

your worldwide printing partner

Elanders

Annual Report 2010



DEAR READER



Elanders experienced an eventful 2010 in many ways. Although it turned out to be another year of losses the Group is moving forward on its way back to a competitively powerful business and will be back in the black in 2011.

The worldwide recession subsided during the year and many of our markets saw positive development. A fully booked new share issue gave us the financial strength to make vital rationalizations in

Swedish operation while we also invested in new strategically important acquisitions.

The work to increase our product range and broaden our customer base continued in 2010 and the acquisition of the German packaging company Printpack and the takeover of the Swedish Fälv & Hässler were an important part of this work. Expansion in packaging has extended our customer base to include such areas as the food, cosmetics and pharmaceutical industries.

We have also been successful in our strategy to continue developing Elanders as a global supplier for our local customers. Elanders is one of the few companies in this industry that is a global player with local production. We are excited about the future in an industry that is going through major structural changes. Elanders is one of the companies that will still be around to lead the industry's development when its structural metamorphose is complete.

Welcome to the Elanders Annual Report 2010!

A handwritten signature in dark ink, appearing to read 'Magnus Nilsson'.

Magnus Nilsson
President and CEO

Reading instructions: In the Annual Report 2010 the Elanders Group is called Elanders. Swedish crowns in millions are abbreviated to MSEK. Numbers in parenthesis refer to the fiscal year 2009 and are expressed as MSEK if not otherwise stipulated. The information sources on the geographic markets outside of Sweden (Markets and the competition p. 26) are Elanders'. All other information concerning markets, competition and future growth are Elanders' assessments based primarily on material produced within the Group. If not otherwise stipulated the comparable figures for 2006 are reported the same way they have been reported in previous Annual Reports, i.e. including the in 2007 disposed operations in Kungsbacka. In the financial report section of the Annual Report the figures are presented according to IFRS and in SEK thousands.

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THE FINANCIAL REPORTS

ELANDERS' OFFER

Elanders is a spot on example of how technological development and the way modern society communicates and spreads information impacts a company. In Elanders' case this has led us to make changes in the services and products we offer.

The circumstances for everyone active in the communication industry have changed radically in the past few years, especially for graphic companies.

From a national printer for telephone directories Elanders has grown into a global player with operations in ten countries on four continents. As an international printing group we have a broad spectrum of services in offset, digital and special print and we can produce wherever it works out best economical, for our customers and for Elanders.

We are often problem solvers for customers that need to communicate on one or several

markets simultaneously. In some cases we have unique information and technical solutions which we have developed for our customers. A common denominator in many of our assignments is that we can use our global resources to create great logistics solutions that are competitive and environmentally smart.

We have a host of multinational companies as customers but we are increasing our scope to include marketing and communication bureaus. We have a special team called the PM Group in Sweden aimed at further developing our relationships with bureaus.

OUR PRODUCT AREAS

Books & educational material

In these digitalized times sales show that there is still a high demand for books and new sales channels in addition to traditional book stores. When it comes to printing books Elanders can deliver the most exclusive books with advanced quality demands. Our customers include famous auction houses and editors specialized in high quality cookbooks.

Publishers of educational material are still an important customer group for Elanders. We primarily deliver printed educational material but we intend to offer more related services and production in low-cost countries.

We also produce books and educational material in low-cost countries, especially the second or third editions after the first edition of a book has been printed.



Photo products

Digital technology has made it easier for everyone to express their personality or surprise with gifts that they have designed themselves. Today everybody is their own photographer, which has led to an increase in the orders for personalized photo books, canvases, almanacs and wallpaper. At Elanders both companies and indirectly consumers are our customers and the market is growing rapidly.



Packaging

A trend that has been growing the past couple of years is that more and more of our customers are putting higher demands on packaging design. When a customer in a store is about to decide which product to choose, an attractive packaging can be the deciding factor. Elanders offers an entire range of boxes from simple to exclusive handmade packages and from very small to really large editions. And thanks to our experience we can offer personalized packaging as well.

Elanders can handle the entire chain from design and manufacturing to distribution. Advanced finishing techniques guarantee high quality results, which is highly valued by many strong brands.



Information & marketing material

Information and marketing material are a big part of the work Elanders does. One rapidly growing sector is recipient-oriented information containing customized solutions for different target groups all the way down to individuals.

The product area information & marketing material comprises magazines, catalogues, annual reports, fund reports and in-store material.

The demand for specifically targeted information has led to more and more specialized products. This trend is the answer to why the number of magazine and book titles is on the rise. When it comes to in-store material Elanders offers comprehensive solutions including design, production and delivery of finished sets to individual stores.



Manuals & product information

One of Elanders' specialties is manuals and other product information. Manuals are going through a metamorphosis. They are getting slimmer and more simplified but they are still an important service to customers buying a product. The way a manual is packaged together with a product is vital to creating the right feeling for the product and it contributes to strengthening the customer's own brand.

There is also an increase in demand from the automotive industry for customized and chassis specific manuals designed so that they harmonize with the extra features chosen by the end customer.

Our services

Several of the services that Elanders offers are included in the term Premedia and comprise the stages that come before printing and publishing. Some examples of arts and graphics services are layout, typography, image retouching and production of originals.

Our Premedia personnel all have years of experience and are all dedicated to achieving excellent results. Elanders also offers advanced just-in-time deliveries with different picking and packing solutions along with the storage and distribution of printed material.

Elanders' considerable investment in Web-to-print (W2P) goes hand-in-hand with the increased demand for print-on-demand solutions. This service is mainly intended for businesses but we are increasingly supplying consumers as well.



Elanders worldwide



BRAZIL

Unit: Elanders Reprodução de Imagens Ltda

Location: São Paulo

Founded: 1970

Part of Elanders since: 2007

Products: Packaging, Information & marketing material, Manuals & product information



CHINA

Unit: Elanders (Beijing) Printing Co Ltd

Location: Beijing

Founded by Elanders: 2005

Products: Packaging, Information & marketing material, Manuals & product information, Photo products



GERMANY

Units: Elanders Germany GmbH and Elanders Printpack GmbH & Co. KG

Locations: Stuttgart (Waiblingen and Gärtringen)

Founded: 1982

Part of Elanders since: 2007

Products: Packaging, Information & marketing material, Manuals & product information, Photo products



HUNGARY

Unit: Elanders Hungary Kft

Location: Zalaötvő

Founded by Elanders: 2001

Products: Packaging, Information & marketing material, Manuals & product information, Photo products



ITALY

Unit: Elanders Italy S.r.l.

Location: Treviso

Founded by Elanders: 2007

Products: Information & marketing material, Manuals & product information



NORWAY

Unit: Elanders Novum AS

Location: Oslo

Founded: 1999

Part of Elanders since: 2001

Products: Information & marketing material, Manuals & product information



POLAND

Unit: Elanders Polska Sp. z o.o

Location: Płońsk

Founded: 1970

Part of Elanders since: 1995

Products: Packaging, Information & marketing material, Manuals & product information



SWEDEN

Unit: Elanders Sverige AB

Locations: Falköping, Ludvika, Lund, Malmö, Mölnlycke, Uppsala, Vällingby and Västerås

Founded: 1908

Products: Packaging, Information & marketing material, Manuals & product information



GREAT BRITAIN

Unit: Elanders Ltd

Locations: Newcastle och Harrogate

Founded: 1880

Part of Elanders since: 1999

Products: Packaging, Information & marketing material, Manuals & product information, Photo products



USA

Unit: ElandersUSA Inc.

Location: Atlanta

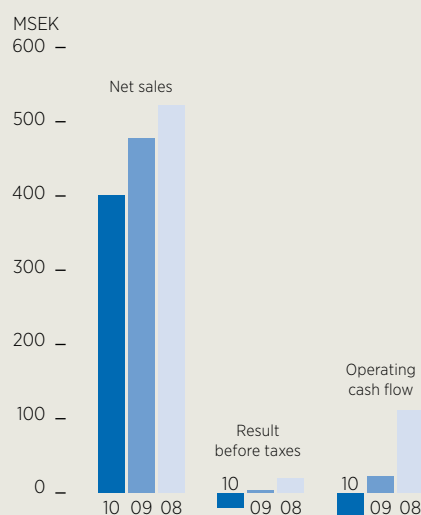
Founded: 1972

Part of Elanders since: 2008

Products: Packaging, Information & marketing material, Manuals & product information, Photo products

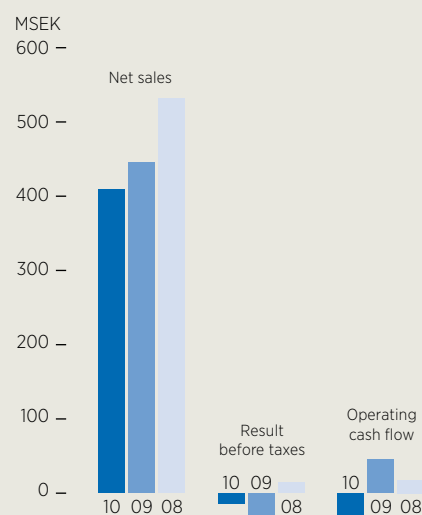
THE YEAR IN SUMMARY

- Net sales fell by 3 percent compared to the previous year and totaled MSEK 1,706 (MSEK 1,757). With unchanged exchange rates and comparable units net sales increased by MSEK 8 compared to the previous year.
- Operating result amounted to MSEK -76 (MSEK -60). The result was affected by one-off items of MSEK -59 (-35).
- A new share issue of 1:1 at an issue price of SEK 22 raised MSEK 208 after issue expenses.
- In July the operations in the packaging printer Printpack GmbH in Germany with annual net sales of about MSEK 100 was acquired.
- A new two year credit agreement was signed with two Swedish banks at the end of September.
- In September 55 employees in Sweden were given notice of redundancy and costs of MSEK 75, mainly for reductions in personnel, were charged to the operating result.
- In January 2011 Elanders signed an agreement with the Swedish printer Fälv & Hässler to take over parts of their operations.



FIRST QUARTER

The market is characterized by continued weak demand and strong price pressure. Essential agreements are prolonged with global customers in the automotive, consumer and electronics industries.



SECOND QUARTER

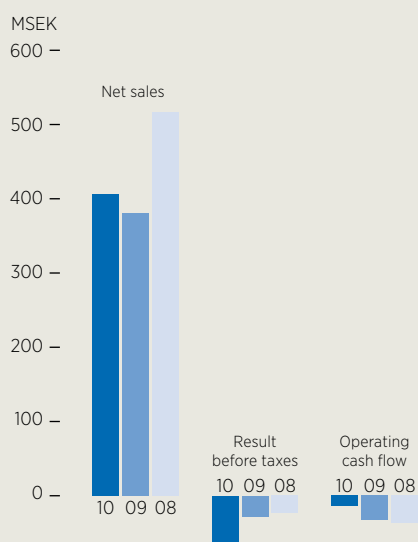
Structural changes in the second half of the year, primarily in Sweden, are announced and will have a negative effect of the result for 2010 with MSEK 80.

The Board of Directors propose a new share issue of 1:1 with an issue price of SEK 22, aimed at raising about MSEK 215 for the company to use for structural changes and enable acquisitions.

Five years in summary

	2010	2009	2008	2007	2006
Net sales, MSEK	1,705.9	1,756.7	2,191.2	2,035.6	1,988.2
Operating result, MSEK	-76.2	-60.1	16.0	226.8	-8.8
Result before taxes, MSEK	-105.2	-96.1	-34.4	184.1	-31.8
Average number of employees	1,520	1,581	1,809	1,579	1,490
Earnings per share, SEK	-6.79	-7.57	-2.62	18.06	-5.54
Dividend per share, SEK	0.00 ¹⁾	0.00	0.00	4.50	2.36

¹⁾ Proposed by the Board.



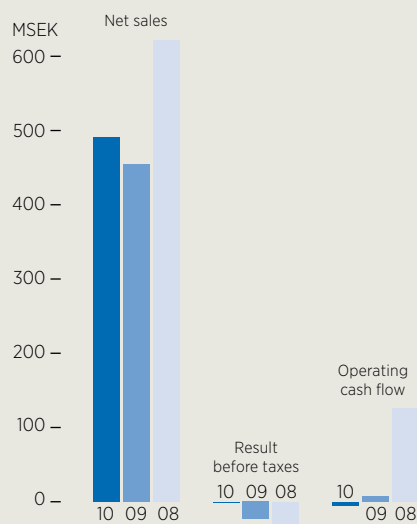
THIRD QUARTER

The packaging printer Printpack in Germany with annual net sales of about MSEK 100 is acquired.

The new share issue generates MSEK 208 after issue expenses.

In September 55 employees are given notice of redundancy in Sweden.

A new two year credit agreement is signed at the end of September.



FOURTH QUARTER

Net sales increase by 8 percent compared to the fourth quarter 2009.

Operating result amounts to MSEK 6, of which one-off items accounts to MSEK -19.

The market shows signs of recovery.

Elanders broadens its product range and customer base

After some really tough years Elanders is finally starting to see the light at the end of the tunnel. With the help of a successful new share issue we gained the financial muscle the company needed to both move ahead in some areas and slow down in others.

“We’re working really hard to expand our product offer since it will also broaden our customer base, making us less sensitive to fluctuations in the business cycle,” says Magnus Nilsson, President and CEO of Elanders AB.

Text: Jan-Olof Ekelund Photo: Johannes Berner

When Magnus Nilsson receives us at the headquarters in Mölnlycke at the beginning of 2011 the tide has started to turn for the global printing group. After a number of quarters in the red the annual accounts for 2010 proved that excluding one-off items the Group is once again making money.

The result for the fourth quarter showed a definite improvement compared to the previous year. Result before taxes, excluding one-off items, amounted to MSEK 18 (–5). Even though net sales for the full year decreased by 3 percent net sales in the fourth quarter increased by 8 percent.

There are several reasons behind the rise in profitability. Elanders is quickly affected by a recovery in the general economy and by summer’s end in 2010 there was a flurry of positive signals from customers in different segments. Elanders’ strategy to offer production in low-cost countries accelerated net sales and there was room for offensive acquisitions, such as the German Printpack in July 2010 and the takeover of parts of operations in Swedish Fälb & Hässler, which was announced in January 2011.

Elanders’ organization went through a change over a year ago and Polish operations are now under Swedish operations and the Hungarian

under German. What results have you seen so far?

“The fact that we’re able to offer low-cost alternatives on the Swedish and German markets has been very good. Net sales in both Poland and Hungary have increased noticeably by 20 to 40 percent.”

“I’m convinced development will continue along this positive track in 2011, particularly in Hungarian operations since the German graphic market is so much bigger than the Swedish.”

Elanders has succeeded in keeping investment levels low by moving printing equipment around to the markets where they are the most useful. Will this work continue?

“Definitely, we’re always striving to maximize productivity and use the machines we have as efficiently as possible. Not many players have this option and we will continue to take advantage of it. Today there’s surplus capacity in Western Europe while growth is high in South America and in large parts of Asia. And for the most part we have good and modern machines.”

In the last ten years Elanders’ range has changed radically. Telephone directory printing ceased many years ago and has been replaced by completely different products and services. Will Elanders’ range keep expanding?



Magnus Nilsson,
President and CEO.



“

We will still be around when the structural changes in our industry are completed.

▶ “Yes, and we’ve been working on that for some time now. The introduction of digital technology has meant that some printed matter is disappearing altogether or at least the number of editions and volumes are shrinking. Yet the total amount of information in the world is increasing, it’s just that it’s becoming more targeted and specialized.”

“As a result Elanders has to increase its product offer in order to maintain net sales and growth, which is why we acquired German Printpack in 2010. This is a company specialized in packaging production and it gives us access to completely new markets, assignments and knowledge. We’re very pleased that Elanders’ German business was able to keep all of Printpack’s customers after the acquisition.”

“With the help of the expansion in packaging production we are now working with completely new customer segments in the food, cosmetics and pharmaceutical industries. Today Elanders delivers packaging to customers in Europe, China and Brazil.”

“The same goes for Web-to-print (W2P) where production of photo products in Ger-

many, for instance, increased by 20 percent in 2010 and it looks like it’ll keep growing at that rate for a while.”

“Elanders’ development of a broader product and customer base makes us less sensitive to fluctuations in the business cycle and changes in demand for printed matter.”

In contrast to several of your national competitors Elanders has a global offer. How did this offer develop in 2010?

“We have succeeded in turning some local customers to global ones. A good example is the Swedish and German automotive industry where we are currently delivering manuals to Europe and Asia as well as to North and South America.

“Our best opportunities to take advantage of our global printing possibilities and expand geographically with our customers are on the Swedish and German markets where there are a lot of exporting companies.”

Elanders’ Swedish operation experienced a difficult time since the downturn in the economy started and several cost-saving measures have been taken. There was a comprehensive restructuring in 2010. Will Swedish operations begin to show a profit again?

“I’m completely convinced of that. Unlike our other markets and companies the Swedish business used to consist of several acquired

companies. The mergers made the organization sluggish and top steered. The measures we took created a flatter organization for quick decision-making and a clear focus on customers.”

“The new strategy has already started to generate results and we can see a definite improvement in the Swedish business.”

“We also see that the merger of the Swedish and Polish operations has been positive. Poland delivered a substantial increase in net sales in 2010 and created increased Elanders in Sweden’s competitiveness through its lower costs.”

How have the geographic markets developed?

“Operations in Germany and the USA have had a positive development and are showing substantial improvements compared to 2009. Elanders in the USA has a better offer than many local printers. The graphic industry in the USA is very fragmented. There are a few highly skilled players and then there are a lot of printers that are years behind in terms of printing quality and technical solutions. Seen in that light Elanders has good opportunities to grow in the USA.”

“Our combination Germany and Hungary has grown quickly in just a few years and they now generate one third of the Group net sales. They have an excellent position to continue to develop positively. We can provide state-of-the-art quality and competitive prices thanks to our facility in Hungary that has been running at full speed throughout 2010.”

“Brazil’s another market that is developing well. Operations in China struggled in 2010 but things were looking up after the summer.”

“There’s a big difference when production in China is for export to other markets compared to competing on the local market with local companies. Competition is fierce in China and our strategy is to grow in packaging print.”

“In China we’ve succeeded in expanding our offer from almost exclusively delivering to industrial to delivering to customers in the pharmaceutical and food industries.”

“Elanders in Great Britain evolves as planned even though business is still struggling in many sectors. Our operations in Italy and Norway also developed positively in 2010.”

Even if Elanders has consolidated its own operations there is surplus capacity in the Swedish graphic industry. How can the industry tackle that problem?

“Quite clearly the printing industry will continue to rapidly consolidate. We’ll probably see more acquisitions, closures and mergers in 2011.”

“Elanders will still be around when the struc-

tural changes in our industry are completed. Our takeover of some operations in Swedish Fälf & Hässler follows this strategy.”

“Fälf & Hässler will shut down their production capacity and we will take over and move the machines we find useful. Sales and customer support will be transferred to Elanders Sverige while books will be produced in Elanders’ companies both in Sweden and abroad.”

“Through this merger Elanders is contributing to the necessary consolidation of the graphic industry.”

In the Annual Report 2009 you talked about the work to create “One Elanders”. How has this been received internally and how far has it progressed?

“We’ve come pretty far actually. We’ve increased the use of our facilities in low-cost countries and moved equipment to the location where it can be used the most efficiently.”

“Communication-wise we have made changes so that all Group companies are called Elanders and after the first half year in 2011 all our companies will have the same new logotype.”

Finally, what do you wish for the most in 2011?

“A stable development and profit on the bottom line. Returning to profitability is the only way of building for the future and we at Elanders want to take part in forming that future.” ■

“
Our low-cost alternatives on the Swedish and German markets has been very good.



SOME HIGHLIGHTS FROM 2010

During a year Elanders delivers a host of printing jobs all over the world. Here is a presentation of a handful of our projects in 2010. Some were so appreciated they were awarded first prize in trade competitions. Others are a testament to Elanders' strategy to continue broadening its customer offer and receive more and more complex communication tasks.

ANNUAL REPORTS ARE ALWAYS A CHALLENGE



Some of the highest quality standards in the printing business are found in annual reports. For many companies their annual report is a crucial marketing channel both internally and externally.

The production of annual reports is Elanders in the USA's specialty and the company has been voted one of the

leading printers in the state of Georgia by Printing Industries Association.

We also have years of experience in Sweden in producing scores of annual reports and many big companies on the Stockholm Stock Exchange are our customers.

SHINING GOLD MEDAL FROM CANNES

Elanders was rewarded both directly and indirectly in 2010. With the book "Winning Sustainable Development", that Elanders designed and produced for the Göteborg Award 2009, we won the Swedish Publishing Prize in the category Jubilee Books. The jury's motivation was: "For engaging prose, a confident choice of paper and solid quality in printing and finishing."

We also won a gold medal in Cannes

Lions International Advertising Festival for the poster series "Elanders on very important matters". The posters and the campaign were produced by the bureau Happy Forsman & Bodenfors. The target group for the campaign was advertising agencies and marketing departments in general and particularly art directors and creative directors with the aim to show Elanders' extensive knowledge in printing.



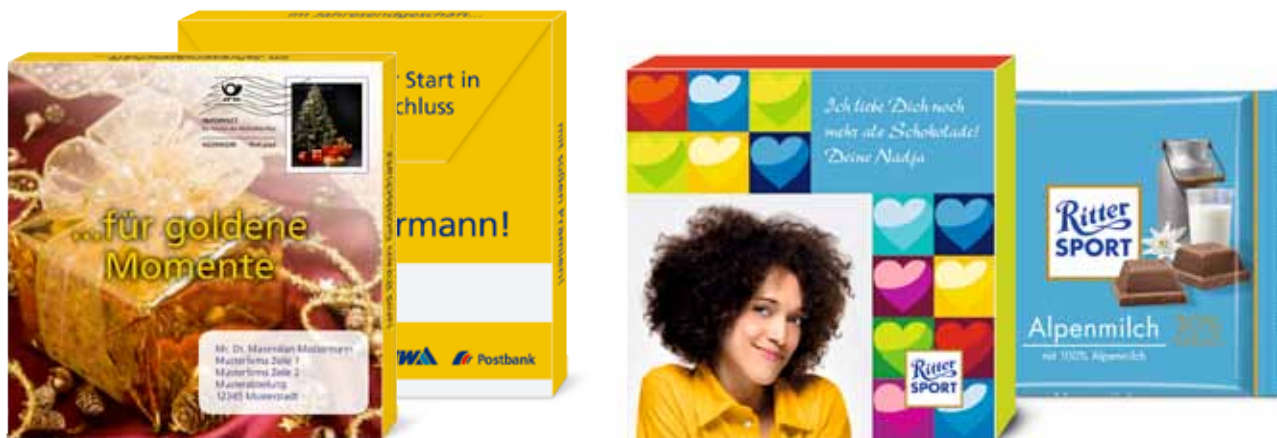
QUICK DELIVERIES OF PHOTO BOOKS



Personalized information is on the rise, particularly personalized photo books. Elanders in China and Germany produce a large number of photo books each year, mostly for customers in Europe.

Consumers design their own photo books by using a Web portal. A publishing system automatically assembles the print files and they are then sent on to

China via a dedicated IT line or to corresponding systems in German production lines. After being printed the books are transported back to the customer in Europe from China within 5-6 days with the help of DHL. If the photo books are printed in Germany the process goes even faster.



ACQUISITION GAVE NEW CUSTOMER SEGMENTS

The acquisition of Printpack in Germany in 2010 provided Elanders with customers in completely new customer segments. Printpack, as well as Elanders in China, prints and delivers packaging to the food, cosmetics and the pharmaceutical industries, to name a few. This

puts higher demands on hygiene and quality while it broadens Elanders' product range and competence.

One result of this new direction is that Elanders can already offer packaging print combined with personalized print. An example is the German choco-

late manufacturer Ritter Sport that through its Web shop offers personalized chocolate products. The delicious greeting was developed in close cooperation with Elanders in Germany.

PROFITABLE PARTNERSHIP

Eight years ago Elanders in Great Britain became supplier to the British industrial wholesaler Brammer. At that time the company manually produced a 96 page catalogue without any particular quality control of the product range that consisted of about 2,900 products.

Elanders offered them a joint development project based on the CMS system ePages. This system has since been refined and developed with new genera-

tions and today production has grown to comprise a catalogue of 1,800 pages with 50,000 products. The new database system WebBase can now efficiently handle 10,000 images and other recurring information.

In the past few years Brammer has become a major company with 2,200 employees and sales in 16 countries and Elanders' deliveries to it have grown as well.



ELANDERS IS THE FIRST CHOICE FOR GERMAN PREMIUM CAR MANUFACTURERS

Elanders in Germany produces manuals for leading German car manufacturers, a challenging assignment since the manuals must also convey that special premium feeling.

Being a printing partner to some of the largest car manufacturers in the world is without a doubt an exciting job. For BMW alone Elanders produces 100 different manuals in 25 different languages per updating cycle. No matter which model a BMW customer drives they are going to have a practical and high quality instruction to go with it.

In 2009 Elanders was chosen to deliver manuals for the BMW 1 series in digital and offset print to the factory in Leipzig. The next year this was expanded to include the exclusive production of manuals for the car series BMW 5, 6 and 7 for the factory in Dingolfing.

For Elanders this assignment is a question of uniting quality with punctual deliveries, robustness and costs in a way that makes the customer happy, and the greatest focus is on quality.



We will continue to further develop our cooperation in 2011. Starting in April Elanders will be the first BMW supplier to take on the responsibility of packaging the manuals in complete car

folders. The folders will be delivered in special transport containers directly to the assembly line where workers only need to scan the parcel to ensure that the right folder is put into a car. A process like this requires delivering the complete car folders in the same order the cars leave the assembly line.

"This is called sequence delivery," explains Peter Sommer, MD for Elanders Germany GmbH. "The logistical advantages are enormous: you save time and money and create greater process security. At the same time delivering manuals directly to the assembly line in this way is a very complex process, which is the reason why many car manufacturers don't do it. In this case our production structures have convinced BMW that Elanders is a company that can handle a project like this."

We sharpen our customer's competitive edge

Elanders' goal and strategy is unequivocal. We want to make the Group's customers more competitive with the help of our knowledge 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 of 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 effective companies.

Vision

Elanders' vision is to be 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 has three core values: Effective, Innovative and Responsible.

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 and 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 US 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, support our business concept and reach our goals are to:

- Develop local customers with global needs into global customers.
- Optimize use of the Group's global production and delivery capacity.
- Create uniform and automated processes in the Group.
- Develop products for future needs that can be used in our current business.
- Continue developing Web-to-print (W2P) and EDI solutions.
- Strong expansion in packaging and solutions for personalized products.
- Broaden our customer base and product offer to lower sensitivity to fluctuations in the business cycle.

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. We have not always prioritized finding ways for other companies in the Group to meet these needs. The methods previously used in the Group to measure and steer have more or less encouraged the individual companies to concentrate their efforts on services they can provide locally. By

improving the exchange of information all the units in the Group will chart the needs their local customers have in other countries. Naturally this also includes services that can be offered locally in some other part of the Group. For example, most of the packaging capacity and competence the Group has been used for local deliveries. This is an area where Elanders has substantial opportunities to develop business in our already considerable customer portfolio as well as by gaining new customers.

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

Most of the production units within the group have similar machinery 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 of the units in Sweden and Germany to offer high quality deliveries at competitive prices on their home markets. This has also resulted in good growth in net sales in both Hungary and Poland.

We move existing production equipment to the sites where capacity utilization is highest. For instance, equipment has been moved from Sweden and Germany to Poland, Hungary and Brazil.

The Group continually evaluates new technology (for example modern digital ink-jet equipment) but the investments will only be made where they, from a Group perspective, make the most money. Elanders is also going to take a closer look at increased specialization in our various units in order to raise quality and productivity.

We have every possibility to improve profitability by more efficient use of our current capacity.

Create uniform and automated processes in the Group and continue to invest in W2P and EDI

Elanders has worked with many of its big 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



We move production equipment to the places we need it the most.



Beijing, China



businesses and consumers with relatively standardized needs, who order printed matter over the Internet is rapidly increasing. This is usually called W2P and means that work currently being performed by the printer is now done by the customer who, via an order portal, decides on the design of the printed matter, pays for it and then creates print-ready material that goes directly into production.

Customers can then follow the status of their orders as in most Web shops. Production and delivery is supported by a business system that handles the orders, print files and invoicing with the help of information that comes from the customer via the portal. A typical order in this case is significantly smaller but the number of orders is vastly higher.

Elanders is in the process of developing and integrating order portals with our business system in order to achieve the automation of order management needed to handle that many orders. Conventional order and project management will continue to be important in the foreseeable future, particularly for customers that need tailor-made printing. But even when it comes to conventional management fundamental processes must and will be successively automated.

This is a crucial factor in our ability to remain competitive. Nonetheless we believe W2P

will become more and more important and Elanders sees excellent opportunities to develop in this area over the next couple of years.

Develop products for future needs 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 capac-

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

Strong expansion in packaging and solutions for personalized products

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 products is steadily increasing. Photo books, calendars and wallpaper are some examples and Elanders offers both companies and consumers with our good service and expertise. Another category in personalized print is 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.

Broaden our customer base and product offer to lower sensitivity to fluctuations in the business cycle

Elanders has determined that the best way to handle fluctuations in the business cycle over time is by developing our products and services which will broaden our customer base.

An example of this strategy is the acquisition of the German packaging manufacturer Print-pack which has provided Elanders with new customer segments such as food, cosmetics and pharmaceuticals. Our operations in China have already begun to deliver packaging to these customers.

Another example is the W2P area where we produce, for instance, photo books. These are produced in Germany and China for parts of the European consumer market.

Both examples are in areas of strong growth. This is particularly interesting since Elanders is one of the few printing groups that can offer a combination of packaging print and personalized print. ■



We have seen an increased demand for more exclusive packaging solutions.

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 2009.

Elanders has divided the long-term, externally communicated goals into financial and growth goals. In the Annual Report 2009 it was believed that all the goals would more or less be met during a business cycle. 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.

GOAL	OUTCOME	NEW GOALS
Financial goals		
1. The operating margin for the Group will be 7-10 percent.	Operating margin for the Group was negative due to the aftermath of the unfavorable business cycle and costs for structural measures, mainly reductions in personnel in Swedish operations.	Long-term goal of an operating margin of 7-10 percent.
2. A return on capital employed of at least 12 percent.	Return on capital employed was negative as a consequence of the aftermath of the unfavorable business cycle and costs for structural measures.	A return on capital employed of about 10 percent long-term.
3. An equity ratio of at least 30 percent.	The equity ratio on the balance sheet date was 41 percent.	Equity ratio of at least 30 percent.
4. Debt/equity ratio of less than 1.	The debt/equity ratio on the balance sheet date amounted to 0.9.	A debt/equity ratio of less than 1.
5. Over time investments in production equipment will not exceed depreciation or 4 percent of net sales.	Investment in production equipment amounted to 73 percent of depreciation and 4 percent of net sales.	Over time investments in production equipment will not exceed depreciation or 4 percent of net sales.
Growth goals		
6. Net sales and operating result will increase annually 8-12 percent.	Due to the strengthening of the Swedish crown compared to the euro and the British pound net sales decreased by 3 percent. The operating result was negative.	Net sales and operating result will increase annually by 5-10 percent.
7. At least half of growth will be through organic growth.	With unchanged exchange rates growth amounted to 2 percent, of which 0 percent was organic.	At least half of growth will be through organic growth.

Strategic partner and a global printer

Elanders creates value for the customer by rationalizing and relieving parts of or their entire publishing process. This is primarily achieved by producing printed matter and packaging along with related services. We are local but work globally when it is economically advantageous or is better for the environment.

Elanders handles customers' information and printing logistics through a single contact, no matter how extensive they are or in how many languages the information will be published in.

Based on our customers' needs and competence Elanders shapes the idea, processes, produces and then distributes the information, preferably directly to the recipient of the information.

As part of our technical support for customers' information management we have developed a platform of systems that help automate more and more of the customers' information processes.

This means that the focal point is not in the actual printing but in the customer's processes in handling a publication, which comprises printed matter, packaging and distribution. The more of these processes we take over, the more value we can create for the customers and Elanders. Therefore it's important to form a relationship where we progressively understand the customers' business and can identify new needs.

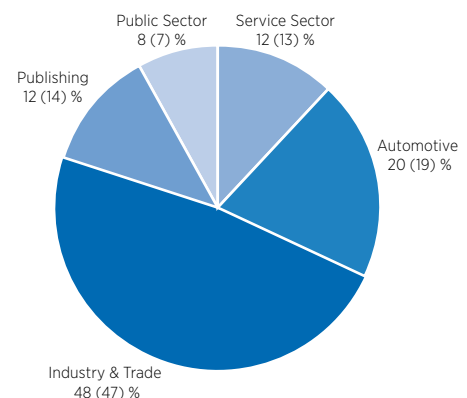
Elanders' offer

The Group's business consists in part of single services such as the production of printed matter and packaging or database solutions and in part a combination of services which almost always include production of printed matter. The

latter contains a varying number of services and we take total responsibility for printing with tailor-made related services that save customers time and money.

For the customer it means that through a single contact at Elanders all their printing logistics will be taken care of, no matter how extensive they are or in how many languages, in which media and in which part of the world the information will be published in. Elanders develops Web-based order interfaces, one-to-one marketing solutions and handles all production and distribution in the most cost effective way. Besides user information, Elanders also produces packaging in smaller, specialized series

SALES PER CUSTOMER CATEGORY 2010





Zalalövő, Hungary.

for manufacturers of consumer electronics. It saves another step in the purchasing process, in other words, it's one-stop shopping.

Elanders also makes sure that deliveries are made to the place customers want them – in the right version and at the right time. Elanders will also store the printed matter not immediately delivered for distribution at a later date. For a car-maker that needs an instruction manual we have to produce different language versions in the right amount, to the right cars, in the right order, at the right time on the assembly line.

Perhaps the manual must be sent to the local market so that the importer can equip it with locally adapted information. Elanders makes things simple, trouble-free and gives customers relief. This contributes to lower costs for information management and assures quality through fewer suppliers.

And this makes Elanders more a strategic partner than just a supplier.

Elanders' customer categories

Until 2009/2010 Elanders focused on five main customer categories: Industry & Trade, Automotive, Publishing, Service Sector and Public Sector. Allocation of Group net sales between

the customer categories is shown in the figure to the left.

In the last year we have added new customer categories. Through the acquisition of the German packaging company Printpack our customer base has also come to include companies in the food, cosmetics and pharmaceutical industries.

Even our new customer segment Web-to-print (W2P), with a clear focus on the consumer market, has taken off and shows good growth in net sales.

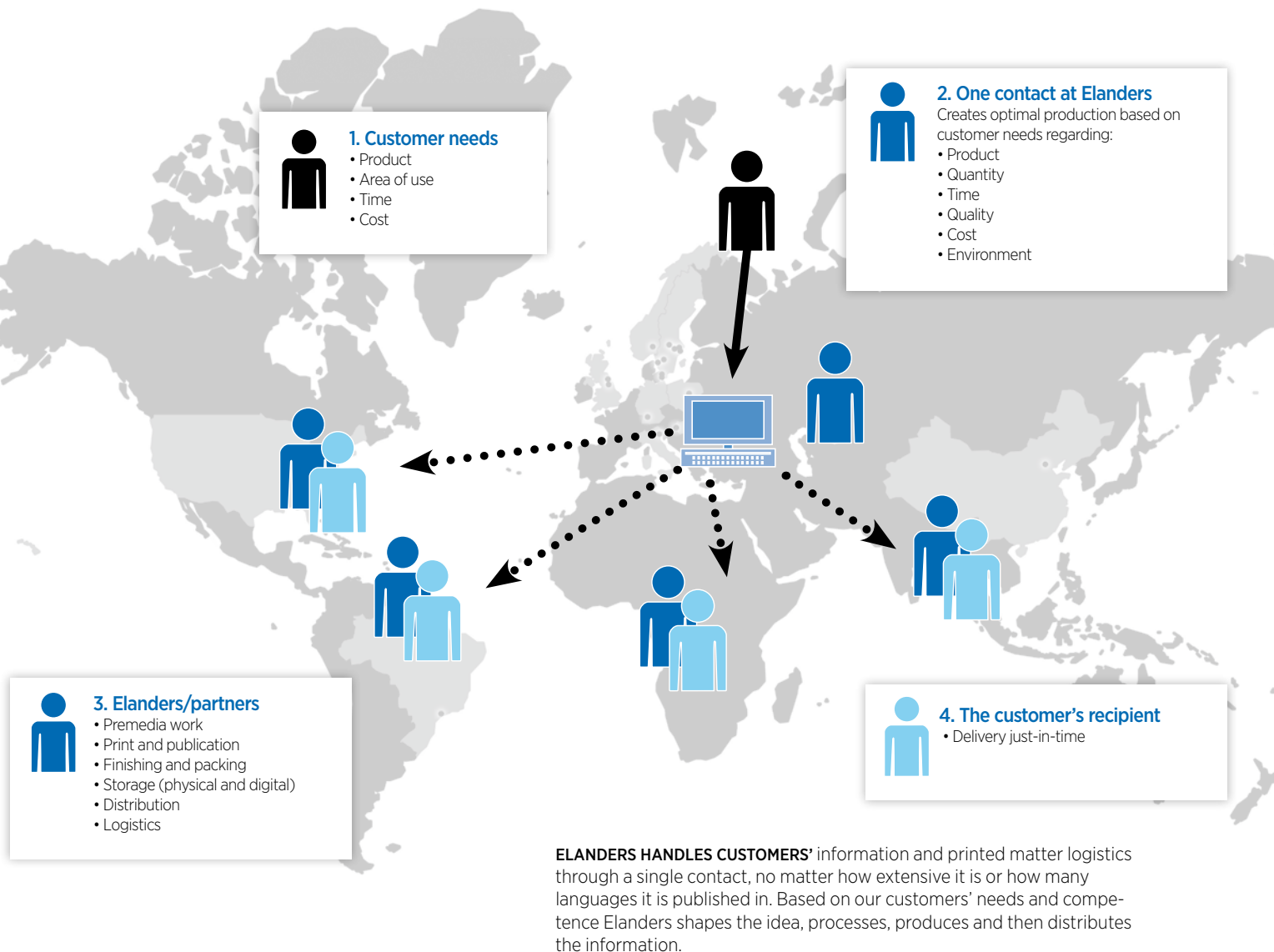
For the customer categories that still make up the largest part of Elanders' net sales, i.e. Industry & Trade, Automotive

and Service Sector, the cost for production of printed matter and packaging is usually small compared to the total cost of the products or services they provide. The main customers in these categories are larger companies in the automotive, white goods, consumer electronics



As Elanders gains insight into our customers' operations we can identify new needs.





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The food, cosmetics and pharmaceutical industries are completely new customer segments.

and manufacturing industries as well as banks and insurance companies.

Although the procurement process nowadays is handled very professionally, purchasing printed matter and packaging is not part of core business but a necessary part of the publishing need the customer has in order to be able to communicate effectively with their end customer.

Many industrial and service companies need to publish and distribute a great deal of information externally and internally but they have come to the conclusion that it is more efficient to let a professional supplier handle most of the publishing process.

The customer comes with its requirements, idea and ordering competence and the rest of the value chain is taken care of by specialized external players – preferably as few as possible. A large part of the Group's combined business

is performed for this customer category, and it also offers great opportunities for growth for Elanders, particularly smaller companies and consumers. Our goal is to offer competitive multi-language and multi-national deliveries of printed matter and packaging to the latter group of customers as well through our Web-based order interfaces, more automated order management and our global organization.

Publishing customers are characterized by the fact that the cost of printing an item is a substantial part of the total production cost. Printed matter procurement is an essential part of a publisher's core business and therefore they have highly specialized personnel that are very familiar with the graphic industry and printing prices. Therefore publishers have historically only been slightly interested in outsourcing more publication-related services.

Recently however, many different publishers have shown a growing interest in such services. Still Elanders' deliveries to publishers are usually printed matter production only. Elanders' goal is to continue to develop affiliated services together with publishers but also to increasingly offer production in low-cost countries.

Setting prices

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

The price for a printed item that isn't too complicated is given based on how much prepress work is required, paper quality, bulk (number of pages), number of colors, type of binding and number of copies. The price is usually given for the entire edition. Price per piece falls as the number of copies rises. For an experienced purchaser it is a relatively uncomplicated procurement where the bids are easy to compare with the current rates on a transparent market.

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

The market for the combined services is a completely different story. Each job is unique in size and content. Here it is more a matter of the customer analyzing all their publishing costs, including wages for their own personnel, storage and obsolescence and seeing how much they can save. In this case, quality is speediness, coordination and simplification and reduction of time-to-market. Not only printing but any

or all of the processes in the value chain can be included in the deal which can even include a customer outsourcing entire departments involved in publishing-related operations. The price is often given as price per piece for a publication that can be ordered as needed. In some cases the price per piece depends on different kinds of transportation and packaging.

If the product isn't stored the customer pays for each order made on the order sites on the Internet, extranet or intranet. The price per piece often reflects the cost of constructing databases for managing and structuring texts, images and other information along with the cost of actually producing the item. In some cases the Group provides databases or services in process management and logistics but it isn't involved in the printing process. In such cases prices are based on the amount of time spent, licenses and maintenance, storage room, pallet space or the like.

Elanders' current business is moving increasingly in the direction of combined businesses with a rising level of service content. Although this business generates printing jobs, prices are usually based on the added value created for customers and not cost of printing per piece.

Volumes

The Group handled about 134,000 (106,000) orders in 2010. The average value of an order was approx. SEK 13,000 (17,000). Around 90 (89) percent of Group revenue in 2010 was conventional print production, either as a sole product or part of a combined deal. Other services made up the rest. ■



Kinnarps shoulders the leading role in Europe

Kinnarps' acquisition of German Samas made it the leading European supplier of interior solutions for offices. With sales operations in 40 countries coordinated market communication is crucial. For the last 15 years Elanders and Kinnarps have had a rewarding partnership.

Text: Jan-Olof Ekelund Photo: Johannes Berner

The family company Kinnarps is strongly characterized by its founders Jarl and Evy Andersson who established their business in the small city of Kinnarp in 1942. Their son Henry Jarlsson took over as CEO in 1973 and he has led the company's development from 100 employees to the leading position that Kinnarps holds today.

Early on catalogue production became an important sales channel for the furniture giant. However, not many people know about the critical circumstances in which the first catalogue was produced. At the beginning of the 1950s Kinnarps lost a major order for roll front cabinets to the Swedish Krigs-materielverket. For a while the survival of the company was uncertain but the crisis generated new ideas. Jarl Andersson met an architect and started to make sketches of what office furniture ought to look like and how it should function. This resulted in drawings that became the basis for parts of Kinnarps' first catalogue in 1952. Evy and Jarl Andersson decided to focus solely on serial production of office furniture and stopped producing residential furniture.

And almost 60 years later in 2011 their business concept is still solid. Kinnarps continue to offer customized solutions for offices and public spaces. However, catalogue production has successively expanded and, together with

the company's website and their own interior design stores, they form the most important channels for maintaining communication with their customers and attracting new ones.

THE CORE OF CATALOGUE PRODUCTION is an annual product catalogue that displays most of the product range and different furnishing solutions. The product catalogue is then complemented by

special catalogues for offices, schools/education and healthcare.

Ove Kalén, graphic coordinator and Per-Ola Wennefors, Marketing and Communication Director at Kinnarps are the right persons to answer questions about the biggest challenges that face the furniture Group in communication:

"The biggest challenge is to collaborate and make sure that we act uniformly and consistently on all our sales markets, whether we sell through our own subsidiaries or through retailers. Being active on 40 markets that all have their own cultures means that we have to strive to find a middle ground in our communication," explains Per-Ola Wennefors.

"Since our product range is based on design and very conscious color choices faithful reproduction is crucial in our catalogues. So we are a very thorough customer when it comes to repro work and printing our catalogue," says Ove



Ove Kalén and Per-Ola Wennefors at Kinnarps are experienced and demanding when they order printed matter.



Kalén and continues, “We started working with Repronik over 15 years ago and continued to develop this collaboration when Repronik was integrated in the Elanders Group. Among other things, we bought the image bank solution that Elanders developed for us and today it contains over 5,000 images of products and interiors.”

WHAT DO YOU THINK about the future of printed matter and to what extent do you invest in other publishing channels?

“Our printed product catalogues will probably be around for many years to come but we’re also investing more and more resources in developing our website. We used to have a printed customer magazine but we replaced it with news articles online. Right now we’re looking into creating a Web-based customer magazine and that says a lot about the direction developments are headed,” says Per-Ola Wennefors.



Elanders has proven that they have solutions to complex information challenges.

A more pressing issue is the challenge for Kinnarps’ marketing department to coordinate activities with the acquisition of the German company Samas. The company grew by 25–30 percent overnight and net sales for 2011 are estimated to be around SEK 4.5 billion.

“Elanders has proven that they have dedicated personnel and can deliver solutions to complex information challenges. The fact that Elanders is already in Germany opens up new avenues of cooperation,” concludes Per-Ola Wennefors. ■



FACTS: KINNARPS

- Kinnarps offers furnishing solutions for offices and public spaces.
- In March 2010 Kinnarps acquired Samas’ German operations. As a result annual net sales are expected to rise to about MSEK 4,500. The company has about 2,500 employees.
- Kinnarps is Europe’s leading supplier of interior solutions for offices. Kinnarps has sales operations in about 40 countries and sales subsidiaries in 15 countries.
- Kinnarps has a total of seven production plants, five in Sweden and two in Germany. The largest facility and its headquarters are in Kinnarps.
- Brands: Kinnarps, Materia, Skandiform, NC Nordic Care, Drabert, Martin Stoll, Fortschritt, MBT and Schärf.
- Kinnarps was founded in 1942 by Jarl and Evy Andersson. Kinnarps is a wholly owned family company that is currently owned by Jarl and Evy Anderson’s children and grandchildren. Many of the owners are working in the company.



WHAT ELANDERS DOES FOR KINNARPS

- Premedia work for over 15 years. Premedia is a collective term for the work done before printing and publishing. The term includes layout, typography, image retouching and production of originals.
- Printing of catalogues, direct marketing and campaign material in a total of 12 languages.
- The total annual edition is 200,000 copies.
- Is providing the image bank solution M3 (Media Marketing Manager) which stores about 5,000 images for Kinnarps.
- Elanders’ printing hubs that serve Kinnarps are located in Falköping and Mölnlycke, Sweden.

Strong demand for personalized print

Some trends are even stronger after the worldwide downturn in the economy. Digital printing is advancing on almost every geographic market and interest in personalized print and packaging continues to grow. Elanders has the considerable advantage of being able to offer services in every currently expanding segment.

The global market for commercial printing has had a fairly even development between 2005 and 2010 and this trend is expected to last in the years to come. The average annual growth rate is around 2.5 percent. In 2010 the world market for graphic production was estimated at nearly SEK 3,038 billion and if this trend lasts Elanders' believes it will be around SEK 3,175 billion in 2012.

Currently the market is divided into roughly equal thirds between Europe, Asia and the Americas. Growth is driven mainly by developments in Asia and by packaging print. In Europe and North America relatively little growth is predicted with the exception of digital print, while offset will probably decline.

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

Clear global trends

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

- Production of printed matter is moving from high-cost countries to low-cost countries.
- On-demand marketing through social media, search-word optimization via the Internet and mobile applications underline the shift from mass communication to increasingly individual and recipient oriented communication.
- Companies have an increasing need to communicate actively and personally with customers (so called one-to-one marketing), which creates a greater demand for personalized digital print connected to interactive Web interfaces, Web-to-print (W2P).
- Internet will continue to break down the geographical barriers making it easier for customers to choose suppliers based on a comparison of prices, speed and flexibility.
- Digital printing will have the fastest growth in Western Europe and the USA and other parts of the world since it's the only production method where it is possible to use variable text and images at the same time.
- Digital printing will, together with offset print, be a norm rather than an interesting alternative and the convergence of these two technologies opens up unlimited possibilities for synergies in services to reduce time-to-market.
- Globally, excluding Asia and Eastern Europe, offset production will not noticeably grow and it's a diminishing part of the total printing production in the world.



Atlanta, USA.

- Interest in eco-friendly printing will increase.
- Short printing assignments (small editions) and packaging print are expected to have the best growth potential in the future.
- Purchasers of printed matter will become less and less interested in the choice of production technology – this will increasingly become a matter for the printers in which time and cost-efficiency will decide the choice of production method.
- The graphic industry's consolidation will accelerate towards large comprehensive and small niche players, while it will become increasingly difficult for mid-sized traditional printers to compete.
- give their global purchasing departments more and more influence.
- Deliveries have to be just-in-time.
- Increasing demand for help with the entire supply chain for publishing, including packaging resulting in one stop shopping.
- Risks are increasingly transferred to suppliers, who are expected to maintain stores, extend credit, etc.

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The larger customers give their global purchasing departments more and more influence.

Developments on Elanders' markets

All the global trends presented above are found on the markets where the Group is active as well as some other specific trends at Elanders' major customers:

- Fewer and larger suppliers desired.
- Customers want to concentrate on core operations.
- Purchasing decisions are being made higher up in organizations and have become management issues. The larger customers

EUROPE

The total European graphic market amounts to approximately SEK 1,500 billion and Elanders' estimates it has a yearly average growth of less than 1 percent. Growth can be found in packaging print, offset in Eastern Europe and digital printing while offset printing is decreasing in Western Europe due to capacity-related drops in prices as well as actual volume reductions. Western Europe still represents almost 90 percent of the European market.



Newcastle, Great Britain.

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Digital print develops quickly and is becoming the most important technology in the industry.

▶ The largest Western European market is Germany, (about 20 percent of the European market), followed by Great Britain, France and Italy. The Eastern European market has a considerably higher growth rate than Western Europe but most of this growth originates in offshore production for West European countries. Offset volumes in Eastern Europe in the foreseeable future will increase at the same rate as digital printing. A consolidation of the industry in Eastern Europe is probable, partly in the form

of mergers and partly through companies being bought up by Western European players. Elanders' units in Eastern Europe and their integration, in addition

to being a vital low-cost alternative for Western Europe, are a source of good growth through captured market shares and the fact that the markets in Eastern Europe are still growing.

Digital printing is rapidly becoming the most important technology in the industry, putting pressure on conventional players and abetting the successive disappearance of offset equipment from the Western European market. The digital market shows an average annual growth rate of a little more than 3 percent. Companies have realized how vital it is to be able to communicate quickly and personally with their

markets, which fans an increasing interest in digital print technology that makes quick, on-demand and personalized communication possible and therefore lessens the inconvenience of the evermore crucial factor of time-to-market.

Digital technology makes it possible to use variable text and images at the same time. A quality barrier still exists but developments in digital print technology are moving forward more rapidly than in offset technology. It is, for instance, easier to control color management in digital print.

Furthermore, digital printing is the only technology that enables efficient orders through a Web-interface for products that are created by the customer in templates, such as office material, photo books, etc.

CHINA

The total graphic market in China is estimated to have an annual growth of 10 percent during the next few years and it is expected to reach SEK 500 billion in a few years. Almost 75 percent of the market is in southern and eastern China. Although there is no clear picture of the competition it is believed that there are close to 200,000 printers in the country. In relation to the number of inhabitants it does not, however, seem like very many and it would appear that most of Chinese printing production is focused on product information and trade dressing rather than newspapers, magazines and books.

China's popularity with the Western graphic industry has grown and many are establishing

companies there while the Chinese are concentrated on export. Everything suggests that China will be the world leader offshore supplier of printed matter to Western Europe and North America. The attitude towards digital print is positive in China but growth has only been around five percent annually. A clear trend is the development of franchise chains for digital printing.

USA

The graphic market in the USA is estimated at SEK 1,000 billion. The industry has been consolidating in this mature market for many years but it is still fragmented and the 50 largest players have no more than 30 percent of the market share together.

Digital print, which makes up 10 percent of the market today, is rapidly growing and is expected to increase twice as fast as offset in the near future. Elanders' growth in the USA will primarily stem from deliveries to the Group's existing and potential global customers.

LATIN AMERICA

The Latin American market amounts to more than SEK 200 billion. The two largest markets are Brazil and Mexico, which together are estimated to represent 80 percent. Books are 60 percent of the Latin American market but packaging print is driving the market as well.

The market in Brazil is estimated at SEK 90 billion and it is the market believed to have the largest growth rate in the area. The development of Brazil and other Latin American countries creates a growing demand for educational material and magazines and the rising living standard keeps domestic consumption thriving and stabilizes the demand for vehicles and consumer electronics.

The Latin American market is also under consolidation and Elanders' growth is expected to come from captured market shares and market growth.

The competition

The competition the Group meets varies between different customer categories, geographical markets and types of production. The graphic industry looks pretty much the same in most countries. There are thousands of small, family printers that only offer conventional printing. There are just a few groups the size of Elanders in each country. Several of them are not commercial printers. They are publishers or news-

papers with in-house printing that sell their overcapacity on the market.

In Sweden Strålfors (The Swedish Post Office) is pretty much the only company the same size as Elanders. In automotives abroad our competition is usually customers' internal units for publishing and local, smaller printers. Elanders has a head start through its size, capacity, technology and long experience.

In books and educational material (publishing) we run into a number of commercial printers but Elanders is the market leader in the Nordic region. We are leaders in Sweden in the public sector thanks to assignments from the Swedish Parliament and the government but we have competition from Edita and Intellecta.

We are practically the only company in Sweden that can cross country borders to provide large companies with full-service solutions that contain both printed matter and packaging as well as other services.



Elanders has a head start through size, capacity, technology and long experience.

In the Nordic region we find Hansaprint and Edita/Citat. Hansaprint offers a highly modern production of magazines for publishers and manuals for industry but it's also getting into W2P and one-to-one communication. Elanders has come the farthest in internationalization and can offer publishing in low-cost countries.

In Great Britain we meet companies like Pindar in industry and publishing and Wyndeham Westway in automotives. In Germany we run into companies like Infowerk, Victor Bück and Bosch Druck in automotives and other industries. In the Nordic region and Germany we also face different W2P players specialized in consumers and smaller companies.

Elanders' international expansion together with multinational industrials, particularly in just-in-time production of manuals and other after sales information, we compete with RR Donnelley and Xerox. However, our main competitors are an endless number of small printers that on their own cannot handle the needs of global customers.

Elanders has the advantage of its graphic expertise and with our broad customer base we cover the entire value chain. ■



Personal chocolate greetings from Ritter Sport

For over 20 years Ritter Sport has entrusted Elanders in Germany with their printed matter. Recently when the south German chocolate manufacturer wanted to expand its product range with individual chocolate greetings Elanders played an important problem-solving role.

Text: Linda Karlsson

The entire product portfolio at Elanders is put to use in our role as an experienced printing partner for Ritter Sport's information and marketing material. Production of everything from image brochures and folders to policies and annual reports for the famous chocolate manufacturer is coordinated from Elanders' office in Waiblingen, Germany. Ritter Sport has gotten used to always having a contact at Elanders close at hand to answer questions and give advice.

"What I appreciate most about Elanders is their strong customer focus. This is very important to me," says Uwe Rommel, Director of Trade Marketing at Ritter Sport. "Elanders never says something is impossible, not even when we call them with some really unusual request. Instead the Elanders team is always sensitive to our needs and they make the impossible possible."

WITH A DAILY production of two million chocolate bars Ritter Sport is one of the best known German chocolate manufacturers and it has offices in 90 different countries. The latest innovation from Ritter Sport is the so called chocolate greeting – chocolate bars packaged in a gift box that can be personalized in the company's online store. The customer first selects the flavor and size of the chocolate bars and then selects

the motif for the box which is decorated with a personalized text and the customer's own photographs. The final order and delivery of the personalized chocolate greeting goes through the shopping cart in the online store. Ritter Sports is the only major chocolate manufacturer in Germany that offers this kind of personalized chocolate product.

"We got the idea for a chocolate greeting while discussing how the Internet opens up individualization opportunities and how we could use them in our

products. Thanks to Elanders and their expertise we realized our idea of high quality and a timely delivery of the printed boxes," says Rommel.

PRINTING THE BOX for chocolate greetings is a completely new area for Elanders. It's the first time that we produce a package for Ritter Sport's end customers. We are connected to Ritter Sport's online store through our data system which enables automatic production of the individual boxes after they have been ordered. It doesn't matter if the order is just for one box or it's a larger order of chocolate greetings for all the employees in a big company the printed, punched and glued boxes must be delivered to Ritter Sport within four working days. This means flexible and continuous deliveries are essential. The boxes are produced up to three times a week depending on the number of orders in the Web store.

"This product has been developed in



Ritter Sport is one of the best known German chocolate manufacturers and it has cooperated with Elanders for the last 20 years.



close cooperation with Elanders. That we could pull it off is largely due to their openness to new challenges. We discussed the idea back and forth with them, they believed in it and proved to us that it was possible to execute this project. Our shared methods were the key to success,” says Rommel.



With a production of two million chocolate bars per day Ritter Sport is one of the best known German chocolate manufacturers with offices in as many as 90 countries.

SINCE THE NEW Ritter Sport online store opened in June 2010 between 500 and 1,500 chocolate bars in the form of individual chocolate greetings have been sold every week. Ritter Sport hopes they will win new B2B customers with this new concept and they will further develop the chocolate greeting to include more products while creating quicker processes. They plan to do this together with Elanders.

“Strong partners are extremely important for us and we choose them with care. The basic rule is that they must fit in with our brand and company. In Elanders’ case they have become more like a know-how agency for us than a printer. By this I mean aspects like customer focus, timing and creative solutions as well as developing new business ideas,” concludes Rommel. ■



FACTS: RITTER SPORT

- Founded: 1912.
- Net sales: MEUR 274.
- Number of employees: 800.
- Offices in 90 different countries.
- Product range: Chocolate bars in different sizes.



WHAT ELANDERS DOES FOR RITTER SPORT

- Manufactures packaging in three sizes.
- Digital print, punching, glueing.
- Completely automatized production.
- Is presently developing an iPhone application for configuring chocolate greetings.



“What I appreciate most about Elanders is their strong customer focus. This is very important to me,” says Uwe Rommel, Director of Trade Marketing at Ritter Sport.

The environment and quality in symbiosis

Unflagging environmental work requires a common focus throughout the organization. The company's mission and vision are the framework for our environmental and quality work and they are an integral part of the Group's strategy and operations. Environmental and quality work go hand in hand. Our overriding goal is to minimize the company's environmental impact without affecting the quality of the finished product.

Reduced paper waste, reduced greenhouse gas emissions, less use of solvents and lower energy consumption are just a few of the tools that Elanders uses to reduce its ecological footprint. Elanders has progressively broadened its environmental scope to where it now includes our customers' choices of printing and distribution solutions in which minimal environmental impact is becoming an increasingly common request.

Each company in Elanders has appointed someone responsible for environmental and quality work. On Group level the work is carried out by a group consisting of the same staff. Expertise and experience in graphic technology and production, the environment, quality management, chemistry, the working environment, environmental legislation and business systems can all be found among the members of this group.

Each subsidiary in Elanders is responsible for its own work with environmental and quality matters and they are therefore handled in different ways in different countries. These differences stem from both cultural and legal differences. All told there are 13 fulltime positions involved in quality and environmental work in the Group. There is also a great number of internal quality auditors among the staff, 33 in 2010 to be exact.

Projects in 2010

All the companies in the Group report that customers are demanding a greater degree of quality and environmental consideration. ISO 9001 and 14001 certification is a common requirement and on some markets so is ecolabeling.

The customers that Elanders delivers manuals to demand active quality and environmental work, particularly customers in the automotive

Elanders' Environmental Policy

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

Elanders' Quality Policy

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



Crown Princess Victoria presented the Göteborg Award for Sustainable Development to the American marine biologist Ken Sherman and Randall Arauz, Chairman of the environmental organization PRETOMA in Costa Rica.

industry. FSC® certified companies report an increasing demand for products with this global ecolabel. These same demands are made on the production of annual reports and by customers in the public sector or political parties.

There has been a growing demand in Germany and Sweden for climate neutral printed matter in 2010. Companies such as the Swedish publisher Björn Lundén Information have decided to climate neutralize all new production in 2011.

Concrete measures taken:

- In 2010 several of Elanders' companies, mainly in Germany, Hungary, Brazil and China, worked to improve hazardous waste management and to sort waste better. This work creates a healthier work environment, lower costs for waste management and the possibility to reuse components from waste, if it has been recycled.
- Lower consumption of solvents by using less volatile alternatives. Introduction of recirculation in digital color printers and recycling of used cleaning fluids.
- Several companies have also actively reduced their energy consumption by refitting

light fixtures and adapting their facilities to operations. Elanders in Hungary aimed at reducing energy consumption by 15 percent and this goal was achieved.

- New printing equipment in Italy has led to better control and higher productivity.
- In Brazil the work to be certified according to ISO 9001 has improved controls and established documented routines.
- In China work with color management has resulted in improved product quality and more efficient print start-ups.
- In the USA, Great Britain and Hungary new systems and routines for deviation reporting have generated positive quality and environmental results.



Elanders is one of the companies that sponsors the Göteborg Award for Sustainable Development.

ALL ELANDERS' SWEDISH PRINTING PLANTS have been climate neutral since 2010. Some of the measures taken are more company eco cars and



video conferences instead of physical meetings. An action plan is in place to continue to reduce greenhouse gases. Some of the Swedish operations have moved to smaller facilities better adapted to operations, which is also good for the environment.

Elanders in Sweden developed a climate calculator together with Chalmers University of Technology. This calculator makes it possible to calculate the impact different printed matter has on the environment and that means Elanders can help customers create climate neutral products.

Paper, printing plant, printing method, the format on the paper and the product together with information about transportation are entered into the calculator and the result comes out in kilograms of carbon dioxide emissions for the entire production, and per item. By choosing the right kind of paper, transportation alternatives etc. emissions can be lowered.

Printed matter can also become climate neutral if the company buys carbon offsets equal to the same amount of carbon dioxide in the

UN approved CDM (Clean Development Mechanism) project. The climate impact is neutralized and the company makes an environmental contribution. CDM projects are often found in developing countries. They can consist of investing in an installation for energy production from agricultural waste that replaces energy from carbon-fuelled power stations.

ELANDERS IS ONE OF THE COMPANIES that together with the City of Gothenburg supports the international Göteborg Award for Sustainable Development. The laureates share one million Swedish crowns equally. The laureates in 2010 were the American marine biologist Ken Sherman and Randall Arauz, Chairman of the environmental organization PRETOMA in Costa Rica. Both laureates have worked for many years to promote coordinated and sustainable management of marine resources and the marine environment. Randall Arauz has managed to create a grass-root opinion against brutal shark finning in Costa Rica that was later transformed into a ban of the practice. ■

Environmental accounts

	2010	2009	2008	2007	2006
Environmentally related expenses, SEK '000	3,819	3,330	5,276	5,037	3,361
Waste expenses and treatment	1,927	2,262	4,051	3,846	1,754
Ecolabeling fees, net ¹⁾	431	116	141	104	158
Fees, insurance and carbon dioxide tax	1,461	952	1,084	1,087	1,449
Environmentally related income, SEK '000					
Paper waste	5,246	4,399	7,374	6,614	10,975
Environmentally related investments, SEK '000					
Investments for the purpose of minimizing environmental impact or conserving resources	362	277	48	238	3,605

¹⁾ Up until 2007 only fees related to the Swedish ecolabel the Swan were presented. From 2008 FSC[®] and PEFC are also included and from 2010 Climate Neutral Product, so the sums cannot be compared.

Environmental ratios

	2010	2009	2008	2007	2006
Solvent consumption, kilos per MSEK in net sales	92	98	115	107	95
Solvent consumption per ton product	5.6	6.1	6.3	6.5	3.8
Electricity, kWh per ton product	915	985	800	848	823
Hazardous waste, tons	368	396	473	383	339
Hazardous waste, kg per ton product	13	12	12.9	11.4	5.6
Proportion of vegetable cleansers, %	1.3	1.8	1.4	1.9	1.9

Key ratios show the use in all Elanders production units of certain factors with an environmental impact. New acquisitions or newly started companies are shown in their entirety from the year they were acquired. The operations in Kungsbacka, which were divested in February 2007, are included in the report, up to and including 2006.

Financially related environmental ratios

	2010	2009	2008	2007	2006
Financial effect of the change in paper waste (SEK '000)	-3,602	4,074	7,127	3,996	-3,862
Paper waste compared with previous years (%)	5	-6	-8	-5	4

ELANDERS' ECOLABELS

The Swan

(NORDIC ECOLABEL)

The Swan 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.

Elanders has offered Swan ecolabeled products since the 1990s.



FSC®

(GLOBAL ECOLABEL)

Forest Stewardship Council® is a certification for responsible forestry. Forest products that are entirely or partly made from lumber from FSC® certified forests may be FSC® labeled. This is possible for printed matter etc.

Elanders started offering FSC® production in 2004.



The mark of
responsible forestry

Climate neutral company

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

All Elanders' Swedish printing plants have been climate neutral since 2010.



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, resulting in a so called Carbon Footprint. The manufacturer must then present the measures they have taken to reduce the climate impact of the product.

Together with Chalmers University of Technology Elanders has developed an environmental calculator that enables the company's customers to calculate how a product can become climate neutral.

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



Customer demands drive our organization forward

Entrepreneurship is an important part of Elanders' company culture and one of the reasons that it was possible to change our positioning on several markets when the downturn in the economy hit the industry worldwide. Employees in Elanders are encouraged to take great personal responsibility and initiatives. These core values have continued to be important after the new organization and business model were implemented in 2010.

For Elanders' employees 2010 was a turbulent year. The economic crisis resulted in cutbacks and the dismissal of personnel. The largest staff reductions were in Swedish operations and included co-workers in production and at different administrative levels. There are now around 80 fewer employees in Swedish operations compared to 2009.

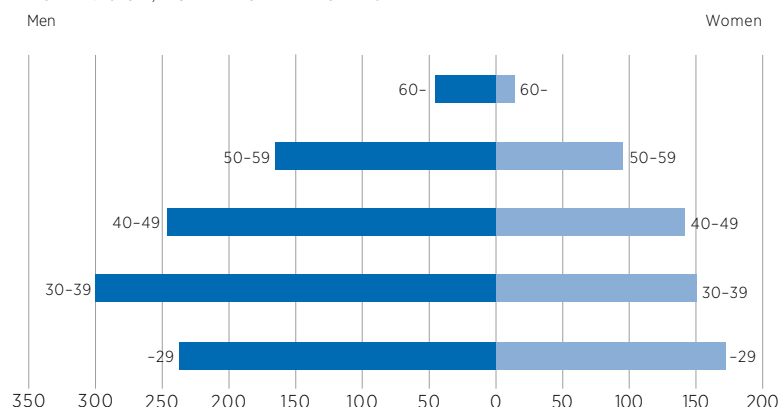
On other markets it was possible to manage the downturn in the economy more successfully by focusing sales activities on new customer segments.

In the new organization the distribution of responsibility in the Group is different. One of the differences is that Polish operations now sort under the Swedish unit. The same applies for Hungarian operations that now answers to the German organization. This change allows

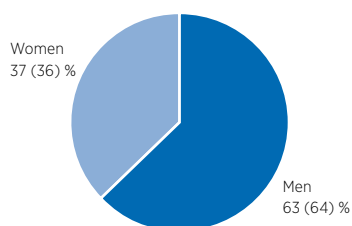
Elanders to profit from having printing operations in different regional markets, making it more competitive when price levels or lead times steer customers' choices. The exchange of experience between employees and between companies is intensified in the new model and internal networking takes on a whole new importance when production moves between countries.

ON THE EUROPEAN LEVEL an agreement has been signed with European Work Council, "EWC". EWC is an inter-professional organ for all employees in Elanders' European companies. It will serve as Group Management's link to the employees in cross-border matters concerning communication, consultation and negotiations. A similar inter-professional organ, Elanders

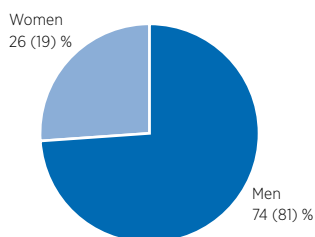
AGE DIVISION, NUMBER OF EMPLOYEES



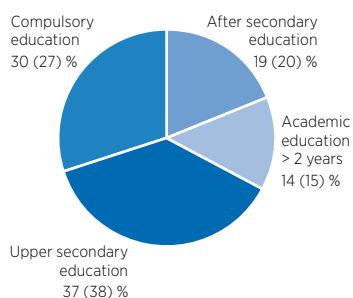
AVERAGE NUMBER OF
EMPLOYEES, RELATIONSHIP
BETWEEN MEN AND WOMEN



MEN AND WOMEN
IN LEADING POSITIONS



EDUCATIONAL LEVELS
IN THE ELANDERS GROUP



Svenska Företagsråd (SFR), has also been established for Elanders' Swedish units to deal with questions in those operations.

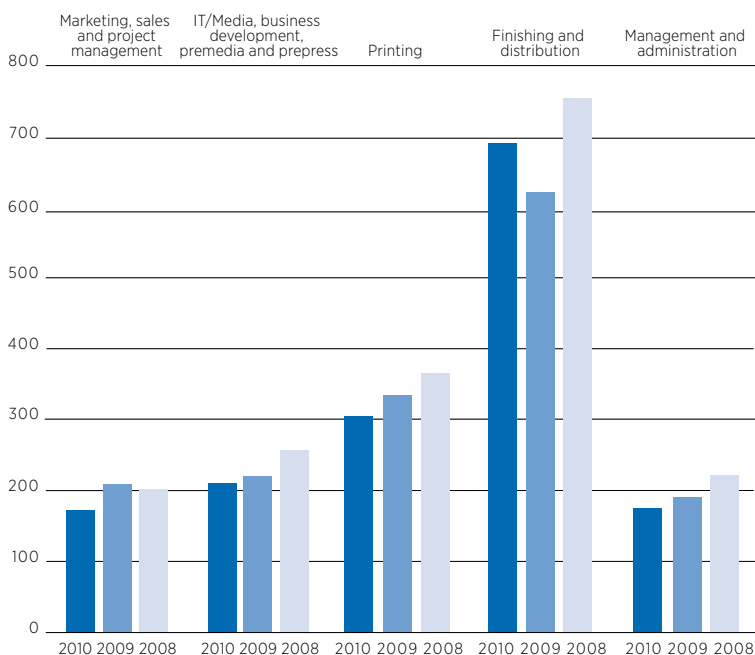
AT ELANDERS EMPLOYEES ARE ENCOURAGED to take responsibility and initiative and entrepreneurial skills are an important part of company culture. Customer demands drive our organization and employees forward, naturally always with a focus on profitability and growth, even in hard times.

Employees are active in the company by, for instance, giving their suggestions for improvement. They feel pride in always doing their best and taking responsibility for customer deliveries. Low absence due to sickness is highly beneficial for both employees and companies. Elanders has worked with this continuously since it began measuring health ratios in 2002.

The goal for the Group's healthy ratio is at least 95 percent. In 2010 the health ratio was 97 percent.

Elanders works continuously with physical fitness in part through a Health Group made up of representatives from different units. The Health Group arranges various activities like seminars connected to diet, health, stress and physical well-being. 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 Companies, which is a joint effort by some unions and employers that, among other things, work to augment health ratios in the graphic industry. ■

ROLE IN THE ORGANISATION, NUMBER OF EMPLOYEES



● Sick leave in the Group's Swedish companies

Percent	2010	2009	2008
Total sick leave	3.2	3.2	3.3
Short-term sick leave	2.4	1.8	1.7
Long-term sick leave	0.8	1.4	1.6
Sick leave, men	3.6	3.2	2.8
Sick leave, women	3.0	3.2	4.1
Sick leave, employees under 29 years	2.8	3.9	3.8
Sick leave, employees 30–49 years	3.1	2.7	2.8
Sick leave, employees 50 years and over	3.7	3.7	3.8

● Human capital ratios

	2010	2009	2008
Average number of employees	1,520	1,581	1,809
Number of employees per 31 December	1,564	1,538	1,812
Average age	39.0	39.4	39.7
Personnel turnover, %	7.3	15.1	12.6
Revenues per employee, SEK '000	1,122	1,111	1,211
Added value per employee, SEK '000	599	627	675
Operating result per employee, SEK '000	-50	-38	9
Academic education more than 2 years, %	14	15	15
Upper secondary education, %	37	38	36
Other education, %	49	47	49
Competence development cost per employee, SEK '000	1.0	3.2	2.4

The light at the end of the tunnel

The printing industry was probably the industry hit hardest by the downturn in the economy that started in the USA in 2008. On a market that was already weighed down by over-establishment natural selection created the conditions for a budding upturn.

2010 The entire year was characterized by the budding global recovery in many important markets. This became particularly apparent for Elanders in the third and fourth quarters with the increased demand 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. This was acutely evident in Swedish operations where reductions in personnel became necessary in order to adjust operations to the lower demand. The entire cost for these structural changes was charged to 2010. 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 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. This acquisition also took place in the third quarter and the integration of Printpack was much quicker than expected. The acquisition will make a positive contribution to Elanders in 2011. In the first quarter the remaining shares in the Brazilian operation 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 in the second half of 2008. 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 opera-

tions, with their main focus in the automotive industry, were hit the hardest while the foreign operations were generally spared. Nevertheless these operations experienced reduced volumes and the price press too, particularly in Germany, Hungary and China.

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, and in Sweden in particular they were 20 percent. Personnel reductions, together with other measures to further adjust price levels in Sweden, Germany and Hungary, amounted to MSEK 35. An extensive program to organize the Group for the best use of production capacity, mainly in low-cost countries, was initiated. The job of turning around the Swedish operations was also given the highest priority. The increasing trend towards more and more business connected to the entire Group made the former division of the Group's companies into business areas redundant and starting in the fourth quarter operations were concentrated in one business area consisting of the Group.

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

2008 A major source of joy during our Jubilee Year was our operations in China which surpassed all expectations through the successful development of packaging production. The Group also did well in Germany, in part due to the acquisition of Mairs Graphische Betriebe, which was integrated and gave us access to new technology and important customers. Seiz Printing Co in Atlanta, US was also acquired with the aim of creating a platform on the important North American market.

The year, particularly the latter half, was characterized by a general downturn in orders from consumer electronics customers, white goods

and automotives. This downturn is calculated to have charged Group result with about MSEK 75, above all in Sweden and Hungary. Business in the 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.

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

2007 This was a mixed year for the business area Infologistics. Chinese operations were very successful during the year and expanded through the manufacture and print of packaging. Results in the Hungarian and British operations were better than expected. In Great Britain this was mainly due to success in the automotive segment. The German Sommer Corporate Media company in Stuttgart, Germany was acquired in January and the company's result also surpassed expectations. In addition, 80 percent of Artcopy in São Paulo, Brazil was acquired.

The Swedish section of the business area had a difficult year and a program was launched to adapt capacity and coordinate production, sales and administration in one legal entity. This led to costs of MSEK 20 in the fourth quarter.

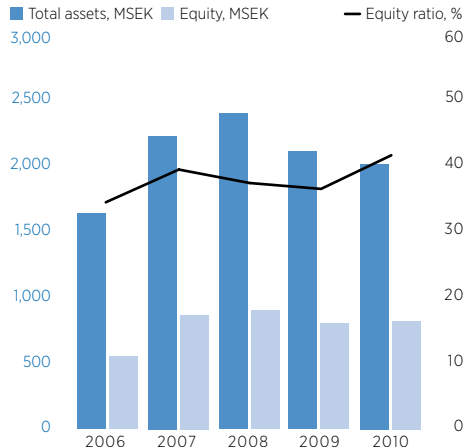
The Hungarian operations in User Manuals had a very good year while the Polish plant struggled with production stops.

Tax costs were reduced by MSEK 21.1 after Elanders won a tax case in the Swedish administrative court of appeal. Operations in Kungsbacka were sold according to plan in February, which did not affect the result and in December the property in Kungsbacka was sold generating capital gains of MSEK 40.6.

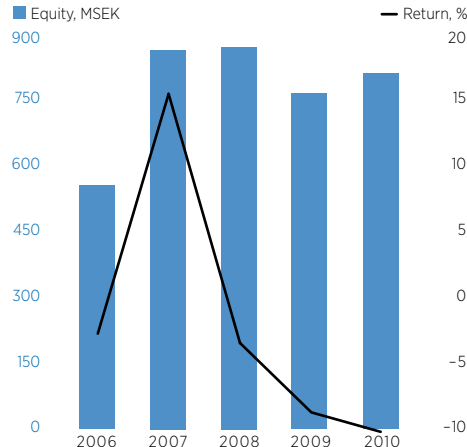
In comparable units Group net sales increased by 21 (3) percent and operating result in comparable units rose by 30 (4) percent.

2006 Establishment in China was completed but orders from customers were delayed due to generation exchanges and operations first reached planned production levels during the third quarter. However, expectations were then surpassed

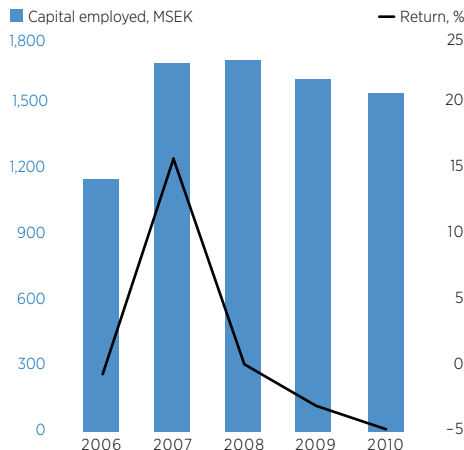
EQUITY RATIO



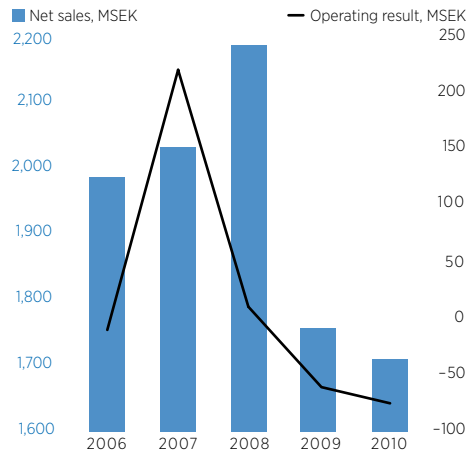
RETURN ON EQUITY



RETURN ON CAPITAL EMPLOYED



OPERATING RESULT



and operations in Beijing came close to breaking even during its first year in operation. The other operations in User Manuals, in Poland and Hungary, were very successful and once again surpassed expectations in both net sales and result.

Operations in Mölnlycke in Infologistics showed the highest profits ever due to successes with full-service solutions for larger customers in the segments Automotive and Industry & Trade.

Losses in the operations in Kungsbacka increased due to pressed prices and lower volumes in Directories as well as lingering effects from

the sweeping restructuring in 2005, which, among other things, had a negative effect on the company's marketing and production. At the end of the year a decision was made to review the consequences of shutting down the company and at the same time discussions were being held with a possible buyer of the operations. This resulted in the sales of the operations in February 2007, which led to total costs for write-downs etc. of MSEK 151 in the annual accounts of 2006.

Not including the effects of operations in Kungsbacka, Group net sales rose by 4.8 percent and operating result rose by 23.6 percent. ■

● Cash flow in summary

MSEK	2010	2009	2008	2007	2006
Cash flow from operating activities	-57.8	54.6	120.6	89.9	167.1
Paid taxes	-7.6	-7.9	-31.7	-32.3	-20.8
Investments	-69.2	-52.2	14.5	-402.5	-72.7
Operating cash flow	-90.4	42.1	217.2	-230.0	138.2
Change in net debt	-105.2	-5.9	25.8	222.2	-74.1

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

● Summary of the balance sheets

MSEK	2010	2009	2008	2007	2006
Goodwill	836.1	894.9	917.7	844.7	532.4
Other fixed assets	575.4	624.6	660.4	546.7	410.6
Inventory	118.7	95.1	120.1	125.7	92.9
Accounts receivable	365.1	351.5	470.9	450.6	456.8
Other current assets	66.9	68.8	75.9	191.4	73.9
Cash and cash equivalents	50.1	78.9	141.7	65.2	74.5
Equity	819.3	765.1	877.7	864.6	556.4
Interest-bearing liabilities	782.3	916.3	970.7	882.7	668.5
Non-interest-bearing liabilities	410.7	432.4	538.3	477.0	416.2
Total assets	2,012.3	2,113.8	2,386.7	2,224.3	1,641.1
Enterprise Value	1,269.3	1,174.3	1,092.3	2,174.8	1,797.7
Risk capital, MSEK	848.0	793.6	907.7	888.5	572.1
Capital employed, MSEK	1,551.5	1,602.5	1,721.0	1,682.0	1,150.5
Net debt, MSEK	732.2	837.4	843.3	817.5	594.1
Average number of outstanding shares (in thousands)	12,342	9,765	9,765	9,537	8,855

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

Summary of the income statements

MSEK	2010	2009	2008	2007	2006
Net sales	1,705.9	1,756.7	2,191.2	2,035.6	1,988.2
Operating expenses	-1,782.1	-1,816.8	-2,175.1	-1,808.8	-1,997.0
EBIT	-76.2	-60.1	16.0	226.8	-8.8
Financial items	-29.0	-36.0	-50.4	-42.7	-23.0
Result after financial items	-105.2	-96.1	-34.4	184.1	-31.8
Result for the year	-83.7	-74.4	-25.7	172.2	-49.0
EBITDA	25.8	41.0	122.1	311.4	222.2

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

Key ratios

	2010	2009	2008	2007	2006
Operating margin, %	-4.5	-3.4	0.7	11.1	-0.4
Profit margin, %	-6.2	-5.5	-1.6	9.0	-1.6
Gross profit/Added value, %	28.1	33.0	36.7	46.2	37.9
Capital net sales rate, times	0.8	0.8	1.0	1.1	1.2
Equity ratio, %	40.7	36.2	36.8	38.9	33.9
Risk capital ratio, %	42.1	37.6	38.0	40.0	34.9
Interest coverage ratio, times	neg.	neg.	0.4	5.5	neg.
Debt/equity ratio, times	0.9	1.1	1.0	0.9	1.1
Return on equity, %	-10.6	-9.1	-3.0	24.2	-8.2
Return on capital employed, %	-4.8	-3.6	0.9	16.0	-0.7
Return on total assets, %	-3.2	-2.2	1.7	12.0	-0.3
EBIT-multiple	-14.1	-19.5	68.2	3.6	-204.5
Average number of employees	1,520	1,581	1,809	1,563	1,490
Net debt/EBITDA, times	28.4	20.5	6.9	2.6	2.7

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

Data per share

	2010	2009	2008	2007	2006
Result, SEK	-6.79	-7.57	-2.62	18.06	-5.54
Share price at year-end, SEK	27.50	34.50	25.50	139.00	135.87
P/e ratio	-4.1	-4.5	-9.7	7.7	-24.5
P/s ratio	0.2	0.2	0.1	0.7	0.6
Dividend, SEK	0.00 ¹⁾	0.00	0.00	4.50	2.36
Dividend yield, %	0.0	0.0	0.0	2.6	2.0
Share price/equity, times	0.4	0.4	0.3	1.6	2.2
Net asset value	66.39	78.35	89.88	88.54	62.80
Risk capital, SEK	68.71	81.27	92.96	90.99	64.60
EBITDA, SEK	2.09	4.19	12.50	32.65	25.10
Operating cash flow, SEK	-7.33	4.31	22.24	-24.12	15.90
Cash flow from operating activities	-4.68	5.60	22.24	-24.12	15.90
Average number of outstanding shares, in thousands	12,342	9,765	9,765	9,537	8,855
Turnover rate	0.32	0.45	0.23	0.36	0.40

¹⁾ Proposed by the Board.

Principal owner strengthens his commitment

From an owner perspective 2010 was an eventful year for the Elanders share. A successful new share issue strengthened the company's financial position with a little over MSEK 208. The principal owner Carl Bennet AB acquired Investment AB Latour's shares at the end of the year.

History

Elanders' B shares were first listed on the Stockholm Stock Exchange on 9 January 1989. On 31 December 2010 the company had 18,363,332 B shares listed on the NASDAQ OMX Stockholm, Small Cap, 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 fell by 20.3 percent during 2010 while the general index of the OMX Nordic Exchange rose by 23.1 percent during the same period. During 2010 a total of 3,908,156 (4,399,576) Elanders shares were traded, which is equivalent to an average trading rate of approximately 0.32 (0.45) times. The total turnover rate of the OMX Nordic Exchange was 0.87 (1.07) times during the same period.

The lowest share price was SEK 18.50 on 18 November and the highest was SEK 39.50 on 8 February. The final share price in 2010 was SEK 27.50 (34.50), which means that Elanders' market cap at year-end was approximately MSEK 537 (337).

Class of shares and liquidity guarantee

At year-end there were 1,166,666 A shares and 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.

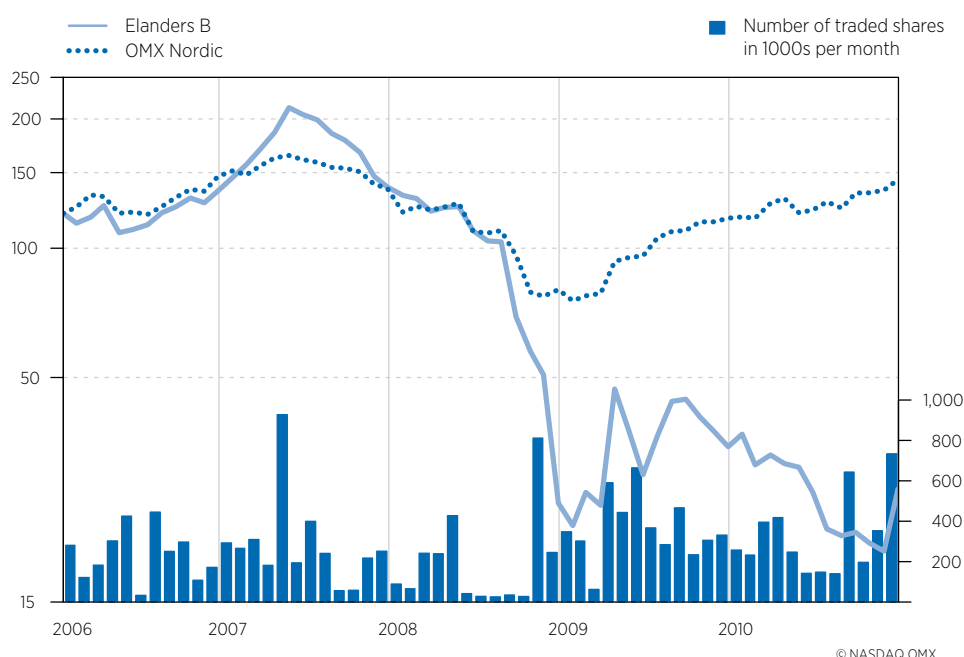
Share allocation

There were 2,641 (2,621) shareholders in Elanders 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. ■

Development of the Elanders share 2006-2010



Shareholder information

Elanders' financial information can be found at the Group website www.elanders.com in the section Investor relations. Questions can also be asked Elanders directly via e-mail at info@elanders.com.

Annual reports, quarterly reports and other information can be requested from Group headquarters at telephone number +46 31 750 00 00, our website or through the above e-mail address. We are also happy to provide information about the many occasions when we present Elanders at activities that are arranged by shareholder organizations, Swedish and foreign stockbrokers and banks.

An analyst continuously monitors our development and regularly publishes analyses of Elanders: Remium AB, Equity Research Johan Edberg, telephone +46 8 454 32 38.

Major shareholders

Ownership structure 31 December 2010	A shares	B shares	Percent of votes	Percent of share capital
Carl Bennet AB	1,166,666	10,382,098	73.42 %	59.13 %
Carnegie Funds		1,658,866	5.52 %	8.49 %
Avanza Pension Försäkring AB		655,754	2.18 %	3.36 %
Odin Funds, Norway		443,361	1.48 %	2.27 %
Nordnet Pensionsförsäkring AB		237,657	0.79 %	1.22 %
Skandia Liv		231,973	0.77 %	1.19 %
Per Anders Bendt with companies		160,000	0.53 %	0.82 %
MMV Consulting		111,482	0.37 %	0.57 %
Läkarleasing Sverige AB		107,452	0.36 %	0.55 %
Ålandsbanken Funds		100,000	0.33 %	0.51 %
Other shareholders		4,274,689	14.23 %	21.89 %
Total	1,166,666	18 363 332	100.00 %	100.00 %

Share capital development

	A shares	B shares	Accumulated shares	Share capital, SEK
At Stock Exchange introduction in 1989	200,000	1,380,000	1,580,000	15,800,000
1991 Directed share issue to acquire Fabritius A/S in Norway		252,000	1,832,000	18,320,000
1993 Bonus issue 1:1	200,000	1,632,000	3,664,000	36,640,000
1997 Directed share issue to acquire the Graphic Systems Group		650,000	4,314,000	43,140,000
1997 Directed share issue to acquire Skandinaviska Lithorex		250,000	4,564,000	45,640,000
1997 Directed share issue to acquire Gummessons		350,000	4,914,000	49,140,000
1997 New share issue 1:4 in connection with the acquisition of the Minab Group	100,000	1,128,000	6,142,500	61,425,000
1998 Directed share issue to acquire the Skogs Group		1,287,500	7,430,000	74,300,000
2000 Directed share issue to acquire the shares in KåPe Group		450,000	7,880,000	78,800,000
2000 Directed share issue to acquire the shares in Novum Group		490,000	8,370,000	83,700,000
2007 New share issue 1:6 in connection with the acquisition of the Sommer Corporate Media Group	83,333	1,311,666	9,764,999	97,649,990
2010 New share issue 1:1	583,333	9,181,666	19,529,998	195,299,980
Outstanding shares and share capital on 31 December 2010	1,166,666	18,363,332	19,529,998	195,299,980

Shareholder statistics per 31 December 2010

Number of shares owned	Number of shareholders	Number of A shares	Number of B shares	Percent of share capital	Percent of votes
1-500	1,783		324,399	1.66 %	1.08 %
501-1,000	380		308,183	1.58 %	1.03 %
1,001-2,000	191		294,822	1.51 %	0.98 %
2,001-5,000	168		581,762	2.98 %	1.94 %
5,001-10,000	45		348,901	1.79 %	1.16 %
10,001-20,000	27		403,482	2.07 %	1.34 %
20,001-50,000	23		710,564	3.64 %	2.37 %
50,001-100,000	12		954,812	4.89 %	3.18 %
100,001-1,000,000	11		4,054,309	20.76 %	13.50 %
1,000,001-	1	1,166,666	10,382,098	59.13 %	73.42 %
Total	2,641	1,166,666	18,363,332	100.00 %	100.00 %

Shareholder categories 31 December 2010

Percent	Percent of share capital	Percent of votes
Swedish institutions and investment companies	14 %	9 %
Swedish companies and private persons	79 %	86 %
Foreign institutions	7 %	5 %
Foreign companies and private persons	0 %	0 %
Total	100 %	100 %

Sources: SIS Ägarservice and Euroclear Sweden AB.

A rapidly changing industry

In recent years the communications industry in general and the printing industry in particular have been impacted by changes in the way information is communicated - the shift from printed to digital media. Elanders is well positioned to handle this change in its capacity as a leading player in digital print in Europe with our competitive offset capacity in Eastern Europe and Asia and the investments we have made and are making in Web-to-print (W2P).

Circumstantial risks

THE FUTURE OF PRINTED MATTER

Printed matter will continue to grow as a bearer of information in coming decades although to a lesser degree as time passes. We believe an increase at the rate of 2–4 percent annually is plausible. The major part of this increase will consist of packaging as well as information and marketing material. Mainly the latter will increase through the use of digital printing technology, i.e. recipient oriented printed matter.

Printing capacity for offset in Western Europe and North America will exceed demand for some time, which will keep prices for printed matter produced with offset technology low or cause prices to fall even lower.

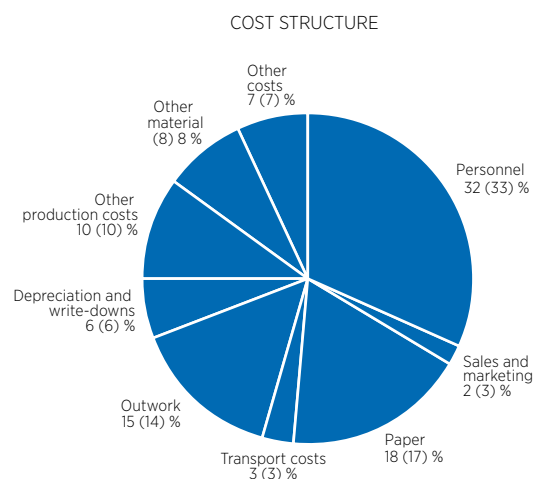
Digital printing will continue to grow due to its flexibility, potential for customization and natural connection to W2P. New players are entering the arena to increase the content in their services, such as print service brokers, packaging producers and logistics companies. Elanders is in the vanguard of change with a broad range of products, services and customer steered product development. Growth in offset print will take place in Eastern Europe, Asia and Latin America while the rest of Europe and North America will decline to a certain extent. Digital print and packaging will be the source of growth in these countries.

Elanders' position as one of the leading digital printers in Europe and our competitive

offset capacity in Eastern Europe and Asia is right in line with this development. The Group's work on W2P is also geared towards this development.

BUSINESS CYCLE SENSITIVITY

The greatest business cycle sensitivity is in Group operations that supply printed matter, packaging and other services to our customers in industry, particularly automobiles and consumer electronics, as well as advertising financed products to publishers. Other units supply customers that are relatively unaffected by business cycles such as publishers of educa-



tional material and the public sector. We work consciously to reduce the influence of business cycles on our company by broadening our customer base to include companies in industries less sensitive to fluctuations in the economy such as pharmaceuticals and food. We are also turning to smaller companies where the prices are not as pressed. This is another area where the Group's work to create W2P interfaces for ordering standardized printed matter is crucial.

STRUCTURAL SENSITIVITY

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

will be one of the most prioritized activities in the Group.

Financial risks

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

EXCHANGE RISK

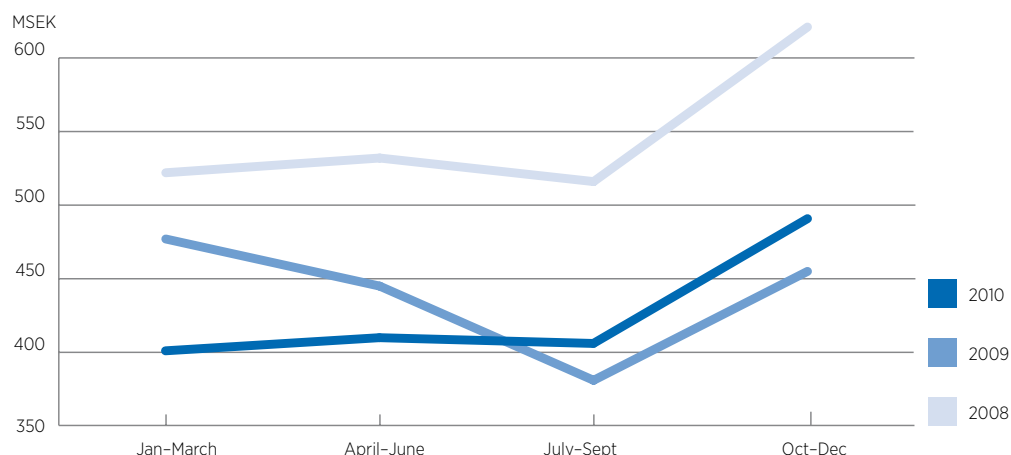
The Group runs into an exchange risk in two ways: through export sales (transaction exposure) or when converting net result and net assets from foreign subsidiaries (translation exposure). Elanders' net inflow of foreign currency consists primarily of EUR, CNY, USD, GBP and PLN.

“
We will be less sensitive to business cycles by broadening our customer base.

Beijing, China.



SEASONAL VARIATIONS IN ELANDERS



“Offering production in low-cost countries will be crucial for Elanders in the future.”

According to the Group's financial policy assets and liabilities in foreign currency (mainly accounts receivable and accounts payable) are hedged at 100 percent, through forward exchange contracts. Contracted purchase and sales orders where the time point of the flow is within twelve months are also hedged. Contracted orders are normally hedged at 80 percent if the time point of the flow will occur after a year. The reason for this is that there is room for certain volume deviations within the framework of the contracts. Expected and budgeted flows are not normally hedged. A change in the currency rate up or down by 5 percent in EUR would

affect result before taxes by MSEK 1 and in other currencies by a further MSEK 1 without forward exchange contracts. The translation exposure of net assets in foreign subsidiaries is sometimes hedged by taking loan in the currency of the subsidiary.

INTEREST RISK

Interest risk is defined as the risk that a change in market interest rates would affect the Group's result. Most of the Group's loans are financed on a floating interest rate, primarily in SEK. A change in the interest rate up or down of one percentage unit would affect Group result by MSEK 7, during a 12 month period.

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 find-

ing financing. Therefore the Group has made sure it has more than one source of credit that have made credit commitments. In 2010 two Swedish banks provided a new credit facility of MSEK 800 that replaced the major part of the company's existing operating financing, together with another loan of about MEUR 5.

CREDIT RISK

Credit risk is handled by the subsidiaries that are close to customers under the supervision of the Group's treasury function. Credits are systematically monitored and followed-up. The majority of the Group's customers are large, well-known companies, authorities and organizations. The Group took out credit insurance to protect against large, unforeseen credit losses. Credit losses in 2010 totaled MSEK 3.5, of which MSEK 1.8 had previously been reserved.

Business risks

CUSTOMER CONCENTRATION

During 2010 the Group's ten largest customers represented some 33 (36) percent of net sales, which is shown divided into customer categories on the diagram on page 20.

FUNCTIONAL RISK

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

To reduce the risk of an income loss the Group has business interruption insurance that covers the loss of contribution margins for up to twelve months.

RISKS IN OPERATING EXPENSES

Paper costs

Elanders' most important input goods is paper. It represents approximately 18 (17) percent of operating costs. The Group consumed some 38,000 (36,000) tons of paper during 2010. The Group protects itself in part against price fluctuations through a paper price clause in contracts with our customers.

Personnel costs

Direct personnel costs make up around 32 (33) percent of operating costs. The sick pay reform in Sweden meant that changes in the Group's health ratio had a direct effect on the result. Developments in the Group's health ratio are presented on page 37.

Electricity costs

The Group consumes around 29 (28) GWh of electricity annually. The risk that fluctuations in the price of electricity will have a negative effect on the result is minimized by active portfolio management where some of our future need is guaranteed at a certain price. The cost of electricity was under one percent of operating costs.

CONTRACTS, DISPUTES AND INSURANCE

Disputes can arise in the Group's day-to-day business. Elanders believes no such dispute has or will have important consequences for the Group's financial position. In order to minimize the risk of disputes Elanders normally uses the contracts prepared by our trade organizations. For example, ALG 10 is applicable to printed matter and the contract conditions for consultation services are written by the Association of the Swedish IT and Telecom Industry. The Group's insurance program contains global liability insurance that, among other things, covers general liability, product liability, crime fidelity and limited protection against environmental damage. The Group also has liability insurance for members of the Board and officers.

Other business risks

The business risk in operations is also associated with the human factor, criminal acts or catastrophes that because of flaws in insurance protection, systems and procedures the risk for damages was not eliminated or deviations were not discovered.

The size of the Group and the fact that Group Management is composed of members that come from Group operations which they have profound insight into are the key factors counteracting business risks in Elanders. All Group operations are represented in terms of responsibility in Group Management, which meets and communicates regularly. Group Management systematically exchanges and evaluates operative and financial information.

Sensitivity analysis

In note 17 to the consolidated financial statements, under the heading Sensitivity Analysis there is a summary of an analysis of how some of the variables described above would have affected Group results after financial items in 2010 if no measures such as hedging or resource adjustments had been taken. Each variable has been treated individually as long as the others remain constant. It is assumed that a change in net sales will affect the value added on the margin which thereafter will presumably fall straight through the income statement.

A change in the cost of paper is multiplied with total paper costs. A change in personnel costs is multiplied with total personnel costs. Regarding sick leave costs, it is assumed that all employees contribute the same value added and that the change in sick leave affects those not present who are not substituted. A change in the price of electricity is multiplied with the total cost of electricity and a change in the interest level is calculated on the previous year's average net debt. The analysis does not pretend to be exact. It is merely indicative and aims to show the most relevant, measurable factors in this connection. ■



Elanders Board Of Directors' Report

The Board of Directors and the Chief Executive Officer of Elanders AB (publ), corporate identity no 556008-1621, herewith present the annual report and the consolidated financial statements for 2010. Elanders AB is the parent company of Elanders a global printing company that also handles its customers' printing and packaging logistics worldwide.

In September 2010 Elanders AB (publ) became a subsidiary to Carl Bennet AB, corporate identity no 556379-0715, registered in Gothenburg. Carl Bennet AB prepares consolidated financial statements that includes Elanders.

Group structure

As of the end of 2009 Elanders reports the entire business as one segment since this better reflects the manner in which the Group is led, managed and operates. Operations in each country are all managed by the same Group Management and ultimately by the President.

Group operative locations

As of 31 December 2010 the Group had operations in 11 companies in ten countries. Operations are located in Falköping, Ludvika, Lund, Malmö, Mölnlycke, Uppsala, Vällingby and Västerås (Sweden), Oslo (Norway), Stuttgart (Germany), Newcastle and Harrogate (Great Britain), São Paulo (Brazil), Atlanta (USA), Beijing (China), Płock (Poland), Treviso (Italy) as well as in Zalaölő and Komárom (Hungary), where the latter a 50/50 joint venture with Hansaprint Oy.

Overview of operations

The Group offers a broad spectrum of services in offset, digital and special print, which, besides printing services also includes technical solutions for ordering printed matter online, premedia services, just-in-time deliveries as well as picking and packing solutions. Elanders' typical customers are companies in the automotive industry, manufacturers of consumer electronics and white goods, companies in the food industry and publishers.

NET SALES AND RESULT

Group net sales decreased by 3 percent to MSEK 1,706 (1,757) in 2010. The negative development is mainly a result of lower volumes in China and a weaker euro and British pound compared to the Swedish crown. This was partly compensated by an increase in sales in Germany and Poland. With the same exchange rate as last year net sales would have been MSEK 1,800, i.e. an increase of MSEK 43, or MSEK 1,765 with comparable units. In July the packaging printing plant Printpack outside of Stuttgart, Germany with annual net sales of about MSEK 100 was acquired. The operation was con-

solidated in Elanders 1 August 2010. Through the acquisition of Printpack Elanders has gained a good platform to expand in packaging on the German market, which is the largest in Europe.

Group operating result decreased by MSEK 16.1 to MSEK -76.2 (60.1), mostly due to structural measures mainly taken in Swedish operations in the final part of 2010 and developments in Chinese operations. The cost for structural measures charged the operating result in the second part of 2010 by MSEK -75.2. As part of this process 55 employees in the Swedish operations were made redundant in September. The operating result includes one-off items of MSEK -58.6 (-35.2), of which MSEK -75.2 refers to structural measures, although these were partly compensated for by positive effects from altered assessments of provisions.

The start of the year was characterized by continued weak demand from customers in automotives and consumer electronics as well as by an unfavorable price development for printed matter due to overcapacity in Europe. In the second part of the year there were clear signs of recovery on the market and volumes increased on all markets compared to the first six months. In 2010 a further comprehensive restructuring of the Swedish operations was carried out to reduce costs. Simultaneously changes were made in Swedish Management and Group Management. The Group's negative net financial items were improved by low interest rates and a new share issue in September. The Group's result before taxes totaled MSEK -105.2 (-96.1). Result after tax was MSEK -83.7 (-74.4).

At the end of December 2010 Elanders applied to the Swedish Tax Agency for a reassessment of the VAT paid in 2004. Elanders is claiming MSEK 73.9 and this is the sum the Swedish Tax Agency will rule on. Due to a number of uncertain factors it is at present difficult to assess the impact this can have on Elanders' result. During 2011 Elanders intends to apply for a reassessment of the fiscal years 2005-2007 as well.

INVESTMENTS AND DEPRECIATION

During the year investments amounted to MSEK 75.5 (73.3), of which MSEK 26.8 (0) was the acquisition of companies. Investments were chiefly connected to replacement investments in production equipment as well as software as well as adaptations of business systems. Depreciation amounted to MSEK 102.0 (101.0).

FINANCIAL POSITION, CASH FLOW AND EQUITY RATIO

At year-end the consolidated net debt was MSEK 732.2 (837.4). Unused credit facilities including cash and cash equi-

valents amounted to MSEK 172 (177) at year-end. Operating cash flow amounted to MSEK -90.4 (42.1), of which company acquisitions amounted to MSEK -26.8 (0). The decrease in cash flow was mainly due to the lower operating result. The equity ratio on the balance sheet date amounted to 40.7 (36.2) percent. A new share issue with preferential rights was carried out in September and raised MSEK 208.1 after issue expenses. In connection to this Elanders signed a new two year credit agreement with its two main Swedish banks.

RESEARCH AND DEVELOPMENT

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

PERSONNEL

The average number of employees in the Group during the year was 1,520 (1,581) of which 445 (506) were in Sweden. The total number of employees at year-end amounted to 1,564 (1,538) of which 416 (470) were in Sweden. The largest reductions in personnel were made in Sweden while the number of employees increased in Germany through the acquisition made there. Further information concerning the number of employees, as well as salaries, remuneration and terms of employment is given in note 5 to the consolidated financial statements.

Parent company

During the year the parent provided joint Group services. No external sales took place. Investments in 2010 amounted to MSEK 6.6 (5.5), with MSEK 0.7 (5.4) for investments in subsidiaries. The average number of employees during the year was 18 (12) and the number at year-end amounted to 10 (14). Other information concerning the number of employees, salaries, remuneration and conditions of employment is given in note 5 to the consolidated financial statements.

Environmental impact

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

LEGAL REQUIREMENTS AND INCIDENTS

The Group strictly follows legal requirements concerning the environment to avoid events that can result in considerable business risks and/or fines. We put therefore great store in guaranteeing compliance with the law in our regular environmental audits according to ISO 14001 and in the due diligence reports carried out before an acquisition. Under the Environmental Act several printing plants are required to have permits or submit reports, depending on their total consumption of solvents.

In 2010 Elanders Sverige AB had operations in Vällingby that were obliged to submit reports and operations that required permits in Falköping and Mölnlycke. Outside Sweden Elanders has operations in Great Britain, Poland, Hungary, China, Germany and the USA that require permits to different degrees. No accidents or incidents occurred in 2010.

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

Risks and uncertainties

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

CIRCUMSTANTIAL RISKS

Elanders believes printed matter will continue to grow as a bearer of information in coming decades although to a lesser degree in the foreseeable future. Growth will mainly take place in Eastern Europe, South America and Asia and in packaging as well as digital print where Elanders is well positioned.

The greatest business cycle sensitivity is primarily connected to supplying customers concentrated on consumer markets such as vehicles and electronics. This is balanced by investments in solutions and partner agreements that generate volumes from smaller companies and consumers, continued growth in Asia, access to production in low-cost countries and deliveries with a high level of service. Elanders is working to broaden our customer base and increase volumes to customers that are less sensitive to changes in business cycles. A good example of this is the acquisition of operations in the packaging printer Printpack that has customers from the food industry.

Structural sensitivity is in the section of the Group that through operations in Western Europe and the USA supply printed matter production in offset to industry and publishing customers as a sole offer, which makes up approximately half our net sales. Elanders works determinedly to reduce this risk by taking advantage of our global presence, expanding our offer with packaging, offer production in low-cost countries as well as by developing solutions for a greater share of digital print.

As far as competition is concerned Elanders is one of the few players in the world that can provide global deliveries to international customers through its own organization. This is one of the most important platforms for the Group's competitiveness in the future.

FINANCIAL RISKS

The currency exchange risk in the Group primarily comes from export sales and the conversion of net results and net assets from our foreign subsidiaries. Elanders' net influx of

- ▶ foreign currency is mainly in EUR, CNY, USD, GBP and PLN. The Group counteracts this through forward exchange contracts. The interest risk amounts to an effect on result before taxes of up to MSEK 7 during a 12 month period of a change in the interest rate up or down of 1 percentage unit.

Elanders' goal concerning its capital structure is to secure the Group's continued existence so that it can generate earnings to its owners and be useful to other interested parties. To maintain or change its capital structure the Group can change its dividends, repay capital to its owners by buying back its shares, issue new shares or sell assets to reduce debts. Elanders assesses its capital on the basis of the debt/equity ratio which is calculated on net debt in relation to equity. Group capital strategy has not changed during the year, which means a debt/equity ratio of no more than 1.0.

In September 2010 Elanders signed a new two year credit agreement with its two main Swedish banks. Credit insurance has been procured in order to reduce the risk for major credit losses. For more information please refer to note 17 to the consolidated financial statements.

BUSINESS RISKS

None of Elanders' customers generate more than 10 percent of net sales. The ten largest customers represented less than 33 (36) percent of its net sales. The risk that the Group will suffer a major stop in operations is minimal since the Group has similar production capacity in several places. The most significant operating cost is personnel which makes up around 32 (33) percent of operating costs, which is why the Group works, for instance, to continually improve healthiness among its employees. Paper costs are next and make up approximately 18 (17) percent of operating costs. Elanders protects itself as is customary against price fluctuations through a paper price clause in contracts with our customers. Costs for other resources are not individually large enough for price fluctuations to have a significant effect on the Group. Elanders believes there are no disputes that will have any important consequences for the Group's financial position. The Group's insurance program contains global liability insurance, product liability, crime fidelity, business interruption and limited protection against environmental damage, which is discussed in more detail in the section on Environmental impact above. Other operational risks consist primarily of irregularities or flaws in risk management. Elanders believes that the size of the Group and the fact that Group Management is composed of members that have profound insight into, and close contact with, daily operations counteracts these risks.

Information concerning company shares

TOTAL NUMBER OF SHARES, VOTES, DIVIDENDS AND NEW SHARES

On 31 December 2010 there were 1,166,666 registered A shares and 18,363,332 registered B shares; in total 19,529,998 shares. B shares are listed under the symbol ELAN B on NASDAQ OMX Stockholm, Small Cap. 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 2010 was Carl Bennet AB with 73.4 percent. No shares are owned by personnel through pension foundations or the like.

CONTRACTS WITH CLAUSES ABOUT OWNERSHIP CHANGES

The company has a number of 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.

The Board Of Directors' work

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

Carl Bennet was elected Chairman of the Board at the Annual General Meeting on 26 April 2010. The Board has prepared and adopted a work program that regulates the division of responsibility between the Board, its Chairman and the Chief Executive Officer. It contains a general meeting plan for the Board, instruction for financial reports and which matters should be presented to the Board. The work program is reviewed once a year and as needed.

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

The Board followed the general meeting plan during the year and met an additional four times to discuss matters concerning the new share issue and approval of the prospectus. The Board has otherwise been involved primarily in assessing market conditions, external circumstances and business position as well as the Group's expansion strategies. Particular attention was paid to developments in the Swedish operations this year as well. At the constitutional meeting of the Board the work program and instructions for the CEO are reviewed and the customary decisions concerning authorized signatories are taken. At the constitutional meeting of the Board after the Annual General Meeting 2010 Tore Åberg was made Vice Chairman.

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

The audit committee is chosen from Board members and has the primary task of monitoring internal control, procedures for financial reporting, observance of related laws and regulations as well as the auditing in the Group. The committee also evaluates the external auditors' qualifications and independence. The audit committee reports their observations on a regular basis to the Board. The members of the Group audit committee in 2010 were Tore Åberg, Chairman, Göran Johnsson, Kerstin Paulsson and Johan Stern.

Guidelines for remuneration to senior officers

The company's guidelines for remuneration to senior officers were adopted by the Annual General Meeting on 26 April 2010. The Board proposes that the Annual General Meeting 2011 adopt guidelines that to all extents and purposes correspond to the present guidelines and that 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 according to a decision by the Annual General Meeting.

Elanders will offer total compensation on par with market levels so that the company can recruit and keep qualified senior officers. Remuneration to senior officers will consist of a basic wage, variable remuneration, other benefits and a pension.

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 his/her basic wage. For other senior officers variable remuneration may amount to, at most, 40 percent of his/her 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 has a dominant position among global industrial customers and this is where the largest opportunities for short-term expansion can be found. Global printing volumes are increasingly procured through central purchasing. One of the challenges in coming years is to persuade our customers to take advantage of the Group's global production capacity. Another challenge is to rapidly grow in packaging and to create order interfaces on the Internet for mid-sized and larger companies in order to augment volumes in above all digital printing. Elanders also has a strong position as subcontractor to several Web-to-print players, which gives Elanders the opportunity to grow when they grow.

Elanders' brand, our market position and our solid graphic expertise together with our access to low-cost production in Eastern Europe and China provides a good background to increase market shares. Further international expansion through acquisitions, primarily in packaging production, and establishing new units in proximity of our customers will be considered. Investment needs are expected to decrease since digital production equipment is less expensive than similar equipment for offset and through more efficient use of our existing machine park.

We are also expanding our customer base in order to attract customers in industries less sensitive to fluctuations in the business cycle, such as food and pharmaceuticals. This, together with a broader product range, is expected to make Elanders less sensitive to changes in the economy within a few years.

Internal Group prognoses are based on the global financial situation improving in 2011, which together with structural measures taken in 2010 leads us to forecast a positive result before taxes in 2011.

Events after the balance sheet date

In January 2011 Elanders signed an agreement with the Swedish printer Fälv & Hässler to take over parts of their operations. Currently Fälv & Hässler has annual net sales of about MSEK 100. The operations that have been taken over are expected to contribute to Elanders' net sales in the second part of 2011. The purchase sum for the operation is expected to amount to total MSEK 4.

No other important events took place after the balance sheet date and until the signing of this Annual Report. ■

INCOME STATEMENTS

SEK '000	Note	2010	2009
Net sales	2	1,705,923	1,756,742
Cost of products and services sold		-1,450,317	-1,429,640
Gross profit		255,606	327,102
Selling expenses		-122,197	-140,436
Administrative expenses		-212,417	-248,809
Other operating income	3	49,692	39,302
Other operating expenses	3	-40,588	-33,219
Shares in result from jointly controlled entities	4	-6,278	-4,012
Operating result	5, 6, 7, 8	-76,182	-60,072
Financial income	9	10,632	11,672
Financial expenses	9	-39,603	-47,658
Result after financial items		-105,153	-96,058
Taxes	10	21,404	21,679
Result for the year		-83,749	-74,379
Result for the year attributable to:			
– parent company shareholders		-83,749	-73,964
– non-controlling interests		–	-415
Earnings per share SEK ¹⁾	11	-6.79	-7.57

¹⁾ There have been no dilution effects.

STATEMENTS OF COMPREHENSIVE INCOME

SEK '000	2010	2009
Result for the year	-83,749	-74,379
Other comprehensive income		
Translation differences	-75,946	-39,502
Cash flow hedges		
– change in value recognized directly in equity, net	-282	696
– tax effect on cash flow hedges, net	74	-183
Hedging of net investment abroad		
– change in fair value on the hedge of the net investment abroad	8,985	1,026
– tax effect on the change in fair value of the hedge	-2,363	-270
Total other comprehensive income	-69,532	-38,233
Total comprehensive income for the year	-153,281	-112,612
Total comprehensive income attributable to		
– parent company shareholders	-153,281	-112,299
– non-controlling interests	–	-313

Comments on the income statements

Group net sales fell by MSEK 51 compared to the previous year, primarily due to lower volumes in China as well as a weaker euro and British pound compared to the Swedish crown. This was partly compensated by increased net sales in Germany, Poland and others. With the same exchange rate as last year net sales would have been MSEK 1,800, i.e. an increase of MSEK 43, or MSEK 1,765 with comparable units. In the second half of the year there were clear signs of market recovery. In July 2010 operations in Printpack, a German packaging printer, were acquired and contributed to net sales of almost MSEK 35.

The decline in the operating result is primarily due to developments in Sweden and China. The operating result is charged with one-off items of MSEK -58, of which costs for structural action primarily in Sweden amounted to MSEK -75.

SEK '000	Note	2010	2009
Operating activities			
Result after financial items		-105,153	-96,058
Adjustments for items not included in cash flow	12	119,063	86,833
Paid taxes	10	-7,606	-7,944
Cash flow from operating activities before changes in working capital		6,304	-17,169
Cash flow from changes in working capital			
Increase (-) / Decrease (+) in inventory		-19,909	21,843
Increase (-) / Decrease (+) in operating receivables		-47,073	112,517
Increase (+) / Decrease (-) in operating payables		2,895	-62,544
Cash flow from operating activities		-57,783	54,647
Investing activities			
Acquisition of intangible and tangible assets	14, 15	-48,731	-73,283
Divestment of tangible assets	15	19,272	20,545
Acquisition of operations	29	-26,754	-
Changes in of long-term receivables		-13,005	566
Cash flow from investing activities		-69,218	-52,172
Financing activities			
Changes in long- and short-term borrowing		-106,024	-59 666
New share issue		208,080	-
Cash flow from financing activities		102,056	-59 666
Cash flow for the year		-24,945	-57,191
Cash and cash equivalents at the beginning of the year		78,856	141,741
Translation difference in cash and cash equivalents		-3,767	-5,694
Cash and cash equivalents at year-end		50,144	78,856
Change in net debt			
Net debt at the beginning of the year		837,446	843,339
Net debt in acquired/divested operations		8,599	-
Translation difference		-16,937	-1,737
Change in interest-bearing liabilities and cash and cash equivalents		-96,907	-4,156
Net debt at year-end		732,201	837,446
Operating cash flow	13		
Cash flow from operating activities excl. financial items and paid tax		-21,206	94,285
Net investments		-69,218	-52,172
Operating cash flow		-90,424	42,113

Comments on the statement of cash flows

Cash flow from operating activities decreased by MSEK 112 compared to 2009, primarily as a result of more capital tied up in inventory and receivables.

MSEK -49 (-73) of the net cash flow from investing activities of MSEK -69 (-52) represented investments in intangible assets as well as production equipment in Group operations, mainly in Germany and Hungary. Cash flow was also affected by acquisition of MSEK -27 referring to the acquisition of operations in the German packaging printer Printpack and the buy out of minority owners in Elanders' Brazilian operations.

In 2011 the new share issue raised MSEK 208 after issue expenses.

Group net debt amounted to MSEK 732 (837) at year-end

SEK '000	Note	2010	2009
ASSETS			
Fixed assets	27		
Intangible assets	14	875,218	952,995
Tangible assets	15, 26	371,721	435,095
Shares in jointly controlled entities	4	1,383	8,667
Other investments held as fixed assets	16	2,204	2,216
Other receivables		11,938	1,409
Deferred tax assets	10	149,014	119,115
Total fixed assets		1,411,478	1,519,497
Current assets			
Inventory	18	118,676	95,109
Accounts receivable	17	365,063	351,516
Current tax receivables	10	7,930	14,218
Other receivables		27,188	21,141
Prepaid expenses and accrued income	19	31,843	33,416
Cash and cash equivalents	20	50,144	78,856
Total current assets		600,844	594,256
TOTAL ASSETS		2,012,322	2,113,753

Comments on the statement of financial position

The Group's total assets decreased by MSEK 102 to MSEK 2,012 and the capital employed at year-end amounted to MSEK 1,551 (1,602).

The decrease in total assets and capital employed can for the most part be explained by the currency translation of the foreign units where the Swedish crown became stronger compared to the euro, US dollar and British pound.

SEK '000	Note	2010	2009
EQUITY			
Equity attributable to parent company shareholders			
Share capital	21	195,300	97,650
Other contributed capital		549,062	438,632
Hedging reserves		-195	13
Translation reserves		-11,397	57,928
Retained earnings		86,557	169,066
Equity attributable to parent company shareholders		819,327	763,289
Equity attributable to non-controlling interests		-	1,775
Total equity		819,327	765,064
LIABILITIES			
Long-term liabilities			
Liabilities to credit institutions	17, 22, 26	423,552	74,186
Other liabilities		103	8,912
Provisions for post-employment benefits	23	11,259	13,447
Other provisions	24	5,596	5,177
Deferred tax liabilities	10	30,420	28,581
Total long-term liabilities		470,930	130,303
Current liabilities			
Liabilities to credit institutions	17, 22, 26	347,534	828,669
Advances from customers		7,917	3,844
Accounts payable	17	163,249	187,041
Current tax liabilities	10	2,239	2,101
Other liabilities		46,919	61,001
Accrued expenses and deferred income	25	106,536	104,793
Other provisions	24	47,671	30,937
Total current liabilities		722,065	1,218,386
TOTAL EQUITY AND LIABILITIES		2,012,322	2,113,753

Comments to statement of financial position

In 2010 a new share issue raised MSEK 208 after issue expenses.

A two-year credit agreement was signed with Elanders' two main Swedish banks that is valid until 30 September 2012. In connection with this some of the Group short-term liabilities to credit institutions were converted to long-term.

SEK '000	Share capital	Other contributed capital	Hedge reserves	Translation reserves	Retained earnings	Total equity of parent company shareholders	Total equity of non-controlling interests	Total equity
Opening balance on 1 Jan. 2009	97,650	438,632	-500	96,776	243,030	875,588	2,088	877,676
Total comprehensive income for the year	-	-	513	-38,848	-73,964	-112,299	-313	-112,612
Closing balance on 31 Dec. 2009	97,650	438,632	13	57,928	169,066	763,289	1,775	765,064
New share issue	97,650	110,430	-	-	-	208,080	-	208,080
Transactions with shareholders with non-controlling interest	-	-	-	-	1,239	1,239	-1,775	-536
Total comprehensive income for the year	-	-	-208	-69,325	-83,748	-153,281	-	-153,281
Closing balance on 31 Dec. 2010	195,300	549,062	-195	-11,397	86,557	819,327	-	819,327

GROUP

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 2010 were approved by the Board and will be presented to the Annual General Meeting on 5 May 2011 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 2010. 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 booked directly in the income statement.

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. In Group annual accounts shares in jointly controlled entities are reported according to the equity method. The equity method means that shares in a company are recorded at cost at the time of acquisition and thereafter are increased or decreased by the Group's share of the change in the company's net assets. The Group share of the jointly controlled entity's result is recognized in the Group 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 are the market value of minority interests' shares in net assets of subsidiaries included in Group accounting at the point in time of the original acquisition and the minority owners' share of changes in equity after the acquisition. 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 contracts

A finance lease contract involves a transfer of virtually all rights and obligations that normally characterize ownership from the lessor to the lessee. The leasing contracts that are not finance leases are classified as operating lease contracts. An asset possessed through a finance lease contract is accounted for as a fixed asset in the balance sheet and an equivalent financial liability is entered as an interest bearing liability. The initial value of both of these items is the lowest of the asset's fair value or the current value of the minimum lease payments. The lease payments are divided into amortization according to plan and accrued interest

on the amount of the liability and recognized so that each accounting period is charged with the fixed interest on the booked liability for the respective period. Lease payments under an operating lease are expensed systematically over the leasing term.

Foreign currency

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

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

Government grants

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

Remuneration to employees

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

Defined contribution plans

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

Defined benefit plans

The expenses connected to defined benefit plan obligations are measured actuarially with the Projected Unit Credit Method and calculated on the balance sheet date. Actuarial profits and losses that exceed 10 percent of the highest of the pension obligation's market value and the fair value of plan assets are distributed throughout the expected average remaining service period of the employees in the plan. The cost of service from prior periods is recorded immediately, as long as the compensation is already untouchable. If, however, a condition of the compensation is that the employee continues to work during a specific period of time, the cost is spread out over the earning period. The liability reported in the balance sheet referring to defined benefit plans is equivalent to the defined benefit plan obligation on the balance sheet date less the fair value of plan assets, adjusted for unrecorded actuarial profits and losses for service from prior periods. Taxes on pension costs are reported according to UFR 4 Recording of special employers' contribution and tax on returns. In the Elanders Group there are a number of employees that have defined benefit ITP plans in Alecta, which are classified as defined benefit multi-employer pension plan. This means that a company must report their proportional share of the defined benefit pension obligation and the plan assets and expenses that are connected to this pension plan. Since Alecta cannot provide the necessary information, these pension obligations are recognized as defined contribution pension plans according to point 30 in IAS 19.

Taxes

The period's tax expense or income consists of current tax and deferred tax. Current tax is based on the fiscal result for the year. The annual fiscal result differs from the result reported for the year due to adjustments for non-taxable and non-deductible items. Deferred tax is tax relating to taxable or tax deductible temporary differences that cause or reduce tax in the future. Deferred tax is calculated according to the balance sheet method based on temporary differences between booked and fiscal values of assets and liabilities. Calculation of the amounts is based on how the temporary differences are expected to reverse using enacted tax rates or tax rates announced on the balance sheet date. Deferred tax liabilities that refer to tax deficits and deductible temporary

differences are only reported in cases where it is probable that tax deficits can be recognized against tax surpluses in the future. Deferred tax is reported as an income or an expense in the income statement except in cases where it refers to a transaction that is booked against equity. Then the tax effect is booked directly against equity. Deferred tax assets and liabilities are offset against each other if they refer to income tax that is charged by the same tax authority and where the Group intends to pay a net amount in tax.

Earnings per share

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

Tangible assets

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

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

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

Intangible assets

Goodwill

Goodwill is the difference between the acquisition value and the Group's share of the fair value of the acquired subsidiary's, associated company's or jointly controlled entity's identifiable assets, liabilities or obligations on the date of acquisition. If at acquisition the fair value of the acquired assets, liabilities or obligations exceed the acquisition price the difference is booked directly as income in the income statement. Goodwill has an undefined useful life and is booked at acquisition value less accumulated write-downs. When a company is sold the portion of goodwill attributable to that company which has not been written-down is calculated in capital gains/losses.

Other intangible assets

Other intangible assets are favorable contracts identified at the time of an acquisition as well as the cost of purchasing and developing software. Internally created intangible assets are reported as an asset only in cases where an identifiable asset has been created, it is fairly certain that the asset will lead to financial gains and invested expenses for developments can be calculated reliably. If it is not possible to report an internally created intangible asset the costs for development are recorded as expenses in the period in which they occur. Other intangible assets are depreciated on a straight-line basis over a useful life period of 3–5 years.

Write-downs

Group assets are assessed at every external reporting instance to determine whether or not there are indications for impairment. Impairment test of goodwill and other intangible assets is, however, performed at least once a year, in which the recoverable amount of the asset is calculated. Goodwill is allocated to the smallest cash generating unit. 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 presumptions that were the basis for deciding the assets' recoverable amount when it was written-down and which entails that the write-down is no longer considered necessary. Recoveries of prior write-downs are tested individually and are recorded in the income statement. Write-downs of goodwill are not recovered in a following period.

Inventory

Inventory is valued at the lower of cost and net realizable value. Costs have been calculated in accordance with the First-in, First-out method (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 booked on the date of business, which is the date the company pledges to acquire or sell the asset, except in cases where the company acquires or sells listed securities, in which case settlement date accounting is applied. Financial assets are controlled at every external reporting instance to determine whether or not there are objective indications that one or a group of financial assets should be written-down. Financial instruments are recorded at their amortized cost or fair value depending on the initial classification under IAS 39 (see below).

Calculation of fair value for financial instruments

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

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. Write-downs of accounts receivables are included in operating expenses.

Long-term receivables, current receivables and other receivables

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

Derivative instruments

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

Accounts payable

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

Other financial liabilities

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 booked as a liability.

Provisions

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

Reporting on segments

As of the last quarter in 2009 Group operations are reported as one reportable segment, since this is how the Group is now governed. This analysis identified the President as the highest executive decision maker and the units in different countries were identified as operating segments. The operating segments were then merged to create a single operating segment, consisting of the entire Group, since the units have similar financial characteristics and resemble each other regarding the nature of their products and services, production processes, customer types etc. When presenting geographical sales the customer's location has determined which geographic area sales are allocated to.

Standards, amendments and interpretations of existing standards that came into effect during 2010

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

IFRS 3 Business combinations and IAS 27 (amended) Consolidated and separate financial statements

As a result of applying IFRS 3 and IAS 27 costs in connection with acquisitions, such as lawyers' and consultants' fees, must be expensed instead of, as was previously the case, adding them on to the purchase price. It has also entailed changes regarding the definition of the acquisition date, which can have a fundamental effect on, for example, step acquisitions or divestitures of companies. The changes also require that the effects of all transactions with non-controlling interests be recognized in equity, unless they entail a change in controlling interest. These transactions no longer generate goodwill or capital gains or losses. In addition, the rules for reporting conditional considerations have been changed so that the entire acquisition value of a business combination is reported on the same date. Adjustments to the acquisition value thereafter are recognized directly in the income statement.

The acquisition in 2010 of the remaining non-controlling interest in Brazil has been reported in accordance with the new rules, i.e. the transaction has been recognized in equity.

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:
IFRS 9 Financial Instruments (New standard)*	1 January 2013 or later
Improvements of IFRSs 2010	Vary, earliest 1 July 2010

*This standard or interpretation of standard has not yet been approved for use in the EU.

Other new and amended standards and interpretations are not expected to have any significant effect on Elanders' financial reports during the period they are applied for the first time.

3 Important estimations and judgements

When preparing the financial reports estimations and judgements are made about the future that effect balance sheet and income statement items in the annual accounts. These judgements 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 judgements 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 loss carryforwards and provisions.

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 per-

formed on segment level. The impairment test contains a number of assumptions that can, according to different assessments, have an essential effect 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 carryforwards

Deferred tax assets concerning tax loss carryforwards reported by the Group amount to MSEK 135 (110) per 31 December 2010. The value of these tax assets have been tested at year-end and it is deemed probable that the deferred tax assets can be used for settlement against future taxable gains. The tax assets primarily refer to Swedish tax loss carryforwards that can be utilized for an unlimited amount of time. The Swedish operations, with the exception of the operations in Kungsbacka disposed of in 2007, 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 receivables stem from, against future taxable surpluses.

Provisions

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

PARENT COMPANY

The parent company has prepared its annual accounts according to the Swedish 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 law on safeguarding of pension commitments, 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 are making losses 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, jointly controlled entities and subsidiaries

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 law on safeguarding of pension commitments. Application of this 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 for which payment is most likely required to settle the commitment.

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

Group and shareholder contributions

Group and shareholder contributions are recognized according to the Swedish Financial Reporting Board statement UFR 2. This requires group and shareholder contributions to be reported according to the substance of the transaction. Contributions are reported in the statement of comprehensive income, since they are not transactions with company shareholders. As a result of this method of accounting only tax attributable to revenues and expenses are reported in the income statement.

New IFRSs and interpretations for the year

The changes in RFR 2 Accounting for legal entities applicable from 1 January 2010 have entailed changes in the presentation of reports from the parent company. The parent company's income and expenses which were previously recognized in equity and which did not refer to transactions with owners are now presented in the comprehensive statement of income, which follows the parent company income statement. In the parent company's statement of changes in equity items in the total result are presented separately from transactions with owners. The changes have not entailed any significant change in the parent company's financial reports.

NOTE 2 – Segment reporting

Segment information

As of 2009 Group operations are reported as one reportable segment, since this is how the Group is now governed. The units in each country were identified as operating segments. The operating segments were then merged to create a single operating segment, consisting of the entire Group, since the units have similar economic characteristics and resemble each other regarding the nature of their products and services, production processes, customer types etc. The President has been identified as the highest executive decision-maker.

Financial information concerning operating segments is reported in consolidated income and financial position statements as well as other pertaining notes.

Geographic division

Sales per geographic area

SEK '000	2010	2009
Sweden	628,292	632,922
Germany	432,832	435,187
Great Britain	188,665	191,344
Poland	92,275	80,343
USA	89,812	91,344
China	87,062	130,430
Hungary	48,111	55,868
Other countries	138,874	139,304
Total	1,705,923	1,756,742

Investments per geographic area

SEK '000	2010	2009
Germany	38,841	10,154
Hungary	14,646	15,730
Sweden	6,437	36,704
China	2,235	5,975
USA	1,989	359
Poland	1,772	2,619
Great Britain	323	155
Other countries	9,244	1,587
Total	75,487	73,283

Assets per geographic area

SEK '000	2010	2009
China	88,902	106,491
Hungary	85,192	100,778
Germany	82,287	90,051
Sweden	63,502	89,657
Great Britain	17,067	27,519
Other countries	75,291	87,360
Total	412,241	501,856

Information concerning the Group's largest customers

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

Assets include tangible and other intangible assets as well as shares in jointly controlled entities.

Following the same principle above, goodwill of MSEK 836.1 (894.9) has not been divided geographically since it is shared by the Group.

NOTE 3 – Other operating income and other operating expenses

Other operating income

SEK '000	2010	2009
Exchange rate gains	8,777	7,791
Capital gains from the sales of fixed assets	11,777	13,707
Result from negative goodwill in connection to acquisition	3,932	–
Other	25,206	17,804
Total other operating income	49,692	39,302

Other operating expenses

SEK '000	2010	2009
Exchange rate losses	–8,006	–9,666
Capital losses from the sales of fixed assets	–12,548	–6,565
Other	–20,034	–16,988
Total other operating expenses	–40,588	–33,219

NOTE 4 – Shares in jointly controlled entities

SEK '000	2010	2009
Opening book value	8,667	13,647
Investments	–	–
Shares in the result from jointly controlled entities	–6,278	–4,012
Translation difference	–1,006	–968
Closing book value	1,383	8,667

Group shares in jointly controlled entities consist of the following companies:

Company	Registered office	Shareholding in percent
Hansaprint Elanders Kft	Hungary	50

Financial information in summary for jointly controlled entities:

SEK '000	2010	2009
Share of (50 %):		
– total assets	1,698	8,493
– total liabilities	315	239
– net sales	89	9,233
– result before tax	–6,278	–4,012

NOTE 5 – Personnel

Average no. of employees	2010			2009		
	Women	Men	Total	Women	Men	Total
Parent company						
Sweden	5	13	18	7	5	12
Total in parent company	5	13	18	7	5	12
Subsidiary						
Sweden	145	282	427	165	329	494
Germany	53	155	208	52	150	202
Poland	52	84	136	42	87	129
Great Britain	39	127	166	37	129	166
Hungary	80	95	175	80	84	164
China	115	141	256	107	169	276
USA	21	40	61	45	22	67
Brazil	18	19	37	18	20	38
Italy	18	5	23	18	4	22
Norway	2	11	13	1	10	11
Total in subsidiaries	543	959	1,502	565	1,004	1,569
Group total	548	972	1,520	572	1,009	1,581

Salaries and other remuneration	2010			2009		
	Board and CEO	of which variable remuneration	Other employees	Board and CEO	of which variable remuneration	Other employees
Parent company						
Sweden	6,140	–	12,066	8,957	–	14,223
Total in parent company	6,140	–	12,066	8,957	–	14,223
Subsidiaries in Sweden	1,800	–	170,892	1,908	–	201,546
Subsidiaries abroad						
Germany	4,742	954	90,156	5,226	1,062	91,311
Poland	1,884	–	17,357	1,825	–	16,994
Great Britain	1,012	–	53,414	1,014	–	54,108
Hungary	448	–	16,497	1,519	–	19,554
China	1,070	–	18,570	1,098	–	18,091
USA	1,549	–	23,675	1,529	–	23,533
Brazil	282	–	3,544	807	–	2,568
Italy	744	–	4,837	637	–	5,757
Norway	895	–	7,917	913	–	7,227
Total in subsidiaries	14,426	954	406,859	16,476	1,062	440,689
Group total	20,566	954	418,925	25,433	1,062	454,912

	2010			2009		
	Salaries and remuneration	Social security contributions	of which pension contributions	Salaries and remuneration	Social security contributions	of which pension contributions
Salaries and other remuneration						
Parent company	18,206	15,559	7,247	23,180	12,043	5,423
Subsidiaries	421,285	117,959	29,625	457,165	135,537	32,489
Group total	439,491	133,518	36,872	480,345	147,580	37,912

Division of men and women in management

Position	Women 2010		Men 2010		Women 2009		Men 2009	
	Number	%	Number	%	Number	%	Number	%
Board members	2	25	6	75	2	29	5	71
Group Management	–	–	5	100	–	–	6	100
Supervisors	22	26	64	74	20	19	87	81

Remuneration to the Board, Chief Executive Officer and other senior officers	Basic wage/ Board remuneration	Variable remuneration	Other benefits	Pension contributions	Remuneration for committee work
Carl Bennet, Chairman	500	–	–	–	50
Tore Åberg, Vice Chairman	250	–	–	–	125
Göran Johnsson	250	–	–	–	50
Cecilia Lager	250	–	–	–	25
Hans-Olov Olsson	250	–	–	–	25
Kerstin Paulsson	250	–	–	–	50
Johan Stern	250	–	–	–	50
Total remuneration to the Board	2,000	–	–	–	375
Magnus Nilsson, Chief Executive Officer	3,765	–	69	1,314	–
Other senior officers (4 persons)	8,677	954	1,003	1,660	–
Total remuneration to CEO and senior officers	12,442	954	1,072	2,974	–
Total remuneration to the Board, CEO and senior officers	14,442	954	1,072	2,974	375

In addition to above stated remuneration in 2010 a remuneration for the termination period and benefits of 4,935 were paid to former senior officers. Of these 3,248 were expensed in previous years.

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 2010.

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 their annual salary respectively. For the other senior officers variable remuneration may not exceed 40 percent of their annual salary. Variable remuneration is based on results in relation to individually targeted goals.

Pension benefits as well as other benefits to the Chief Executive Officer and senior officers are part of the total remuneration. Variable remuneration is carried as an expense for the financial year 2010 and paid out in 2011.

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. There was no variable remuneration or any other kind of remuneration with a dilution effect.

OTHER BENEFITS

Other benefits are mainly company cars.

PENSIONS

The Group has both defined benefit and defined contribution pension plans. Pension cost is the cost that affects the result for the year. Two former employees and members of Group Management had defined benefit and defined contribution pension plans. The present value of the defined benefit obligation under those plans was 31 December 2010 MSEK 12.1 (10.1). 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 pension premium, however, may never exceed the amount that is fully deductible for the company. 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. No severance pay is paid no matter which party gives notice. Normal wages are paid during the period of notice. During 2010 severance pay was paid in the form of 6 months wages in addition to the termination wages for the former Chief Financial Officer.

PREPARATION AND DECISION PROCESS

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

The Board has determined the remuneration for the Chief Executive Officer for the financial year of 2010 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.

NOTE 5 – Personnel (cont.)

Members of the remuneration committee during the year were Carl Bennet, Chairman, Cecilia Lager, Hans-Olov Olsson and Tore Åberg. The remuneration committee meets when necessary but at least once a year to prepare proposals for the remuneration of the Chief Executive Officer. 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 2010. The committee has been supported by external expertise in matters concerning compensation levels and structures.

Absence due to illness in the Group's Swedish companies in percent	2010	2009
Total absence due to illness	3.2	3.2
Short time absence due to illness	2.4	1.8
Long time absence due to illness	0.8	1.4
Absence due to illness, men	3.1	3.2
Absence due to illness, women	3.6	3.2
Absence due to illness, employees under 29 years	2.8	3.9
Absence due to illness, employees between 30–49 years	3.1	2.7
Absence due to illness, employees 50 years and over	3.7	3.7

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

NOTE 6 – Fees to the auditors

SEK '000	2010	2009
PwC		
Audit assignment	2,016	2,257
Audit-related services	315	604
Tax advisory services	54	–
Other services	419	181
Other		
Audit assignment	81	85
Audit-related services	197	–
Tax advisory services	86	20
Other services	–	–
Total	3,168	3,147

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 '000	2010	2009
Depreciation and write-downs	101,956	101,048
Cost for remuneration to employees	579,288	600,049
Changes in work-in-progress and finished products	–9,763	6,233
Cost of paper	314,995	314,701
Other material	148,997	151,967
Cost of sub-contracted work	260,924	248,715
Other production costs	186,805	174,881
Freight costs	50,123	56,830
Cost of sales and marketing	34,279	45,512
Other costs	117,327	118,949
Total cost for products and services sold, sales costs and administration costs	1,784,931	1,818,885

NOTE 8 – Operating lease contracts

SEK '000	Annual cost	
	2010	2009
Computer equipment	4,401	5,682
Machinery and other equipment	30,251	47,301
Rental contracts, premises	56,864	65,425
Total	91,516	118,408

SEK '000	Future leasing fees and rental costs		
	2011	2012–2015	thereafter
Computer equipment	1,903	1,599	–
Machinery and other equipment	50,675	79,426	–
Rental contracts, premises	47,796	136,576	49,565
Total	100,374	217,601	49,565

Leasing agreements for machines and inventories normally run for 3–8 years.

NOTE 9 – Financial income and expenses

Financial income

SEK '000	2010	2009
Interest income	922	1,073
Exchange rate gains	9,710	10,584
Other	–	15
Total	10,632	11,672

Financial expenses

SEK '000	2010	2009
Interest expenses	–27,777	–31,959
Exchange rate losses	–10,114	–10,712
Other	–1,712	–4,987
Total	–39,603	–47,658

NOTE 10 – Taxes

SEK '000	2010	2009
Current tax on the result for the year	-5,828	-8,589
Stamp tax on dividends	-1,644	-976
Correction of previous years' current tax expense	181	587
Deferred tax	28,695	30,657
Recorded tax	21,404	21,679

Reconciliation of consolidated recorded tax

SEK '000	2010	2009
Result before taxes	-105,153	-96,058
Tax according to Swedish tax rate of 26.3 %	27,655	25,263

Tax effect of:

Differences in tax rates for foreign subsidiaries	-4,206	1,683
Non-deductible costs	-956	-3,134
Change in unrecorded deferred tax assets	-	-111
Change in legal tax rate	2,622	-
Tax losses carried forward not valued	-2,244	-1,855
Correction of previous years' tax expense	181	587
Other	-1,648	-754
Recorded tax	21,404	21,679

Deferred tax assets and liabilities by nature

SEK '000	2010	2009
Tax loss carryforwards	143,105	118,351
Restructuring reserves	10,338	2,046
Fixed assets	-34,889	-34,860
Other items	8,595	13,682
	127,149	99,219
<u>Less:</u>		
Unrecorded deferred tax assets	-8,555	-8,685
Deferred tax assets/-liabilities, net	118,594	90,534

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

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

SEK '000	2010	2009
Deferred tax assets	149,014	119,115
Deferred tax liabilities	-30,420	-28,581
Total	118,594	90,534

Change in deferred tax

SEK '000	2010	2009
Opening value, net	90,534	59,598
Recorded deferred tax on the result for the year	28,695	30,657
Tax items charged directly against equity	-2,289	-453
Translation differences	1,654	732
Closing value, net	118,594	90,534

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 referring to tax loss carryforwards

SEK '000	2010	2009
Due within a year	592	1,167
Due within 2–5 years	1,741	1,080
Due within 6–10 years	-	-
Due within 10 years	2,531	4,114
No due date	138,241	111,990
Closing value, net	143,105	118,351

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.

	2010	2009
Result for the year attributable to shareholders (SEK '000)	-83,749	-73,964
Average number of outstanding shares (in thousands)	12,342	9,765
Earnings per share, SEK ¹⁾	-6.79	-7.57

¹⁾ Earnings per share before and after dilution.

NOTE 12 – Supplementary information – Statements of cash flow

Cash and cash equivalents

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

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

Adjustment for items not included in cash flow

SEK '000	2010	2009
Depreciation, amortization and write-downs of intangible and tangible assets	101,958	101,049
Shares in the result from jointly controlled entities	6,278	4,012
Changes in provisions that affect cash flow	21,506	-8,834
Unrealized exchange rate gains (-) / losses (+)	-12,353	-856
Capital gain/loss from the disposal of tangible assets	1,674	-8,538
Total	119,063	86,833

Paid and received interest

SEK '000	2010	2009
Paid interest	-27,234	-27,688
Interest received	922	1,135
Total	-26,312	-26,553

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 '000	2010	2009
Cash flow from operating activities	-57,782	54,647
Adjustment for financial items	28,971	31,694
Adjustment for paid taxes	7,606	7,944
Acquisitions and sales of operations	-26,754	-
Other items included in cash flow from investing activities	-42,465	-52,172
Operating cash flow	-90,424	42,113

SEK '000	Goodwill		Other intangible assets		Total	
	2010	2009	2010	2009	2010	2009
Opening acquisition value	895,591	917,684	96,994	69,568	992,585	987,252
Acquisitions, incl. acquisition of operations	–	–	10,194	32,743	10,194	32,743
Adjustment of additional purchase price	–	–	–	–	–	–
Disposals incl. sale of operations	–	–	–30,181	–2,995	–30,181	–2,995
Reclassification	–	–	124	109	124	109
Translation difference	–58,820	–22,093	–5,651	–2,431	–61,413	–24,524
Closing acquisition values	836,771	895,591	71,480	96,994	911,309	992,585
Opening accumulated amortization	–	–	–33,162	–24,328	–33,162	–24,328
Accumulated amortization in acquisitions	–	–	–	–	–	–
Disposals incl. sale of operations	–	–	29,472	2,029	29,472	2,029
Amortization for the year	–	–	–25,973	–11,841	–25,973	–11,841
Reclassification	–	–	–	–8	–	–8
Translation difference	–	–	3,058	986	–	986
Closing accumulated amortization	–	–	–26,605	–33,162	–29,663	–33,162
Opening write-downs	–690	–	–5,738	–5,738	–6,428	–5,738
Write-downs during the year	–	–690	–	–	–	–690
Disposals, incl. sale of operations	–	–	–	–	–	–
Closing accumulated write-downs	–690	–690	–5,738	–5,738	–6,428	–6,428
Net residual value	836,081	894,901	39,137	58,094	875,218	952,995

Write-down of goodwill is presented as selling expenses. During the year assets of a net book value of 124 (101) have been reclassified from tangible to intangible assets.

Amortization and write-downs specified per function in the income statement

SEK '000	2010	2009
Cost of products and services sold	–17,586	–4,772
Selling expenses	–239	–191
Administrative expenses	–8,148	–6,878
Total	–25,973	–11,841

Impairment test on goodwill

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

The recoverable amount for cash generating units is based on a calculation of useful value. Impairment tests are performed on the lowest identified cash generating level, which for Elanders corresponds to segment level and is the equivalent of the Group. This argument is based on the fact that the cash flows attributable to the acquisition goodwill from previous years that was generated more or less in one company is increasingly generated by several or all of the companies in the Group. This is a result of new and existing customers coordinating their purchases through, for example, global procurements with local deliveries worldwide.

Useful value of goodwill attributable to Elanders' cash generating unit is based on discounted endless cash flows. Cash flows for the first three years are based on budget. In the following period cash flows are assumed to have a growth rate corresponding to inflation of 2 (2) percent, which is below the company's expectations. The discount rate 9.6 (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 carrying amount for all cash generating units.

SENSITIVITY ANALYSIS

Based on the above mentioned prerequisite an increase of the discount rate with one percent unit, a reduction of growth after 3 years with one percent unit or a general reduction of cash flows by 10 percent would have indicated the need for write-down of goodwill.

NOTE 15 – Tangible assets

SEK '000	Buildings and land ¹⁾		Plant and machinery		Equipment, tools, fixtures and fittings		Fixed assets under construction ²⁾		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Opening acquisition value	75,879	79,398	782,676	864,434	99,364	99,399	7,005	3,116	964,924	1,046,347
Purchases/investments	859	–	26,661	12,755	11,388	5,717	25,710	22,068	64,618	40,540
Disposals, incl. sale of companies	–553	–	–75,754	–81,067	–1,404	–2,394	–	–	–77,711	–83,461
Reclassifications	199	141	14,632	17,980	6,310	–370	–21,266	–17,833	–125	–82
Translation difference	–8,207	–3,660	–54,271	–31,426	–8,302	–2,988	–1,067	–346	–71,847	–38,420
Closing acquisition value	68,177	75,879	693,944	782,676	107,356	99,364	10,382	7,005	879,859	964,924
Opening accumulated depreciation and write-downs	–15,697	–13,869	–440,590	–453,233	–73,542	–65,873	–	–	–529,829	–532,975
Depreciation for the year	–2,488	–2,662	–62,393	–74,328	–11,104	–11,528	–	–	–75,985	–88,518
Acc. write-downs in acquisitions	–	–	–	–	–	–	–	–	–	–
Disposals, incl. sale of companies	67	–	56,299	70,321	1,108	2,099	–	–	57,474	72,420
Reclassifications	–	50	4,894	334	–4,893	–403	–	–	1	–19
Translation difference	2,009	784	32,033	16,316	6,159	2,163	–	–	40,201	19,263
Closing accumulated depreciation and write-downs	–16,109	–15,697	–409,757	–440,590	–82,272	–73,542	–	–	–508,138	–529,829
Net residual value	52,068	60,182	284,187	342,086	25,084	25,822	10,382	7,005	371,721	435,095

¹⁾ Buildings and land include land with a book value of 489 (543).

²⁾ Fixed assets under construction include advances related to tangible assets of 9,129 (2,692).

Fixed assets for a net book value of 124 (101) have been reclassified in 2010 from tangible to intangible assets. The total tax assessment value of Group property in Sweden is MSEK 8.3 (8.3), of which MSEK 1.8 (1.8) is the tax assessment value of the land.

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

SEK '000	2010	2009
Cost of products and services sold	–70,052	–82,585
Selling expenses	–745	–887
Administrative expenses	–5,188	–5,046
Total	–75,985	–88,518

Finance leases

The net residual value of tangible assets possessed through finance leases is 30,113 (29,273). All leasing objects are reported as plant and machinery.

Future minimum lease payments for finance leases

SEK '000	2010	2009
Within 1 year	8,126	12,994
Between 1 and 5 years	14,085	12,725
More than 5 years	3,646	–
Total	25,857	25,719
Future interest expenses for finance leases	–2,626	–1,692
Current finance lease liability	23,231	24,027

NOTE 16 – Other investments held as fixed assets

Other investments held as fixed assets are primarily the shares in Webtop Solutions AS in Norway where Elanders holds 7 percent of the shares. Webtop Solutions AS is not a listed company. The holding is valued at acquisition value.

NOTE 17 – Financial instruments and financial risk management

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

EXCHANGE RISK

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

Transaction exposure

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

The Group uses forward exchange contracts to handle exchange risk exposure and hedge accounting for contracted future payment flows as well as translation of financial assets and liabilities. The hedge reserve per 31 December 2010 amounted to –265 (18) and will be returned to the income statements in 2011.

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

Translation exposure

In accordance with our established policy 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, PLN and GBP. A change in the currency rate up or down by 5 percent in of these currencies would affect profit by MSEK 2.2. In regards to net assets in foreign subsidiaries the exposure is primarily in EUR. The German operations have been partly hedged through loans in EUR. If the exchange rate in EUR changed by 5 percent it would affect equity by MSEK 10.9, including hedging effects.

INTEREST RISK

Interest risk is defined as the risk of lower profits caused by a change in interest rates. The Group's financial policy provides the guidelines for interest duration. The objective of interest management is to minimize the negative effects of changes in interest rates. The Group strives to achieve a balance between cost efficient borrowing and the risk exposure of a negative influence on profits if a sudden, substantial interest rate change should occur. A change in the interest rate up or down of 1 point would have an estimated affect on Group profit by MSEK 7.3.

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

SEK '000	Interest-bearing		Non-interest bearing
	Fixed interest	Floating interest	
Long-term receivables	-	-	13,872
Current receivables	-	-	379,137
Cash and bank	-	50,144	-
Long-term liabilities	-	-434,811	-103
Current liabilities	-	-347,534	-190,772
Total	-	-732,201	202,134

In the table above provisions for pensions are included in interest-bearing liabilities. In the table regarding categorization of financial instruments farther down in this note they are included in non-financial liabilities.

CAPITAL RISK

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

The debt/equity ratio on 31 December 2010 amounted to 0.9 (1.1) times.

The debt/equity ratio is defined as interest-bearing liabilities reduced by cash and cash equivalents in relation to recorded equity, including non-controlling interests. The Group's goal is a debt/equity ratio under 1 times.

At the end of the year employed capital amounted to MSEK 1,552 (1,602). Employed capital is defined as total assets less cash and cash equivalents and non-interest-bearing liabilities. Elanders' goal is a return on employed capital of about 10 percent long-term. In 2010 it amounted to -4.8 (-3.6) percent.

FINANCING RISK

Financing risk is defined as the risk of not being able to meet payment obligations as a result of insufficient liquid funds or difficulties in finding financing. The Group aims to always have more than one source of credit that are willing to offer financing on market terms. The Group's policy specifies a liquidity buffer of MSEK 100. On 31 December 2010 the liquidity buffer amounted to

MSEK 170 (177). See note 22 concerning due date structure for liabilities to credit facilities. The Group holds a very close dialogue with its main banks in order to mutually ensure our long-term relationship and thereby reduce financing risks.

CREDIT RISK

Credit risk is defined as the risk of a counterparty not meeting their obligations. The most crucial financial credit risk arises when trading exchange derivative instruments and investing surplus liquidity. The financial policy stipulates that financial credit risks must be limited and controlled through the sole usage of well-known financial institutions with high credit ratings. The policy lists counterparty limits and approved counterparties. On 31 December 2010 the total counterparty exposure in derivative instruments (calculated as net receivables per counterparty) was MSEK 555 (84), taking the ISDA contracts into consideration.

The commercial credit risk consists of the payment ability of customers and is handled by the subsidiaries through careful monitoring of payment 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 long-term receivables, accounts receivable and other current receivables. The Group has also taken out a credit insurance that covers bad debt losses up to MSEK 50 with an excess of MSEK 2.5. Approximately 55 percent of annual net sales are covered by insurance, however with the limits given above, and this covers almost 200 of our biggest customers with a few exceptions. In 2010 credit losses amounted to MSEK 3.5, of which MSEK 1.8 were previously reserved.

FAIR VALUE

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

HEDGE RESERVE

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

SENSITIVITY ANALYSIS

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

Variable	Change	Effect on the result after financial items, MSEK
Net sales	+/- 1 % unit	9.1
Paper cost	+/- 1 % unit	3.1
Personnel cost	+/- 1 % unit	5.8
Sick leave	+/- 1 % unit	9.1
Electricity cost	+/- 1 % unit	0.1
Interest level	+/- 1 % unit	7.3

HEDGES

To handle the Group's transaction exposure future contracted payment flows in foreign currency are hedged with forward exchange contracts. The duration of a contract corresponds to the underlying contracted orders and payment flows. The table below shows a compilation over the Group's outstanding forward exchange contracts per 31 December 2010 and 2009.

SEK '000	2010			2009		
	Nominal amount	Book value	Fair value	Nominal amount	Book value	Fair value
Forward exchange contracts	115,930	247	247	27,573	-2,173	-2,173

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

Currency allocation

SEK '000	Nominal amount	Average hedging rate	Due within a year	Due between 1-2 years	Due between 3-5 years	Due after 5 years or more
EUR/SEK	35,214	9.28	35,040	174	-	-
USD/SEK	21,608	7.04	21,608	-	-	-
GBP/SEK	23,535	11.02	23,535	-	-	-
PLN/SEK	11,854	2.26	11,854	-	-	-
EUR/PLN	23,719	4.03	23,719	-	-	-
Total	115,930		115,756	174	-	-

CATEGORIZATION OF FINANCIAL INSTRUMENTS

The categorization of financial instruments in the balance sheets for 2010 and 2009 is presented in the tables below.

2010 ASSETS								
SEK '000	Fair value through P&L	Derivative instruments in designated hedge accounting relationships	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Other financial assets	Non-financial assets	Total
Intangible assets	-	-	-	-	-	-	875,218	875,218
Tangible assets	-	-	-	-	-	-	371,721	371,721
Other fixed assets	-	-	-	10,652	2,204	1,016	150,667	164,539
Current assets								
Inventory	-	-	-	-	-	-	118,676	118,676
Accounts receivable	-	-	-	365,063	-	-	-	365,063
Tax receivables	-	-	-	-	-	-	7,930	7,930
Other receivables	-	1,291	-	12,783	-	-	13,114	27,188
Prepaid expenses and deferred income	-	-	-	-	-	-	31,843	31,843
Cash and cash equivalents	-	-	-	50,144	-	-	-	50,144
Total current assets	-	1,291	-	427,990	-	-	171,563	600,844
Total assets	-	1,291	-	438,642	2,204	1,016	1,569,169	2,012,322

2010 LIABILITIES								
SEK '000	Fair value through P&L	Derivative instruments in designated hedge accounting relationships	Available-for-sale financial liabilities	Other financial liabilities	Non-financial liabilities	Total		
Long-term liabilities and provisions	-	-	-	423,655	47,275	470,930		
Current liabilities and provisions								
Liabilities to credit institutions	-	-	-	347,534	-	347,534		
Advances from customers	-	-	-	7,917	-	7,917		
Accounts payable	-	-	-	163,249	-	163,249		
Current tax liabilities	-	-	-	-	2,239	2,239		
Other liabilities	-	1,044	-	18,562	27,313	46,919		
Accrued expenses and prepaid income	-	-	-	-	106,536	106,536		
Provisions	-	-	-	-	47,671	47,671		
Total current liabilities and provisions	-	1,044	-	537,262	183,759	722,065		
Total liabilities and provisions	-	1,044	-	960,917	231,034	1 192,995		

2009 ASSETS								
SEK '000	Fair value through P&L	Derivative instruments in designated hedge accounting relationships	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Other financial assets	Non-financial assets	Total
Intangible assets	-	-	-	-	-	-	952,995	952,995
Tangible assets	-	-	-	-	-	-	435,095	435,095
Other fixed assets	-	-	-	-	2,216	1,409	127,782	131,407
Current assets								
Inventory	-	-	-	-	-	-	95,109	95,109
Accounts receivable	-	-	-	351,516	-	-	-	351,516
Tax receivables	-	-	-	-	-	-	14,218	14,218
Other receivables	-	18	-	12,838	-	-	8,285	21,141
Prepaid expenses and deferred income	-	-	-	-	-	-	33,416	33,416
Cash and cash equivalents	-	-	-	78,856	-	-	-	78,856
Total current assets	-	18	-	443,210	-	-	151,028	594,256
Total assets	-	18	-	443,210	2,216	1,409	1,666,900	2,113,753

2009 LIABILITIES								
SEK '000	Fair value through P&L	Derivative instruments in designated hedge accounting relationships	Available-for-sale financial liabilities	Other financial liabilities	Non-financial liabilities	Total		
Long-term liabilities and provisions	-	-	-	83,098	47,205	130,303		
Current liabilities and provisions								
Liabilities to credit institutions	-	-	-	828,669	-	828,669		
Advances from customers	-	-	-	3,844	-	3,844		
Accounts payable	-	-	-	187,041	-	187,041		
Current tax liabilities	-	-	-	-	2,101	2,101		
Other liabilities	-	2,191	-	35,316	23,494	61,001		
Accrued expenses and prepaid income	-	-	-	-	104,793	104,793		
Provisions	-	-	-	-	30,937	30,937		
Total current liabilities and provisions	-	2,191	-	1,054,870	161,325	1,218,386		
Total liabilities and provisions	-	2,191	-	1,137,968	208,530	1,348,689		

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

Financial instruments and financial risk management – additional information

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 expensed.

Receivables overdue but not written-down

SEK '000	2010	2009
1–30 days overdue	27,529	30,981
31–60 days overdue	9,989	10,844
61–90 days overdue	5,066	3,249
91–120 days overdue	1,913	1,122
More than 120 days overdue	3,694	2,206
Total	48,191	48,402

Only accounts receivable are included in the table above. No other overdue receivables existed per 31 December 2010 or in 2009.

The provision for bad debts was 3,640 (6,704) per 31 December 2010.

Interest income and expenses stemming from financial assets and financial liabilities

The table below shows interest income and expenses for all financial assets and liabilities.

SEK '000	2010	2009
Interest income from financial assets	922	1,073
Interest expenses due to financial liabilities	-26,917	-30,987
Total	-25,995	-29,914

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 '000	2010	2009
Loans and receivables	-1,690	564
Other financial liabilities	2,630	-2,474
Total	940	-1,910

Infectivity in hedge accounting

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

Due date structure regarding financial liabilities

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

NOTE 18 – Inventory

SEK '000	2010	2009
Raw materials and consumables	38,926	36,059
Work in process	41,168	25,718
Finished goods	38,582	33,332
Total	118,676	95,109

Costs relating to obsolescence expensed during the year amounted to 2,783 (584) and at year-end the obsolescence reserve was 3,922 (10,777).

NOTE 19 – Prepaid expenses and accrued income

SEK '000	2010	2009
Machine rent paid in advance	5,184	6,505
Premise rent paid in advance	8,233	7,210
Other prepaid expenses and accrued income	18,426	19,701
Total	31,843	33,416

NOTE 20 – Cash and cash equivalents

SEK '000	2010	2009
Cash and bank	50,144	78,856
Cash and cash equivalents	50,144	78,856

Translation differences in cash and cash equivalents were -3,767 (5,694).

NOTE 21 – Share capital

Number of registered shares in the parent company	2010	2009
Issued per 1 January	9,764,999	9,764,999
New share issue	9,764,999	–
Issued per 31 December	19,529,998	9,764,999

	Number of votes	Number of shares	Share capital, SEK '000
A shares	10	1,166,666	5,833,333
B shares	1	18,363,332	91,816,666
		19,529,998	97,649,999

All shares are completely paid for.

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

NOTE 22 – Liabilities to credit institutions

In September 2010 Elanders signed a new two-year credit agreement with its two main Swedish banks.

The Group had a total of MSEK 884 (MSEK 951) per 31 December 2010 in credit facilities, of which MSEK 122 (99) 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 (3.9) percent.

Long-term liabilities

SEK '000	2010	2009
Finance lease liabilities	20,285	12,357
Borrowing debts	403,267	61,829
Total	423,552	74,186

Current liabilities

SEK '000	2010	2009
Bank overdraft facilities, utilized amount	313,092	419,184
Finance lease liabilities	15,610	12,882
Borrowing debts	18,832	396,603
Total	347,534	828,669

Due date structure

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

SEK '000	2010	2009
Within 1 month	1,686	804
Within 1–3 months	3,645	4,662
Within 3–12 months	29,110	404,018
Within 1–5 years	416,495	60,769
After 5 years	7,058	13,418
Total	457,994	483,671

Interest expenses for more than 75 percent of the liabilities to credit institutions are charged to Elanders quarterly in arrears. On 31 December 2010 quarterly arrears amounted to about MSEK 5.2 (5.5).

Bank overdraft facilities

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

SEK '000	2010	2009
Bank overdraft facilities, utilized amount	313,092	419,184
Bank overdraft facilities, granted amount	408,492	518,077
Unutilized amount	95,400	98,893

Pledged assets

See note 26 for information on pledged assets.

Pension provisions

SEK '000	Funded plans		Unfunded plans		Total	
	2010	2009	2010	2009	2010	2009
Present value of pension obligations	12,130	10,124	12,819	14,950	24,949	25,074
Less: The fair value of plan assets	-12,827	-10,913	-	-	-12,827	-10,913
Unrecognized actuarial gains (+) losses (-)	865	1,592	-1,728	-2,306	-863	-714
Provisions for pensions recognized in the statements of financial position	168	803	11,091	12,644	11,259	13,447

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	2010	2009
Discount rate ¹⁾	3.5	3.8
Expected future annual raises in wages	3.0	3.0
Expected inflation	2.0	2.0
Expected personnel turnover	5.0	5.0
Expected return on plan assets	3.5	3.5

¹⁾ The discount rate is based on anticipated returns from a government 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 '000	2010	2009
Opening balance	25,074	23,182
Interest on the obligation	860	972
Current year service cost	1,751	1,600
Pensions paid out	-454	-645
Translation difference	-196	-103
Actuarial profit (-)/losses (+)	568	68
Early redemption	-2,654	-
Closing balance	24,949	25,074

Change in plan assets fair value

SEK '000	2010	2009
Opening balance	10,913	9,676
Expected return on plan assets	413	372
Payments made by employer	2,029	1,762
Pensions paid out	-	-
Actuarial profit (-)/losses (+)	-528	-897
Closing balance	12,827	10,913

The actuarial profit and losses are not recorded in the income statement or balance sheet for 2010 since the Group applies the rules for the "corridor". These rules stipulate that actuarial profits and losses are entered in the income statement or balance sheet for future periods if they exceed 10 percent of the current value of pension obligations or 10 percent of the plan asset's fair value.

Net expense recognized in the income statement regarding defined benefit plans

SEK '000	2010	2009
Current year service cost	1,751	1,600
Interest on the obligation	860	972
Amortization of actuarial profit (-)/losses (+)	577	-383
Expected return on plan assets	-413	-372
Pension costs for defined benefit plans	2,775	1,817

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 34,709 (35,899).

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 reported these plans as defined benefit pension plans for the financial year 2010, since Alecia has not been able to provide the information necessary to do this. Pension plans that are safeguarded through insurance in Alecia according to ITP are therefore reported as a defined contribution plan. Fees for 2010 for pension insurance from Alecia totaled 4,031 (6,754). Alecia's surplus can be passed on to the insurance-takers and/or the insured. At the end of 2010 Alecia's surplus in the form of the collective consolidation level was 146 (141) percent. The collective consolidation level is the market value of Alecia's assets as a percentage of insurance obligations measured according to Alecia's actuarial assumptions, which are not in agreement with IAS 19.

Allocation of pension costs in the income statement

Percent	2010	2009
Cost of products and services sold	49	45
Administrative expenses	35	38
Selling expenses	16	17

NOTE 24 – Other provisions

SEK '000	2010	Provided for during the year	Utilized during the year	Reversal of unutilized amounts	Translation effects	2009
Provisions for restructuring measures						
regarding personnel	25,674	33,826	-21,135	-	-3	12,986
regarding premise costs	9,497	11,475	-3,498	-	-	1,520
regarding other	12,217	12,228	-	-	-11	-
Other provisions						
Other	5,879	2,931	-15,141	-3,361	-158	21,608
Total	53,267	60,460	-39,774	-3,361	-172	36,114
of which current	47,671					30,937

Provisions for restructuring measures are primarily for cost adjustments and reorganizations. The closing provisions are expected to be used primarily in 2011.

Other provisions are expected to be used primarily in 2011-2012.

NOTE 25 – Accrued expenses and deferred income

SEK '000	2010	2009
Holiday pay liability	27,454	30,419
Social security contributions	25,576	22,707
Accrued salaries and remuneration	6,110	7,211
Other accrued expenses and deferred income	47,396	44,456
Total	106,536	104,793

NOTE 27 – Investment obligations

There were no material investment obligations per 31 December 2010 or 31 December 2009.

NOTE 26 – Pledged assets and contingent liabilities

Pledged assets

SEK '000	2010	2009
Real estate mortgages	53,748	59,924
Floating charges	211,990	202,656
Other pledged assets	555,666	63,677
Total	821,404	326,257

Given to:

- credit institutions	821,404	326,257
Total	821,404	326,257

Contingent liabilities

Other contingent liabilities	6,973	74,769
Total	6,973	74,769

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. Other pledged assets in 2009 referred primarily to assets held under a retention of title clause.

NOTE 28 – Transactions with related parties

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

Transactions with related parties

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

Sales of products and services

SEK '000	2010	2009
Carl Bennet AB	–	42
Jointly controlled entities	182	218
Total	182	260

Purchase of products and services

SEK '000	2010	2009
Carl Bennet AB	451	535
Jointly controlled entities ¹⁾	815	9,021
Total	1,266	9,556

¹⁾ Purchases include acquisition of machines.

The transactions between subsidiaries have taken place with normal business terms and at market prices. During the year Group internal sales of products and services amounted to MSEK 135 (75). The transactions with Carl Bennet AB primarily concern costs stemming from Carl Bennet's role as Chairman of the Board in Elanders AB.

Carl Bennet AB received a guarantee provision of MSEK 2.5 in connection with the new share issue in 2010.

The following balances existed at the end of the year:

Receivables from related parties

SEK '000	2010	2009
Carl Bennet AB	1	24
Jointly controlled entities	10	–
Total	11	24

Liabilities to related parties

SEK '000	2010	2009
Carl Bennet AB	2,647	130
Jointly controlled entities	453	21
Total	3,100	151

No Board member or senior officer has or has had direct or indirect participation in any business transactions, between themselves or the Group that are or were of an unusual nature concerning the terms.

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

Peter Sommer, who is a member of Group Management and Chief Executive Officer in our German subsidiary, has an interest in a customer to the German operations, Deutsche Online Medien GmbH. He owns the equivalent of 40 percent of the shares in the company. Sales to this company during the year amounted to MSEK 57 (48). Prices were set according to market terms.

Related parties to Peter Sommer own the property where Elanders Germany GmbH runs most of its operations. During the year Elanders Germany GmbH has paid MSEK 8.2 (9.1) in rent for this property, which is on par with the market.

NOTE 29 – Acquisitions

Elanders acquired the assets and liabilities in Printpack CW – GmbH in Stuttgart, Germany in August. The company was specialized in packaging production and had a number of international customers. The contractual purchase sum was MSEK 23.6 along with the takeover of a leasing liability of MSEK 8.6. Negative goodwill of MSEK 3.9 occurred in connection with the acquisition and is accounted for as a cost in its entirety. It is difficult to ascertain to what degree the company contributed to the Group's result since it was immediately integrated into exist-ing operations in Germany. Because the acquired operations consisted of the assets and liabilities of an insolvent company it is difficult to ascertain to what degree the acquired company would have contributed to the Group's net sales and result if it had been part of the Group on 1 January 2010. We estimate that net sales in the operations in Printpack CW – GmbH were around MSEK 100 last year.

There are no acquisition costs in the total purchase price below. They have instead charged the result in 2010.

The remaining non-controlling interest in the subsidiary in Brazil was acquired in March 2010. The purchase price was MSEK 3.2 and was recognized in equity according to IFRS 3.

No acquisitions were made in 2009.

Specification of fair value adjustments

MSEK	Net book value in acquired operations	Fair value adjustments	Consolidated net book value
Intangible assets	–	4.7	4.7
Tangible assets	21.4	–	21.4
Inventory	11.5	–	11.5
Non-interest-bearing long-term liabilities	–	-1.5	-1.5
Interest-bearing long-term liabilities	-8.6	–	-8.6
Identifiable net assets	24.3	3.2	27.5
Negative goodwill			-3.9
Total purchase sum			23.6
Less:			
Unpaid purchases sums			–
Cash and cash equivalents in acquisitions			–
Negative effect on cash and cash equivalents			23.6

NOTE 30 – Events after the balance sheet date

In January 2011 Elanders signed a deal with the Swedish printer Fälfth & Hässler to take over parts of their operations. Currently Fälfth & Hässler has annual net sales of about MSEK 100. Operations taken over are expected to contribute to Elanders' net sales in the second part of 2011. The purchase sum for these operations is not expected to exceed MSEK 4.

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

INCOME STATEMENTS

SEK '000	Note	2010	2009
Net sales		-	-
Cost of products and services sold		-	-
Gross profit		-	-
Administrative expenses	1, 6, 7	-43,803	-41,666
Other operating income	2	17,197	9,074
Other operating expenses	2	-2,747	-4,834
Operating result	3, 16	-29,353	-37,426
Result from financial investments	4, 16		
Result from shares in group companies		25,015	102,675
Result from shares in jointly controlled entities	9	-7,284	-974
Interest income		8,895	7,342
Other financial income		32,125	18,699
Interest expenses		-20,157	-22,610
Other financial expenses		-24,886	-21,944
Result after financial items		-15,645	45,762
Taxes	5	6,924	13,787
Result for the year		-8,721	59,549

STATEMENTS OF COMPREHENSIVE INCOME

SEK '000	2010	2009
Result for the year	-8,721	59,549
Other comprehensive income		
Paid group contribution, net	-70,000	-67,630
Tax effect on paid group contribution, net	18,410	17,787
Total other comprehensive income	-51,590	-49,843
Total comprehensive income for the year	-60,311	9,706

SEK '000	Note	2010	2009
ASSETS			
Fixed assets			
Intangible assets	6	7,394	3,356
Tangible assets	7	529	595
Shares in subsidiaries	8	1,014,528	1,013,859
Shares in jointly controlled entities	9	1,383	8,667
Other investments held as fixed assets	10	2,093	2,093
Receivables from group companies		99,357	116,806
Other receivables		11,668	1,016
Deferred tax assets	5	135,477	108,499
Total fixed assets		1,272,429	1,254,891
Current assets			
Accounts receivable		1	575
Receivables from group companies		65,671	55,938
Current tax receivables	5	225	139
Other receivables		3,720	1,151
Prepaid expenses and accrued income		6,983	3,527
Cash and cash equivalents		640	53
Total current assets		77,240	61,383
TOTAL ASSETS		1,349,669	1,316,274
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Restricted equity			
Share capital		195,300	97,650
Statutory reserve		332,383	332,383
Total restricted equity		527,683	430,033
Unrestricted equity			
Retained earnings		181,695	63,305
Result for the year		-8,721	59,549
Total unrestricted equity		172,974	122,854
Total equity		700,657	552,887
Provisions			
Provisions for pensions and similar obligations		1,247	1,409
Other provisions	11	7,516	2,516
Total provisions		8,763	3,925
Long-term liabilities			
Liabilities to credit institutions	12, 14	238,132	-
Other liabilities		103	103
Total long-term liabilities		238,235	103
Current liabilities			
Liabilities to credit institutions	12, 14	265,801	564,257
Accounts payable		1,921	3,286
Liabilities to group companies		106,877	153,427
Other liabilities		8,648	20,649
Accrued expenses and deferred income	13	18,767	17,740
Total current liabilities		402,014	759,359
TOTAL EQUITY, PROVISIONS AND LIABILITIES		1,349,669	1,316,274
Pledged assets			
	14	788,828	21,600
Contingent liabilities			
	14	264,401	83,956

SEK '000	Note	2010	2009
Operating activities			
Result after financial items	15	-15,645	45,762
Adjustments for items not incl. in cash flow	15	-412	3,551
Paid taxes		-1,644	-986
Cash flow from operating activities before changes in working capital		-17,701	48,327
Cash flow from changes in working capital			
Increase (-) / Decrease (+) in operating receivables		-3,108	1,248
Increase (+) / Decrease (-) in operating liabilities		-12,339	6,105
Cash flow from operating activities		-33,148	55,680
Investing activities			
Acquisition of tangible assets and intangible assets	6, 7	-5,935	-78
Investment in subsidiaries	8	-669	-2,824
Paid group contributions		-70,000	-67,630
Received dividends from subsidiaries	15	-	106,050
Received amortizations on long-term receivables		1,417	290
Lending to and from subsidiaries		13,079	94,806
Cash flow from investing activities		-62,108	130,614
Financing activities			
Changes in long and short term borrowing		-112,237	-187,077
New share issue		208,080	-
Cash flow from financing activities		95,843	-187,077
Cash flow for the year		587	-783
Cash and cash equivalents at the beginning of the year		53	836
Cash and cash equivalents at year-end		640	53
Change in net debt			
Net debt at the beginning of the year		565,613	751,995
Change in interest-bearing liabilities and cash and cash equivalents		-112,986	-186,382
Net debt at year-end		452,627	565,613

SEK '000	Share capital	Statutory reserve	Retained earnings and result for the year	Total
Opening balance January 1, 2009	97,650	332,383	113,148	543,181
Total comprehensive income for the year	–	–	9,706	9,706
Closing balance December 31, 2009	97,650	332,383	122,854	552,888
New share issue	97,650	–	110,430	208,080
Total comprehensive income for the year	–	–	–60,311	–60,311
Closing balance December 31, 2010	195,300	332,383	172,974	700,657

NOTE 1 – Fees to the auditors

SEK '000	2010	2009
PwC		
Audit assignment	450	450
Audit-related services	315	200
Tax advisory services	18	–
Other services	293	181
Total	1,076	831

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 2 – Other operating income and expenses

Other operating income

SEK '000	2010	2009
Exchange rate gains	2,495	7,025
Other	14,702	2,049
Total	17,197	9,074

Other operating expenses

SEK '000	2010	2009
Exchange rate losses	–2,747	–4,834
Total	–2,747	–4,834

NOTE 3 – Personnel

The total absence due to illness in the parent company is 0.1 (0.1) percent of ordinary work hours. No other information concerning absence due to illness is provided since this can be traced to specific individuals.

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

NOTE 4 – Result from financial items

Result from shares in subsidiaries

SEK '000	2010	2009
Write-down of shares in Elanders Italy S.r.l.	–	–3,375
Dividends from subsidiaries	25,015	106,050
Total	25,015	102,675

Result from shares in jointly controlled entities

SEK '000	2010	2009
Write-down of shares	–7,284	–974
Total	–7,284	–974

Other interest income and similar items

SEK '000	2010	2009
Interest income, external	326	76
Interest income, subsidiaries	8,569	7,266
Total	8,895	7,342

NOTE 4 – Result from financial items (cont.)

Other financial income

Other financial income consists entirely of exchange rate gains.

Interest expenses and similar items

SEK '000	2010	2009
Interest expenses, external	–19,721	–21,551
Interest expenses, subsidiaries	–436	–1,059
Total	–20,157	–22,610

Other financial expenses

SEK '000	2010	2009
Exchange rate losses	–23,907	–17,798
Other financial expenses	–979	–4,146
Total	–24,886	–21,944

NOTE 5 – Taxes

Tax on the result for the year

SEK '000	2010	2009
Tax effect on group contribution	–18,410	–17,787
Withholding tax on dividends from subsidiaries	–1,644	–987
Deferred tax	26,978	32,561
Total	6,924	13,787

Reconciliation of recorded tax

SEK '000	2010	2009
Result before taxes	–15,645	45,762
Tax according to average tax rate 26.3 % in Sweden	4,115	–12,035
Tax effect of:		
Withholding tax on dividends from subsidiaries	–1,644	–987
Correction of previous year's tax expense	–85	155
Non-taxable dividends from subsidiaries	6,579	27,891
Non-deductible write-downs of shares in subsidiaries and jointly controlled entities	–1,916	–1,144
Contribution, representation and association costs	–35	–66
Other	–90	–27
Total	6,924	13,787

Deferred tax receivables

SEK '000	2010	2009
Tax loss carry-forwards	129,209	97,865
Other items	6,268	10,634
Total	135,477	108,499

NOTE 6 – Intangible assets

SEK '000	Goodwill		Other intangible assets		Total	
	2010	2009	2010	2009	2010	2009
Opening acquisition value	1,959	1,959	5,312	5,312	7,271	7,271
New investments	–	–	5,892	–	5,892	–
Disposals incl. disposals/discards	–	–	–1,000	–	–1,000	–
Closing acquisition value	1,959	1,959	10,204	5,312	12,163	7,271
Opening accumulated amortization	–588	–490	–2,301	–1,566	–2,889	–2,056
Disposals incl. disposals/discards	–	–	1,000	–	1,000	–
Amortization for the year	–98	–98	–1,756	–735	–1,854	–833
Closing accumulated amortization	–686	–588	–3,057	–2,301	–3,743	–2,889
Opening accumulated write-downs	–	–	–1,026	–1,026	–	–
Write-downs for the year	–	–	–	–	–	–
Closing accumulated write-downs	–	–	–1,026	–1,026	–1,026	–1,026
Net residual value	1,273	1,371	6,121	1,985	7,394	3,356

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

NOTE 7 – Tangible assets

SEK '000	Equipment, tools, fixtures and fittings	
	2010	2009
Opening acquisition value	1,811	1,733
Purchases/investments	43	78
Closing acquisition value	1,854	1,811
Opening accumulated depreciation and write-downs	–1,216	–1,019
Depreciation for the year	–109	–197
Closing accumulated depreciation and write-downs	–1,325	–1,216
Closing net book value according to plan	529	595

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

NOTE 8 – Shares in subsidiaries

SEK '000	2010	2009
Opening book value	1,013,859	1,008,426
Investments in subsidiaries	669	2,824
Shareholders' contribution	–	5,984
Write-down of shares in subsidiaries	–	–3,375
Closing book value	1,014,528	1,013,859

Specification of shares in subsidiaries

SEK '000	Identity no.	Registered office	Number of shares	Owned share in percent	Book value of holding
Elanders Anymedia AB	556559-5922	Stockholm, Sweden	6,000	100	13,614
Elanders (Beijing) Printing 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	51.959.310/0001-79	São Paulo, Brazil	–	100	–
Elanders Digital Hungary Kft	20-09-065926	Budapest, Hungary	–	100	–
Elanders Germany GmbH	HRB722349	Waiblingen, Germany	–	100	108,576
Elanders Printpack GmbH & Co. KG	HRB211285	Ostfildern, Germany	–	100	–
Elanders Hungary Kft	20-09-065426	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 Infomedia Systems AB	556229-6938	Stockholm, 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 Novum A/S	980849910	Oslo, Norway	–	52	63
Elanders Polska Sp. z o.o	KRS 0000101815	Płońsk, Poland	–	100	89,869
ElandersUSA Inc.	58-1448183	Atlanta, USA	–	100	82,288
Elanders UK Ltd	GB 2209256	Harrogate, Great Britain	–	100	923
Total					1,014,528

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

NOTE 9 – Shares in jointly controlled entities

SEK '000	2010	2009
Opening net book value	8,667	9,641
Write-downs	–7,284	–974
Closing net book value	1,383	8,667

Holdings in jointly controlled entities consist of the following:

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

Financial information in summary for jointly controlled entities:

SEK '000	2010	2009
Share (50 %) of:		
– total assets	1,698	8,493
– total liabilities	315	239
– net sales	89	9,233
– result before taxes	–6,278	–4,012

NOTE 10 – Other investments held as fixed assets

Other investments held as fixed assets are primarily shares in Webtop Solutions AS in Norway, where Elanders' holding is 7 percent. Webtop Solutions AS is not listed. The holding is valued at acquisition value.

NOTE 11 – Other provisions

SEK '000	2010	Provisions for the year	Utilized during the year	Release of unused amount	2009
Provisions for:					
– environmental obligations	1,500	–	–	–	1,500
– restructuring measures	5,000	5,000	–	–	–
– other	1,016	–	–	–	1,016
Total	7,516	5,000	–	–	2,516

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 – Debts to credit institutions

Long-term liabilities

All long-term liabilities are borrowing debts. Terms follow credit agreements with Elanders' banks and maturity is in September 2012.

Short-term liabilities

SEK '000	2010	2009
Bank overdraft facilities, utilized amount	257,684	296,982
Debts	8,117	267,275
Total	265,801	564,257

Elanders AB has loans in EUR and SEK. The interest rate on the loans per 31 December 2010 was in the interval 2.513–3.053 (2.610–3.206) percent.

Bank overdraft facilities

Utilized amounts and available credit in bank overdraft facilities:

SEK '000	2010	2009
Bank overdraft facilities, utilized amount	257,684	296,982
Bank overdraft facilities, granted amount	324,617	419,163
Total	66,933	122,181

NOTE 13 – Accrued expenses and deferred income

SEK '000	2010	2009
Accrued salaries and holiday pay	4,079	5,056
Accrued interest	947	9
Accrued social security contributions	5,598	5,154
Other accrued expenses and deferred income	8,143	7,521
Total	18,767	17,740

Accrued expenses contain provisions for salaries and other remuneration, including social security contributions for former employees.

NOTE 14 – Pledged assets and contingent liabilities

Pledged assets

SEK '000	2010	2009
Floating charges	3,300	3,300
Other pledged assets	785,528	18,300
Total	788,828	21,600
Given to:		
– credit institutions	788,828	21,600
Total	788,828	21,600

Contingent liabilities

SEK '000	2010	2009
Surety and contingent liabilities given for subsidiaries	264,401	83,956
Total	264,401	83,956

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

NOTE 15 – Supplementary information to the statements of cash flows

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash and bank transactions. 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

SEK '000	2010	2009
Depreciation, amortization and write-downs of intangible and tangible assets	1,963	1,030
Write-down of shares in subsidiaries	–	3,375
Write-downs of shares in jointly controlled entities	7,284	974
Other items	–9,659	–1,828
Total	–412	3,551

Paid and received interest

SEK '000	2010	2009
Paid interest	–19,432	–22,397
Interest received	8,894	7,342
Total	–10,538	–15,055

Dividends received from subsidiaries

SEK '000	2010	2009
Elanders Anymedia AB	–	15,100
Elanders (Beijing) Printing Company Ltd	15,689	42,625
Elanders Hungary Kft	9,326	32,549
Elanders Polska Sp. z o.o.	–	15,776
Total	25,015	106,050

NOTE 16 – Transactions with related parties

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

Per 31 December 2010 the parent company had issued loans to subsidiaries and jointly controlled entities for the following amounts (in thousands):

Sales of products and services

SEK '000	2010	2009
Carl Bennet AB	–	42
Total	–	42

Purchase of products and services

SEK '000	2010	2009
Subsidiaries	3,140	4,256
Carl Bennet AB	451	535
Total	3,591	4,791

In addition to the above the parent company invoices subsidiaries for outlays for services for the entire Group such as marketing, IT, auditing, insurance, etc. Invoicing for such outlays and the costs they stem from was booked net. During 2010 parent company invoicing for outlays was MSEK 27.5 (MSEK 29.0).

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.

Carl Bennet AB received a guarantee provision of MSEK 2.5 in connection with the new share issue in 2010.

The following balances existed at year-end:

Receivables from associated companies

SEK '000	2010	2009
Carl Bennet AB	1	24
Subsidiaries	165,028	172,744
Total	165,029	172,768

Liabilities to associated companies

SEK '000	2010	2009
Carl Bennet AB	2,647	130
Subsidiaries	106,877	153,427
Total	109,524	153,557

	Currency	Amount	Interest rate per 31 Dec 2010
Elanders Reprodução de Imagens Ltda	USD	2,577	2.95 %
Elanders Germany GmbH	EUR	9,300	3.53 %
Elanders Italy S.r.l.	EUR	1,344	3.50 %
Elanders Polska Sp. z o.o	PLN	4,916	6.21 %
Elanders Printpack GmbH & Co. KG	EUR	1,700	3.50 %
ElandersUSA Inc.	USD	492	2.80 %

No reserve has been required during 2010 or 2009 for the loans granted to subsidiaries. In addition to this Elanders AB has received a loan from Elanders Ltd. of KGBP 1,100 with an interest rate at year-end of 4.00 percent.

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 Group Management is reported in note 5 to the consolidated financial statements.

During 2010 Elanders AB paid (–) or received (+) Group contributions to the following companies:

SEK '000	2010	2009
Elanders Anymedia AB	–	70
Elanders Infomedia Systems AB	–	–7,300
Elanders Infologistics AB	–	–400
Elanders Sverige AB	–70,000	–60,000
Total	–70,000	–67,630

Corporate governance report

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

This corporate governance report describes Elanders' corporate governance, which is comprised of Group Management and the administration of the company operations as well as internal control regarding 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.

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 2010 there were 2,641 shareholders. On 31 December 2010 foreign ownership in Elanders was seven percent of shares and five percent of votes.

The only direct or indirect shareholding exceeding a tenth of the votes in the company per 31 December 2010 was Carl Bennet AB with 73.4 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 page 85. 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 company 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. Protocols from Elanders' Annual General Meetings can be downloaded from www.elanders.com under Investor Relations/Corporate Governance.

ANNUAL GENERAL MEETING 2010

At the Annual General Meeting 26 April 2010 the following decisions were taken:

- the adoption of the Annual Report for 2009,
- that no dividend be distributed for 2009,
- that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for 2009,
- according to a proposal in the summons grant Board and committee remuneration for a total of 2,375,000 to be divided within the Board,
- to appoint the following Board Members:
 - Carl Bennet (re-elected)
 - Göran Johnsson (re-elected)
 - Cecilia Lager (re-elected)
 - Magnus Nilsson (CEO) (new member)
 - Hans-Olov Olsson (re-elected)
 - Kerstin Paulsson (re-elected)
 - Johan Stern (re-elected)
 - Tore Åberg (re-elected),
- to appoint Carl Bennet Chairman of the Board,
- to appoint the following to the nomination committee:
 - Carl Bennet, Carl Bennet AB (re-elected)
 - Göran Erlandsson, representative for the smaller shareholders (re-elected)
 - Hans Hedström, HQ Funds (re-elected)
 - Nils Petter Hollekim, Odin Funds (re-elected)

- ▶ – **Caroline af Ugglas**, Investment AB Latour and Skandia Liv (re-elected),
- as well as adopting regulations for the nomination committee work etc. as stated in the summons to the Annual General Meeting,
- to approve the Board's suggestion in the summons for remuneration to leading senior officers.

EXTRA ANNUAL GENERAL MEETING 2010

At an extra Annual General Meeting 23 August 2010 the decision was taken to adopt the Board's proposal of a new share issue with preferential rights for existing shareholders. The new share issue comprised 583,333 new A shares and 9,181,666 new B shares and raised a total of about MSEK 215 before issue expenses.

ANNUAL GENERAL MEETING 2011

The next Annual General Meeting for shareholders in Elanders will take place at Elanders headquarters in Mölnlycke Thursday 5 May 2011. Further information about the Annual General Meeting will be published at 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), Göran Erlandsson (representative for the smaller shareholders), Hans Hedström (Carnegie Funds), Tomas Ramsälv (Odin Funds) and Caroline af Ugglas (Skandia Liv). At the end of the year the representative for Odin Funds, Nils Petter Hollekim, was replaced by Tomas Ramsälv. No remuneration has been paid to the nomination committee. The members' contact information is found in the Annual Report and on www.elanders.com under Investor Relations/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 2010

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 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 Group 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.

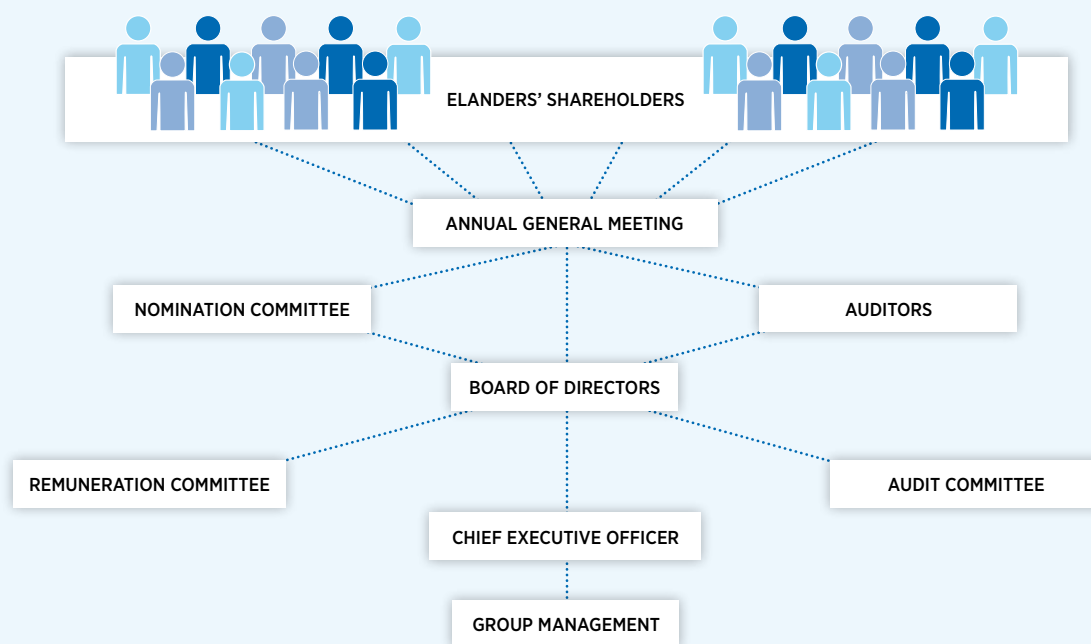
In accordance with Elanders' articles of association the Board of Directors should consist of at least three and no more than nine members with a maximum of two deputies. In 2010 the Board consisted of eight members without deputies: Carl Bennet, Chairman, Tore Åberg, Vice Chairman, Göran Johnsson, Cecilia Lager, Magnus Nilsson, Hans-Olov Olsson, Kerstin Paulsson and Johan Stern. In addition, employees were represented by Lilian Larnefeldt, and Tomas Svensson. Lena Hassini and Olof Zetterquist are deputies to the employee members. All the members of the Board elected by the Annual General Meeting have an independent relationship to the company except Magnus Nilsson. Göran Johnsson, Cecilia Lager, Hans-Olov Olsson, Kerstin Paulsson and Tore Åberg are independent in relationship to the company's largest owners. 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 formal 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 annual accounts and interim reports, a meeting dedicated to strategic matters, a meeting to adopt the coming year's budget and a constitutional meeting following the Annual General Meeting. In addition, the Board is called to further meetings as needed. The Group's external auditors participate in the meeting that deals with the annual accounts for the first nine months of the year as well as the meeting regarding the annual accounts to report on all the results of their audit.

The Board followed the meeting plan for the year. The Board also met four times to handle matters concerning the new share issue and approval of the prospectus. The Board has otherwise been involved primarily in assessing market conditions, external circumstances and business position as well as the Group's expansion strategies. Particular attention was paid to developments in the Swedish operations this year as well.

At the constitutional meeting of the Board the formal 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 2010 Tore Åberg was made Vice Chairman. The Board in its entirety is authorized to sign for the company as well as two of the following persons together: the Chairman of the Board, the Chief Executive Officer and



the Chief Financial Officer. At the meeting concerning the financial statements the Board met the auditors without the presence of the CEO or any other member from 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 below.

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 car-

● Members of the Board, remuneration, attendance, etc.

Member	Board, attendance (number of meetings)	Remuneration Committee, presence (number of meetings)	Audit Committee, attendance (number of meetings)	Remuneration (ThSEK), Board + Committee Work	Total attendance, %	Shareholding, including related parties ²⁾	Independent
Members chosen by the AGM							
Carl Bennet, Chairman	11 (11)	1 (1)	Not member	500 + 50	100	1,166,666 A 10,382,098 B	No, owner
Tore Åberg, Vice Chairman	9 (11)	1 (1)	3 (3)	250 + 125	86	16,000 B	Yes
Göran Johnsson	10 (11)	Not member	3 (3)	250 + 50	93	2,066 B	Yes
Cecilia Lager	11 (11)	1 (1)	Not member	250 + 25	100	1,600 B	Yes
Magnus Nilsson, CEO ¹⁾	7 (7)	Not member	Not member	Employee	100	16,800 B	No, company
Hans-Olov Olsson	9 (11)	1 (1)	Not member	250 + 25	82	1,700 B	Yes
Kerstin Paulsson	11 (11)	Not member	3 (3)	250 + 50	100	2,000 B	Yes
Johan Stern	11 (11)	Not member	3 (3)	250 + 50	100	65,000 B	No, owner
Employee representatives							
Lena Hassini	9 (9)	Not member	Not member	Employee	100	-	No, company
Lilian Larnefeldt	11 (11)	Not member	Not member	Employee	100	-	No, company
Tomas Svensson	10 (11)	Not member	Not member	Employee	91	-	No, company
Olof Zetterquist	9 (9)	Not member	Not member	Employee	100	200 B	No, company
Total					96		

¹⁾ Magnus Nilsson was elected to the Board at the Annual General Meeting 26 April 2010

²⁾ Shareholding per 31 December 2010.

- ried 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 2010 was 4.63 (4.38). In addition, the Chairman of the Board represents the company in ownership matters and communicates viewpoints from the owners to the Board. The Chairman of the Board is elected by the Annual General Meeting. Carl Bennet has been the Chairman of the Board since 1997.

Remuneration committee

The remuneration committee is composed of Board members with the highest competence in this field. It deals with matters concerning remuneration to the Chief Executive Officer and officers that report directly to him. Decisions concerning remuneration to other employees in management positions in the Group are made by each individual's closest superior in consultation with their closest superior, also known as the "grandfather principle". During the year the remuneration committee held two meetings during which they adopted their work plan and prepared a proposal for remuneration. During the year the remuneration committee consisted of Carl Bennet, Chairman, Cecilia Lager, Hans-Olov Olsson and Tore Åberg. The Group's guidelines for remuneration to leading officers adopted at the Annual General Meeting 2010 can be found in note 5 in the formal Annual Report and on the company's website, www.elanders.com under Investor Relations/Corporate Governance. The Board's proposal for guidelines for remuneration to senior officers, effective after the Annual General Meeting 2011, can be found on page 51. 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 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, observance of related laws and regulations as well as the auditing in the Group. The committee also evaluates the external auditors' qualifications and independence. The audit committee reports their observations on a regular basis to the Board and provides, as needed, external auditor candidates to the 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 2010. The auditors reported on the audit of the nine month report, the annual accounts, the company's situation with the Code of Corporate Governance and internal control in the subsidiaries were discussed. The members of the audit committee in 2010 were Tore Åberg, Chairman, Göran Johnsson, Kerstin Paulsson and Johan Stern.

Chief Executive Officer

The Chief Executive Officer is the President of the Group, a member of the Board and leads the Group's operations. The Chief Executive Officer's work is steered by the Companies

Act, other laws and regulations, current laws for listed companies including the Code, the articles of association and the framework established by the Board in, among other things, the CEO instruction. The Chief Executive Officer is authorized to sign for the company in daily management in accordance with the Companies Act as well as sign for all 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 CEO 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 Magnus Nilsson 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 China and Great Britain, Per Brodin, MD for Poland, Jonas Brännerud, MD for Sweden and Brazil and responsible for Poland and Norway, Peter Sommer, MD for Germany and Hungary and responsible for the Italian and North American operations as well as Andréas Wikner, CFO. Group Management meets once a month, often in conjunction with a visit to a unit within the group and minutes are kept.

The Board's report on internal control regarding financial reporting

The purpose of internal control regarding financial reporting is to insure that it is reliable and that the financial reports follow generally accepted accounting principles and otherwise follow applicable laws and regulations concerning listed companies. 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 CEO 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. These units represent a total of 76 percent of total net sales in the Group. The framework for internal control regarding 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 company 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. Elanders has a number of internal control systems to ensure the quality of its financial reporting, primarily consisting of the Accounting Manual, Financial Policy and Information Policy.

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 minimum requirements for internal control regarding the 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 assessment a number of areas with need for improvement were identified and measures were 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 regarding 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 that was performed in 2010 has been studied by the company's external auditors. Conclusions from this particular audit have been reported to the audit committee.

Special audit function, internal audit

Elanders does not have a special internal audit function at the moment. This function is performed by Group Management and Group Finance, supported by the audit committee and the external auditors. The Board annually evaluates the need for an internal audit function but so far, considering the size of the Group and Group Management's operative character, it does not believe a special audit function would be of any significant advantage. A continuous dialogue between the company and the external auditors together with the controls carried out by Group Management is considered sufficient to ensure that internal controls are kept on an acceptable level. This assessment is regularly evaluated and the matter will be tested once again in 2011.

External auditing

The Annual General Meeting 2008 chose for a period of four years the authorized public accounting company PricewaterhouseCoopers AB with the authorized public accountant Mikael Eriksson as head auditor, assisted by the authorized public accountant Johan Rippe. 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 annual accounts. The auditors also participate in the Board meeting dealing with the report for the first nine months of the year. ■

Appropriation of profits

[This is a translation of the Swedish original.]

The Board of Directors and Chief Executive Officer hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles 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 172,973,648 in the parent company at the disposition of the General Annual Meeting should be dealt with accordingly:

balance to be carried forward, SEK 172,973,648.

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

This Annual Report will be presented at the Annual General Meeting 5 May 2010 for adoption.

Mölnlycke 18 March 2011

Carl Bennet
Chairman of the Board

Tore Åberg
Vice Chairman of the Board

Cecilia Lager

Göran Johnsson

Hans-Olov Olsson

Kerstin Paulsson

Lilian Larnefeldt

Johan Stern

Tomas Svensson

Magnus Nilsson
Chief Executive Officer

Our auditor's report was presented on 18 March 2011
PricewaterhouseCoopers AB

Mikael Eriksson
Authorized Public Accountant
Head Auditor

Johan Rippe
Authorized Public Accountant

Auditor's report

[This is a translation of the Swedish original.]

To the annual meeting of the shareholders of Elanders AB (publ)
Corporate identity number 556008-1621

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Elanders AB (publ) for the financial year 2010. The company's annual accounts and the consolidated accounts are included in the printed version on pages 48–88. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of

Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Auditor's report on the Corporate Governance Statement

It is the board of directors and the managing director who is responsible for the corporate governance statement on pages 83–87 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the corporate governance statement has been prepared and is consistent with the other parts of the annual accounts and the consolidated accounts, we have read the corporate governance statement and assessed its statutory content based on our knowledge of the company.

A corporate governance statement has been prepared and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Göteborg 18 March 2011
PricewaterhouseCoopers AB

Mikael Eriksson
Authorized Public Accountant
Head Auditor

Johan Rippe
Authorized Public Accountant

ELANDERS' BOARD OF DIRECTORS

TÖRE ÅBERG b. 1942

Deputy Chairman of the Board.

Elected in: 2001.

Education: Bachelor of Science (Econ.).

Appointments on the Elanders' board:

Chairman of the audit committee and member of the remuneration committee.

Other appointments: Member of the board of Tellbe AB and Tellbe Vietnam Ltd Co.

Shareholding: 16,000 class B shares.

CECILIA LAGER b. 1963

Member of the Board.

Elected in: 2009.

Education: Business Administration.

Appointments on the Elanders' board:

Member of the remuneration committee.

Other appointments: Chairman of the board of Föreningen Enskilda Gymnasiet. Member of the board of Max Mathiessen Värdepapper AB, Kungl. Tennishallen AB and Kvinvest AB.

Shareholding: 1,600 class B shares.

MAGNUS NILSSON b. 1966

Member of the Board.

President and CEO of Elanders AB.

Elected in: 2010.

Education: Education in Graphic Technology, Design, Business Administration and Marketing.

Shareholding: 16,800 class B shares.



CARL BENNET b. 1951

Chairman of the Board.

Elected in: 1997.

Education: Bachelor of Science (Econ.) Dr. Technol. h.c.

Appointments on the Elanders' board:

Chairman of the nomination committee and the 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, L E Lundberg-företagen AB and SSAB.

Shareholding: 1,166,666 class A shares and 10,382,098 class B shares.

GÖRAN JOHNSSON b. 1945

Member of the Board.

Elected in: 2006.

Education: Elementary school and education within the trade unions.

Appointments on the Elanders' board:

Member of the audit committee.

Other appointments: Chairman of the board of Calmando AB and Unions-konsult in Rådhusgruppen AB. Deputy chairman of EKN. Member of the board of IQ-Initiativet AB, Sveriges Television AB, the University of Umeå and Stockholm Business Region AB.

Shareholding: 2,066 class B shares.

HANS-OLOV OLSSON b. 1941

Member of the Board.

Elected in: 2007.

Education: Master of Science (Pol.), Honorary Doctor of Economics at the School of Business, Economics and Law at the University of Gothenburg.

Appointments on the Elanders' board:

Member of the remuneration committee.

Other appointments: Chairman of the board of Chalmers Tekniska Högskola AB. Sr. Industrial Advisor to N M Rothschild & Sons. Deputy chairman of Volvo Personvagnar AB. Member of the board of Aktiebolaget SKF and Geely Sweden AB.

Shareholding: 1,700 class B shares.

KERSTIN PAULSSON b. 1963

Member of the Board.

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 b. 1950

Employee representative.

Storage/Distribution, Elanders Sverige AB.

Elected in: 2009.

Education: College Diploma in Business Administration from Vasa Handelsläroverk.

Shareholding: None.

LENA HASSINI b. 1961

Deputy employee representative.

Premedia/Prepare, Elanders Sverige AB.

Elected in: 2008.

Education: Upper secondary education.

Shareholding: None.



JOHAN STERN b. 1951

Member of the Board.

Elected in: 1998.

Education: Bachelor of Science (Econ.).

Appointments on the Elanders' board:

Member of the audit committee.

Other appointments: Chairman of the board of Fädriften Invest AB and HealthInvest Partners AB. Chairman of the foundation Harry Cullbergs fond. 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.

TOMAS SVENSSON b. 1957

Employee representative.

Printer operator, Elanders Sverige AB.

Elected in: 2007.

Education: Typographer.

Shareholding: None.

OLOF ZETTERQUIST b. 1964

Deputy employee representative.

Transport Manager and IT development, Elanders Sverige AB.

Elected in: 2009.

Education: Graphic college education and journalist.

Shareholding: 200 class B shares.

ELANDERS' GROUP MANAGEMENT

MAGNUS NILSSON b. 1966

President and CEO. Responsible for the operations in Great Britain and China.

Education and Background: Active within the graphic industry since 1987, started as business developer with Elanders in 1999. Head of production in Elanders operations in Hungary during 2002. Managing director of Elanders Berling Skogs Grafiska AB and Elanders Skogs Grafiska AB during 2003-2005. Managing director for the operations in China 2005-2009. Education in Graphic Technology, Design, Business Administration and Marketing.

Shareholding: 16,800 class B shares.

ANDRÉAS WIKNER b. 1971

Chief Financial Officer.

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: 1,000 class B shares.



PER BRODIN b. 1961

Director Global Business. Managing director of Elanders Polska Sp. z o.o.

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. Managing director of Elanders Hungary Kft during 2002-2009.

Shareholding: 25,000 class B shares.

JONAS BRÄNNERUD b. 1982

Managing director of Elanders Sverige AB and Elanders Reprodução de Imagens Ltda. Responsible for the operations in Norway and Poland.

Education and Background:

Employed since 2008. Master of Science (Econ.). Has previously been working within Elanders' units in China and Hungary.

Shareholding: 5,000 class B shares.

PETER SOMMER b. 1957

Managing director of Elanders Germany GmbH and Elanders Hungary Kft. Responsible for the operations in Germany, USA, Hungary and Italy.

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: None.

AUDITORS AND NOMINATION COMMITTEE

● AUDITORS

PricewaterhouseCoopers AB with the authorized public accountants:

Mikael Eriksson b. 1955.

Head auditor since 2008.

Other appointments: G&L Beijer Ref AB, Midway Holding AB, Sveaskog AB, Readsoft AB, Beijer Electronics AB and Confederation of Swedish Enterprise.

Johan Rippe: b. 1968.

Company auditor since 2008.

Other appointments: Getinge AB and AB Volvo.

● THE NOMINATION COMMITTEE

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

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

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

Tomas Ramsälv: Representative of Odin Funds, telephone +46 407 14 00.

Caroline af Ugglas: Representative and Head of Equities at Skandia Liv, telephone +46 8 788 33 50.

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info@elanders-printpack.com

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SPECIFIC TERMS

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

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.

DIRECT MARKETING, DM is a target group oriented marketing method that generates a high response frequency and measurable follow-up.

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

FULFILMENT This term is increasingly used, particularly in the automotive industry, to describe a number of steps in the process between printing and distribution. They can include packaging for end customers, 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.

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

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

PARALLEL/MEDIA INDEPENDENT PUBLISHING

This entails publishing information in several media at the same time without reworking it. It's possible, for example, to publish an encyclopedia as a CD, via the Internet and as printed matter. This is also called parallel publishing.

PREMEDIA is 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.

SUPPLY CHAIN MANAGEMENT The term is used to describe managing and coordinating the activities in an entire supply chain of services and products that includes procurement, purchasing and logistics.

TIME-TO-MARKET Normally the time it takes between the moment a product or service is conceived until it reaches its recipient on the market. It can be expressed in time, in an exact schedule, in minimizing resources needed or in the flexibility to adapt to sudden fluctuations in the market.

WEB-TO-PRINT (W2P) is a Web-based order interface where the production and distribution of information and marketing material can easily be ordered and made accessible for editing and ordering via the Internet.

ECONOMIC DEFINITIONS

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

ADDED VALUE RATIO Added value in relation to net turnover.

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

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

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

CAPITAL TURNOVER RATE Net 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 amortisation; operating result plus depreciation 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 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.



WELCOME TO THE ANNUAL GENERAL MEETING

Shareholders in Elanders AB (publ) are welcomed to the company's Annual General Meeting Thursday 5 May 2011 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 Friday 29 April 2011. Intent to participate must be reported by 2 May 2011, 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 Friday 29 April 2011. 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 00 00, fax +46 31 750 07 25, via e-mail arsstamma@elanders.com, or via the company website www.elanders.com. Please include name, personal or organization number, address and telephone number, number of shares and, if applicable, the number of assistants (no more than two), that will assist at the Annual General Meeting.

The Annual General Meeting will handle the matters stipulated in the articles of association together with any other business named in a separate summons.



CALENDAR

Annual General Meeting

5 May 2011

Interim Report Q1

5 May 2011

Interim Report Q2

13 July 2011

Interim Report Q3

28 October 2011

Annual Accounts 2011

27 January 2012

Annual Report 2011

30 March 2012

DISTRIBUTION POLICY

Elanders' Annual Report is distributed to all shareholders. In 2010 all shareholders received a letter where they could inform us if they did not wish to receive the printed Annual Report. Those who did not answer will receive the Annual Report by mail.

New shareholders are welcomed with their own copy of the Annual Report but it is possible to unsubscribe from future printed reports (the Annual Report is also distributed to Elanders' customers and other interested parties).

To unsubscribe from future printed Annual Reports from Elanders please go to www.elanders.com/annualreport.

It is possible to download the Annual Reports both in Swedish and English from Elanders' website. The Annual Report is published on the website four weeks before the Annual General Meeting, this year 7 April and the meeting is held 5 May. The digital version is first published in Swedish then in English three weeks later. Those interested can via the website read Elanders' Annual Reports from the last ten years and order printed Annual Reports five years back.

CLIMATE NEUTRAL ANNUAL REPORT

There have been tremendous developments concerning the environment in the past few years and ecolabeled printed matter has become standard. Elanders makes every effort to further this development. We do it for the

environment, for our customers, for ourselves and for the future. Naturally this Annual Report is both Swan ecolabeled and FSC® labeled. It is also a climate neutral product.



PRODUCTION FACTS

Production: Elanders AB in collaboration with Rubrik PR AB and Brolin form & kommunikation.

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Some copies, sent to shareholders and others, have been personalized with their name on the covers.

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



