions of employment is given in note 5 to the Group financial reports.

#### **ENVIRONMENTAL IMPACT**

The Group is responsible for direct environmental impact primarily through noise and emissions of solvents into the air as well as some 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 reports 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 2012 the Swedish organization had operations in Vällingby and Falköping that were obliged to submit reports and operations in Mölnlycke that required permits. Outside Sweden Elanders has operations in Great Britain, Poland, Hungary, China, Germany and the USA that require permits to different degrees. No significant accidents or incidents occurred in 2012.

In 1999 a limited area of ground contamination was discov-

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

## **RISKS AND UNCERTAINTIES**

Elanders divides risks into circumstantial risks (the future of printing, business cycles), 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 Group financial reports.

### ***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 as well as in information and marketing materials, most of which will be personalized printed matter and produced through digital printing. It is expected that the packaging market will continue to grow everywhere in the world Elanders currently operates, although the greatest increase is expected in Asia. In North America and Western Europe offset production capacity will continue to exceed demand in the foreseeable future, which will press, and even lower, prices for offset produced printed matter. However, the demand for offset printing will continue to grow in Asia primarily but Eastern Europe and Latin America as well. In order to handle the expected market developments Elanders is focusing on achieving higher volumes in packaging and photo products as well as further developing order applications for digital print via public and customer-fitted websites.

The greatest business cycle sensitivity is primarily connected to supplying customers concentrated on consumer markets such as vehicles and electronics. Elanders works continuously to broaden our customer base and increase volumes to industries that are less sensitive to changes in business cycles such as the food, cosmetics and pharmaceuticals industries, educational printers, the public sector and consumers. Nonetheless, a large part of Elanders' total sales comes from the first named customer segments, which makes Elanders vulnerable to changes in the business cycle.

### ***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. In part, the Group handles currency risks by hedging transactions in foreign currency and 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 mainly from Group interest-bearing liabilities with floating interest rates. Outstanding debt is mostly in SEK and EUR. In 2011 Elanders hedged the interest level for MSEK 300 of debts, which corresponds to 44 percent of Group debt. The hedge matures on 30 September 2014.

Elanders is dependent on receiving financing via credit institutes and the Group's goal is to always have more than one party willing to offer financing on market terms. During the year the Group signed a credit agreement with two Swedish banks that cover operational financing. The agreement run until September 2013 and negotiations for a new contract are expected to begin in the spring of 2013. The Group's policy specifies a liquidity buffer of around MSEK 100. On 31 December 2012 the liquidity buffer amounted to MSEK 219.

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. The Group also has credit insurance that covers losses related to insured customers.

### ***Business risks***

None of Elanders' customers generate more than 7 percent of net sales. The ten largest customers represent less than 34 (36) 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.

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.

The most significant operating cost is personnel which makes up around 31 (31) percent of operating costs, which is why the Group works, for example, to continually improve the health of its employees. Paper costs are next and make up approximately 21 (21) percent of operating costs. Elanders protects itself as is customary against price fluctuations through a paper price clause in contracts with our customers. Costs for outwork are



16 (17) percent of operating costs. Elanders sees no direct risk connected to substantial cost hikes in outwork as there is a price press on most markets the Group operates in. Costs for other resources are not individually large enough for price fluctuations to have a significant effect on the Group.

Elanders believes there are no disputes that will have any important consequences for the Group's financial position. The Group's insurance program contains global liability insurance, product liability, crime fidelity, business interruption and limited protection against environmental damage.

## **INFORMATION CONCERNING COMPANY SHARES**

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

On 31 December 2012 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 10 votes and each B share represents one vote. Shareholders may vote for all the shares they own or represent. All shares receive the same dividend. The Annual General Meeting has not given the Board any authority to purchase shares or issue shares. There are no bonus programs with dilution effects.

### *Transferability*

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

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

### *Shareholdings*

The only direct or indirect shareholding exceeding a tenth of the votes in the company per 31 December 2012 was Carl Bennet AB with 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 3 May 2012. The Board proposes that the Annual General Meeting 2013 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 CEO 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 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. The Board has the right to renew already signed pension agreements with essentially unchanged conditions without the new 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.

## **FUTURE PROSPECTS**

Elanders continues to have a strong position among the global industrial customers and this is where the greatest opportunities for both long and short term expansion can be found. The acquisition of Midland in the US means that Elanders will have access to several international American customers and Midland will be a vital cornerstone in Elanders' offer to current and future global customers that need local deliveries around the world. The undeniable trend is that a growing number of global companies are centralizing their purchasing processes while requesting local

deliveries. At the same time Elanders should grow more rapidly in packaging and continue to create order interfaces online for medium and large companies in order to increase volumes in, primarily, digital printing where the margins are normally better.

Elanders' market position and our solid graphic expertise together with our access to low-cost production in Eastern Europe and China provide a good platform to increase market shares, particularly on the Swedish and German markets which are Elanders' two most important markets.

Elanders will continue to rationalize, integrate acquired units and develop global business and therefore the company believes results will continue to develop positively.

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

In February 2013 Åsa Severed was appointed MD for Elanders' operations in Sweden and Poland. Åsa has previously worked in the TV4 group where over the years she has held different positions, the latest being CEO for TV4 Sverige. When she begins work at Elanders on 1 March 2013 Åsa will also become a member of Group Management.

In February 2013 Elanders acquired all the shares in label printer McNaughtan's Printers Ltd. ("McNaughtan's") in Glasgow, Scotland. The company is particularly niched towards

the whisky trade and a number of well known whisky distilleries are customers. During the spilt financial year 2011/2012 McNaughtan's had net sales of around MSEK 20 and 14 employees.

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 222,445,040.02 in the parent company at the disposition of the Annual General Meeting should be dealt with accordingly:

- SEK 0.60 per share, a total of SEK 13,637,988.80 is distributed to the shareholders
- the remaining balance of 208,807,041.22 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.

# 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. The 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**

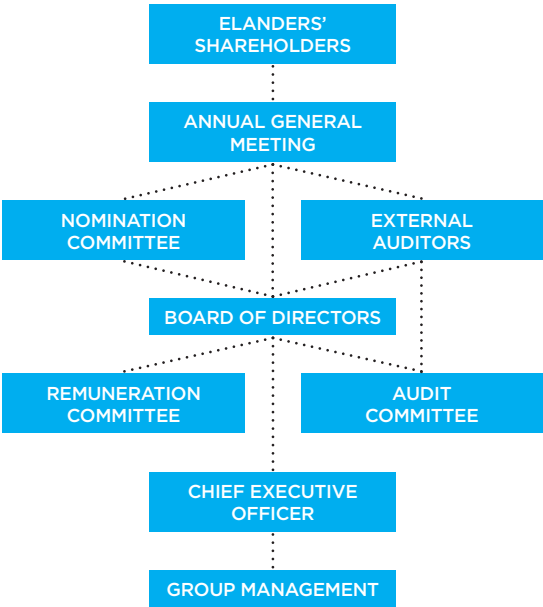
Corporate governance in Elanders is based on legal requirements (primarily the Companies Act and accounting regulations), the articles of association, NASDAQ OMX Stockholm’s issuer rules, internal regulations, policies and the Code.

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 2012 there were 2,270 (2,413) shareholders. On 31 December 2012 foreign ownership in Elanders was 19 (7) percent of shares and 13 (5) percent of votes.

The only direct or indirect shareholding exceeding a tenth of the votes in the company per 31 December 2012 was



Carl Bennet AB with 66.4 percent. No shares are owned by personnel through pension foundations or the like.

**ANNUAL GENERAL MEETING**

Shareholders execute their influence at the Annual General Meeting, the company’s highest decision-making body, see figure above. 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 preemption 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 2012**

The Annual General Meeting 3 May 2012 decided:

- to adopt the Annual Report for 2011,
- to distribute a dividend of SEK 0.50 per share for the financial year 2011,
- to discharge the members of the Board of Directors and the Chief Executive Officer from liability for 2011,
- to grant according to a proposal in the summons the Board and committee remuneration for a total of SEK 2,320,000 to be divided within the Board,
- to appoint the following Board Members:
  - Carl Bennet (re-elected)
  - Erik Gabrielson (new member)
  - 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 2013,
- to adopt regulations for the nomination committee work etc as stated in the summons to the Annual General Meeting,
- to carry out a directed new issue of 3,200,000 B shares as payment for the shares in the German companies dlolm and fotokasten
- to approve the Board's suggestion in the summons for remuneration to leading senior officers.

#### **ANNUAL GENERAL MEETING 2013**

The next Annual General Meeting for shareholders in Elanders will take place at Elanders headquarters in Mölnlycke Tuesday

7 May 2013. 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 Göran Erlandsson (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) under Corporate Governance.

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 2012**

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, 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 2012 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 Lilian Larnefeldt, and Tomas Svensson. Lena Hassini and Daniel Petersén are deputies to the employee representatives. All the members of the

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

Member	Board, attendance (number of meetings)	Remune- ration Committee, presence (number of meetings)	Audit Committee, attendance (number of meetings)	Total attend- ance, %	Remune- ration Board + Committee work SEK '000s	Share holding <sup>1)</sup>	Independent
<b>MEMBERS CHOSEN BY THE AGM</b>							
Carl Bennet, Chairman	10 (10)	1 (1)	Not member	100	550 + 60	1,166,666 A 10,382,098 B	No, owner
Johan Stern, Vice Chairman	10 (10)	1 (1)	3 (3)	100	275 + 110 + 30	65,000 B	No, owner
Erik Gabrielson	7 (8)	1 (1)	Not member	89	275 + 30	-	Yes
Göran Johnsson	10 (10)	Not member	3 (3)	100	275 + 55	2,066 B	Yes
Cecilia Lager	8 (10)	Not member	3 (3)	85	275 + 55	11,000 B	Yes
Magnus Nilsson, CEO	10 (10)	Not member	Not member	100	Employee	37,800 B	No, company
Kerstin Paulsson	10 (10)	Not member	3 (3)	100	275 + 55	2,000 B	Yes
<b>EMPLOYEE REPRESENTATIVES</b>							
Lena Hassini	9 (9)	Not member	Not member	100	Employee	-	No, company
Lilian Larnefeldt	9 (10)	Not member	Not member	90	Employee	-	No, company
Daniel Petersén	6 (6)	Not member	Not member	100	Employee	-	No, company
Tomas Svensson	10 (10)	Not member	Not member	100	Employee	-	No, company
<b>TOTAL</b>				<b>97</b>	<b>2,320</b>		

<sup>1)</sup> Shareholding per 31 December 2012.

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 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 three times to handle matters concerning acquisitions, financing and the company's organization. The Board has otherwise been involved primarily in matters regarding financing, assessing market conditions, external circumstances and Elanders' business position as well as the Group's strategic expansion.

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 2012 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 CEO 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 in Sweden or abroad. 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 2012 was 4.61 (4.70). 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 one meeting 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 2012 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 2012 and the Board of Director's proposal for guidelines for 2013 can be found on page 76 in the Annual Report 2012. 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 2012. 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 2012 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 estab-

lished 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 Group 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 as well as responsible for operations in Great Britain, North America and Brazil, Per Brodin, responsible for Asia, Åsa Severed, responsible for Sweden and Poland (starting March 1, 2013), Peter Sommer, responsible for Germany, Hungary and Italy as well as Andréas Wikner, CFO. 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 CFO 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 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 CEO'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. In this year's revision several areas where improvements have been made were noted as well as areas where there is room for further improvement. Measures have been taken to make these changes.

#### ***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 CFO. 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 accountants together with the controls carried out by Group Management is considered sufficient to ensure that internal controls are kept on an acceptable level. This assessment is regularly evaluated and the matter will be tested once again in 2013.

#### **EXTERNAL AUDIT**

The Annual General Meeting 2012 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 CEO 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		2012	2011
Net sales	Note 2	1,924,193	1,838,831
Cost of products and services sold		-1,557,154	-1,486,297
<b>GROSS PROFIT</b>		<b>367,039</b>	<b>352,534</b>
Selling expenses		-128,705	-110,059
Administrative expenses		-185,161	-174,633
Other operating income	Note 3	78,457	54,013
Other operating expenses	Note 3	-13,067	-12,059
<b>OPERATING RESULT</b>	Note 5, 6, 7, 8	<b>118,563</b>	<b>109,796</b>
Financial income	Note 9	7,843	4,939
Financial expenses	Note 9	-32,963	-34,772
<b>RESULT AFTER FINANCIAL ITEMS</b>		<b>93,443</b>	<b>79,963</b>
Taxes	Note 10	-48,992	-19,592
<b>RESULT FOR THE YEAR</b>		<b>44,451</b>	<b>60,371</b>
Result for the year attributable to			
- parent company shareholders		44,502	60,260
- non-controlling interests		-51	111
Earning per share, SEK <sup>1)</sup>	Note 11	2.05	3.09

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

## STATEMENTS OF COMPREHENSIVE INCOME

SEK '000s	2012	2011
<b>RESULT FOR THE YEAR</b>	<b>44,451</b>	<b>60,371</b>
Translation differences	-30,324	2,882
Change in value of cash-flow hedges, net	-1,130	-4,244
Tax effect on change in value of cash-flow hedges, net	297	1,116
Change in fair value of the hedge of the net investment abroad	2,632	232
Tax effect on the change in fair value of the hedge of net investments abroad	-692	-61
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-29,217</b>	<b>-75</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>15,234</b>	<b>60,296</b>
Total comprehensive income attributable to		
- parent company shareholders	15,345	60,185
- non-controlling interests	-111	111

### COMMENTS ON THE INCOME STATEMENT

Net sales increased by 5 percent, but with comparable units and unchanged exchange rates net sales were more or less unchanged.

Compared to last year operating result improved by MSEK 9. Excluding one-off items amounting to MSEK 15 (25) net the improvement was MSEK 19. The improvement was mainly an effect of the newly acquired companies, dloim and fotokasten, and a further positive development for Elanders' operations in China, Germany and United Kingdom. The one-off items are a net amount of book VAT taken up as income, restructuring charges relating to the operations in USA, Sweden and Germany, severance payment and consultancy fees in connection with acquisitions.

## STATEMENTS OF FINANCIAL POSITION

SEK '000s		2012	2011
<b>ASSETS</b>			
<b>Fixed assets</b>	Note 26		
Intangible assets	Note 14	1,031,299	869,508
Tangible assets	Note 15, 25	347,142	320,277
Shares in jointly controlled entities	Note 4	1,383	1,383
Deferred tax assets	Note 10	124,158	145,420
Other financial assets		14,561	12,281
<b>TOTAL FIXED ASSETS</b>		<b>1,518,543</b>	<b>1,348,869</b>
<b>Current assets</b>			
Inventory	Note 16	115,692	125,608
Accounts receivable	Note 19	392,501	385,252
Current tax receivables	Note 10	5,631	6,034
Other receivables		29,630	24,930
Prepaid expenses and accrued income	Note 17	31,224	32,671
Cash and cash equivalents	Note 18	167,968	81,195
<b>TOTAL CURRENT ASSETS</b>		<b>742,646</b>	<b>655,690</b>
<b>TOTAL ASSETS</b>		<b>2,261,189</b>	<b>2,004,559</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Equity attributable to parent company shareholders</b>			
Share capital	Note 20	227,300	195,300
Other contributed capital		585,862	549,062
Hedging reserves		-2,216	-3,323
Translation reserves		-38,725	-8,344
Retained earnings		181,560	146,817
<b>TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>		<b>953,781</b>	<b>879,512</b>
Equity attributable to non-controlling interest		-	111
<b>TOTAL EQUITY</b>		<b>953,781</b>	<b>879,623</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Other interest-bearing liabilities	Note 19, 21, 25	34,489	25,184
Provisions for post-employment benefits	Note 22	12,491	11,191
Other provisions	Note 23	5,887	4,809
Deferred tax liabilities	Note 10	50,525	35,343
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>103,392</b>	<b>76,527</b>
<b>Short-term liabilities</b>			
Interest-bearing liabilities	Note 19, 21, 25	809,426	720,469
Accounts payable	Note 19	204,731	152,440
Current tax liabilities	Note 10	9,515	5,674
Other liabilities		46,710	43,897
Accrued expenses and deferred income	Note 24	118,924	107,803
Other provisions	Note 23	14,710	18,126
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,204,016</b>	<b>1,048,409</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,261,189</b>	<b>2,004,559</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 reserves	Translation reserve	Retained earnings	Total		
<b>OPENING BALANCE ON 1 JAN. 2011</b>	<b>195,300</b>	<b>549,062</b>	<b>-195</b>	<b>-11,397</b>	<b>86,557</b>	<b>819,327</b>	<b>-</b>	<b>819,327</b>
Total comprehensive income for the year	-	-	-3,128	3,053	60,260	60,185	111	60,296
<b>CLOSING BALANCE ON 31 DEC. 2011</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	44,451	15,345	-111	15,234
<b>CLOSING BALANCE ON 31 DEC. 2012</b>	<b>227,300</b>	<b>585,862</b>	<b>-4,156</b>	<b>-36,728</b>	<b>181,503</b>	<b>953,781</b>	<b>-</b>	<b>953,781</b>

### COMMENTS ON THE STATEMENT OF FINANCIAL POSITION

Total assets increased by MSEK 256 and capital employed by MSEK 87. The increase was mainly an effect from this year's acquisition, which among other things added MSEK 202 to intangible assets of which the major part was goodwill. Strong cash flow from operating activities helped improve the cash position.

The acquisition of dlolm and fotokasten was financed with a direct share issue to the former shareholders of the two companies. The share issue amounting to MSEK 71, increased equity by MSEK 69 after issue expenses of MSEK 1.6. The acquisition of Midland, which was carried out in December 2012, was financed mainly with loans, which is the major reason for why the interest-bearing liabilities have increased.

Loans from the Group's main banks are reported as short-term interest-bearing liabilities since the existing credit agreement mature on September 30, 2013. Negotiations regarding new credit agreements are expected to begin in the spring of 2013.

## STATEMENTS OF CASH FLOW

SEK '000s		2012	2011
<b>Operating activities</b>			
Result after financial items		93,443	79,963
Adjustments for items not included in cash flow	Note 12	97,574	58,741
Paid taxes	Note 10	-23,334	-6,824
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>		<b>167,683</b>	<b>131,880</b>
<b>Cash flow from changes in working capital</b>			
Increase (-) / decrease (+) in inventory		5,328	-7,100
Increase (-) / decrease (+) in operating receivables		40,715	-19,637
Increase (+) / decrease (-) in operating payables		980	-20,891
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>214,706</b>	<b>84,252</b>
<b>Investing activities</b>			
Investments in intangible and tangible assets	Note 14, 15	-74,827	-32,842
Divestment of tangible assets	Note 15	2,969	13,522
Acquisition of operations	Note 28	-125,601	-10,145
Divestment of operations	Note 28	-752	-
Changes in long-term receivables		1,686	1,859
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-196,525</b>	<b>-27,606</b>
<b>Financing activities</b>			
Amortization of loans		-37,115	-30,362
Other changes in interest-bearing liabilities	Note 12	119,496	2,779
Dividend to parent company shareholders		-9,765	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>72,616</b>	<b>-27,583</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>90,797</b>	<b>29,063</b>
Cash and cash equivalents at the beginning of the year		81,195	50,144
Translation difference in cash and cash equivalents		-4,024	1,988
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>		<b>167,968</b>	<b>81,195</b>
<b>Change in net debt</b>			
Net debt at the beginning of the year		675,546	732,201
Net debt in acquired and divested operations		-7,788	-
Translation difference		-3,634	-176
Change in interest-bearing liabilities and cash and cash equivalents		24,211	-56,479
<b>NET DEBT AT YEAR-END</b>		<b>688,335</b>	<b>675,546</b>
<b>Operating cash flow</b>			
	Note 13		
Cash flow from operating activities excl. financial items and paid tax		263,160	120,909
Net investments		-196,525	-27,606
<b>OPERATING CASH FLOW</b>		<b>66,635</b>	<b>93,303</b>

### COMMENTS ON THE STATEMENT OF CASH FLOWS

Cash flow from operating activities increased with MSEK 130, foremost due to an improved result in the underlying operations and decrease in working capital. MSEK 126 of total net investments of MSEK 197 represented acquisitions of operations. Other investments have foremost been made in production equipment in Eastern Europe in order to handle growing volumes in Sweden and Germany. Notwithstanding the acquisitions of operations during the year net debt only increased by MSEK 13 and amounted to MSEK 688 at year end resulting in a debt/equity ratio of 0.7 times.

# ■ 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 2012 were approved by the Board and will be presented to the Annual General Meeting on 7 May 2013 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 2012. In addition, the Group follows the Swedish Financial Reporting Board Recommendation RFR 1 Supplemental Accounting Regulations for Groups, which specifies the additions to IFRSs information that are required according to the provisions in the Annual Accounts Act. In group accounting all items are valued at acquisition value, unless otherwise specified. The Group reports in Swedish crowns. All amounts are given in thousands of Swedish crowns, unless otherwise specified. The following is a description of the accounting principles considered elemental.

### Consolidation

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



## NOTE 1 ACCOUNTING PRINCIPLES (CONT.)

### → 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 reparation and maintenance are recorded as expenses. The following useful lives are used to calculate depreciation:

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

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

### Intangible assets

#### *Goodwill*

Goodwill is the difference between the acquisition value and the Group's share of the fair value of the acquired subsidiary's, associated company's or jointly controlled entity's identifiable assets, liabilities or obligations on the date of acquisition. If at acquisition the fair value of the acquired assets, liabilities or obligations exceed the acquisition price the difference is 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.

#### *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.

#### *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 now 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.



## NOTE 1 ACCOUNTING PRINCIPLES (CONT.)

### → Standards, amendments and interpretations of existing standards that came into effect during 2012

During the year no interpretations or amendments of existing standards have come into effect and had a significant effect on Elanders' financial reports.

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

International Accounting Standards Board (IASB) has issued the following new and revised standards that have not yet come into effect but which could have a certain effect on Elanders financial reports in the future:

Standards	Will be applied in the fiscal year that begins:
IAS 19 Remuneration to employees (changes)	1 January 2013
Improvements of IFRSs 2012	Varies, earliest 1 July 2013

The standards above are not expected to have any significant effect on Group financial reports during the period they are applied for the first time. Due to the limited extent of Elanders' defined benefit pension plans the changes in IAS 19, which will come into effect in 2013, will not have any significant effect on Elanders' result and financial position.

Other issued new and amended standards/interpretations, that are not presented here, are not expected to have any noticeable effect on Elanders' financial reports when they are applied 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 (132) per 31 December 2012. 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.

### Book VAT

In February 2010 a judgment in the so-called Graphic Procédé 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. Elanders has during 2010–2012 applied to the Swedish Tax Agency for a repayment of VAT for the years 2004–2007, the reason being that a part of Elanders' net sales liable to VAT in this period refers to goods and not services according to the delineation now considered to be correct.

From 2010 to 2012 Elanders has submitted claims for VAT refunds to the Swedish Tax Agency pertaining to 2004 through 2007. In 2011 and 2012 the Swedish Tax Agency made consequential amendments regarding many of Elanders' customers who have then demanded compensation from Elanders. Crediting customers for any corrections in reported VAT for the fiscal years before 2008 is not required according to existing legislation. In the view of this Elanders has during 2011 recorded MSEK 25 and during 2012 additional MSEK 50 as revenue attributable to customers that the Swedish Tax Agency cannot make consequential amendments for. It is Elanders' position that the Swedish Tax Agency cannot make any consequential amendments whatsoever and a judgment on May 16th 2012 from the Court of Appeals in Stockholm supported that position. The Swedish Tax Agency has now appealed the Court of Appeals decision and sought reconsideration by the Supreme Administrative Court. Until this judgment has become legally binding Elanders believes there is still a great deal of uncertainty regarding the rest of the amounts for 2004 and 2007 and therefore it is difficult to assess what effect they will have on Elanders' result.

### 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 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 believes, 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 it will be taken to the Administrative Court. The total exposure is around MSEK 16, since only some of the refund can be set off against the loss carry forwards Elanders has. Elanders has not made any provisions for this amount.



## ■ 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, since 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	2012	2011
Sweden	712,394	689,544
Germany	516,970	466,228
Great Britain	179,877	163,827
China	122,902	110,191
USA	83,011	67,530
Poland	68,592	82,474
Hungary	39,791	69,291
Other countries	200,656	189,746
<b>TOTAL</b>	<b>1,924,193</b>	<b>1,838,831</b>

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

### INVESTMENTS BY GEOGRAPHIC AREA

SEK '000s	2012	2011
USA	140,259	1,800
Germany	85,370	3,558
Poland	28,933	8,740
Great Britain	18,065	3,051
Hungary	15,453	8,618
China	3,547	474
Sweden	1,345	14,839
Other countries	3,428	1,911
<b>TOTAL</b>	<b>296,400</b>	<b>42,991</b>

Investments above are including acquisitions amounting to MSEK 222 (10), of which MSEK 70 (0) is made by a directed new share issue.

### FIXED ASSETS BY GEOGRAPHIC AREA

SEK '000s	2012	2011
USA	72,043	24,886
Hungary	70,379	77,450
China	64,656	78,070
Germany	62,894	60,770
Poland	57,174	33,936
Sweden	38,226	56,649
Great Britain	23,070	12,630
Other countries	13,019	13,137
<b>TOTAL</b>	<b>401,461</b>	<b>357,528</b>

Fixed assets above include tangible and other intangible assets as well as shares in jointly controlled entities. Goodwill of MSEK 833,6 (836,1) 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 exceed 10 percent of the Group's total net sales.

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

### OTHER OPERATING INCOME

SEK '000s	2012	2011
Exchange rate gains	8,231	6,088
Capital gains from the sales of fixed assets	1,993	4,278
Income from sales of coupons	6,908	-
Other	61,325	43,647
<b>TOTAL</b>	<b>78,457</b>	<b>54,013</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	2012	2011
Exchange rate losses	-5,606	-6,440
Capital losses from the sales of fixed assets	-246	-2,170
Other	-7,215	-3,449
<b>TOTAL</b>	<b>-13,067</b>	<b>-12,059</b>

## ■ NOTE 4 SHARES IN JOINTLY CONTROLLED ENTITIES

SEK '000s	2012	2011
Opening book value	1,383	1,383
<b>CLOSING BOOK VALUE</b>	<b>1,383</b>	<b>1,383</b>

Group shares in jointly controlled entities consist of Hansaprint Eländers Kft in Komárom, Hungary. The percentage of the holding amounts to 50 percent and the owned share of the company's assets amounts to SEK 1,383 (1,383) thousands. The company is under liquidation.

## ■ NOTE 5 PERSONNEL

### AVERAGE NUMBER OF EMPLOYEES

	2012		2011	
	Total	Whereof men, %	Total	Whereof men, %
<b>PARENT COMPANY</b>				
Sweden	8	75	8	75
<b>SUBSIDIARIES</b>				
Sweden	398	68	387	66
China	293	49	283	59
Germany	260	70	242	74
Hungary	203	55	195	54
Great Britain	167	77	169	77
Poland	140	60	136	61
USA	57	72	69	64
Brazil	31	55	24	59
Italy	20	25	21	25
Norway	10	90	12	92
<b>TOTAL</b>	<b>1,587</b>	<b>62</b>	<b>1,546</b>	<b>63</b>

### SALARIES AND OTHER REMUNERATION

SEK '000s	2012			2011		
	Board and CEO	of which variable remuneration	Other employees	Board and CEO	of which variable remuneration	Other employees
Parent company	6,826	470	6,932	8,172	1,910	6,552
Subsidiaries	15,970	2,534	392,978	15,405	1,907	418,041
<b>TOTAL</b>	<b>22,796</b>	<b>3,004</b>	<b>399,910</b>	<b>23,577</b>	<b>3,817</b>	<b>424,593</b>

SEK '000s	2012			2011		
	Salaries and remuneration	Social security contributions	of which pension contributions	Salaries and remuneration	Social security contributions	of which pension contributions
Parent company	13,759	6,070	1,697	14,724	9,584	4,462
Subsidiaries	408,947	109,660	23,592	433,446	109,697	22,222
<b>TOTAL</b>	<b>422,706</b>	<b>115,730</b>	<b>25,289</b>	<b>448,170</b>	<b>119,281</b>	<b>26,684</b>

## DIVISION OF MEN AND WOMEN IN MANAGEMENT

	2012		2011	
	Total	Whereof men, %	Total	Whereof men, %
Board members	7	71	8	75
Group Management	6	100	5	100
Supervisors	94	60	86	71

## 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>

## REMUNERATION TO THE BOARD, CHIEF EXECUTIVE OFFICER AND OTHER SENIOR OFFICERS 2011

SEK '000s	Basic wage/ Board remuneration	Variable remuneration	Other benefits	Pension contributions	Remuneration for committee work
Carl Bennet, Chairman	500	-	-	-	50
Tore Åberg, Vice Chairman	250	-	-	-	125
Göran Johnsson	250	-	-	-	50
Cecilia Lager	250	-	-	-	25
Hans-Olov Olsson	250	-	-	-	25
Kerstin Paulsson	250	-	-	-	50
Johan Stern	250	-	-	-	50
<b>TOTAL REMUNERATION TO THE BOARD</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>375</b>
Magnus Nilsson, Chief Executive Officer	3,887	1,910	70	1,337	-
Other senior officers (4 persons)	9,690	2,577	1,365	1,362	-
<b>TOTAL REMUNERATION TO CEO AND SENIOR OFFICERS</b>	<b>13,577</b>	<b>4,487</b>	<b>1,435</b>	<b>2,699</b>	<b>-</b>
<b>TOTAL REMUNERATION TO THE BOARD, CEO AND SENIOR OFFICERS</b>	<b>15,577</b>	<b>4,487</b>	<b>1,435</b>	<b>2,699</b>	<b>375</b>

In addition to remuneration reported above, in 2011 termination wages and benefits of SEK 1,016 thousands were paid to former senior officers. The entire cost was expensed in previous years.





## 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 2012.

**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 2011 and paid out in 2012.

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 are mainly company cars.

**Pensions**

The Group has both defined benefit and defined contribution pension plans. Pension cost is the cost that affects the result for the year. 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 2012 was MSEK 2.2 (2.1) on the balance sheet date. All pensions are fully vested, i.e. there is no dependency on future employment.

**Chief Executive Officer:** 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.

**Other senior officers:** 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 2012 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. 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 2012. The committee has been supported by external expertise in matters concerning compensation levels and structures.

## NOTE 6 FEES TO THE AUDITORS

SEK '000s	2012	2011
<b>PwC</b>		
Audit assignment	2,217	1,946
Audit-related services	286	200
Tax advisory services	1,924	2,136
Other services	1,990	777
<b>OTHER</b>		
Audit assignment	274	91
Audit-related services	-	82
Tax advisory services	139	45
Other services	165	-
<b>TOTAL</b>	<b>6,995</b>	<b>5,277</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	2012	2011
Depreciation and write-downs	90,633	86,388
Cost for remuneration to employees	582,097	554,007
Changes in work-in-progress and finished products	-2,766	1,732
Cost of paper	391,160	364,108
Other material	175,528	168,951
Cost of sub-contracted work	224,429	233,102
Other production costs	184,845	184,956
Freight costs	72,479	60,567
Cost for advertising and marketing	56,249	33,401
Other costs	96,366	83,777
<b>TOTAL</b>	<b>1,871,020</b>	<b>1,770,989</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	
	2012	2011
Computer equipment	1,623	2,092
Machinery and other equipment	53,533	55,445
Rental contracts, premises	41,086	44,411
<b>TOTAL</b>	<b>96,242</b>	<b>101,948</b>

SEK '000s	Future lease payments and rental costs		
	2013	2014-2017	2018-
Computer equipment	2,207	1,419	354
Machinery and other equipment	41,141	55,747	1,970
Rental contracts, premises	36,546	112,824	28,706
<b>TOTAL</b>	<b>79,894</b>	<b>169,990</b>	<b>31,030</b>

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

## NOTE 9 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME			
SEK '000s	2012	2011	
Interest income	1,814	1,448	
Exchange rate gains	6,029	3,491	
<b>TOTAL</b>	<b>7,843</b>	<b>4,939</b>	

FINANCIAL EXPENSES			
SEK '000s	2012	2011	
Interest expenses	-21,306	-25,176	
Exchange rate losses	-6,381	-5,998	
Other	-5,276	-3,598	
<b>TOTAL</b>	<b>-32,963</b>	<b>-34,772</b>	

# NOTE 10 TAXES

## RECORDED TAX

SEK '000s	2012	2011
Current tax on the result for the year	-22,256	-12,103
Withholding tax on dividends and other taxes	-3,725	-
Correction of previous years' current tax expense	60	1,861
Deferred tax	-23,071	-9,350
<b>RECORDED TAX</b>	<b>-48,992</b>	<b>-19,592</b>

## RECONCILIATION OF RECORDED TAX

SEK '000s	2012	2011
Result before taxes	93,443	79,963
Tax according to Swedish tax rate of 26.3%	-24,576	-21,030
Tax effect of:		
Differences in tax rates for foreign subsidiaries	4,492	4,289
Non-deductible costs	-4,167	-1,916
Change in unrecorded deferred tax assets	1,080	887
Change in legal tax rate	-22,277	128
Tax losses carried forward not valued	-461	-3,643
Correction of previous years' tax expense	60	1,861
Withholding tax on dividends and other taxes	-3,725	-
Other	582	-168
<b>RECORDED TAX</b>	<b>-48,992</b>	<b>-19,592</b>

## DEFERRED TAX ASSETS AND LIABILITIES BY NATURE, NET

SEK '000s	2012	2011
Tax loss carryforwards	125,832	145,104
Restructuring reserves	2,638	4,765
Fixed assets	-45,635	-35,102
Other items	2,752	8,601
	85,587	123,368
Less:		
Unrecorded deferred tax assets	-11,954	-13,291
<b>DEFERRED TAX ASSETS/LIABILITIES, NET</b>	<b>73,633</b>	<b>110,077</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 90.

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

SEK '000s	2012	2011
Deferred tax assets	124,158	145,420
Deferred tax liabilities	-50,525	-35,343
<b>CLOSING VALUE, NET</b>	<b>73,633</b>	<b>110,077</b>

## CHANGE IN DEFERRED TAX

SEK '000s	2012	2011
Opening value, net	110,077	118,594
Sales/acquisitions of operations	-13,524	-
Recorded deferred tax on the result for the year	-23,071	-9,350
Tax items charged directly against equity	-395	1,055
Translation differences	546	-222
<b>CLOSING VALUE, NET</b>	<b>73,633</b>	<b>110,077</b>

Tax items charged directly against equity 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	2012	2011
Due within a year	-	594
Due after 10 years	9,606	2,060
No due date	116,226	142,450
<b>CLOSING VALUE, NET</b>	<b>125,832</b>	<b>145,104</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.

	2012	2011
Result for the year attributable to shareholders, SEK '000s	44,502	60,260
Average number of outstanding shares, in thousands	21,646	19,530
<b>EARNINGS PER SHARE, SEK<sup>1)</sup></b>	<b>2.05</b>	<b>3.09</b>

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

## NOTE 12 SUPPLEMENTARY INFORMATION 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	2012	2011
Depreciation, amortization and write-downs of intangible and tangible assets	90,632	86,388
Depreciation of assets held for sale	9,569	-
Changes in provisions that affect cash flow	-7,317	-30,074
Unrealized exchange rate gains and losses	2,923	5,198
Result from sales of operations	289	-
Result from disposal of tangible assets	1,478	-2,771
<b>TOTAL</b>	<b>97,574</b>	<b>58,741</b>

### PAID AND RECEIVED INTEREST

SEK '000s	2012	2011
Paid interest	-21,680	-25,482
Interest received	1,814	1,448
<b>TOTAL</b>	<b>-19,866</b>	<b>-24,034</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	2012	2011
Cash flow from operating activities	214,706	84,252
Financial items	25,120	29,833
Paid taxes	23,334	6,824
Acquisitions and sales of operations	-126,353	-10,145
Other items included in cash flow from investing activities	-70,172	-17,461
<b>OPERATING CASH FLOW</b>	<b>66,635</b>	<b>93,303</b>

# NOTE 14 INTANGIBLE ASSETS

SEK '000s	Goodwill		Other intangible assets		Total	
	2012	2011	2012	2011	2012	2011
Opening acquisition value	834,330	836,771	82,086	71,480	916,416	908,251
Investments	-	-	1,094	1,647	1,094	1,647
Acquired operations	162,355	-	39,780	9,750	202,135	9,750
Disposals	-	-	-1,371	-2,105	-1,371	-2,105
Reclassification	-	-	-	1,825	-	1,825
Translation difference	-19,015	-2,441	-2,068	-511	-21,083	-2,952
<b>CLOSING ACQUISITION VALUE</b>	<b>977,670</b>	<b>834,330</b>	<b>119,521</b>	<b>82,086</b>	<b>1,097,191</b>	<b>916,416</b>
Opening accumulated amortization	-	-	-40,480	-26,605	-40,480	-26,605
Accumulated amortization in acquired operations	-	-	-1,172	-	-1,172	-
Amortization for the year	-	-	-19,584	-14,626	-19,584	-14,626
Disposals	-	-	661	2,105	661	2,105
Reclassification	-	-	-	-1,825	-	-1,825
Translation difference	-	-	1,111	471	1,111	471
<b>CLOSING ACCUMULATED AMORTIZATION</b>	<b>-</b>	<b>-</b>	<b>-59,464</b>	<b>-40,480</b>	<b>-59,464</b>	<b>-40,480</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>976,980</b>	<b>833,640</b>	<b>54,319</b>	<b>35,868</b>	<b>1,031,299</b>	<b>869,508</b>

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

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

SEK '000s	2012	2011
Cost of products and services sold	-5,943	-6,558
Selling expenses	-2,569	-143
Administrative expenses	-11,072	-7,925
<b>TOTAL</b>	<b>-19,584</b>	<b>-14,626</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 9.3 (9.1) 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	2012	2011
Sweden/Poland	385,811	205,811
Germany/Hungary	358,184	423,026
USA	111,991	35,128
China	73,076	120,000
Great Britain	37,938	38,513
Brazil	9,980	11,162
<b>TOTAL</b>	<b>976,980</b>	<b>833,640</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. However, a combination of lower growth rate and increased discount rate with two percentage units would indicate need for write-downs of MSEK 53 related to the operations in Sweden/Poland.

# NOTE 15 TANGIBLE ASSETS

SEK '000s	Buildings and land <sup>1)</sup>		Plant and machinery		Equipment, tools, fixtures and fittings		Fixed assets under construction <sup>2)</sup>		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Opening acquisition value	60,085	68,177	642,862	693,944	104,637	107,356	3,534	10,382	811,118	879,859
Investments	38	159	26,614	17,237	3,367	4,436	43,726	9,367	73,745	31,199
Acquired/sold operations	42,195	-	54,167	-	20,722	395	2,391	-	119,475	395
Disposals	-	-7,064	-23,574	-75,101	-5,934	-10,337	-	-40	-29,508	-92,542
Reclassification	8,603	573	14,061	6,547	-1,086	2,682	-21,578	-15,173	-	-5,371
Translation difference	-852	-1,760	-17,506	235	-3,025	105	-338	-1,002	-21,721	-2,422
<b>CLOSING ACQUISITION VALUE</b>	<b>110,069</b>	<b>60,085</b>	<b>696,624</b>	<b>642,862</b>	<b>118,681</b>	<b>104,637</b>	<b>27,735</b>	<b>3,534</b>	<b>953,109</b>	<b>811,118</b>
Opening accumulated depreciation and write-downs	-10,963	-16,109	-397,292	-409,757	-82,586	-82,272	-	-	-490,841	-508,138
Accumulated depreciation in acquired/sold operations	-15,338	-	-49,940	-	-16,460	-	-	-	-81,738	-
Depreciation for the year	-2,459	-2,408	-59,351	-59,744	-9,238	-9,610	-	-	-71,048	-71,762
Disposals	-	7,064	20,024	64,814	5,747	9,910	-	-	25,771	81,788
Reclassification	-	-	9,588	5,734	1,165	-363	-	-	10,753	5,371
Translation difference	70	490	-1,165	1,661	2,231	-251	-	-	1,136	1,900
<b>CLOSING ACCUMULATED DEPRECIATION AND WRITE-DOWNS</b>	<b>-28,690</b>	<b>-10,963</b>	<b>-478,136</b>	<b>-397,292</b>	<b>-99,141</b>	<b>-82,586</b>	<b>-</b>	<b>-</b>	<b>-605,967</b>	<b>-490,841</b>
<b>NET RESIDUAL VALUE</b>	<b>81,379</b>	<b>49,122</b>	<b>218,488</b>	<b>245,570</b>	<b>19,540</b>	<b>22,051</b>	<b>27,735</b>	<b>3,534</b>	<b>347,142</b>	<b>320,277</b>

<sup>1)</sup> Buildings and land include land with a book value of SEK 9,596 (487) thousands.

<sup>2)</sup> Fixed assets under construction include advances related to tangible assets of SEK 2,477 (0) thousands.

## DEPRECIATION SPECIFIED PER FUNCTION

SEK '000s	2012	2011
Cost of products and services sold	-66,022	-66,486
Selling expenses	-718	-678
Administrative expenses	-4,308	-4,598
<b>TOTAL</b>	<b>-71,048</b>	<b>-71,762</b>

## FINANCE LEASE AGREEMENTS

The net residual value of tangible assets possessed through finance leases is SEK 17,241 (24,176) thousands. All leasing objects are reported as plant and machinery.

## FUTURE MINIMUM LEASE PAYMENTS FOR FINANCE LEASES

SEK '000s	2012	2011
Within 1 year	2,942	4,327
Between 1 and 5 years	9,968	10,872
More than 5 years	-	2,150
<b>TOTAL</b>	<b>12,910</b>	<b>17,349</b>
Future interest expenses for finance leases	-1,329	-1,667
<b>CURRENT FINANCE LEASE LIABILITY</b>	<b>11,581</b>	<b>15,682</b>



## NOTE 16 INVENTORY

SEK '000s	2012	2011
Raw materials and consumables	32,459	37,101
Work in process	28,706	33,291
Finished goods	54,527	55,100
Advance payments to suppliers	-	116
<b>TOTAL</b>	<b>115,692</b>	<b>125,608</b>

Costs relating to obsolescence expensed during the year amounted to SEK 12,887 (7,283) thousands and at year-end the obsolescence reserve was SEK 10,839 (7,054) thousands.

## NOTE 17 PREPAID EXPENSES AND ACCRUED INCOME

SEK '000s	2012	2011
Machine rent paid in advance	5,164	4,799
Premise rent paid in advance	7,457	8,436
Other prepaid expenses and accrued income	18,603	19,436
<b>TOTAL</b>	<b>31,224</b>	<b>32,671</b>

## NOTE 18 CASH AND CASH EQUIVALENTS

SEK '000s	2012	2011
Cash and bank	167,968	81,195
<b>CASH AND CASH EQUIVALENTS</b>	<b>167,968</b>	<b>81,195</b>

Translation differences in cash and cash equivalents for the year were SEK -4,024 (1,988) 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 2012 it amounted to 0.7 (0.8) times.

Elanders' goal is a return on employed capital of at least 12 percent long-term. In 2012 it amounted to 7.4 (7.1) percent.

Elanders' goal is an equity ratio of at least 30 percent and on 31 December 2012 it amounted to 42 (44) 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 2012 amounted to MSEK -0.3 (-1.0) and will be returned to the income statements in 2013.

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 at 100 percent 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 3.0 (2.8).

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 20.6 (18.9), including hedging effects.

### Currency hedges

The table below shows a compilation over the Group's outstanding forward exchange contracts per 31 December 2012. All the contracts are due within a year. Positive figures refer to hedging purchases of the first named currency and negative figures refer to hedging sales.

Currencies	Nominal amount SEK '000s	Average hedging rate
GBP/SEK	-11,038	10.61
PLN/SEK	3,052	2.07
EUR/SEK	24,579	8.62
EUR/PLN	3,842	4.14
USD/SEK	3,350	6.56
EUR/GBP	6,321	0.83

### 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 3.9 (3.6), calculated on the outgoing net debt less liabilities with a fixed interest rate. The hedging reserve per 31 December 2012 amounted to MSEK -3.9 (-2.3) and will be returned to the income statements in 2013. 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 financial liabilities.

SEK '000s	Interest-bearing		Non-interest-bearing
	Fixed interest	Floating interest	
Long-term receivables	-	-	11,679
Current receivables	-	-	414,689
Cash and bank	-	167,968	-
Long-term liabilities	-	-46,877	-103
Current liabilities	-300,000	-509,426	-229,935
<b>TOTAL</b>	<b>-300,000</b>	<b>-388,335</b>	<b>196,330</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 agreements with two Swedish banks that cover operational financing. The agreement run until September 2013 and negotiations for new agreement are expected to begin in the spring of 2013. The Group's policy specifies a liquidity buffer of MSEK 100. On 31 December 2012 the liquidity buffer amounted to MSEK 219 (266). See page 103 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 2012 total exposure regarding financial credit risks was MSEK 201.8 (108.5). 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 392.5 (385.3) per 31 December 2012.

The Group has also taken out a credit insurance that covers bad debt-losses up to MSEK 50 with an excess of MSEK 2.5. Approximately 42 (40) percent of annual net sales are covered by insurance, however with the limits given above, and this covers almost 200 of the largest customers with a few exceptions. In 2012 credit losses amounted to MSEK 2.4 (5.7), of which MSEK 0.5 (0.8) 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	10.7
• Cost of paper	3.9
• Personnel cost	5.8
• Sick leave	10.7
• Cost of sub-contracted work	2.2



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

## → CATEGORIZATION OF FINANCIAL INSTRUMENTS

The categorization of financial instruments in the balance sheets for 2012 and 2011 is presented in the tables below.

## 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
INTANGIBLE ASSETS	-	-	-	1,031,299	1,031,299
TANGIBLE ASSETS	-	-	-	347,142	347,142
FINANCIAL ASSETS	-	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
LONG-TERM LIABILITIES AND PROVISIONS	-	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>



## 2011 ASSETS

SEK '000s	Derivative instruments in designated hedge accounting relationships	Loans and receivables	Available-for-sale financial assets	Non-financial assets	Total
INTANGIBLE ASSETS	-	-	-	869,508	869,508
TANGIBLE ASSETS	-	-	-	320,277	320,277
FINANCIAL ASSETS	-	8,793	3,220	147,071 <sup>1)</sup>	159,084
<b>CURRENT ASSETS</b>					
Inventory	-	-	-	125,608	125,608
Accounts receivable	-	385,252	-	-	385,252
Current tax receivables	-	-	-	6,034	6,034
Other receivables	1,781	15,707	-	7,442	24,930
Prepaid expenses and deferred income	-	-	-	32,671	32,671
Cash and cash equivalents	-	81,195	-	-	81,195
<b>TOTAL CURRENT ASSETS</b>	<b>1,781</b>	<b>482,154</b>	<b>-</b>	<b>171,755</b>	<b>655,690</b>
<b>TOTAL ASSETS</b>	<b>1,781</b>	<b>490,947</b>	<b>3,220</b>	<b>1,508,611</b>	<b>2,004,559</b>

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

## 2011 LIABILITIES

SEK '000s	Derivative instruments in designated hedge accounting relationships	Other financial liabilities	Non-financial liabilities	Total
LONG-TERM LIABILITIES AND PROVISIONS	-	25,184	51,343	76,527
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Interest-bearing liabilities	-	720,469	-	720,469
Accounts payable	-	152,440	-	152,440
Current tax liabilities	-	-	5,674	5,674
Other liabilities	5,560	16,831	21,506	43,897
Accrued expenses and prepaid income	-	-	107,803	107,803
Provisions	-	-	18,126	18,126
<b>TOTAL CURRENT LIABILITIES AND PROVISIONS</b>	<b>5,560</b>	<b>889,740</b>	<b>153,109</b>	<b>1,048,409</b>
<b>TOTAL LIABILITIES AND PROVISIONS</b>	<b>5,560</b>	<b>914,924</b>	<b>204,452</b>	<b>1,124,936</b>

## 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 2013. Negotiations regarding new credit agreement will start during spring 2013.

SEK '000s	Jan.-Mar., 2013	Apr.-Dec., 2013	2014-2015	2016-2017	2018-
Borrowing debts	632	805,854	24,771	-	-
Finance lease liabilities	701	2,239	6,383	3,335	-
Accounts payable	204,731	-	-	-	-
Other financial liabilities	16,756	781	-	-	-
Interest	3,119	6,581	2,972	164	-
<b>TOTAL</b>	<b>225,939</b>	<b>815,455</b>	<b>34,126</b>	<b>3,499</b>	<b>-</b>



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

## → 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	2012	2011
1-30 days overdue	67,548	43,588
31-60 days overdue	14,649	11,111
61-90 days overdue	2,651	3,276
91-120 days overdue	2,158	1,355
More than 120 days overdue	3,766	981
<b>TOTAL</b>	<b>90,772</b>	<b>60,311</b>

Only accounts receivable are included in the table above. No other overdue receivables existed per 31 December 2012 or in 2011.

## CHANGE IN PROVISION FOR DOUBTFUL RECEIVABLES

SEK '000s	2012	2011
Opening provision for doubtful receivables	-6,401	-3,640
Reversal of provision from previous year	813	952
Confirmed losses	506	820
Provisions during the year	-1,870	-4,926
Translation difference	705	393
<b>CLOSING PROVISION FOR DOUBTFUL RECEIVABLES</b>	<b>-6,247</b>	<b>-6,401</b>

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

SEK '000s	2012	2011
Interest income from financial assets	1,814	1,448
Interest expenses due to financial liabilities	-20,768	-24,373
<b>TOTAL</b>	<b>-18,954</b>	<b>-22,925</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	2012	2011
Loans and receivables	2,924	-6,923
Other financial liabilities	-2,467	2,490
<b>TOTAL</b>	<b>457</b>	<b>-4,433</b>

## 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 83 for further information.

## ■ NOTE 20 SHARE CAPITAL

Number of registered shares in the parent company	2012	2011
Issued per 1 January	19,529,998	19,529,998
New share issue	3,200,000	-
<b>ISSUED PER 31 DECEMBER</b>	<b>22,729,998</b>	<b>19,529,998</b>

	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
	<b>22,729,998</b>	<b>33,229,992</b>	<b>227,299,977</b>

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 793 (886) per 31 December 2012 in credit facilities, of which MSEK 51 (185) were unutilized.

The financing cost is priced according to a fixed interest term and an agreed margin. The Group's average effective interest during the year was 3.3 (3.5) percent.

### LONG-TERM LIABILITIES

SEK '000s	2012	2011
Finance lease liabilities	9,718	13,074
Borrowing debts	24,771	12,110
<b>TOTAL</b>	<b>34,489</b>	<b>25,184</b>

### CURRENT LIABILITIES

SEK '000s	2012	2011
Bank overdraft facilities, utilized amount	-	230,466
Finance lease liabilities	2,940	6,991
Borrowing debts	806,486	483,012
<b>TOTAL</b>	<b>809,426</b>	<b>720,469</b>

### BANK OVERDRAFT FACILITIES

Utilized amounts and available credit in Group bank overdraft facilities are given below. Of the granted amount MSEK 50 was MSEK 35 disbursed facilities per 31 December 2012.

SEK '000s	2012	2011
Bank overdraft facilities, utilized amount	-	230,466
Bank overdraft facilities, granted amount	50,000	365,450
<b>UNUTILIZED AMOUNT</b>	<b>50,000</b>	<b>134,984</b>

### PLEDGED ASSETS

See note 25 for information on pledged assets.

## NOTE 22 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

### PENSION PROVISIONS

SEK '000s	Funded plans		Unfunded plans		Total	
	2012	2011	2012	2011	2012	2011
Present value of pension obligations	2,200	2,077	12,774	11,670	14,974	13,747
The fair value of plan assets	-2,483	-4,472	-	-	-2,483	-4,472
Unrecognized actuarial profit (+)/losses (-)	-	2,524	-	-608	-	1,916
<b>PROVISIONS FOR PENSIONS RECOGNIZED IN THE STATEMENTS OF FINANCIAL POSITION</b>	<b>-283</b>	<b>129</b>	<b>12,774</b>	<b>11,062</b>	<b>12,491</b>	<b>11,191</b>

### 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	2012	2011
Discount rate <sup>1)</sup>	3.2	3.4
Expected inflation	1.6	1.5
Expected return on plan assets	3.2	3.4

<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.

### CHANGE IN CURRENT VALUE OF THE PENSION OBLIGATION

SEK '000s	2012	2011
Opening balance	13,747	24,949
Interest on the obligation	538	803
Current year service cost	-	152
Pensions paid out	-364	-298
Translation difference	86	-234
Actuarial profits (-)/losses (+)	967	-1,807
Early redemption	-	-9,818
<b>CLOSING BALANCE</b>	<b>14,974</b>	<b>13,747</b>

In December 2011 part of the funded plans was redeemed. This was not reflected in the note last year, adjustment has been made of the comparative year.



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

## → CHANGE IN PLAN ASSETS FAIR VALUE

SEK '000s	2012	2011
Opening balance	4,472	12,827
Expected return on plan assets	83	484
Payments made by employer	38	131
Early redemption	-	-9,818
Pensions paid out	-	-
Actuarial profits (-)/losses (+)	-2,110	848
<b>CLOSING BALANCE</b>	<b>2,483</b>	<b>4,472</b>

In December 2011 part of the funded plans was redeemed. This was not reflected in the note last year, adjustment has been made of the comparative year.

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

SEK '000s	2012	2011
Current year service cost	-	151
Interest on the obligation	538	803
Actuarial profits (-)/losses (+)	-1,143	124
Expected return on plan assets	-83	-484
<b>PENSION COSTS FOR DEFINED BENEFIT PLANS</b>	<b>-688</b>	<b>594</b>

## DEFINED CONTRIBUTION PENSION PLANS

These plans mainly cover retirement, sick and family pensions. The premiums are paid regularly during the year by individual Group companies to different insurance companies. The size of the premiums is based on wages. Pension costs for the period are included in the income statement and amount to SEK 25 290 (26 224) thousands.

The obligations for retirement and sick pensions for white-collar workers for several of the Swedish companies have been safeguarded through insurance in Alecia. According to an opinion from the Swedish Financial Reporting Board, UFR 3, this is a defined benefit multi-employer plan. The Group has not had access to the information necessary to report these plans as defined benefit pension plans for the financial year 2012 since at the moment Alecia cannot provide specific defined benefit pension for those insured. Pension plans that are safeguarded through insurance in Alecia are therefore reported as a defined contribution plan. Fees for 2012 for pension insurance from Alecia totaled SEK 3,686 (3,826) thousands.

## ALLOCATION OF PENSION COSTS IN THE INCOME STATEMENT

Percent	2012	2011
Cost of products and services sold	58	52
Administrative expenses	29	35
Selling expenses	13	13

## ■ NOTE 23 OTHER PROVISIONS

SEK '000s	2012	Provided for during the year	Utilized during the year	Reversal of unutilized amounts	Translation difference	2011
<b>PROVISIONS FOR RESTRUCTURING MEASURES</b>						
Personnel	9,273	8,821	-4,852	-	-	5,304
Premises	5,431	2,714	-2,989	-	-	5,706
Other	-	-	-2,953	-	-51	3,004
<b>OTHER PROVISIONS</b>						
Additional purchase sums	3,529	3,529	-	-	-	-
Other	2,364	-	-4,988	-1,553	-16	8,921
<b>TOTAL</b>	<b>20,597</b>	<b>15,064</b>	<b>-15,782</b>	<b>-1,553</b>	<b>-67</b>	<b>22,935</b>
of which current	14,710					18,126

Provisions for restructuring measures are primarily for cost adjustments and reorganizations. The closing provisions are expected to be used primarily in 2013. Other provisions are expected to be used primarily in 2013.

## ■ NOTE 24 ACCRUED EXPENSES AND DEFERRED INCOME

SEK '000s	2012	2011
Holiday pay liability	25,659	28,313
Social security contributions	18,128	17,454
Accrued salaries and remuneration	11,257	9,581
Other accrued expenses and deferred income	63,880	52,455
<b>TOTAL</b>	<b>118,924</b>	<b>107,803</b>

## ■ NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

### PLEDGED ASSETS

SEK '000s	2012	2011
Real estate mortgages	39,386	40,886
Floating charges	194,850	201,753
Other pledged assets	326,414	593,981
<b>TOTAL</b>	<b>560,650</b>	<b>836,620</b>
Pledged to:		
Credit institutions	560,650	836,620
<b>TOTAL</b>	<b>560,650</b>	<b>836,620</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	2012	2011
Other contingent liabilities	1,707	1,805
<b>TOTAL</b>	<b>1,707</b>	<b>1,805</b>

## ■ NOTE 26 INVESTMENT OBLIGATIONS

There were no significant investment obligations per 31 December 2012 or 31 December 2011.

## ■ 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 352 (194). 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 2012 and 2011 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. Erik Gabrielson, who is member of the Board, is partner in Vingelaw Firm that during the year has provided legal counsel and invoiced fees amounting to MSEK 3,7. During 2011 Erik Gabrielson was not member of the Board.

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 7.5 (7.8) 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.

### RECEIVABLES FROM RELATED PARTIES

As of 31 December 2012 and 2011 there were no receivables from related parties.

### LIABILITIES TO RELATED PARTIES

SEK '000s	2012	2011
Carl Bennet AB	153	187
<b>TOTAL</b>	<b>153</b>	<b>187</b>

## NOTE 28 ACQUISITIONS

### 2012

#### dlolm Deutsche Online Medien GmbH and fotokasten GmbH

In May 2012 Elanders acquired all the shares in dlolm Deutsche Online Medien GmbH ("dlolm") and fotokasten GmbH ("fotokasten"), both located outside Stuttgart in Germany. dlolm 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 have been made through a preferential new share issue of 3.2 million class B shares in Elanders AB. A smaller additional purchase price may also be paid.

The acquisitions costs amounted to around MSEK 2. In total the companies have contributed with some MSEK 105 to the consolidated net sales. They also have 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 acquisitions costs amounted to around MSEK 4. Since the acquisition was made as of December 31 the company has not contributed to the consolidated net sales.

#### SPECIFICATION OF FAIR VALUE ADJUSTMENTS D|O|M DEUTSCHE ONLINE MEDIEN GMBH AND FOTOKASTEN GMBH

MSEK	Recorded value in acquired operations	Adjust- ments to fair value	Recorded value in the Group
Intangible assets	12.8	9.0	21.8
Tangible assets	0.7	-	0.7
Accounts receivable	12.5	-	12.5
Other current assets	8.8	-	8.8
Cash and cash equivalents	8.2	-	8.2
Non-interest bearing short-term liabilities	-32.3	-2.6	-34.9
<b>IDENTIFIABLE NET ASSETS</b>	<b>10.7</b>	<b>6.4</b>	<b>17.1</b>
Goodwill			64.5
<b>TOTAL PURCHASE SUMS</b>			<b>81.6</b>
Non-cash issue			70.4
Unpaid purchase sums			3.5
Cash and cash equivalents in acquisitions			8.2
<b>TOTAL DEDUCTIBLE ITEMS</b>			<b>82.1</b>
<b>POSITIVE EFFECT ON CASH AND CASH EQUIVALENTS FOR THE GROUP</b>			<b>0.5</b>

#### SPECIFICATION OF FAIR VALUE ADJUSTMENTS MIDLAND INFORMATION RESOURCES COMPANY

MSEK	Recorded value in acquired operations	Adjust- ments to fair value	Recorded value in the Group
Intangible assets	-	16.8	16.8
Tangible assets	22.5	16.4	38.9
Financial assets	1.1	-	1.1
Inventory	7.8	-	7.8
Accounts receivable	39.7	-	39.7
Other current assets	2.0	-	2.0
Cash and cash equivalents	13.9	-	13.9
Interest bearing liabilities	-23.9		-23.9
Non-interest bearing liabilities	-42.8	-11.3	-54.1
<b>IDENTIFIABLE NET ASSETS</b>	<b>20.3</b>	<b>21.9</b>	<b>42.2</b>
Goodwill			97.8
<b>TOTAL PURCHASE SUMS</b>			<b>140.0</b>
Cash and cash equivalents in acquisitions			13.9
<b>TOTAL DEDUCTIBLE ITEMS</b>			<b>13.9</b>
<b>NEGATIVE EFFECT ON CASH AND CASH EQUIVALENTS FOR THE GROUP</b>			<b>-126.1</b>

### 2011

In January 2011 Elanders acquired some of the assets and liabilities in Fäth & Hässler AB in Värnamo, Sweden. The company was specialized in high quality printing and its customers were mainly publishers. The business was consolidated in the middle of 2011.

In September 2011 some of the assets and liabilities in NRS Tryckeri AB was acquired which meant that parts of their sales organization and project management were taken over by Elanders. These operations were consolidated as of 15 October 2011.

The purchase sum amounted to MSEK 10.2 in total which corresponded to the identifiable net assets consisting of intangible net assets of MSEK 9.8 and tangible net assets of MSEK 0.4.

The acquisitions costs amounted to around MSEK 0.3. The operations contributed with some MSEK 50 to the consolidated net sales in 2011.

## NOTE 29 EVENT AFTER THE BALANCE SHEET DATE

In February 2013 Åsa Severed was hired as MD for the operations in Sweden and Poland. When Åsa begin her employment on March 1, 2013 she will become a member of Group Management.

In February 2013 Elanders acquired all the shares in the label printing company McNaughtan's Printers Ltd in Glasgow, Scotland. During the split financial year 2011/2012 the company had net sales around MSEK 20 and had 14 employees.

In additions to the above no significant events have taken place from the end of the fiscal year until the date of the signing of this Annual Report.



# PARENT COMPANY

## INCOME STATEMENTS

SEK '000s		2012	2011
Net sales		-	-
Cost of products and services sold		-	-
<b>GROSS PROFIT</b>		-	-
Administrative expenses	Note 2, 7, 8	-29,260	-31,740
Other operating income	Note 3	505	6,558
Other operating expenses	Note 3	-633	-777
<b>OPERATING RESULT</b>	Note 4, 16	<b>-29,388</b>	<b>-25,959</b>
<b>Result from financial items</b>	Note 5, 16		
Result from shares in subsidiaries		81,193	79,600
Interest income		5,216	7,708
Other financial income		6,585	5,611
Interest expenses		-15,540	-17,054
Other financial expenses		-8,557	-7,890
<b>RESULT AFTER FINANCIAL ITEMS</b>	Note 5, 16	<b>39,509</b>	<b>42,016</b>
Taxes	Note 6	-22,179	-34,281
<b>RESULT FOR THE YEAR</b>		<b>17,330</b>	<b>7,735</b>

## STATEMENTS OF COMPREHENSIVE INCOME

SEK '000s		2012	2011
<b>RESULT FOR THE YEAR</b>		<b>17,330</b>	<b>7,735</b>
Change in value of cash-flow hedges		-3,567	-
Tax effect on change in value of cash-flow hedges		938	-
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-2,629</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>14,701</b>	<b>7,735</b>

## ■ BALANCE SHEETS

SEK '000s		2012	2011
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	Note 7	4,388	6,239
Tangible fixed assets	Note 8	413	455
Shares in subsidiaries	Note 9	1,245,915	1,017,536
Shares in jointly controlled entities	Note 10	1,383	1,383
Receivables from group companies	Note 16	98,748	84,975
Deferred tax assets	Note 6	79,536	100,056
Other financial assets		11,728	11,902
<b>TOTAL FIXED ASSETS</b>		<b>1,442,111</b>	<b>1,222,546</b>
<b>Current assets</b>			
Accounts receivable		253	2
Receivables from group companies	Note 16	117,503	95,508
Current tax receivables	Note 6	-	553
Other receivables		4,940	5,048
Prepaid expenses and accrued income		5,588	4,802
Cash and bank balances		13,797	95
<b>TOTAL CURRENT ASSETS</b>		<b>142,081</b>	<b>106,008</b>
<b>TOTAL ASSETS</b>		<b>1,584,192</b>	<b>1,328,554</b>

## BALANCE SHEETS (CONT.)

SEK '000s	2012	2011
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
<b>EQUITY</b>		
<b>Restricted equity</b>		
Share capital	227,300	195,300
Statutory reserve	332,383	332,383
<b>TOTAL RESTRICTED EQUITY</b>	<b>559,683</b>	<b>527,683</b>
<b>Unrestricted equity</b>		
Retained earnings	205,115	172,974
Result for the year	17,330	7,735
<b>TOTAL UNRESTRICTED EQUITY</b>	<b>222,445</b>	<b>180,709</b>
<b>TOTAL EQUITY</b>	<b>782,128</b>	<b>708,392</b>
<b>PROVISIONS</b>		
Provisions for pensions and similar obligations	1,371	1,343
Other provisions	Note 11 5,077	2,516
<b>TOTAL PROVISIONS</b>	<b>6,448</b>	<b>3,859</b>
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Liabilities to group companies	Note 16 70,565	65,044
Other liabilities	103	103
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>70,668</b>	<b>65,147</b>
<b>Current liabilities</b>		
Liabilities to credit institutions	Note 12, 14 598,867	425,650
Accounts payable	4,693	3,417
Liabilities to group companies	Note 16 98,395	103,113
Current tax liabilities	1,244	-
Other liabilities	3,963	852
Accrued expenses and deferred income	Note 13 17,786	18,124
<b>TOTAL CURRENT LIABILITIES</b>	<b>724,948</b>	<b>551,156</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>	<b>1,584,192</b>	<b>1,328,554</b>
<b>Pledged assets</b>	Note 14 430,044	788,828
<b>Contingent liabilities</b>	Note 14 157,025	267,179

## STATEMENTS OF CHANGES IN EQUITY

SEK '000s	Share capital	Statutory reserve	Unrestricted equity	Total
<b>OPENING BALANCE ON 1 JAN. 2011</b>	<b>195,300</b>	<b>332,383</b>	<b>172,974</b>	<b>700,657</b>
Total comprehensive income for the year	-	-	7,735	7,735
<b>CLOSING BALANCE ON 31 DEC. 2011</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>



## CASH FLOW STATEMENTS

SEK '000s		2012	2011
<b>Operating activities</b>			
Result after financial items		39,059	42,016
Adjustments for items not included in cash flow from operating activities	Note 15	-12,291	-8,480
Paid taxes		-415	1,139
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>		<b>26,353</b>	<b>34,675</b>
<b>Cash flow from changes in working capital</b>			
Increase(-)/decrease(+) in operating receivables		-376	525
Increase(+)/decrease(-) in operating liabilities		3,633	-7,249
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>29,610</b>	<b>27,951</b>
<b>Investing activities</b>			
Acquisition of tangible assets and intangible assets	Note 7, 8	-72	-965
Investment in subsidiaries	Note 9	-159,642	-470
Received dividends from subsidiaries	Note 15	30,256	4,600
Received amortizations on long-term receivables		2,429	2,429
Lending to and from subsidiaries	Note 16	-56,139	-8,626
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-183,168</b>	<b>-3,032</b>
<b>Financing activities</b>			
Changes in long and short term borrowing		179,588	-19,910
Amortization of loans		-2,563	-5,554
Dividend to parent company shareholders		-9,765	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>167,260</b>	<b>-25,464</b>
<b>Cash flow for the year</b>		<b>13,702</b>	<b>-545</b>
Cash and cash equivalents at the beginning of the year		95	640
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>		<b>13,797</b>	<b>95</b>
<b>Change in net debt</b>			
Net debt at the beginning of the year		426,898	452,627
Change in interest-bearing liabilities and cash and cash equivalents		159,543	-25,729
<b>NET DEBT AT YEAR-END</b>		<b>586,441</b>	<b>426,898</b>

## 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 2012

No new standards, amendments or interpretations that have had significant effect on the company's financial reports have come into effect during 2012.

## NOTE 2 FEES TO THE AUDITORS

SEK '000s	2012	2011
<b>PwC</b>		
Audit assignment	475	450
Audit-related services	220	200
Tax advisory services	449	261
Other services	1,990	27
<b>TOTAL</b>	<b>3,134</b>	<b>938</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	2012	2011
Exchange rate gains	505	451
Other	-	6,107
<b>TOTAL</b>	<b>505</b>	<b>6,558</b>

OTHER OPERATING EXPENSES		
SEK '000s	2012	2011
Exchange rate losses	-633	-777
<b>TOTAL</b>	<b>-633</b>	<b>-777</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	2012	2011
Received group contribution	53,000	170,000
Write-down of shares in subsidiaries	-2,000	-95,000
Sale of shares in subsidiaries	-63	-
Dividends from subsidiaries	30,256	4,600
<b>TOTAL</b>	<b>81,193</b>	<b>79,600</b>

### INTEREST INCOME

SEK '000s	2012	2011
Interest income, external	546	594
Interest income, subsidiaries	4,670	7,114
<b>TOTAL</b>	<b>5,216</b>	<b>7,708</b>

### OTHER FINANCIAL INCOME

Other financial income consists entirely of exchange rate gains.

### INTEREST EXPENSES

SEK '000s	2012	2011
Interest expenses, external	-13,626	-15,350
Interest expenses, subsidiaries	-1,914	-1,704
<b>TOTAL</b>	<b>-15,540</b>	<b>-17,054</b>

### OTHER FINANCIAL EXPENSES

SEK '000s	2012	2011
Exchange rate losses	-4,346	-5,594
Other financial expenses	-4,211	-2,296
<b>TOTAL</b>	<b>-8,557</b>	<b>-7,890</b>

## NOTE 6 TAXES

### TAX ON THE RESULT FOR THE YEAR

SEK '000s	2012	2011
Withholding tax on dividends from subsidiaries	-917	-
Correction of previous years' current tax expense	67	1,141
Deferred tax	-21,329	-35,422
<b>TOTAL</b>	<b>-22,179</b>	<b>-34,281</b>

### RECONCILIATION OF RECORDED TAX

SEK '000s	2012	2011
Result before taxes	39,509	42,016
Tax according to Swedish tax rate of 26.3%	-10,391	-11,050
Tax effect of:		
Withholding tax on dividends from subsidiaries	-917	-
Correction of previous year's current tax expense	67	1,141
Non-taxable dividends from subsidiaries	7,957	1,210
Non-deductible write-downs of shares in subsidiaries and jointly controlled entities	-849	-24,985
Contribution, representation and association costs	-75	-20
Legal change in tax rate	-15,401	-
Non-deductible costs in relation to acquisitions of operations	-2,101	-
Other	-469	-577
<b>TOTAL</b>	<b>-22,179</b>	<b>-34,281</b>

### DEFERRED TAX RECEIVABLES

SEK '000s	2012	2011
Tax loss carry forwards	75,758	93,531
Other	3,778	6,525
<b>TOTAL</b>	<b>79,536</b>	<b>100,056</b>



## NOTE 7 INTANGIBLE ASSETS

SEK '000s	Goodwill		Other intangible assets		Total	
	2012	2011	2012	2011	2012	2011
Opening acquisition value	1,959	1,959	11,129	10,204	13,088	12,163
Acquisitions	-	-	-	925	-	925
<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	-784	-686	-5,039	-3,057	-5,823	-3,743
Amortization for the year	-98	-98	-1,753	-1,982	-1,851	-2,080
<b>CLOSING ACCUMULATED AMORTIZATION</b>	<b>-882</b>	<b>-784</b>	<b>-6,792</b>	<b>-5,039</b>	<b>-7,674</b>	<b>-5,823</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>1,077</b>	<b>1,175</b>	<b>3,311</b>	<b>5,064</b>	<b>4,388</b>	<b>6,239</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	
	2012	2011
Opening acquisition value	1,894	1,854
Acquisitions	72	40
<b>CLOSING ACQUISITION VALUE</b>	<b>1,966</b>	<b>1,894</b>
Opening accumulated depreciation	-1,439	-1,325
Depreciation for the year	-114	-114
<b>CLOSING ACCUMULATED DEPRECIATION</b>	<b>-1,553</b>	<b>-1,439</b>
<b>NET RESIDUAL VALUE</b>	<b>413</b>	<b>455</b>

Depreciation has been charged entirely to administrative expenses.

There has been no financial leasing.

## NOTE 9 SHARES IN SUBSIDIARIES

SEK '000s	2012	2011
Opening book value	1,017,536	1,014,528
Investment/subscription for new shares	228,442	18,008
Sale of subsidiaries	-63	-
Shareholders' contribution	2,000	80,000
Write-downs	-2,000	-95,000
<b>CLOSING BOOK VALUE</b>	<b>1,245,915</b>	<b>1,017,536</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
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 Printpack GmbH & Co. KG	HRB211285	Gärtringen, Germany	-	100	-
Elanders Hungary Kft	20-09-065122	Zalalövő, Hungary	-	100	146,112
Elanders Infologistics AB	556121-8891	Göteborg, 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 International AB	556058-0622	Kungsbacka, Sweden	1,000	100	155
Elanders Italy S.r.l.	5686620963	Ponzano Veneto, Italy	-	100	2,702
Elanders Ltd	GB 3788582	Newcastle, Great Britain	-	100	31,403
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, Great Britain	-	100	923
fotokasten GbmH	HRB24050	Waiblingen, Germany	-	100	57,824
Midland Information Resources Company	42-1468885	Davenport, USA	10,000	100	139,961
Midland Press Corporation	42-1183862	Davenport, USA	-	100	-
Midland Digital Color, Inc.	42-1468961	Davenport, USA	-	100	-
<b>TOTAL</b>					<b>1,245,915</b>

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

## NOTE 10 SHARES IN JOINTLY CONTROLLED ENTITIES

SEK '000s	2012	2011
Opening book value	1,383	1,383
<b>CLOSING BOOK VALUE</b>	<b>1,383</b>	<b>1,383</b>

Holdings of jointly controlled entities consist of Hansaprint Elanders Kft in Komárom, Hungary. The holding amounts to 50 percent and the controlled part of the company's assets amounts to SEK 1,383 (1,383) thousands. The company is under liquidation.

## NOTE 11 OTHER PROVISIONS

SEK '000s	2012	Provided for during the year	Utilized during the year	Reversal of unutilized amounts	2011
Environmental obligations	1,500	-	-	-	1,500
Additional purchase sums	3,529	3,529	-	-	-
Other	48	-	-26	-942	1,016
<b>TOTAL</b>	<b>5,077</b>	<b>3,529</b>	<b>-26</b>	<b>-942</b>	<b>2,516</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

### LONG-TERM LIABILITIES

All long-term liabilities are borrowing debts.

### SHORT-TERM LIABILITIES

SEK '000s	2012	2011
Bank overdraft facilities, utilized amount	-	188,424
Borrowing debts	598,867	237,226
<b>TOTAL</b>	<b>598,867</b>	<b>425,650</b>

Liabilities to Elanders' main banks follows the terms in the credit agreement and maturity is in September 2013.

Elanders AB has loans in SEK, EUR and USD. The interest rate on the loans per 31 December 2012 was in the interval 1.94-3.70 (2.89-4.06) percent.

### BANK OVERDRAFT FACILITIES

Utilized amounts and available credit in Group bank overdraft facilities are given below. Of the granted amount MSEK 50, MSEK 35 was disbursed facilities as of 31 December 2012.

SEK '000s	2012	2011
Bank overdraft facilities, utilized amount	-	188,424
Bank overdraft facilities, granted amount	50,000	281,611
<b>TOTAL</b>	<b>50,000</b>	<b>93,187</b>

## NOTE 13 ACCRUED EXPENSES AND DEFERRED INCOME

SEK '000s	2012	2011
Salaries and holiday pay	2,420	3,639
Social security contributions	2,700	6,088
Interest	225	641
Other accrued expenses and deferred income	12,441	7,756
<b>TOTAL</b>	<b>17,786</b>	<b>18,124</b>

## NOTE 14 PLEDGED ASSETS AND CONTINGENT LIABILITIES

### PLEDGED ASSETS

SEK '000s	2012	2011
Floating charges	3,300	3,300
Other pledged assets	426,744	785,528
<b>TOTAL</b>	<b>430,044</b>	<b>788,828</b>
Given to:		
Credit institutions	430,044	788,828
<b>TOTAL</b>	<b>430,044</b>	<b>788,828</b>

Other pledged assets primarily refer to collateral in the form of shares in subsidiaries.

### CONTINGENT LIABILITIES

SEK '000s	2012	2011
Surety and contingent liabilities given for subsidiaries	157,025	294,429
<b>TOTAL</b>	<b>157,025</b>	<b>294,429</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	2012	2011
Depreciation, amortization and write-downs of intangible and tangible assets	1,965	2,194
Dividends from subsidiaries	-9,082	-4,600
Other items	-5,174	-6,074
<b>TOTAL</b>	<b>-12,291</b>	<b>-8,480</b>

## PAID AND RECEIVED INTEREST

SEK '000s	2012	2011
Paid interest	-15,956	-17,360
Interest received	5,216	7,708
<b>TOTAL</b>	<b>-10,740</b>	<b>-9,652</b>

## DIVIDENDS RECEIVED FROM SUBSIDIARIES

SEK '000s	2012	2011
Elanders (Beijing) Printing Company Ltd	16,860	-
Elanders Hungary Kft	4,314	4,600
Elanders Ltd	9,082	-
<b>TOTAL</b>	<b>30,256</b>	<b>4,600</b>

# 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 2012 total reimbursements amounted to MSEK 22.6 (19.6). Besides this there have been no sales of products or services to related parties.

## PURCHASE OF PRODUCTS AND SERVICES

SEK '000s	2012	2011
Subsidiaries	5,919	4,895
Carl Bennet AB	511	472
<b>TOTAL</b>	<b>6,430</b>	<b>5,367</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. 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.

## RECEIVABLES FROM RELATED PARTIES

SEK '000s	2012	2011
Subsidiaries	216,251	180,483
<b>TOTAL</b>	<b>216,251</b>	<b>180,483</b>

## LIABILITIES TO RELATED PARTIES

SEK '000s	2012	2011
Carl Bennet AB	153	187
Subsidiaries	168,960	168,157
<b>TOTAL</b>	<b>169,113</b>	<b>168,344</b>

## RECEIVABLES FROM AND LIABILITIES TO SUBSIDIARIES

	Currency	Amount, '000s	Interest rate 31 Dec 2012, %
d o m Deutsche Online Medien GmbH	EUR	-800	1.94
Elanders GmbH	EUR	10,050	2.68
Elanders Printpack GmbH	EUR	1,700	3.25
Elanders Hungary Kft	EUR	536	3.25
Elanders Italy s.r.l.	EUR	1,344	3.25
Elanders Polska Sp.z o.o	PLN	4,973	6.70
Elanders Reprodução de Imagens Ltda	USD	647	3.56
Elanders Ltd	GBP	1,610	2.98
ElandersUSA Inc.	USD	2,000	2.81
fotokasten GmbH	EUR	-469	0.79

No reserve has been required during 2012 or 2011 for the loans granted to subsidiaries.

No Board member or senior officer has or has had direct or indirect participation in any business transactions, between themselves or the 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	2012	2011
Elanders FoH AB	2,000	-
Elanders Infologistics AB	30,000	70,000
Elanders NRS AB	1,000	-
Elanders Sverige AB	20,000	100,000
<b>TOTAL</b>	<b>53,000</b>	<b>170,000</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 222,445,040.02

in the parent company at the disposition of the Annual General Meeting should be dealt with accordingly:

- SEK 0.60 per share, a total of SEK 13,637,998.80 is distributed to the shareholders
- the remaining balance of 208,807,041.22 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 7 May 2013 for adoption.

Mölnlycke 28 February 2013

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 presented on 28 February 2013  
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 2012 except for the corporate governance statement on pages 78–82. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 73–119.

### 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 2012 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 2012 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 78–82. 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 2012. 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 78–82 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 28 February 2013  
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.

# SPECIFIC TERMS

## **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. Commercial Print is a product area at Elanders.

## **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. e-Commerce is a product area at Elanders.

## **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. Packaging is a product area at Elanders.

## **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 (POD)**

With the help of high-speed printers printed matter can be produced as needed and in very small editions.

## **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:** Chairman of the nomination committee and remuneration committee.  
**Other appointments:** Chairman of the board of Getinge AB, the University of Gothenburg and Lifco AB. Member of the board of Holmen AB and L E Lundberg-företagen AB.  
**Shareholding:** 1,166,666 class A shares  
10,382,098 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 remuneration committee.  
**Other appointments:** Chairman of the board of HealthInvest Partners AB. Member of the board of Carl Bennet AB, Getinge AB, Lifco AB, Rolling Optics AB, RP Ventures AB and Svensk Fastighetsfond AB.  
**Shareholding:** 65,000 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 committee.  
**Other appointments:** Member of the board in the law firm Vinge, Generic Sweden AB, Lifco AB, Rosengård Invest AB and Storegate AB as well as deputy in Lamiflex International AB.  
**Shareholding:** -

**GÖRAN JOHNSON**  
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.  
**Other 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, the University of Umeå and Stockholm Business Region AB.  
**Shareholding:** 2,066 class B shares.

**CECILIA LAGER**  
Member of the Board.

**b. 1963.**  
**Elected in:** 2009  
**Education:** Business Administration.  
**Appointments on the Elanders board:** Member of the audit committee.  
**Other appointments:** Chairman of the board of Föreningen Enskilda Gymnasiet, Sherpani Advisors AB and Max Matthiessen Vårdepapper AB. Member of the board of Dibs Payment Services AB, Knowit AB and Cinnober Financial Technology AB.  
**Shareholding:** 11,000 class B shares.



# BOARD OF DIRECTORS

**MAGNUS NILSSON**  
Member of the Board. President and CEO of Elanders AB.

**b. 1966.**  
**Elected in:** 2010.  
**Education:** Education in Graphic Technology, Design, Business Administration and Marketing.  
**Shareholding:** 37,800 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.  
**Other appointments:** Member of the board of the Swedish Defence Materiel Administration and the Swedish Agency for Economic and Regional Growth. Deputy board member and managing director of Netsoft Lund AB and Netsoft Lund Development AB. Deputy board member of Netsoft Lund Holding AB.  
**Shareholding:** 2,000 class B shares.

**LILIAN LARNEFELDT**  
Employee representative.

**b. 1950.**  
Storage/Distribution, Elanders Sverige AB.  
**Elected in:** 2009.  
**Education:** College Diploma in Business Administration from Vasa Handelsläroverk.  
**Shareholding:** -

**TOMAS SVENSSON**  
Employee representative (resigned in February 2013).

**b. 1957.**  
Printer operator, Elanders Sverige AB.  
**Elected in:** 2007.  
**Education:** Typographer.  
**Shareholding:** -

**LENA HASSINI**  
Deputy employee representative (Employee representative from February 2013).

**b. 1961.**  
Premedia/Prepare, Elanders Sverige AB.  
**Elected in:** 2008.  
**Education:** Upper secondary education.  
**Shareholding:** -

**DANIEL PETERSÉN**  
Deputy employee representative.

**f. 1973.**  
Project Manager, Elanders Sverige AB.  
**Elected in:** 2012.  
**Education:** Diploma from Grafiska Institutet.  
**Shareholding:** -





## GROUP MANAGEMENT

**MAGNUS NILSSON**  
**President and CEO.** Responsible for operations in Great Britain, North America and South America.

**b. 1966.**  
**Education and background:** Employed since 1999. Education in Graphic Technology, Design, Business Administration and Marketing. Active within the graphic industry since 1987. Head of production in Elanders' operations in Hungary during 2002. MD of Elanders Berlings Skogs Grafiska AB and Elanders Skogs Grafiska AB during 2003–2005. MD for the operations in China 2005–2009.  
**Shareholding:** 37,800 class B shares.

**PER BRODIN**  
**Responsible for operations in Asia.**

**b. 1961.**  
**Education and background:** Employed since 1998. Diploma from Grafiska Institutet. Active within the graphic industry since 1976. Joined Elanders in connection with the acquisition of the Skogs group in 1998. MD of Elanders Hungary Kft during 2002–2009.  
**Shareholding:** 50,000 class B shares.

**MARTIN LUX**  
**Responsible for d|o|m and fotokasten.**

**b. 1964.**  
**Education and background:** Employed since 2012. Master in Electrical Engineering. 20 years experience within IT and e-commerce. Joined Elanders in connection with the acquisition of d|o|m and fotokasten in 2012.  
**Shareholding:** –

**ÅSA SEVERED**  
**Responsible for operations in Sweden and Poland (from March 1, 2013).**

**b. 1958.**  
**Education and background:** Employed since 2013. Master of Science in Industrial and Management Engineering, MBA Oxford Brooke University.  
**Shareholding:** –

**PETER SOMMER**  
**Responsible for operations 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 acquisition of Sommer Corporate Media in 2007.  
**Shareholding:** 578,000 class B shares.

**ANDRÉAS WIKNER**  
**Chief Financial Officer.**

**b. 1971.**  
**Education and background:** Employed since 2007. Master of Science in Business Administration. Auditor during 1997–2007. Approved Public Accountant 2004. Authorized Public Accountant 2005.  
**Shareholding:** 3,000 class B shares.



# GROUP MANAGEMENT



# AUDITORS AND NOMINATION COMMITTEE

## AUDITORS

PricewaterhouseCoopers  
AB with the authorized  
public accountant:

### **Johan Rippe, b. 1968**

Company auditor since  
2008

Other appointments:  
Getinge AB, AB Volvo and  
Collector AB

## THE NOMINATION COMMITTEE

### **Carl Bennet**

Chairman and contact,  
represents Carl Bennet AB,  
telephone: +46 31 741 64 00

### **Hans Hedström**

CEO and responsible  
for owner matters in  
Carnegie Funds,  
telephone: +46 8 696 17 00

### **Göran Erlandsson**

Member of Aktiespararna  
in Kungsbacka and  
representative for the  
smaller shareholders,  
telephone: +46 300 130 64

# CONTACT ELANDERS

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Chief Executive Officer:  
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## NORTH AMERICA

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## SOUTH AMERICA

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CALENDAR

7 MAY 2013  
Annual General Meeting

7 MAY 2013  
Quarterly Report Q1

11 JULY 2013  
Quarterly Report Q2



## WELCOME TO ELANDERS' ANNUAL GENERAL MEETING

*Shareholders in Elanders AB (publ) are welcomed to the company's Annual General Meeting Tuesday 7 May 2013 at 3 p.m. at Elanders' headquarters at Designvägen 2, Mölnlycke, Sweden.*

SHAREHOLDERS 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 30 April 2013. Intent to participate must be reported by Tuesday 30 April 2013, 1:00 p.m.

Shareholders who have nominee registered their shares must, through the services of a nominee, temporarily register their shares in their own name with Euroclear Sweden AB. This reregistering must be carried out after having requested it from the nominee no later than Tuesday 30 April 2013. 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.

# 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.

# UNIQUE COVER

EVERY COVER OF this year's edition of the Elanders Annual Report is unique. This is a good way for us to show Elanders' cutting edge position in the graphic industry. Photographer Sam Lindh shot the model's hand touching the water and the finished image became the picture on the first spread in the Annual Report titled *In touch with the future*. After that an area on the picture was marked and turned into a unique cover. This image was then blown up around 325 times so that we could create 5,678 different and personalized covers.



## PRODUCTION FACTS

**Production:** Elanders AB in collaboration with More PR AB (text production) and Rubrik AB (design and concept).

**Paper:** Cover: MultiDesign Smooth white 200 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.

The 5,678 unique covers have been produced in cooperation with Xerox Sverige AB.

Statistics and net sales for the industry have been provided by the market research company Pira International Ltd and the interest organization Power of Print.

## CLIMATE NEUTRAL ANNUAL REPORT

There have been tremendous developments concerning the environment in the past few years and ecolabeled printed matter has become standard. At Elanders we do our utmost to not only talk the talk but also to walk the walk. We do it for the environment, for our customers, for ourselves and for the future. Naturally this Annual Report is both Swan ecolabeled and a climate neutral product.

## 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.

## PHOTO

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