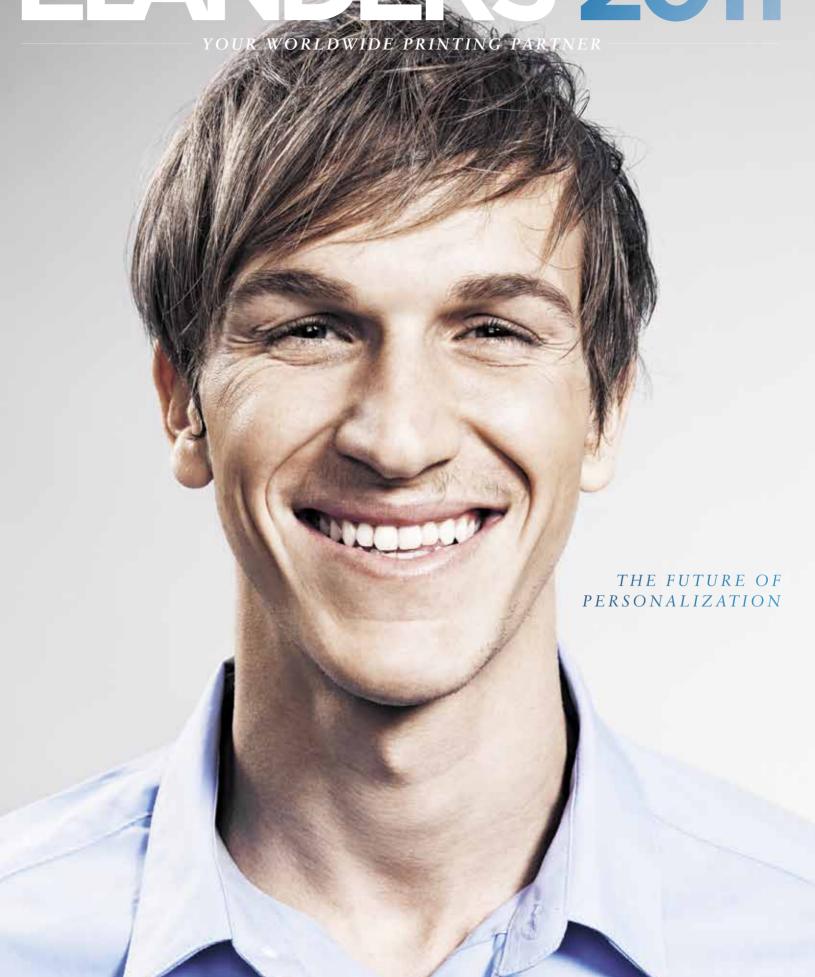
ELANDERS 2011



WE BELIEVE YOU WANT TO BE YOURSELF...

This year's edition of Elanders' Annual Report is different from its predecessors. All you have to do is compare the covers to understand that Elanders and the graphic industry are at a crossroads.

Digitalization has changed the whole situation in our industry. It is driving the structural changes that Elanders participates wholeheartedly in. Digitalization is not only changing the graphic industry. Almost every business is facing the choice of embracing or ignoring developments. We at Elanders have made our choice.

Mass communication and digitalization are intertwined. Users and recipients have become senders, producers and opinion makers. In some countries they have been so successful that they have forced corrupt regimes and dictators to abdicate.

At the same time the communication buzz is getting louder and louder as publication channels multiply. Being seen and heard in the wave of information that washes over consumers and companies is becoming increasingly difficult.

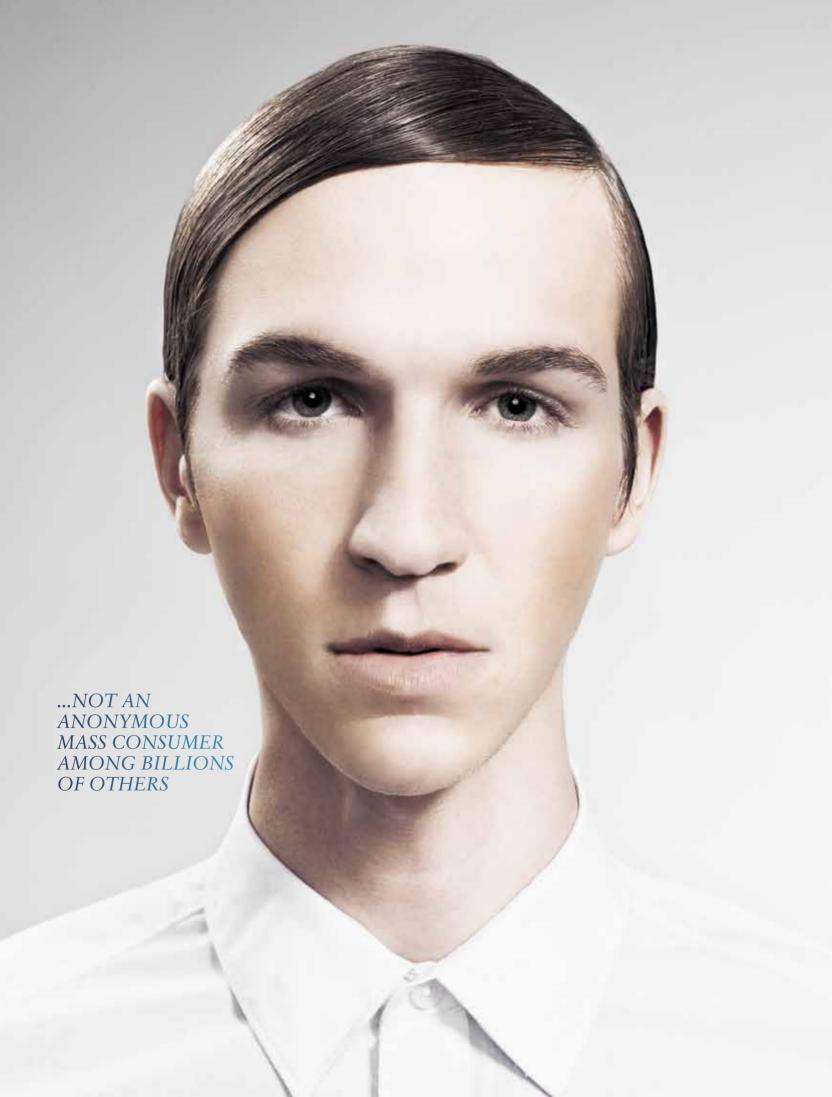
Cutting off communicating isn't an option so you have to make yours smarter and more captivating than the competition. Attention must be earned. With this in mind we felt it was time to get personal and that's the theme of this Annual Report.

At Elanders we believe in the individual, the person, the relation. It's the core of our operations. It's why we are leaders in developing printed, personalized communication.

Take a trip with us back through 2011 and see the future from our perspective.

Welcome to the Elanders Annual Report.

Magnus Nilsson President and CEO





6 TRENDS & ANALYSIS

A necessary and sometimes painful restructuring of the graphic industry is going on nationally and globally.

11 WINNERS & LOSERS

According to the market research company Pira International Ltd there are obvious winners and losers as the battle for customers' attention

12 ELANDERS' OFFER

Few other printing groups have Elanders' broad offer. Here are some highlights from production in 2011

16 THE YEAR IN SUMMARY

2011 in the Elanders Group was characterized by good financial results combined with new acquisitions.

18 ACT GLOBAL PRINT LOCAL

Elanders has operations on four continents in a total of ten countries and growing global cooperation between our production units.

20 CEO INTERVIEW

Almost three years have passed since Magnus Nilsson became President and CEO of Elanders. In this article he talks about the Group's development and what drives him personally.

24 Goals & Strategies

A company develops best if it has a clear business concept and vision. Here you can read about Elanders' goals and strategies.

28 COMMERCIAL PRINT

Commercial Print is Elanders' largest product area. By adding personalization and cooperating across borders we have created a unique position for ourselves.

38 WEB-TO-BUSINESS

Elanders has brought together a number of e-commerce solutions under the W2B product area and we're prepared to expand quickly, both organically and through acquisitions. W2B has a bright future.





Making the cover

Daniel Grizelj is the Gothenburg-based photographer selected to visualize the visions of the future given in the Annual Report.

Make-up artist Maria, model Daniel and AD Pär worked an entire day with Daniel in his studio to get the right feeling in the photos.

The greatest challenge for the team was to capture the term "mass communication" and its opposite, personalization, in Elanders' different product areas.

44 PACKAGING

The packaging market is enormous and everything points to continued expansion. We currently offer a wide range of solutions.

50 SUSTAINABLE DEVELOPMENT Successful environmental and quality work go hand-in-hand and benefit from each other. For years Elanders has been a role model in the industry by putting a focus on environmental issues.

 $56\ \mathrm{FIVE}\ \mathrm{YEARS}\ \mathrm{IN}\ \mathrm{SUMMARY}$ The positive trend in Elanders continues. The year finished with a ten percent increase in net sales. Here are the most important events between 2007 and 2011.

60 ownership structure & the share

A presentation of the largest shareholders and the development of the Elanders' share.

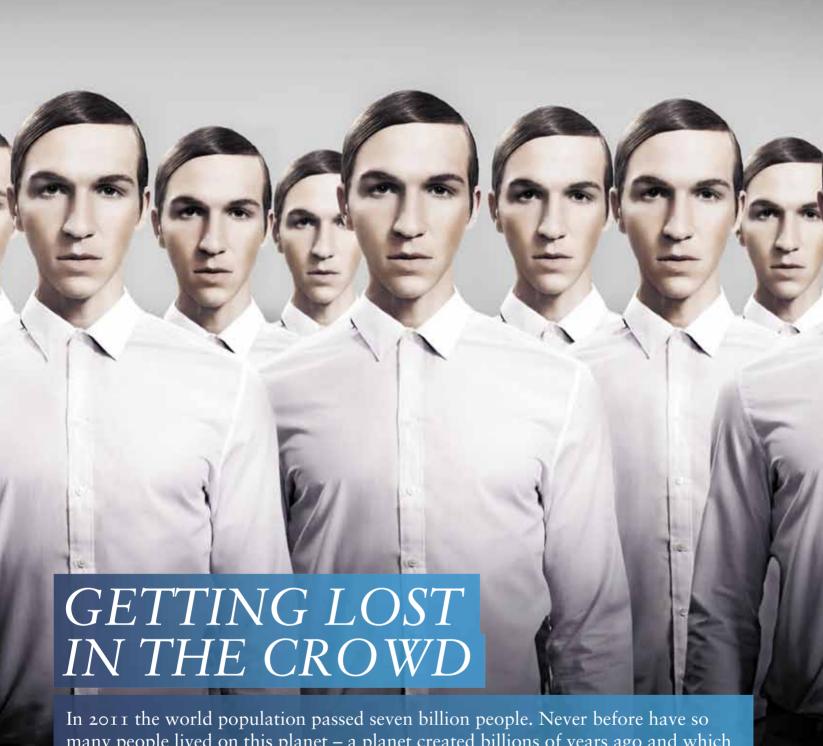
62 RISK & SENSITIVITY ANALYSIS All business operations face different kinds of risks. Elanders focuses on prevention.

66 THE FINANCIAL REPORTS

120 board of directors

122 GROUP MANAGEMENT





many people lived on this planet – a planet created billions of years ago and which has not gotten any bigger since.

Today's information technology has made the world noticeably smaller, metaphorically speaking. Mass communication has become a common concept and now it can be accompanied with highly detailed and personalized information.

And this is exactly the way things are. Regardless of the fact that we have seven billion brothers and sisters all over the world, we are all unique individuals with very different situations and needs.

At Elanders, our personalized solutions mean we see each person as the unique individual they are!



MAKE IT We live in exciting times. There have never been so many ways to communicate between people and PERSONAL many ways to communicate between people and between companies and their customers. The rise in publishing channels is dramatic and there is always some new phenomena that wants to become an influential force in the media mix.

ROLES HAVE CHANGED. PREVIOUSLY CUSTOMERS AND CONSUMERS WERE PASSIVE RECIPIENTS. TODAY THEY ARE ACTIVE SEEKERS.

TEST AND TEST AGAIN

New channels are launched continuously but very few existing media disappear. This is why testing and measuring is becoming more and more vital to finding the ultimate mix.

TRADITIONAL ADVERTISING TAKES A BEATING

Greater consumer and customer power doesn't just change roles. We are also changing how we organize our professional and private lives. If you don't want banners with ads on your screen or watch advertisements on TV you can omit them as easily as saying no to direct mail.

GROWING TRANSPARENCY

When Internet started up a number of people already predicted that more and more industries would be subject to hyper competition. Now we're there. Practically every service and offer can be checked and compared with just a few clicks.

SHIFT IN ROLES FOR PRINTED MEDIA

Many self-proclaimed experts projected a quick death for printed media as soon as digitalization took off. That's not how it turned out. Lots of printed products still have a natural role in the media mix and they are particularly strong in the packaging industry. However, in many other cases the role of printed media will be more focused on directing traffic to websites.

SMALLER BUT MORE NUMEROUS EDITIONS

Everything seems to indicate that the number of printing assignments will not decrease in the years come but editions will be smaller. To a much greater extent printed matter will only be sent to recipients who have ordered it. For every company who claims to work with sustainable development this is a cost-efficient and credible development.

WINNERS

ACCESSIBILITY



Everything is fast today. You can order goods and services 24/7 regardless of where you are. Customers expect companies to respond immediately and be extremely available. It's no coincidence that some companies have moved their customer service to Facebook.

SEARCHABILITY



In just over ten years American Google has become one of the highest valued companies in the world with its advanced search service that has even become a verb - to google. More powerful and increasingly accurate search engines are part of the reason why this section of the advertisement market is growing the fastest.

TRANSPARENCE



Corporate bullshit is not recommended. Almost any claim or fact can easily be verified. Modern society has a transparency that was not possible previously and it affects anyone who wants to provide information.

CREDIBILITY



High credibility is closely related to transparency. Neither companies nor organizations should claim to be something they are not. You have to practice what you preach to be credible.

THE MYRIAD OF CHANNELS has made many companies and organizations unsure. How, what and to whom do you communicate in order to get the best effect? Budgets are almost always limited and it's important to find the right media mix.

But the crucial change is not the host of channels. The paradigm shift lies in the fact that traditional mass communication is becoming less important. People want to be approached and treated like the individuals we all are.

Marketing and information departments all over the world are working frenetically to understand the new media landscape and find their way in an ever changing environment. However, there are some changes that can be identified as both trailblazing and here to stay:

CHANGED ROLES

Previously customers and consumers were passive recipients. Today they are active seekers. The word consumer power has taken on a whole new meaning. Naturally companies try to present what and who they are but customers and consumers have the final say.

A BROADER AND MORE COMPETITIVE OFFER

Elanders' offer is divided into three product areas: Commercial Print, Packaging and W2B. The product areas have different circumstances and markets but one common denominator; they can all be combined with personalized information or print.

COMMERCIAL PRINT is Elanders' origin and represents the lion's share of our range and net sales. Competition is fiercest in this section of the market and Elanders actively contributes to structural changes by making strategic acquisitions. The traditional graphic industry that offers simple printing services like newspapers, catalogues, direct mail etc. was hit hard by the economic crisis in 2008 and the natural elimination of unprofitable players is taking place all over the world.

However, Elanders has an advantage over several smaller competitors since the company can offer print in low-cost countries. For instance, Polish operations are a part of the Swedish organization and the Hungarian operations are considered part of the German organization. Our ability to offer the customers the same print quality at a lower price was successful in 2011 and will be developed further in the coming years.

Commercial Print includes magazines, books, catalogues and other information and marketing material. Manuals and product information are also included in this category and they have been Elanders' successful mainstay for many years. Manuals, however, have gone through a transformation in recent years. They are simpler, thinner and part of the information that was previously printed is now delivered digitally. To compensate for this Elanders also offers printing of the packaging and fulfillment in combination with production of the manual.

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

PACKAGING, is becoming an increasingly important component in how companies nurture their brands or when they want to clinch a purchase as a customer walks through a store. Elanders offers an entire range from simple boxes to exclusive handmade packaging and everything from small to enormous editions.

Another competitive advantage Elanders has is that we offer personalized print on packaging. You will find a number of examples of this later on in the Annual Report.

The strongest trend in packaging is that it is becoming more exclusive, expensive and requires more advanced technology to produce. In addition to the home and electronics industries, Elanders has in recent years won orders from pharmaceuticals and the food and cosmetics industries.

WEB-TO-BUSINESS (W2B) is a relatively young product area for Elanders but it's growing quickly and its future is exciting. It's a prioritized development area where the personalization element is more tangible than in any other product area.

This product area is characterized by the use of specially designed websites where customers can put in their orders and in some cases follow the entire process from order to delivered printed matter.

Our strategy is to serve Elanders' existing customers in the best way possible via order portals and to be the best global supplier for customers that are focused on W2P. Included in this strategy is continuing to develop our own technical solutions and use the experience that we have. Volumes have increased as more and more customers want to design their own personalized photo books, calendars and other printed material.



WINNERS AND LOSERS

IN AN INDUSTRY that is pressured to transform and is undergoing clear structural changes there are a number of winners and losers. The international market research company Pira International Ltd (Pira) has compiled the development of the printing industry since 2006 and it has also made a projection as far as 2016.

The changes that have taken place until now will probably continue until 2016. The survey shows that books and magazines will slowly decrease in terms of total editions while the drop in newspapers will be much faster with a tangible decline in coming years. Catalogues will have the same negative curve as newspapers.

So who are the winners? Well, first of all print that can add value, like personalized information. Packaging will also develop strongly even if this category is tied to the business cycle. Pira believes

that packaging will be the big winner, growing from today's levels by around four percent in 2016.

DEVELOPMENT OF GLOBAL PRINTING VOLUMES - PER CATEGORY 2006-2016

(MUSD)

	2006	2008	2011	2012	2016
Books	38,527	39,803	35,917	35,080	32,130
Magazines	72,597	74,411	69,211	68,561	67,114 🔿
Newspapers	54,487	54,690	48,181	46,564	41,437
Advertising	111,295	113,857	108,281	108,159	109,012 🔿
Catalogues	47,972	46,834	37,109	35,506	30,427
Commercial	155,361	157,100	150,571	153,127	157,732 🗷
Directories	17,764	17,869	16,409	15,920	14,101
Security	16,005	14,393	13,485	13,440	15,017 🔿
Transactional	10,613	11,729	11,728	11,960	14,115 7
Packaging	248,700	261,050	270,639	279,971	324,327 1
Labels	30,798	30,390	29,724	31,495	39,865 ↑
Total	806,123	824,135	793,269	801,796	847,293 1

The arrows to the right of the table indicates the development between 2012-2016.

MUCH MORE THAN JUST PRINT

Last year was not only financially successful. Some of our most challenging and exciting assignments in 2011 are presented on this and the next pages. The common denominator is that our customers have had special requests that Elanders has been able to meet, and in some cases more than one of our production units have been involved.



LAMMHULTS/ PUBLISHER ARENA

PRODUCT: Book & packaging PRODUCTION: Elanders in Sweden and China

DESCRIPTION:

The book Gunilla Allard Designer, Scenograf is written by Hedvig Hedgvist and is the result of cooperation between the designer Mats Fredriksson, the publisher Arena and the furniture company Lammhults where Gunilla Allard has been active since the end of the 1980s. The book is produced in Sweden and was launched at the Book Fair 2011 in Gothenburg in becoming handmade packaging from Elanders in China.

THOMAS SABO

PRODUCT:

Exclusive packaging **PRODUCTION:**

Elanders in Germany and China

DESCRIPTION:

Elanders is a top producer of the most exclusive packaging on the market. We have created a series of luxury packaging for Thomas Sabo's jewelry, perfumes and other accessories. We know how to meet the demands of trendy customers.



SECO TOOLS

PRODUCT:

Product catalogues & packaging

PRODUCTION:

Elanders in Sweden, China and Poland

DESCRIPTION:

Producing the Swedish industrial Seco Tools' six product catalogues in 22 languages in an edition of 75,000 copies was Elanders' single largest project since directories. The catalogues are packaged and delivered to retailers and distributors in more than 50 countries together with a DVD, a sales brochure and a personnel magazine, all wrapped up in packaging from Elanders in China.





ASTON MARTIN

PRODUCT:

Manual
PRODUCTION:

Elanders in
Great Britain

DESCRIPTION:

Elanders produces manuals and product information in many shapes to a number of prestigious brands in the automotive industry, among them the luxury sport car brand Aston Martin.

SVENSKA CELLULOSA AKTIEBOLAGET, SCA

PRODUCT:

Annual and Sustainability Reports **PRODUCTION:** Elanders in Sweden

DESCRIPTION:

Every year Elanders produces and distributes Annual and Sustainability Reports for more than 100 Swedish companies. One of these is Svenska Cellulosa Aktiebolaget SCA, a global hygiene and paper company which provides essential products that improve the quality of everyday life. Their Annual and Sustainability Reports are printed on paper certified by both the Swedish ecolabel the Swan and FSC®, and are climate neutral.





IDG **SWEDEN**

PRODUCT:

Magazines PRODUCTION:

Elanders in Sweden

DESCRIPTION:

IDG is the largest media company in IT/technology, environment, Life Science and business, in Sweden and the world. Elanders produces a total of 16 Swedish titles such as MacWorld, Cap&Design, Internet world, Miljöaktuellt, the music magazine Studio and a number of photo magazines. They are all certified by the Swedish ecolabel the Swan.



PHOTOCREATOR

PRODUCT:

Photo books, calendars, wedding photographs, paintings
PRODUCTION:

Elanders in Great Britain

DESCRIPTION:

For many years Elanders has sold, produced and distributed photo books in Great Britain under the brand Photocreator. The British TV channel Channel Five tested photo books from 15 suppliers and Elanders was named the best British supplier in the test and the third best of all.



THIS HAPPENED IN 2011

OPERATING RESULT amounted to MSEK 110 (MSEK -76). The result was affected by one-off items of MSEK -25 (-59).

NET RESULT

amounted to MSEK 60 (-84) or SEK 3.09 (-6.79) per share.

THE FORECAST

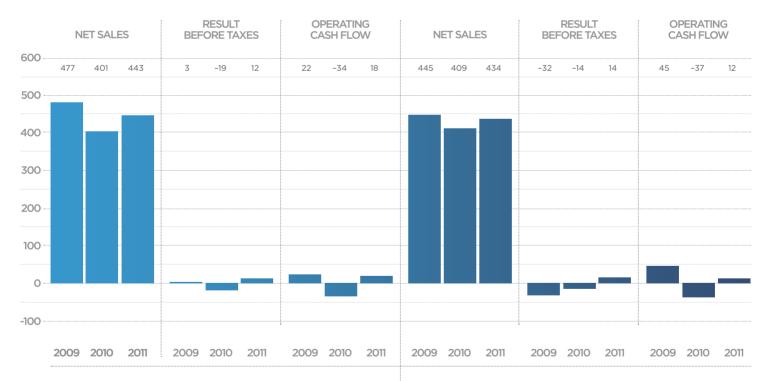
for 2012 is increased net sales and results compared to 2011, excluding one-off items.

ELANDERS

continues to actively participate in the structural change in the Swedish printing industry. During 2011 some operations in the Swedish sheet printers Fälth & Hässler and NRS Tryckeri were acquired.

INVESTMENTS IN

personalized print and packaging resulted in several new orders and contributed to higher net sales and the improved result.



FIRST QUARTER

- Net sales increased by 11 percent and amounted to MSEK 443 (401).
- Forecast for full year 2011 was reiterated with an expected positive result before taxes.
- Continued price press in the industry created by surplus capacity.

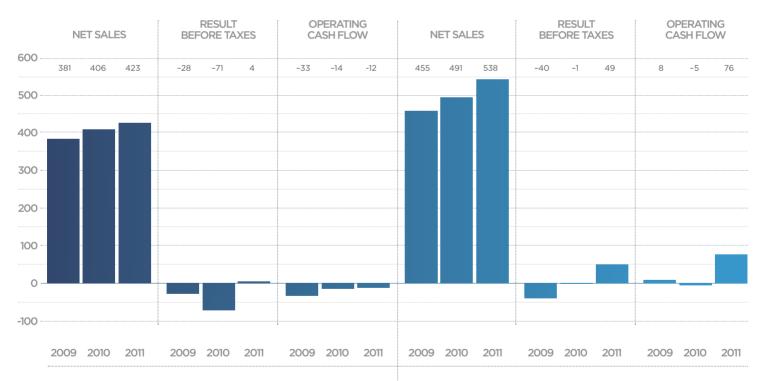
SECOND QUARTER

- Net sales increased by 6 percent and amounted to MSEK 434 (409).
- The positive development was due primarily to success in Poland, Sweden, Germany and Hungary.
- Personnel from the sheet-fed printer Fälth & Hässler went over to Elanders on 1 April.

FIVE YEARS IN SUMMARY

	2011	2010	2009	2008	2007
Net sales, MSEK	1,838.8	1,705.9	1,756.7	2,191.2	2,035.6
Operating result, MSEK	109.8	-76.2	-60.1	16.0	226.8
Result before taxes, MSEK	80.0	-105.2	-96.1	-34.4	184.1
Average number of employees	1,546	1,520	1,581	1,809	1,579
Earnings per share, SEK	3.09	-6.79	-7.57	-2.62	18.06
Dividend per share, SEK	O.50 ¹⁾	0.00	0.00	0.00	4.50

¹⁾ Proposed by the Board.



THIRD QUARTER

- Net sales increased by 4 percent and amounted to MSEK 423 (406).
- Some operations in the Swedish sheet-fed printer NRS Tryckeri were acquired and were expected to contribute positively to the result and net sales from 2012.
- Continued high level of orders received but some uncertainty from customers due to the financial instability in Southern Europe was felt.

FOURTH QUARTER

- Net sales increased by 10 percent and amounted to MSEK 538 (491).
- **During the quarter** MSEK 25 was recognized as revenue from the so-called "book tax".
- Fifth quarter in a row with a positive operating result.





BRAZIL São Paulo

ARTCOPY was founded in 1970 and initially focused on copying. Elanders acquired parts of Artcopy in 2007 and took over all the shares three years later. A new 3,000 m² facility with the very latest in high tech equipment was inaugurated in 2010 in order to meet the demands of an expansive and exciting market.

STRONG GROWTH

The country is a part of the so-called BRIC countries and it's the largest country in surface and inhabitants (192 million) in South America. Strong economic development when the former president Lula da Silva was in power.



CHINA Beijing

WE BUILT our own factory in Beijing in 2005 and from the start in 2006 it has been focused on offering traditional print together with digital print, storage and just-in-time deliveries, just to mention a few of the products it produces. One specialty is packaging production and we offer everything from handmade exclusive packaging to more traditional corrugated cardboard packaging.

POWERFUL MOTOR

China has become the powerful motor of the global economy. It's quickly becoming one of the most influential countries in the world with its 1.3 billion inhabitants. Will probably be the largest economy within the next 10-20 years.



GERMANY Stuttgart

sommer corporate media was acquired in 2007. The German business has quickly developed into an important player in the Group and is the second largest after Swedish operations. Offensive investment in new technology, services and acquisitions are some factors behind how the high profile printer continuously gains new market shares.

LOCOMOTIVE

The German economy can best be described as Europe's locomotive. Since the unification with East Germany in 1990 it has the second largest population in Europe. With its 82 million inhabitants it is just behind Russia.



$\begin{array}{ccc} GREAT & BRITAIN \\ \text{Newcastle} \end{array}$

ELANDERS in Great Britain has a comprehensive offer. The British automotive industry is a particularly important customer where Elanders produces manuals and other marketing material. In addition to producing traditional printed matter Elanders also offers electronic publication solutions.

BRIGHT FUTURE

Great Britain is the world's sixth largest economy despite the fact that the population is only slightly more than 60 million. The economy is expected to bounce back after the past few years financial crisis.



HUNGARY Zalalövő, Jászberény

ELANDERS has had operations in Hungary for over ten years, specializing in user manuals, often in very large editions directly delivered to the assembly lines in every major telecommunication and electronics manufacturer in the country. Hungarian operations work under the German organization since 2010 and receive more and more print assignments when customers demand the highest quality at very competitive prices.

DEFICIT

Since Hungary joined the EU in 2004 the country, with just over ten million inhabitants, has had promising financial growth but it took a fall after the financial crisis in 2008 and is currently battling a major deficit in state finances.





ITALY Treviso

THE UNIT was established by Elanders in 2007 and in 2010 we invested in the best equipment for digital print and finishing on the market along with new software solutions. Customers here require extremely short lead times and flexibility. Manuals are delivered just-in-time to our customers' factories.

PRESSED SITUATION

Has a large national market with almost 60 million inhabitants. Weak economic growth since the mid-1990s and is strongly affected by the financial crisis in Southern Europe.



NORWAY Oslo

NOVUM was a small player founded in 1999. Two years later it was acquired by Elanders. The company has great expansion plans and will be twice as large in five years' time. The idea is to further develop the flexible production unit with focus on digital print and supplement it with logistics and storage functions.

PROSPEROUS

With close to five million inhabitants the national Norwegian market is one of the smallest markets in Europe but its economy is very healthy with strong purchasing power on many levels of society.



POLAND Płońsk

ELANDERS has been present in Poland since 1995. Since the company has both sheet-fed and web offset machines it can produce a broad variety of marketing material and packaging. Since 2010 the Polish operations work under the Swedish organization and recieve more and more orders from Swedish customers due to high quality print at very competitive prices.

ACTIVE TRADE

With nearly 40 million inhabitants Poland's economy has developed best of all the countries in Eastern Europe. It has been a member of the EU since 2004 and has close trading ties with Germany, Italy, Russia and



SWEDEN Falköping, Gothenburg, Malmö and Stockholm

THE SEED to all of Elanders' operations was sown in Sweden. The first printing plant was founded back in 1908. Today Elanders has production facilities in four locations and sales offices in several other places. This year Värnamo and Jönköping were added through the acquired operations in Fälth & Hässler and NRS Tryckeri.

STRONG EXPORT INDUSTRY

For years Sweden has been one of the best countries in the world when it comes to education levels and the standard of living. A strong export industry and good state finances have profited its stable financial development.



USA Atlanta

THE AMERICAN printing industry is the undisputedly largest in the world. Elanders established itself in the USA as late as in 2008 via the acquisition of Seiz Printing. Elanders in the USA has always been service oriented and proud of its high class equipment used to deliver high quality products like multi-color brochures, books and packaging.

DEEP IN DEBT

The USA, with its 308 million inhabitants, has a huge national market. However, its leading financial role has taken a beating after the financial crisis 2008 and the country is currently deep in debt.

BACK IN THE GAME AGAIN

Discretely and slowly but surely Elanders has climbed up from the havor the financial crisis reeked. Three years of losses have been turned into a stable profit and good margin in 2011.

"We've never been better at using the Group's capacity and know-how. Now we are going to further sharpen the organization and our offer in order to acheive sustainable growth and profitability," says Magnus Nilsson.

INTERVIEW: JAN-OLOF EKELUND PHOTO: DANIEL GRIZZELJ

MAGNUS NILSSON IS a typical competitive person. That was probably why he accepted the CEO post when Elanders' Board of Directors offered it to him in May 2009. Like so many other players in the business the graphic Group had noticed that the phones had stopped ringing and many customers held back, indicating a recession.

Elanders did what had to be done. The Group moved ahead in some areas and slowed down in others. That strategy got them back on the track. With net sales of over SEK 1.8 billion and operations in ten countries on four continents it takes both patience and command to change a negative trend.

With five profitable quarters in a row the negative trend is definitely broken. It may have been done discreetly but the result is no less impressive.

2011 produced good results. Comment?

"The results of the steps we took in 2010 could be seen in 2011. These measures cut costs in the Swedish operations and they became profitable, which was very positive."

"In 2011 we also got to see the results of our reorganization where organizationally Hungary works under Germany and Poland under Sweden. More printing assignments in our low-cost countries is profitable both for Elanders and our customers."

What do you think were the most important events last year?

"Showing a stable profit each quarter in 2011 after some very difficult years. The Swedish operations are still the largest in Elanders and the fact that they went from red to black figures means a lot. We managed to grow organically in both the Swedish and German markets while the industry at large struggled with profitability issues and had fewer assignments. We grew organically by five percent in Sweden and by ten in Germany."

"Even on other markets where Elanders isn't as big, we managed to turn loss into profit. I have China and Poland in mind when I say this. Brazil is really the only place which didn't live up to our expectations but we're taking forceful measures there in 2012 in order to develop the relatively small operations."

"We also got proof that our investment in product development is working. I'm thinking about our offer regarding luxury packaging and personalized solutions for both packaging and personalized printed matter. A good example of the latter is the work we did for the Swedish trade magazine Cap&Design where Elanders printed 11,003 unique covers!"





EVEN ON OTHER MARKETS WHERE ELANDERS ISN'T AS BIG, WE MANAGED TO TURN LOSS INTO PROFIT.

→ The structural change is continues to be felt in the graphic industry and Elanders has taken initiatives both in Sweden and on other markets. Which actions and acquisitions were the most important?

"The acquisition of the Swedish printers Fälth & Hässler and NRS was important because we acquired net sales and moved the operations and productions to our own units."

"In 2012 we will continue our strategy of moving our resources to where we get the most out of them. In high-cost countries like Germany and Sweden we will work on concentrating and optimizing the machines we have. The major part of our new investments take place in growth countries like Poland and Hungary where it looks like volumes will increase significantly in the coming years."

"Up to now we have taken advantage of the market situation in the graphic industry by buying used equipment at very good prices and this is a strategy that we will be able to use for a number of years in order to keep our investment levels down."

"A fundamental part of Elanders' strategy is that our high-cost countries must use their capacity to the hilt and our goal is to have at least three shifts operating and in periods of high capacity utilization as much as four. It's better that we have a slight overcapacity in our low-cost countries so that we can shift production there when needed."

"Little by little we have become better at analyzing where it's more profitable to produce an assignment. This also means that we're in the process of realizing the vision of One Elanders, which means being able to work across borders in order to offer the best printing quality at competitive prices while maintain stable and satisfactory profitability."

How does Elanders cope in comparison with the industry on Swedish and international level?

"In 2011 we did much better in comparison to the development on the Swedish market. There were



a number of bankruptcies and mergers in 2011 as in previous years and this trend will and must continue since there is still so much overcapacity."

"It's harder to make an international comparison since there are so few international competitors similar to Elanders. What I can see is that the traditional graphic industry that only offers offset declines year by year. But we are still talking about really large printing volumes. However, international growth is in digital print, packaging and personalization.

Elanders' offer was divided into three product areas in 2012. How did Commercial Print, Packaging and W2B develop?

"Commercial print is our largest product area and has had a good development since we expanded both organically and through acquisitions. We clearly won new market shares in 2011. In Com-



mercial Print personalized print developed well."

"Through the development of a global W2P platform we've been able to increase volumes for our customers with global needs. For instance, a market leading global customer uses our global order platform in order to serve all of its retailers and factories all around the world, allowing them to order printed matter easily and around the clock. This mainly concerns manuals, marketing material and catalogues, but also CDs, DVDs as well as exhibition and shop material."

"Packaging continues to develop well. China, for instance, initially only offered commercial print but today packaging stands for more than half of its net sales. The demand for luxury packaging and personalized packaging is growing and we also see that there is a market for a global player that can serve global customers with different kinds of packaging solutions."

"In Packaging growth is in personalized print, particularly for company customers. An example is the German Postbank where last year we bought 300,000 chocolate bars from Ritter Sport in order to send personalized packaging from Postbank on their customers' birthdays."

"We have great expectations for W2B and we are receiving more and more assignments, particularly in Germany and Great Britain. In this area Elanders is both a subcontractor for W2P to companies and an important development and production partner in increasing our customers' added value sales through products like personalized chocolate boxes and personalized photo products. We also develop our own W2B platforms for sales directly to the consumer."

There is a tendency in the industry that the number of printing assignments are essentially the same but editions are shrinking. What's the situation for Elanders?

"Yes, we see this trend too. Printed matter has to be up-to-date. That means smaller but more numerous editions so the end sum might still be the same."

Elanders is represented in many parts of the world. How did the geographic markets develop in 2011?

"We have increased our net sales on all our markets where we are active and did it profitably. The exception is Brazil where net sales increased but didn't make a profit since we had to restructure to develop the company and broaden our offer."

Elanders can serve large global companies on several markets. How has that offer developed?

"The trend continues positively. We sell more to many of our major global customers and we've been able to offer them more kinds of products. This is particularly true for work from global automotive manufacturers."

In the past few years Elanders has broadened its offer. Will this development continue and in that case with what?

"Absolutely. We will develop in packaging, personalized print and W2B."

What do you wish for the most in 2012?

"Continued strong growth combined with greater margins and that the necessary consolidation in the industry speeds up so that there is less overcapacity. This will create a better business climate and enable sustainable price development for printed matter."

MAGNUS NILSSON

AGE: 46 years. FAMILY: Wife and three children. LIVES: Villa in Billdal,

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

CAREER: Active within the graphic industry since 1987. started as business developer with Flanders in 1999 Head of production in Elanders' operations in Hungary during 2002. Managing Director of Elanders Skogs Grafiska AB during 2003-2005. Managing director for the operations in China 2005-2009. President of Flanders since June 2009. **LEISURE TIME:** Prioritizes his family, likes to exercise and often reads books.

TWO QUESTIONS

What is most stimulating about working in the printing industry?

"It's a great challenge to work in an industry that is changing so much in such a short period of time. It's gone from having a surplus capacity in traditional printing to getting competition from completely new publication channels that are launched in technology accessible to everyone. In this environment we have to be best in everything in order to succeed. We have to be best at selling and producing and at the same time innovative. To meet that challenge we need the most competent personnel led by the most inspiring managers. We don't have any unique production technology so we have to puzzle our parts together instead in order to be the best alternative. That's quite a challenge.'

What drives you personally?

"I've always liked to work, to be able to deliver and manage the business. I like challenges and getting the opportunity to deliver results in competition with other players. I've also always liked to combine sales, product development, striving for better margins and continuously improving. My favorite part of work is being one of the 'gang' and meeting customers."

CUSTOMERS' NEEDS ARE ELANDERS CHALLENGES

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

BUSINESS CONCEPT

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

VISION

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

CORE VALUES

Elanders' core values Effective, Innovative and Responsible are not only a part of the Group's vision as they are also a natural part of our daily work.

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

By Innovative we mean continuous development of our technology so that we create solutions which suit each customer's unique printed matter requirements. We readily take on the challenge of solving our customers' different problems by using profitable production methods and by being pioneers in new technology.

By Responsible we mean that we always put customers' needs first. The reason Elanders can be found in Hungary, China, the USA and Brazil today is because Elanders followed its customers out into the world so that we could meet their special needs on location in these countries.

STRATEGIES

Elanders' strategies to fulfill our vision, 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 W2B.
- Strong expansion in packaging and personalized print.
- Broaden our customer base and product offer to lower sensitivity to fluctuations in the business cycle.



ELANDERS
HAS A
UNIQUE
POSITION
IN THE
INDUSTRY
WITH ITS
PRESENCE
IN ALMOST
ALL OF THE
WORLD'S
INTERESTING
ECONOMIC
ZONES.

Develop local customers with global needs into global customers

Elanders has a unique position in the industry with its presence in almost all of the world's interesting economic zones, which is a primary factor in why we have so many multinationals as customers. Nonetheless, marketing in Group companies is largely based on identifying and fulfilling customers' local needs. However, local customers often have global needs as well. By im-

proving 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 in packaging which Elanders has in China and Eastern Europe has been used for local deliveries.

A couple of years ago we began
to offer Swedish customers printing in
Poland. In the same way our operations in
Hungary have received more and more work from
German customers.

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

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

Most of Group units have similar equipment and competence but there is still room to improve capacity utilization. We can achieve this in part by developing an exchange of customers within the Group as well as improving our calculation of available capacity and order stock, flexible pricing and adapting our organization.

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

We move existing production equipment to the sites where production can be made at the low-

LATELY WE HAVE EXPERIENCED A GROWING DEMAND FOR DIFFERENT AND MORE EXCLUSIVE PACKAGING SOLUTIONS. //

→ est cost which increases Group profitability. For instance, equipment has been moved from Sweden and Germany to Poland, Hungary and Brazil.

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

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

Create uniform and automated processes in the Group and continue investment in W2B

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

The number of customers, particularly small businesses and consumers with relatively standardized needs, who order printed matter over the Internet is rapidly increasing. Through the order portal the customer 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 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 and we have already made two successful company acquisitions internationally.

Develop products for future needs that can be used in our current business

Customer steered development of new offers has always been one of Elanders' strongest features and it has been one of the crucial factors in the company's development from a local Swedish company to the global printing Group it is today. Sometimes our eagerness to fulfill customers' wishes has had a negative effect on short-term profitability because our existing production capacity was not suited to handle the new services.

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

Elanders' product development must continually address the question of how we can meet the needs our customers will have a few years ahead and what 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 personalized print

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 print is steadily increasing. Photo books and calendars are some examples and Elanders offers both companies and consumers with our valuable products, 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.

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 2010.

ELANDERS HAS DIVIDED the long-term, externally communicated goals into financial and growth goals. Elanders works continuously with goals and strategies that are normally formulated on a rolling three-year basis.

The financial goals are based on the possibilities in

the Group's current structure while growth goals consider new establishments, alliances, acquisitions, divestitures and other vital changes in Group structure. However, the long-term financial goals will not be lowered because of such changes.

GOALS FOR 2011	OUTCOME 2011	GOALS FOR 2012	
Financial goals			
Long-term goal of an operating margin of 7-10 percent.	Operating margin in 2011 amounted to 6 percent cleared of one-off items of 5 percent. This shows that the action plan carried out in previous years has been effective. In 2012 Elanders will continue to consolidate and optimize existing production units to increase capacity utilization and profitability.	Long-term goal of an operating margin of 7-10 percent.	
A return on capital employed of at least 10 percent long-term.	Return on capital employed 2011 was 7 percent; excluding one-off items 5 percent.	A return on capital employed of about 10 percent long-term.	
An equity ratio of at least 30 percent.	The equity ratio on the balance sheet date was 44 percent.	Equity of at least 30 percent.	
Debt/equity ratio of less than 1.	The debt/equity ratio on the balance sheet date amounted to 0.8.	A debt/equity ratio of less than 1.	
Over time investments in production equipment will not exceed depreciation or 4 percent of net sales.	Investment in production equipment amounted to MSEK 33, corresponding to 38 percent of depreciation and 2 percent of net sales.	Over time investments in production equipment will not exceed depreciation or 4 percent of net sales.	
Growth goals			
Net sales and operating result will increase annually 5-10 percent.	With unchanged exchange rates net sales growth amounted to 12 percent. Operating result went from negative to positive.	Net sales and operating result will increase annually by 5-10 percent.	
At least half of growth will be through organic growth.	With unchanged exchange rates growth amounted to 12 percent, of which 8 percent was organic.	At least half of growth will be through organic growth.	















































MAGAZIN



MAGAZIN





MAGAZINE





UNIFORM MASS PRODUCTION

We live in a day and age where the number of newspaper articles, catalogues and other printed material is swelling but editions are shrinking. Commercial Print is the largest product area at Elanders and we are approaching future challenges in the area and industry by raising the level of personalized information to new heights.





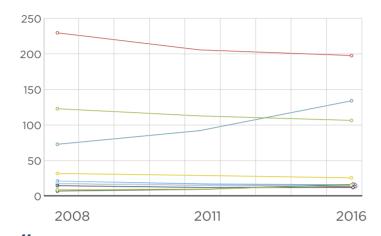






DARE TO The information flow grows day by day and senders need increasingly sophisticated methods STAND to their receiver's get attention. To print 11,003 OUT unique covers for a trade magazine is one way to make an impression \mathbb{R}^{1} make an impression. Elanders' product area Commercial Print holds the knowledge and technology to help our customers stand out from the crowd.

COUNTRIES WITH THE LARGEST PRINTING VOLUMES - VALUE IN USD BILLION.



Change	in percent
	2011-2016
	-0.8%

• USA	-0.8%
Japan	-1.1%
• China	+7.8%
Germany	-7.7%
Great Britain	-0.8%
France	-0.9%
• Italy	1.5%
Canada	±0
• Brazil	+4.8
● India	+5.9

FROM ELANDERS' PERSPECTIVE NATURALLY IT'S INTERESTING THAT THE GROUP IS REPRESENTED IN TWO OF THE FASTEST GROWING COUNTRIES IN THE FORESEEABLE FUTURE, NAMELY CHINA AND BRAZIL.

BEFORE WE DIVE into Elanders' product area Commercial Print let's take a look at the international situation. Global printing volumes have developed at an even rate in the past five years with a slight decline after the financial crisis in 2008.

The total global market for 2011 was estimated at about USD 790 billion which is on par with 2006 when net sales were USD 804 billion. 2008 was the best year so far with USD 822 billion. In the coming five years net sales are expected to increase by 1.3 percent to USD 845 billion in 2016.

Today the global market can be divided into three equally large parts: Europe, Asia and the American continents. Japan has the second largest printing industry in the world but growth is driven by development in other countries in Asia, particularly China and India. Because such a large part of all products are produced in Asia, packaging is on the rise in these markets. In Europe and North America relatively small growth is expected, except in digital print, while the growth for traditional offset print is diminishing.

The graph above shows the development in the graphic industry for the ten largest countries and expected development up to 2016. It is worth noting that China is expected to overtake Japan

and move into second place after the USA. The so-called BRIC countries are gaining ground and production is growing in China, Brazil and India. The mature economies in the West will probably have zero growth or a slight decrease in the same period.

Even if printing volumes are decreasing in the USA the country still dominates total volumes and produces almost twice the printed matter compared to runner up Japan and also twice as much as Germany, France, Great Britain and Italy together.

ABOUT 40 PERCENT of the total civil print market is sheet offset and digital print, which are Elanders' primary production methods. Almost two thirds of the global market consists of products that Elanders provides while the rest is newspaper and magazine print. Considering that these are primarily produced with other methods it is a reasonable conclusion that about half of the global market is available for Elanders with our present capacity and competence.

Naturally from Elanders' perspective it is interesting to note that the Group is represented in two of the countries that will grow the fastest in the coming years, namely China and Brazil.



THE LATIN AMERICAN market amounts to more than USD 50 billion. The two largest markets are Brazil and Mexico and together they represent some 80 percent of the market. Books are a large part of the Latin American market but packaging print is driving growth.

The market in Brazil is estimated at USD 23 billion and is the market believed to have the greatest growth rate in the area. Development in 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.



and has a yearly average growth of less than one percent. Growth can be found in packaging print, offset in Eastern Europe and digital print while offset print 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.

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 print. A consolidation of the industry 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 market shares won and the fact that the markets in Eastern Europe are still growing. However, Elanders is closely monitoring financial developments as several countries are battling major budget deficits.

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 companies are starting up there while the Chinese are concentrated on exports. China is already the world leading offshore supplier of printed matter to Western Europe and North America. Digital print is looked upon positively in China but growth has only been around five percent annually. A clear trend is the development of franchise chains for digital printing.

GLOBAL TRENDS IN COMMERCIAL **PRINT**



Digital print will have

the fastest growth rate regardless of geographic market. The technology will be connected to marketing or personal offers ordered via the Internet



SMALLER EDITIONS

The number of printing assignments will grow over time but editions will be smaller. More titles with niched information and short series. Just-in-time deliveries will be more in demand.

INDUSTRY CONSOLIDATION

The ongoing structural change will intensify. Large comprehensive players and smaller specialized players will take market shares from the medium-sized printers.

PRODUCTION VOLUMES MO

On mature markets like Western Europe low-cost countries will increasingly take printing assignments from high-cost countries.



REDUCED

As the share of digital print increases offset production will decrease globally, particularly on mature markets, while in Asia and Eastern Europe it will be more resilient.



CHALLENGING COMPETITION ON EVERY MARKET

The competition Commercial Print faces varies between different customer categories, geographic 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 and that part of the market is experiencing a major restructuring.

THERE ARE JUST a few groups the size of Elanders in each country. Several of them are not commercial printers. They are publishers or newspapers with in-house printing that sell their overcapacity on the market.

In Sweden, Elanders' single largest market,

Elanders is an important player and we work with the automotive and home electronics industries, the public sector as well as with publishers. Our size, capacity, broad offer and long experience give us an advantage over many competing companies.

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 is the most international company among Swedish printers and we offer competitive production in low-cost countries like Hungary and Poland.

The competition is as tough on a European level as it is in Sweden but even during the financial crisis Elanders developed well in Germany and Great Britain. In the Nordic area and Germany

> Elanders competes with different W2P players that are primarily aimed at consumers and smaller companies.

The competition in just-intime production of manuals and other after sales information is 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.





INCREASED
PERSONALIZATION

New digital technology and smart system solutions have created the option of advanced personalized information and printing assignments.



ONE STOP

More and more we are being asked to offer and cover
the entire support chain. In
some cases this goes from
developing the material to
printing it, planning database solutions and adding
packaging and storage.



GLOBAL PURCHASING DEPARTMENTS

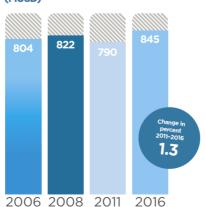
Purchasing decisions have a tendency to move higher up in the purchaser's organization and in some cases they are matter for management.

Global purchasing departments are becoming more and more influential in major companies.

PRIORITIZE LOW-COST COUNTRIES

One way of meeting the market's demand for lower prices is to use production capacity in low-cost countries. Elanders started this process back in 2010 and now Polish operations work under Swedish operations and Hungarian operations work under the German operations.

















VARIABLE DESIGN BEHIND Unique covers

Seeing your name on printed matter is no big deal today since it's so often used in marketing. To create completely unique covers for the 11,003 readers of the Swedish magazine Cap&Design is a whole different challenge. Elanders got the job.

THE IDEA to give each reader their own cover was born when the editorial office at the Swedish magazine Cap&Design decided to write about unique printing. A little bit like numbered art in a limited edition. The assignment was given to the advertis-

ing agency Vår and together with Elanders they figured out how to make it happen.

Photographer Valdemar Asp took pictures while Björn Altdax and Karl Grandin from Vår decorated model Alma Helgesson with watercolors. Twelve

CASE

THE MOST POPULAR SCHOOL BOOKS IN GREAT BRITAIN

Coordination Group Publications, CGP, is the leading publisher of educational material in Great Britain. Since 1995 they have published over 600 titles in many areas, primarily books on different subjects and maps for compulsory school.

OUR GOAL IS TO MAKE serious subjects accessible to students. The books are richly illustrated and include a lot of diagrams. The text is usually straightforward and written the way we talk and joke in order to make learning fun and easy. And even if the style is sometimes considered controversial the students really like the books.

Elanders' good work for the environment has always been an important factor for CGP, especially since the editions are so large. Already back in May 2003 they asked Elanders to print an environmental declaration in the books. This has contributed to many environmental discussions in the classrooms.

CGPFounded: 1985 Net sales: About MGBP 15 Number of employees: 140 Market area: Great Britain Range: children's books Website: www.cgpbooks.co.uk

In addition to the high quality printing process with digital and offset technology, in both one and four colors, Elanders is helping CGP develop its digital offer. In cooperation with Elanders CGP School books and other useful has now started looking at different types of iPhone applications.



Serious school subjects are presented in an easily accessible way by the British Publisher CGP.

hours and 12,000 photographs later the first part of the assignment was completed.

Elanders, which prints a large part of IDG's magazines, including Cap&Design, has great experience in working with large volumes of photographs and variable data. The challenge this time was the need to combine randomly selected high quality images with a unique number for each cover and static cover text. And the quality of each image had to be equally good – from the first to the last cover printed.

"It would have taken months to produce them manually but we could use an automated script in Photo-

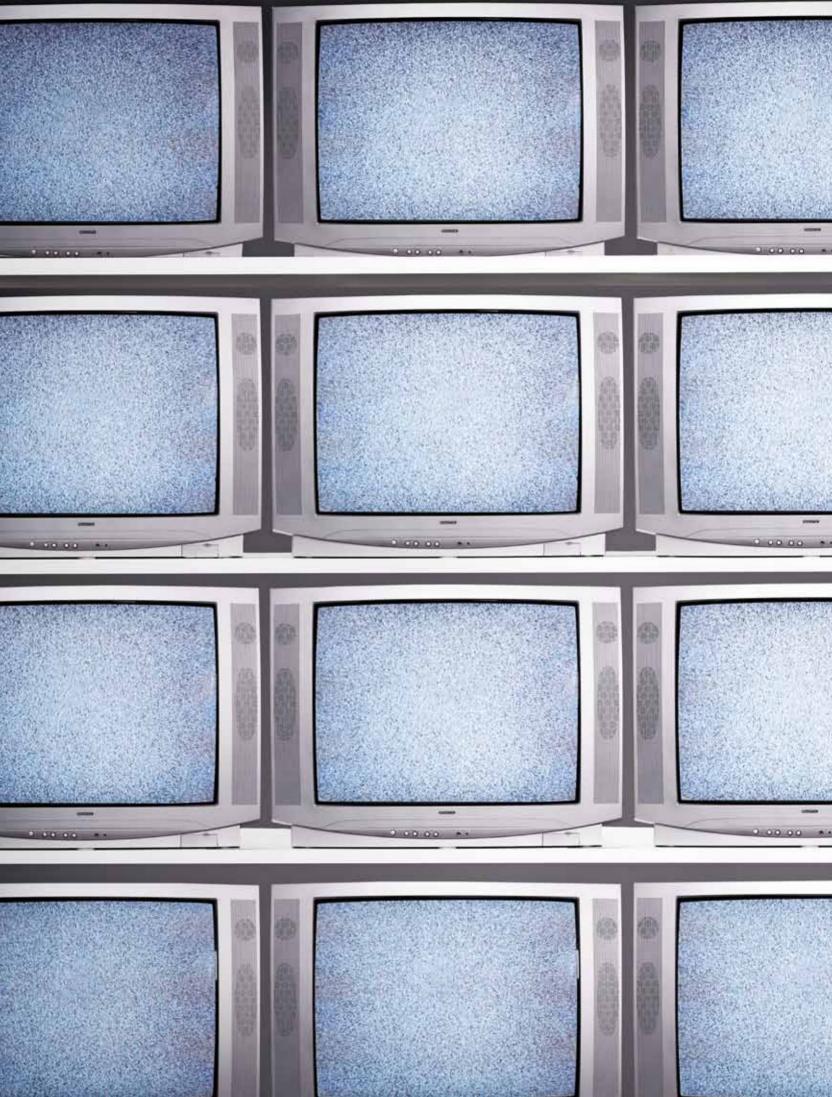
shop and several other automated settings to generate 7,000 covers per hour in three parallel processes," says Daniel Jonasson, Project Manager at Elanders.

Jonas Brännerud, CEO for Elanders in Sweden, was also very happy about how well the cover project went.

"Our ambition is to always be at the cutting edge of technology in order to solve our customers' challenges and needs. This particular Swedish project shows the strength in having different expertise under one roof. It's also an excellent example of how Elanders and the graphic industry continuously develop," says Jonas Brännerud.



Watch the stopmotion videos on how we worked and how the motifs were capdesign.se/unikaomslag







MOMENTS E-commerce has created completely new business opportunities for the players in the graphic industry OF CLARITY that have dared to take advantage of the new technology. Not long from now the sky will be the limit when it comes to what products can be ordered or produced with Web portals as the natural link between customers and printers.

IF WE SKIP THE JUNGLE DRUM, SMOKE SIGNALS AND JOHANNES GUTENBERG'S PRINTING PRESS IT TOOK ALMOST A CENTURY BEFORE THE PHONE BELONGED TO EVERYBODY.

WHENEVER WE SWITCH from one technology to another discussions spring up about its effect and the development of the industry we're in. The first digital printing presses were introduced almost at the same time as surfing the Internet became a common concept.

Some experts predicted that traditional printers would dry up and be forgotten while others saw the technology as insufficient, expensive and a fashion that would soon become unfashionable. Today we see that neither of the extremes was right. It is true that things have slowed down for traditional printers in the past few years but it is still a multi-billion industry and will remain so for a long time to come. It is also true that digitalized communication keeps gaining market shares, but not always at the expense of conventional printing jobs. In the best of worlds the different communication channels work together and to a certain extent printed communication is currently used to market digital meeting places or other offers connected to the Web.

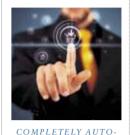
IN MASS COMMUNICATION the previous technology shift took years to get its breakthrough. If we skip the jungle drum, smoke signals and Johannes Gutenberg's printing press it took almost a century before the phone belonged to everybody. It took decades for radio to reach people in general and the story with television was almost the same. It took 38 years for radio to reach 50 million listeners and television took 13 years. The introduction of Internet created completely new opportunities for mass communication without any major technical investments. In 1998 the search engine Google was founded and today it has about 300 million daily

users who make about 2 billion searches. Other digital phenomena like Facebook and Twitter have grown to 850 and 175 million users in just a few years. On YouTube the most watched clip, the teen idol Justin Bieber singing the song Baby, has been seen 700 million times.

So what does a completely new communication style mean to the printing industry? Naturally it means we have to adapt and change but it also opens the door to niched information solutions and revenue. A key concept is target accuracy and it will become increasingly important in the years to come. In order to achieve target accuracy messages must be relevant and appetizingly packaged. In short, it will be crucial to control or influence the entire production chain, or parts of it, to be successful.

The greatest difference now compared to previously is that today you can communicate much more closely with end customers and consumers. Customers both need to and can create their own printed matter but they have to have printers to finish the job. No longer are consumers considered a nuisance and the value of their orders almost worthless. Order portals online, often combined with digital printing technology, have totally changed the way the game is played.

ADVANTAGES
WITH W2B



MATED PROCESSES

The constant need for rationalization in businesses makes them welcome e-commerce, usually in

e-commerce, usually in combination with digital print technology, whole-heartedly. The ability to quickly and easily order your printed matter in a customized Web portal is both efficient and economic



NEW PRODUCT AREAS AND MARKETS

Soon the sky will be the limit when it comes to what can be printed by a personal sender. For years it has been possible to produce a personal photo book but now you can also become your own editor and print a single copy of your own bound book of 100 pages or more at a reasonable price.



SATISFIES NEW NEEDS
Personalization is in line
with the times. As the
media buzz gets louder,
and being constantly online
becomes more and more
natural, people increasing
feel the need to display
their personality.



In W2B Elanders offers products and services to

companies that sell to consumers via e-commerce

platforms. We also have our own solutions like

Photocreator in Great Britain. The common de-

growing all the time and includes everything from

printing on canvas to calendars, cups, or why not

an entire wall.

BECOME YOUR OWN EDITOR

WITH THE USE OF digital print technology and Webbased order platforms anyone that wants to publish a single copy of his or her own novel or collect vacation photos in a book to send to their friends and family can do so.

The difference between traditional offset technology and digital printing is that the latter doesn't need a printing plate. Information is instead transferred digitally and last minute changes can be made without expensive alterations. This is why digital print is particularly suitable for smaller editions and personalized material.

Both the German companies Deutsche Post DHL and Personal Novel have taken advantage of these features.

DEUTSCHE POST DHL has developed the Facebook application "Social Memories" that transforms the users' continuous Facebook flow to a visual and long-lasting memory. The user first chooses the time

frame they want to document and then the application automatically collects images, status updates and statistics. Facebook sends the information directly to Elanders which then produces a bound book in a glossy film finish.

Deutsche Post DHL is planning to develop the application to make it even more personal.

PERSONAL NOVEL IS specialized in individual novels and children's books. Customers order books via the company's website and decide the names of the characters, what they look like and where they live. In order to make it even more personal the design, format and images can be changed. The fully-automated digital printing process means the customer's bound book is then sent to them in just one or two days.

The Web-based personalized printed matter production orders are popular and Elanders sees the chance to get involved in more, similar projects.

DEUTSCHE POST DHI

Founded:
1995
Net sales:
EUR 52 billion
Range:
Postal services and logistics
Market area:
Global player
Website:
www.dp-dhl.com

PERSONAL NOVEL

Founded: 2003 Range: Personalized litterature Market area: Germany and Great Britain Website: www.personalnovel.de

CASE A MEMORY FOR LIFE

A COMPANY THAT has truly embraced the digital revolution is the German fotokasten. In ten years it has developed from offering digital print services to becoming one of the leading players in photo books and other personalized consumer products.

fotokasten was founded in 2000 and has since then continuously invested in new technology. A few years after started the company invested in photo books and today it has a customer group that consists of both end users and retail chains like Lidl and Netto. The real breakthrough for photo books and similar products came when fotokasten launched its Web portal. The latest version of the Web portal was started up last year and in real time allows users to transform their personal photographs to memorable albums, calendars, postcards,

posters or photos printed on canvas. Customers can follow the entire process from the photos being scanned to the production itself, right up to the moment the product is ready for delivery.

FOTOKASTEN HAS ALWAYS prioritized high printing quality and user friendliness in the order process which is why so many customers come back to order more. Almost half of its customers make new orders and they have about 200 products to choose from when designing with their own pictures or those of others.

Surveys in a number of consumer and industry magazines confirm the image of fotokasten as one of the leading companies in Germany.



FOTOKASTEN

Founded:
2000
Net sales:
MEUR 16
Number of employees:
35
Range:
About 200 different
photo products
Market area:
Germany
Website:
www.fotokasten.de

184						
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Millions o	f anonymous m	ass produced pr	oducts sent to a Not if you ask u	s many equally	PERFUME	



INSPIRATION THAT DELIVERS THE GOODS

Packaging print is increasing every year by year and growth seems to accelerate, especially if you, like Elanders, can offer personalized packaging.

When was the last time you gave your sweetheart a box of chocolates or perfume?

THE ESTIMATED GLOBAL net sales for the packaging industry is USD 500 billion annually and expanding as consumption grows on both established and growing markets. Cardboard and corrugated cardboard still dominate packaging materials.

A clear trend in the past few years is the demand for more exclusive packaging, particularly in the home electronics industry. This is also true for the cosmetics industry and sections of the pharmaceuticals and food industries which have always had this demand.

In actuality the packaging industry is influenced by several trends at the same time. The time when packaging was only meant to protect the product or enable transport is long gone. For years, and as a result of the growing interest in the value of a strong brand, packaging design has evolved from being something the marketing department and its bureaus handle to in some cases a matter for the board of directors.

Visual identification can be crucial in stores for which product is purchased. This can happen in a split second and if you want to break old purchasing habits packaging must be graphically pleasing and radiate quality. For example, eight out of ten purchasing decisions are made in the stores.

NEW RESEARCH AREAS

These habits have led to completely new research areas like eye tracking. Scientists have begun to investigate the connection between eye movements, packaging design and purchasing decisions. This science is still quite young in the area of store exposure and packaging. Eye tracking is also used to measure the amount of attention that advertisements in printed media and on websites receive. Eye tracking is a well documented method in the automotive industry and it's used to increase traffic safety.

It has proven to be very difficult to launch new products. For instance, only ten percent of all new products in the food industry survive one year after their introduction. The numbers are similar in the cosmetics industry and for new titles among magazines. Only one out of ten newcomers get to celebrate their first anniversary and that indicates that consumers are conservative and do not buy just any new product that they see regardless if it is food, perfume or a new magazine.

Packaging must do more than convince the customer to buy the product. The demand for functionality and packaging has grown and all the different customer groups have to think it's smart and user friendly. Hard to open packaging has created the



Skånemejerier, a Swedish dairy company, uses new milk cartons to intensify dialogue with its customers.

new phenomenon "wrap rage". Wrap rage has been called a new disease that can very quickly do a lot of damage to an established brand.

The opposite of wrap rage is packaging which is so subtly designed that it becomes a part of the user experience and might be kept years after making a purchase. Apple is one of the companies that puts a lot of effort into their packaging and other companies have followed in their footsteps, both competitors and players on other markets alike.

DEMAND ON THE ENVIRONMENT AND RECYCLING

The greatest challenge for the packaging industry lies in meeting new environmental demands, demands that come from authorities, consumers and buyers alike. Increasingly packaging is expected to reduce waste of, for example food, and be easily recyclable. Studies show that paper and corrugated cardboard packaging are the materials that are recycled more frequently than any others. Almost 70 percent of all recycled packaging material is paper and this is more than glass, metal and plastic put together.

Packaging as conveyor of information is nothing new. Who hasn't read about contests, or gotten information and new knowledge by reading a carton of milk while eating breakfast? But now some milk producers have taken this one step further. For example, the Swedish dairy company Skånemejerier invested in intensifying its dialogue with customers through the new packaging it presented at the end of the last year. To show that the milk has been produced close by a number of farms are presented and the information will be updated as the seasons change. Four of the farms have also volunteered to answer questions on how the milk is produced and what it's like to work on a milk farm in southern Sweden.

A PRODUCT AREA WITH INTENSE GROWTH

In the past few years Elanders has broadened its product offer both organically and through acquisitions and invested in packaging print as well as increasingly advanced packaging solutions.

ELANDERS' PRODUCT AREA PACKAGING has expanded in later years, both organically and through acquisitions but the most characteristic trait of the product area is the complexity of its many products. Packaging can be very simple, produced from recycled material under a tough price press. On the other end of the scale is handmade, exclusive luxury packaging in small editions with better margins.

Several of Elanders' projects involve developing special solutions, for instance in the automotive industry where Elanders has a number of large groups all over the world as customers. Work that originally consisted of printing simple user manuals in large editions have in many cases turned into developing packaging solutions in order to pack manuals in a way that concurs with the car manufacturer's strong brand.

There are the same trends and needs in the telecommunication industry. In many cases industryleading brands believe packaging can be decisive for purchasing decisions made in stores. They order large editions of both manuals and high profile packaging to be delivered just-in-time which makes big demands on technical knowledge, capacity and coordination.

THE AUTOMOTIVE AND telecommunication industries have been important customer segments for Elanders for a long time. We are now investing in expanding the product area Packaging into completely new segments. With the acquisition of the German packaging company Printpack in 2010 our customer base also came to include the food, cosmetics and pharmaceuticals industries. These companies have higher demands on quality and hygiene and they also broaden Elanders' offer and competence.

One way of refining our offer in Packaging has been to invest in products with personal senders. You can read more about Elanders' work for the chocolate manufacturer Ritter Sport on this spread and about the life style company Thomas Sabo which orders handmade, exclusive packaging when the customers demand that little extra.

CASE A TASTEFUL AND PERSONAL GREETING

THE GERMAN COMPANY Ritter Sport is a major player in the confectionary industry. The company produces two million chocolate bars daily and has offices in 90 countries. In its work to develop its leading position Ritter Sport, together with Elanders, made it possible for consumers and compa-

nies in Germany to order and distribute personalized chocolate greetings.

The customer can choose size, flavor and type of packaging and then design parts of the packaging with suitable text and images via the Web or the special app that has been developed. Since it

was launched in 2010 somewhere between 500 and 1,500 greetings have been sent weekly.

Elanders handles the digital printing, punching and gluing. We deliver to Ritter within four days and the boxes are produced up to three times a week depending on the number of orders in the Web

> store. Ritter Sport produces the chocolate, packages it and sends it to the customer.

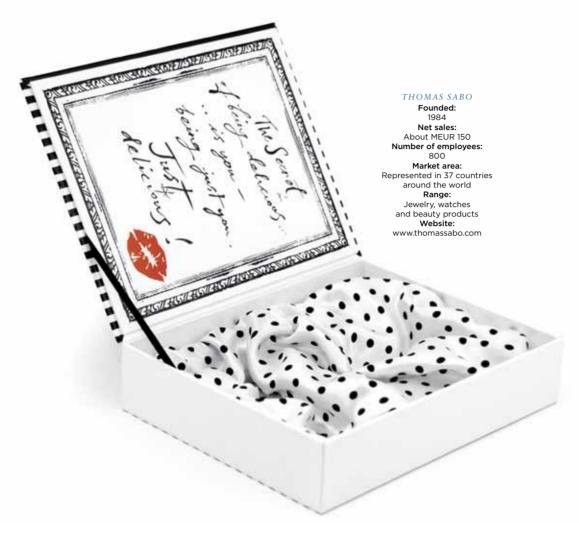
The fact that Elanders was voted Supplier of the Year by Ritter Sport in 2010 shows how well we work together. That was a very palatable award!

RITTER SPORT
Founded:
1912
Net sales:

MEUR 274
Number of employees:
800
Market area:
Represented in 90 countries
Range:
Chocolate bars in different sizes
Website:
www.ritter-sport.de



Verschicken Sie Ihren



CASE UNIQUE PRODUCTS REQUIRE UNIQUE PACKAGING

THOMAS SABO MANUFACTURES jewelry, perfumes and accessories for fashion and trend conscious customers. The collection is characterized by Thomas Sabo's unique eye for details.

The products are of high quality in both design and production. Thomas Sabo only uses the best materials in order to live up to the high quality standards in the industry.

This also characterizes the packaging production for the company's exclusive perfume collection.

For this collection Elanders in China manufactures handmade luxury packaging of solid-board boxes with offset print treated with glossy film. For the foldable boxes packaging we use offset print with an UV varnish and manufacture them at Elanders in Germany.







MORE EXCLUSIVE

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



MORE ADVANCED

You have to create attention if you want to be heard over the media buzz. Advanced finishing techniques guarantee high quality results and this is particularly important for strong brands.

PERSONAL MESSAGES

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



LOWER IMPACT ON THE ENVIRONMENT

The graphic industry has been at the forefront of initiatives measures that lower environmental impact. Starting with more environmentally friendly paper and inks it has moved on to reviewing the entire production chain and in some cases offering a lifecycle analysis for selected products.

THE ENVIRONMENT AND QUALITY GO HAND IN HAND

Our overriding environmental goal is to minimize the company's environmental impact without affecting the quality of the finished product. Interest for climate neutral printed matter grew in 2011 and Elanders intensified its cooperation with paper suppliers to further reduce waste.

THE ENVIRONMENT AND QUALITY

Reduced paper waste, reduced greenhouse gas emissions, less use hazardous waste 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 in the Group to where it now includes our customers' choices of printing and distribution solutions in which minimal environmental impact is becoming an increasingly common request. Elanders environmental goal is that all companies will work actively to reduce the environmental impact of energy consumption and that more companies will be able to offer FSC® production (Forest Stewardship Council®).

Each company in the Group has appointed personnel responsible for the environment and quality. On Group level this work is conducted by a group which consists of these employees. This group has broad competence and its members have experience in graphic technology and production, environmental science, quality management, chemistry, the work environment, environmental law and management systems. In order to achieve the best results group members keep up contact with each other for support and help in their work on a global level as well.

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 are also a great number of internal quality auditors among the staff.

PROJECTS IN 2011

The interest for climate neutral products grows every year, and although this is particularly true in Germany and Sweden where Elanders offers climate neutral products Elanders in Great Britain and China also calculate their carbon-dioxide emissions. This development parallels the number of companies that have become active in CSR (Corporate Social Responsibility).

On the Swedish market companies can be part of Climate Neutral Companies (Klimatneutrala företag). This is a program that incorporates much more than just a product or printed matter. It takes into consideration how all the operations in the company affect the environment. All of Elanders' Swedish printing plants have been climate neutral since 2010.

Reports are also coming in from other markets in the Group on a growing interest from customers

PROJECTS IN 2011

- Operations in Poland were FSC* certified in 2011. In the first quarter 2012 the company will also be certified for the Swedish ecolabel the Swan in order to handle the growing amount of Swedish assignments.
- Paper waste and hazardous waste are decreasing on almost every market Elanders is represented in.
- Several companies have worked actively to reduce the use of solvents by increasing recirculation.
- Greater product and quality demands as well as smaller editions have resulted in a slightly higher use of solvents
- In 2011 the Brazilian operations focused on ISO 9001 and count on being certified in the beginning of 2012.
- Elanders in Great Britain has worked on handling chemicals and hazardous waste through education and investing in filtering. This has re-
- duced the use of solvents and hazardous waste.
- For a number of years Elanders has closely monitored costs from quality defects and despite fluctuations in the business cycle they remain stable on low levels.
- All companies work more or less with quality improvement methods such as 5 S or lean production and this is work will continue.



The Gothenburg Award for Sustainable Development 2011 was awarded Kofi Annan and the Tigray Project in Ethiopia. In the photograph the former UN Secretary-General accepts the prize from the Minister for the Environment Lena Ek.

about how Elanders works with environmental and quality issues. ISO 9001 and 14001 certification is a common requirement and on many markets so is an ecolabel. One example is in the production of manuals where customers demand active quality and environmental work. This is particularly true for the customers in the automotive industry where Elanders works with many of the leading manufacturers.

FSC® certified Elanders companies report an increasing demand for products with this global ecolabel. These demands also exist in the production of Annual Reports and when the assignments come from customers in the public sector or from political parties.

THE GOTHENBURG AWARD FOR SUSTAINABLE DEVELOPMENT

Elanders is one of the companies that together with the City of Gothenburg supports the international Gothenburg Award for Sustainable Development. The laureates share one million Swedish crowns equally. The theme for 2011 was Sustainable Food Supply and the laureates were the former UN Secretary-General Kofi Annan and the Tigray Project represented by Sue Edwards.

After Kofi Annan's tenure in the UN he has taken a leading position in starting a green revolution in Africa on the countries' own terms. Kofi Annan has been a bridge between western capital and knowledgeable, good local initiatives. One example is the creation of Alliance for a Green Revolution in Africa (AGRA) that has been working systematically since 2006 to create the

basis for economic development of small farms, which are normally run by women and involve a lot of people.

The Tigray Project also represents successful investments in small farms. Since 1996 the Tigray Project in northern Ethiopia has been working to create sustainable farming based on local resources. The project is primarily aimed at women who cultivate small plots of land. It has resulted in larger harvests and greater incomes while raising ground water levels, soil fertility and biodiversity.

Africa faces a huge challenge. Its 900 million inhabitants are expected to grow to 3.6 billion in this century. At the same time 60 percent of the world's unused farmable land is on this continent. Africa should not only be able meet its own food needs, it should be able to contribute to supplying the entire world with food produced with biodynamic sustainability.

- The climate calculator that Elanders developed together with Chalmers University of Technology was updated in 2011 and has become even more user friendly. Further information about the calculator can be found on Elanders' website.
- Elanders sponsored and printed the brochure "How it works, a guide for more climate smart media choices" for Grafiska Företagens Förbund.
 The guide includes a report from
- IVL, the Swedish environment institute on the effect of printed and digital media on the environment from a lifecycle perspective. The entire study can be found on www.powerofprint.se (in Swedish only). Naturally the brochure is climate neutral and was produced with as little environmental impact as possible.
- Some hundred climate neutral productions were made on the
- Swedish market and the largest was the course catalogue for The Faculty of Engineering at Lund University in an edition of 300,000. Just under 50 climate neutral productions were made in Germany.
- Elanders has intensified cooperation with paper wholesalers in our efforts to get precisely the right amount of paper delivered and to improve the options for returns without increasing transportation.

ENVIRONMENTAL AND QUALITY GOALS

GOALS FOR 2011

OUTCOME OF 2011

GOALS FOR 2012

- All companies must work actively to reduce quality defect costs.
- Half of companies will calculate their carbon-dioxide emissions and at least two will become climate neutral.
- 3. The number of companies that offer FSC® production will grow.
- 4. At least two of the companies will work with the requirements in ISO 12647-2.
- All companies will work actively to reduce environmental impact from solvents.
- Improvements were made in 2011 and this work will continue in 2012.
- 2. Four out of ten companies have calculated their emissions and one of them is climate neutral.
- Another company (Poland) received FSC* certification in 2011. The goal is fulfilled.
- 4. Four companies follow ISO 12647-2 and another uses a similar system. The goal is fulfilled.
- 5. Improvements were made in 2011 and this work will continue in 2012.
- 1. All companies will work actively to reduce quality defect costs.
- Half the companies will calculate their carbon-dioxide emissions and at least two will become climate neutral
- 3. The number of companies that offer FSC® production will grow.
- 4. Goal annulled.
- All companies will work actively to reduce environmental impact from solvents.

ENVIRONMENTAL ACCOUNTS

SEK '000	2011	2010	2009	2008	2007
ENVIRONMENTALLY RELATED EXPENSES	3,643	3,819	3,330	5,276	5,037
Waste expenses and treatment	2,147	1,927	2,262	4,051	3,846
Ecolabeling fees, net ¹⁾	216	431	116	141	104
Fees, insurance and carbon dioxide tax	1,280	1,461	952	1,084	1,087
ENVIRONMENTALLY RELATED INCOME					
Paper waste	11,402	5,246	4,399	7,374	6,614
ENVIRONMENTALLY RELATED INVESTMENTS					
Investments for the purpose of minimizing environmental impact or conserving resources	119	362	277	48	238

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

	2011	2010	2009	2008	2007
Solvent consumption, kilos per MSEK in net sales	111	92	98	115	107
Solvent consumption per ton product	5.9	5.6	6.1	6.3	6.5
Electricity, kWh per ton product	832	915	985	800	848
Hazardous waste, tons	333	368	396	473	383
Hazardous waste, kg per ton product	10	13	12	13	11
Proportion of vegetable cleansers, %	2.8	1.3	1.8	1.4	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.

FINANCIALLY RELATED ENVIRONMENTAL RATIOS

	2011	2010	2009	2008	2007
Financial effect of the change in paper waste (SEK '000)	-1,821	-3,602	4,074	7,127	3,996
Paper waste compared with previous years (%)	2	5	-6	-8	-5

The increase in paper waste in 2010 and 2011 is the result of an increase in production of packaging where paper waste is higher than in commercial print.

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' 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.



The mark of responsible forestry

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.



WWW.KLIMATNEUTRAL.SE

CLIMATE NEUTRAL COMPANY

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

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



WWW.KLIMATNEUTRAL.SE



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 in Sweden 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.

TAKING INITIATIVE AND FLEXIBILITY ARE VALUED AT ELANDERS

Employees in Elanders are encouraged to take great personal responsibility and initiatives. These core values, together with entrepreneurship, continue to be important now that a new organization and business model have been implemented.

2011 WAS A more positive year for Elanders' employees compared to the years after the financial crisis when the Group had to change production as demand dwindled. In 2011 almost all of Elanders' units had good capacity utilization and our broader product offer has resulted in more customers and work.

On one hand the Swedish operations acquired the sheet printers Fälth & Hässler and NRS Tryckeri and on the other there were reductions in personnel. The number of employees was dropped by 50 in Sweden in 2011 but it increased in the Group as a whole. The acquisitions raised the number of employees from 1,564 to 1,582 at year end.

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

On the European level an agreement has been signed with European Work Council. 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 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 and we continuously work with preventive health care in order to raise health ratios.

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 wellbeing. Elanders works extensively to prevent stress related illnesses, through for example, workplace adjustments that facilitate returning to work after convalescence. Elanders is also a member of the Good Graphic Company, a group of union and company representatives that, among other things, work to augment health ratios in the graphic industry.

AVERAGE NUMBER OF EMPLOYEES, RELATIONSHIP BETWEEN MEN AND WOMEN



37 %



63 %

HUMAN CAPITAL RATIOS

	2011	2010	2009
Average number of employees	1,546	1,520	1,581
Number of employees per 31 December	1,582	1,564	1,538
Average age	39.2	39.0	39.4
Personnel turnover, %	5.6	7.3	15.1
Revenues per employee, SEK '000	1,189	1,122	1,111
Added value per employee, SEK '000	655	599	627
Operating result per employee, SEK '000	71	-50	-38
Academic education more than 2 years, %	13	14	15
Upper secondary education, %	38	37	38
Other education, %	49	49	47
Competence development cost per employee, SEK '000	1	1	3

MEN AND WOMEN IN LEADING POSITIONS

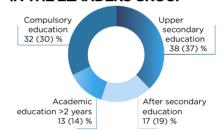


29 %



71 %

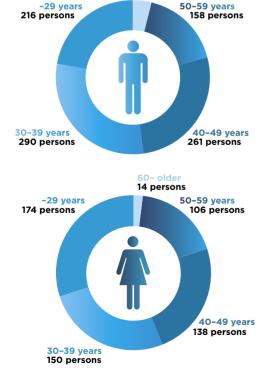
EDUCATIONAL LEVELS IN THE ELANDERS GROUP

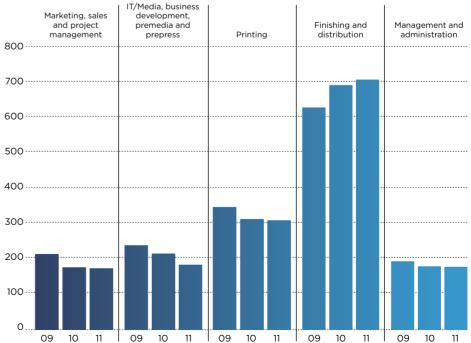


AGE DISTRIBUTION NUMBER OF EMPLOYEES

40 persons

ROLE IN THE ORGANISATION, NUMBER OF EMPLOYEES, 2009–2011





POSITIVE RESULT DESPITE A TURBULENT FINANCIAL MARKET

After three tough years in the turbulence after the financial crisis 2008, 2011 developed into a really strong year for Elanders. The change in 2010 continued all throughout 2011 with five profitable quarters in a row. Although the uncertainty in the world economy in the autumn and winter made demand somewhat hesitant it did not have any significant effect on the year's result.

2011 2010 2009

THE YEAR STARTED with a definite increase in net sales and result. This was a testament to the efficiency of the structural changes that we made the previous year. More German production in our Hungarian unit and Swedish production in our Polish unit also contributed to increasing profitability.

In January parts of the Swedish printer Fälth & Hässler were acquired, broadening Elanders' product offer with qualified illustrated books. The deal can also be seen as a part of the necessary consolidation of the Swedish printing industry.

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

The positive trend continued in the third quarter, usually Elanders' weakest, A deal was signed with the CPT Group in September to take over parts of the Swedish printer NRS Tryckeri, which further broadened Elanders' customer base.

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

Increased net sales and improved result are projected for 2012 as well.

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 operations were acquired.

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

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.

<u>2008</u> <u>2007</u>

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).

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.

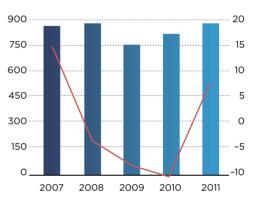
In comparable units Group net sales increased by 21 (3) percent and operating result in comparable units rose by 30 (4) percent.

EQUITY RATIO

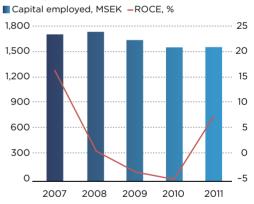


RETURN ON EQUITY

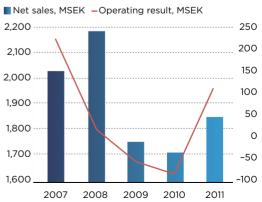
■ Equity, MSEK -Return, %



RETURN ON CAPITAL EMPLOYED



OPERATING RESULT



2011 ENDED WITH A TEN PERCENT INCREASE IN NET SALES IN THE FOURTH QUARTER AND CASH FLOW WAS GOOD THROUGHOUT THE YEAR.

■ SUMMARY OF THE INCOME STATEMENTS

MSEK	2011	2010	2009	2008	2007
Net sales	1,838.8	1,705.9	1,756.7	2,191.2	2,035.6
Operating expenses	-1,729.0	-1,782.1	-1,816.8	-2,175.1	-1,808.8
EBIT	109.8	-76.2	-60.1	16.0	226.8
Financial items	-29.8	-29.0	-36.0	-50.4	-42.7
Result after financial items	80.0	-105.2	-96.1	-34.4	184.1
Result for the year	60.4	-83.7	-74.4	-25.7	172.2
EBITDA	196.2	25.8	41.0	122.1	311.4

SUMMARY OF THE BALANCE SHEETS

MSEK	2011	2010	2009	2008	2007
Goodwill	833.6	836.1	894.9	917.7	844.7
Other fixed assets	515.3	575.4	624.6	660.4	546.7
Inventory	125.6	118.7	95.1	120.1	125.7
Accounts receivable	385.3	365.1	351.5	470.9	450.6
Other current assets	63.6	66.9	68.8	75.9	191.4
Cash and cash equivalents	81.2	50.1	78.9	141.7	65.2
Equity	879.6	819.3	765.1	877.7	864.6
Interest-bearing liabilities	757.7	782.3	916.3	970.7	882.7
Non-interest-bearing liabilities	367.2	410.7	432.4	538.3	477.0
Total assets	2,004.6	2,012.3	2,113.8	2,386.7	2,224.3

CASH FLOW IN SUMMARY

MSEK	2011	2010	2009	2008	2007
Cash flow from operating activities	84.3	-57.8	54.6	120.6	89.9
Paid taxes	-6.8	-7.6	-7.9	-31.7	-32.3
Investments	-27.6	-69.2	-52.2	14.5	-402.5
Operating cash flow	93.3	-90.4	42.1	217.2	-230.0
Change in net debt	-56.6	-96.9	-5.9	25.8	222.2

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

KEY RATIOS

	2011	2010	2009	2008	2007
Operating margin, %	6.0	-4.5	-3.4	0.7	11.1
Profit margin, %	4.3	-6.2	-5.5	-1.6	9.0
Gross profit/Added value, %	34.8	28.1	33.0	36.7	46.2
Capital net sales rate, times	0.9	0.8	0.8	1.0	1.1
Equity ratio, %	43.9	40.7	36.2	36.8	38.9
Risk capital ratio, %	45.6	42.1	37.6	38.0	40.0
Interest coverage ratio, times	4.4	neg.	neg.	0.4	5.5
Debt/equity ratio, times	0.8	0.9	1.1	1.0	0.9
Return on equity, %	7.1	-10.6	-9.1	-3.0	24.2
Return on capital employed, %	7.1	-4.8	-3.6	0.9	16.0
Return on total assets, %	5.7	-3.2	-2.2	1.7	12.0
EBIT-multiple, times	9.1	-14.1	-19.5	68.2	3.6
Average number of employees	1,546	1,520	1,581	1,809	1,563
Net debt/EBITDA, times	3.4	28.4	20.5	6.9	2.6
Enterprise Value, MSEK	1,004.6	1,269.3	1,174.3	1,092.3	2,174.8
Risk capital, MSEK	915.0	848.0	793.6	907.7	888.5
Capital employed, MSEK	1,556.2	1,551.5	1,602.5	1,721.0	1,682.0
Net debt, MSEK	676.5	732.2	837.4	843.3	817.5

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

DATA PER SHARE

	2011	2010	2009	2008	2007
Result, SEK	3.09	-6.79	-7.57	-2.62	18.06
Share price at year-end, SEK	16.80	27.50	34.50	25.50	139.00
P/e ratio	5.4	-4.1	-4.5	-9.7	7.7
P/s ratio	0.2	0.2	0.2	0.1	0.7
Dividend, SEK	0.50 ¹⁾	0.00	0.00	0.00	4.50
Dividend yield, %	2.3	0.0	0.0	0.0	2.6
Share price/equity, times	0.4	0.4	0.4	0.3	1.6
Net asset value, SEK	45.04	66.39	78.35	89.88	88.54
Risk capital, SEK	46.80	68.71	81.27	92.96	90.99
EBITDA, SEK	10.04	2.09	4.19	12.50	32.65
Operating cash flow, SEK	4.78	-7.33	4.31	22.24	-24.12
Cash flow from operating activities, SEK	4.31	-4.68	5.60	22.24	-24.12
Average number of outstanding shares, in thousands	19,530	12,342	9,765	9,765	9,537
Turnover rate	0.13	0.32	0.45	0.23	0.36

¹⁾ Proposed by the Board.

DEVELOPMENT IN THE ELANDERS SHARE

Like the Nasdaq OMX Nordic Stockholm general index the Elanders share had an unfavorable development in 2011. There were no major changes in ownership in 2011 and the principle owner Carl Bennet AB kept its holdings.

HISTORY

Elanders' B shares were first listed on the Stockholm Stock Exchange on 9 January 1989. On 31 December 2011 the company had 18,363,332 B shares listed on the OMX Nordic Exchange Small Cap list under the ELAN B symbol. The development of the number of outstanding shares is shown in the chart on the next page.

DEVELOPMENT DURING THE YEAR

The market value of B shares fell by 38.9 (-20.3) percent during 2011 while the general index of the OMX Nordic Exchange decreased by 18.3 (+23.1) percent during the same period. During 2011 a total of 2,633,829 Elanders shares (3,908,156 shares) were traded, which is equivalent to an average trading rate of approximately 0.13 times (0.32 times). The total turnover rate of the OMX Nordic Exchange was 0.89 times (0.87 times) during the same period.

The lowest share price was SEK 16.40 on 30 December and the highest was SEK 32.30 on 28 January. The final share price in 2011 was SEK 16.80 (SEK 27.50), which means that Elanders' stock market value at year-end was approximately MSEK 328 (537).

CLASS OF SHARES AND LIQUIDITY GUARANTEE

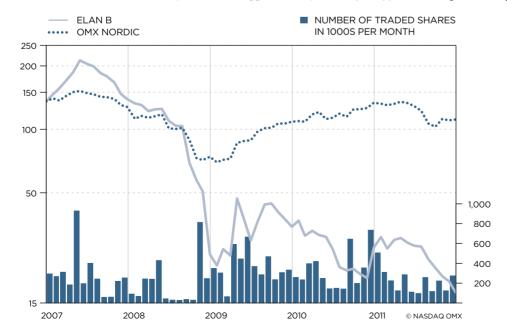
At year-end there were 1,166,666 A shares and 18,363,332 B shares issued. Each A share is worth ten votes and each B share one. The shares' quota value is SEK 10. All shares are entitled to the same dividend. See the tables on this page and the next for share capital and voting disposition. The B share is covered by a liquidity guarantee and Remium AB is the guarantor.

SHARE ALLOCATION

There were 2,413 (2,641 shareholders) Elanders shareholders at year-end. The allocation is analyzed in the tables on this page and the next.

DIVIDEND POLICY

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



SHAREHOLDER INFORMATION

Elanders' financial information can be found at the Group website www.elanders.com 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.

Remium monitors our development and regularly publishes analyses of Elanders.

For further information please see www.introduce.se/foretag/elanders

MAJOR SHAREHOLDERS 31 DECEMBER 2011

	Number of A-shares	Number of B-shares	Percent of votes	Percent of share capital
Carl Bennet AB	1,166,666	10,382,098	73.42 %	59.13 %
Carnegie Funds		1,640,400	5.46 %	8.40 %
Avanza Pension Försäkring AB		1,033,617	3.44 %	5.29 %
Odin Funds, Norway		322,373	1.07 %	1.65 %
Per Anders Bendt with companies		250,000	0.83 %	1.28 %
Nordnet Pensionsförsäkring AB		190,655	0.63 %	0.98 %
Knowledge Foundation		175,000	0.58 %	0.90 %
Ålandsbanken Funds		100,000	0.33 %	0.51 %
SHB Funds		98,635	0.33 %	0.51 %
Willi Persson		96,250	0.32 %	0.49 %
Other shareholders		4,074,304	13.57 %	20.86 %
TOTAL	1 166 666	18 363 332	100.00 %	100.00 %

SHARE CAPITAL DEVELOPMENT

	Number of A-shares	Number of B-shares	Accumulated shares	Share capital, SEK
At Stock Exchange introduction in 1989	200,000	1,380,000	1,580,000	15,800,000
1991 Directed share issue to acquire Fabritius A/S in Norway		252,000	1,832,000	18,320,000
1993 Bonus issue 1:1	200,000	1,632,000	3,664,000	36,640,000
1997 Directed share issue to acquire the Graphic Systems Group		650,000	4,314,000	43,140,000
1997 Directed share issue to acquire Skandinaviska Lithorex		250,000	4,564,000	45,640,000
1997 Directed share issue to acquire Gummessons		350,000	4,914,000	49,140,000
1997 New share issue 1:4 in connection with the acquisition of the Minab Group	100,000	1,128,000	6,142,500	61,425,000
1998 Directed share issue to acquire the Skogs Group		1,287,500	7,430,000	74,300,000
2000 Directed share issue to acquire the shares in KåPe Group		450,000	7,880,000	78,800,000
2000 Directed share issue to acquire the shares in Novum Group		490,000	8,370,000	83,700,000
2007 New share issue 1:6 in connection with the acquisition of the Sommer Corporate Media Group	83,333	1,311,666	9,764,999	97,649,990
2010 New share issue 1:1	583,333	9,181,666	19,529,998	195,299,980
OUTSTANDING SHARES AND SHARE CAPITAL ON 31 DECEMBER 2011	1,166,666	18,363,332	19,529,998	195,299,980

SHAREHOLDER STATISTICS PER 31 DECEMBER 2011

	Number of shareholders	Number of A-shares	Number of B-shares	Percent of share capital	Percent of votes
1–500	1,634		291,315	1.49 %	0.97 %
501-1,000	321		257,241	1.32 %	0.86 %
1,001-2,000	185		290,628	1.49 %	0.97 %
2,001-5,000	144		502,773	2.57 %	1.67 %
5,001-10,000	49		389,709	2.00 %	1.30 %
10,001-20,000	30		456,992	2.34 %	1.52 %
20,001-50,000	28		910,134	4.66 %	3.03 %
50,001-100,000	12		868,033	4.44 %	2.89 %
100,001–1,000,000	6		1,340,392	6.86 %	4.46 %
1,000,001-	3	1,166,666	13,056,115	72.83 %	82.33 %
TOTAL	2,412	1,166,666	18,363,332	100.00 %	100.00 %

■ SHAREHOLDER CATEGORIES 31 DECEMBER 2011

	Percent of	Percent of votes
	share capital	
Swedish institutions and investment companies	12.61 %	8.20 %
Swedish companies and private persons	80.28 %	87.18 %
Foreign institutions	6.50 %	4.23 %
Foreign companies and private persons	0.60 %	0.39 %
TOTAL	100.00 %	100.00%

Sources: SIS Ägarservice and Euroclear Sweden AB.

FOCUS ON Preventive work

Strategic work with risk management is handled by the Board of Directors and the audit committee while operational work is handled by the CEO and Group Management. The risks that Elanders faces are circumstantial risks, financial risks and business risks. On the following pages we will describe the risks that Elanders has identified and the work done to prevent and minimize these.

LIKE ALL BUSINESS OPERATIONS Elanders faces different kinds of risks. Handled correctly these risks can be turned into opportunities while risks that are not handled correctly can lead to damages and losses. In the cases when Elanders can affect

the probability for a risk-related event to take place effort is put into prevention. When the events are outside Group control actions are taken to minimize any effects through hedges or insurance.

Circumstantial risks

The circumstantial risks with the largest effect on Elanders' operations are the future of printed matter and the global economy. Since these factors are outside of Group control we continuously work to minimize any negative effects by adapting operations. This work is steered by the strategy decided by the Board. In recent years working to broaden Elanders' offer has been prioritized.

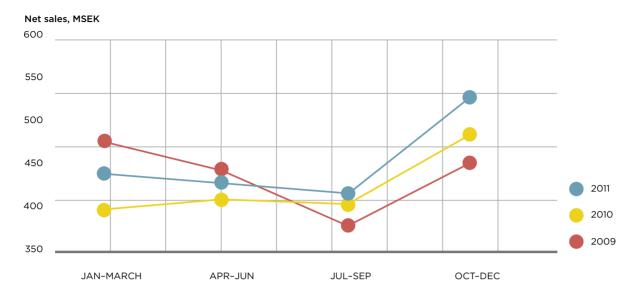
THE FUTURE OF PRINTED MATTER

Printed matter will continue to grow as a bearer of information on a global level in coming decades although to a lesser degree as time passes. The major part of this increase will consist of packaging as well as information and marketing material. The latter will mainly increase through the use of digital print technology, i.e. individually 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. In Eastern Europe, Asia and Latin America the demand for offset technology will continue to increase in the foreseeable future.

Elanders' position as one of the leading digital printed matter players in Europe and our competitive offset capacity in Eastern Europe and Asia concurs with this development. Investments in

PRINTED MATTER
WILL CONTINUE TO
GROW AS A BEARER
OF INFORMATION ON
A GLOBAL LEVEL IN
COMING DECADES
ALTHOUGH TO A
LESSER DEGREE AS
TIME PASSES.

SEASONAL VARIATIONS IN ELANDERS, 2009-2011



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

BUSINESS CYCLE SENSITIVITY

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

We work consciously to reduce the influence of business cycles by increasing net sales to existing and new customers active in the less sensitive industries. The Group's growing focus on product areas packaging and W2B also reduces sensitivity to business cycles since these products are not so dependent on them. These investments gave results this year in the form of new customers and sales of new products to existing customers.

We also work with smaller companies where the prices are not as pressed. This is another area where the Group's work to create W2B interfaces for ordering standardized printed matter is crucial.

Financial risks

The greatest financial risks for Elanders are currency risk, interest risk and financing risk. The financial policy established by the Board governs which currency risks must be hedged and how interest, financing and liquidity risks are handled. Group Finance is primarily responsible for handling these risks.

CURRENCY RISK

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

The transaction risk is relatively low since most income and costs in companies are in local currencies. In cases of transactions in other currencies this risk is hedged by using forward exchange contracts. Contracted payables and liabilities where the timeframe of the flow is within the next twelve months are hedged. Contracted orders where the timeframe of the flow is beyond twelve months are normally hedged at 80 percent since there is room for certain volume deviations within the framework of the contracts. Expected and budgeted flows are not hedged. Elanders' net inflow of foreign currency consists primarily of EUR, CNY, USD, GBP and PLN. Exposure of net assets in foreign subsidiaries is mainly connected to EUR. Net assets in the German operations have been hedged by taking loans in EUR. Apart from this hedging no other hedging has been made to counter the translation risk.

INTEREST RISK

Exposure in the form of changes in interest level is mainly attributed to the Group interest-bearing liabilities with floating interest. Outstanding liabilities are primarily in SEK and EUR.

Elanders strives to achieve a balance between cost-effective financing and the risk exposure of a negative influence in the result if interest levels suddenly changed significantly. The interest level for debts of MSEK 300 have been hedged until 30 September 2014, which means that 44 percent of Group net debt is currently protected against an increase in interest rates.

FINANCING RISK

Elanders is dependent on obtaining financing from credit institutions. The Group financing need comprises current operations and preparedness for possible future investments. The availability of financing depends on factors such as the general availability of capital and Elanders' credit rating.

The Group's goal is to always have more than one party that is willing to offer financing on market terms. Currently the Group has credit agreements with two Swedish banks regarding operational financing. The credit agreements end 30 September 2012 and negotiations concerning new agreements are expected to begin in the spring of 2012. The Group's financing policy specifies a liquidity buffer of MSEK 100. At the end of 2011 the liquidity buffer amounted to MSEK 266.

CREDIT RISK

The Group is exposed to losses through the risk of a counterparty to a financial instrument not meeting their obligations. Credit risk can be divided into financial credit risk and commercial credit risk where the financial risk primarily is attributed to investing surplus liquidity and trading exchange

derivative instruments. Elanders' commercial credit risk is spread out over a large number of customers. However, in actuality a few customers represent a large part of the Group's accounts receivable. These customers are for the most part large, reputable, listed companies with good credit ratings.

The financial credit risk is limited and controlled by the fact that financial transactions may only be carried out with reputable financial institutions with good credit ratings. All financial transactions go through Group Finance. The commercial credit risk is primarily handled by each subsidiary through regular communication with customers, monitoring their ability to pay and following up their financial reports. The Group also has credit insurance that covers substantial credit losses attributable to insured customers. In 2011 41 (55) percent of net sales was insured.

Business risks

Elanders encounters risks in operations daily and normally these are within the Group's control. 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.

CUSTOMER CONCENTRATION

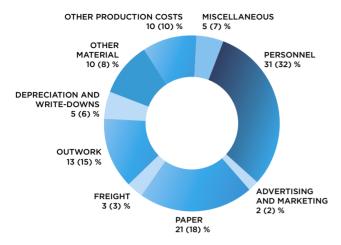
The Group's major customers are primarily active in industry and agreements with these customers normally run over two or three years. Elanders' ten largest customers represent 36 (33) percent of net sales. No single customer represents more than 7 percent of Group net sales.

Elanders' strategy is to be more than a supplier of printed matter. We also serve customers with information and printed matter logistics, thereby creating customer value which makes Elanders more a strategic partner than a pure supplier. This approach builds the basis for long-term business relations.

OPERATIONAL RISK

The risk that the Group will suffer a major stop in operations is minimal. The Group's production units are largely compatible and can help each other if there are any hitches in operations and it is rare that there are no alternative suppliers of input goods. Elanders works in a structured way to identify and prevent risks for fire, burglary and other security aspects in the producing units.

COST STRUCTURE



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

RISKS IN OPERATING EXPENSES

Elanders' main operating costs are personnel costs, paper costs and the cost of outwork. These three categories represent 65 (65) percent of total operating costs. The individual subsidiaries are primarily responsible for controlling cost developments but some purchase procurements, for example of paper, are also done at Group level.

Personnel costs

Direct personnel costs make up around 31 (32) percent of operating costs. First and foremost changes in the Group's health ratio have a direct effect on the result but higher salary levels also have a direct effect.

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

Paper costs

Elanders' most important input goods is paper. It represents approximately 21 (18) percent of operating costs. Paper costs have been stable for a long time and they are expected to continue to be stable.

The Group protects itself in part against price fluctuations through a paper price clause in the larger and longer contracts with our customers. When selling to customers without contractual prices production and delivery generally take place

quite close in time and customer prices are based on current paper prices.

Outwork

Outwork refers to production steps that the Group has contracted to subcontractors. At times when we are already operating at full capacity we can use subcontractors for the total production of smaller deliveries.

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

CONTRACTS AND DISPUTES

In business daily operations can give rise to disputes. In order to minimize the risk of disputes Elanders normally uses the contracts prepared by our trade organizations. Elanders believes no dispute attributable to daily operations has or will have important consequences for the Group's financial position. The Group's insurance program contains global liability insurance that, among other things, covers general liability, product liability, crime fidelity, business interruption and limited protection against environmental damage. The Group also has liability

Sensitivity analysis

In note 19 to the financial reports there is a summary of an analysis of how some of the variables described above would have affected Group results after financial items in 2011.

insurance for members of the Board and officers.

THE FINANCIAL REPORTS

THE POSITIVE DEVELOPMENT IS A RESULT OF A BETTER USE OF EXISTING PRODUCTION CAPACITY, THE COST SAVING MEASURES TAKEN AND THE SUCCESS ELANDERS HAS HAD ON THE SWEDISH AND GERMAN MARKETS.

67 BOARD OF DIRECTORS' REPORT

The Board of Directors and the President and Chief Executive Officer of Elanders AB (publ) present their annual report and the consolidated financial statements for 2011.

72 CORPORATE GOVERNANCE REPORT

The 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.

79 GROUP

Elanders is back in the black. We won new market shares in 2011 and grew both organically and through acquisitions.

79 INCOME STATEMENTS

The Group's net sales increased during the year with 8 percent to MSEK 1,839 and the operating result improved with MSEK 102 excluding onetime items and amounted to MSEK 110.

79 STATEMENTS OF COMPREHENSIVE INCOME

Total comprehensive income for the year attributable to parent company shareholders amounted to MSEK 60.

80 STATEMENTS OF FINANCIAL POSITION

The Group's total assets decreased by MSEK 8 to MSEK 2.005 and the capital employed increased with MSEK 4 and amounted to MSEK 1.555.

81 STATEMENTS OF CHANGES IN EOUITY

The Group's equity amounted to MSEK 880 and the equity ratio increased with 3 basis points and amounted to 44 percent.

82 STATEMENTS OF CASH FLOW Cash flow from the Group's operating activities amounted to MSEK 84 and net debt decreased from MSEK 732 to MSEK 676.

83 NOTES

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

105 PARENT COMPANY

105 INCOME STATEMENTS

105 STATEMENTS OF COMPREHENSIVE INCOME

106 BALANCE SHEETS

107 STATEMENTS OF CHANGES IN EQUITY

108 CASH FLOW STATEMENTS

109 NOTES

115 PROPOSED APPROPRIATIONS OF PROFITS

The Board of Directors and the Chief Executive Officer propose that SEK 0.50 per share total SEK 9,764,999 is paid as dividend to the shareholders

116 AUDITOR'S REPORT

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

BOARD OF DIRECTORS' REPORT

The Board of Directors and the President and Chief Executive Officer of Elanders AB (publ), corporate identity no 556008-1621, herewith present their annual report and the consolidated financial statements for 2011. Elanders AB is the parent company of Elanders, a global printing group.

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

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

OVERVIEW OF OPERATIONS

Elanders is a global printing group with production units in ten countries on four continents. In 2011 our product areas consisted of: books & magazines, photo products, packaging, information & marketing material as well as manuals & product information. In combination with these products Elanders also offers services in web-to-print (W2P), EDI, advanced premedia, fulfillment, and logistics. In 2012 these product areas will be replaced by three new ones: Commercial Print, Packaging and Web-to-business (W2B). Elanders' typical customers are companies in the automotive industry, manufacturers of consumer electronics and white goods, companies in the food industry and publishers.

GROUP OPERATIVE LOCATIONS

In 2011 the Group had operations in 13 companies in ten countries. Production units are located in Brazil (São Paulo), Italy (Treviso), China (Beijing), Norway (Oslo), Poland (Płońsk), Great Britain (Newcastle), Sweden (Falköping, Gothenburg, Malmö and Stockholm), Germany (Stuttgart), Hungary (Zalalövő and Jászberény) and the USA (Atlanta). Elanders is also represented by sales offices in a number of locations.

Net sales and result

Group net sales increased by 8 percent to MSEK 1,839 (1,706) in 2011. With the same exchange rates as last year, net sales would have been MSEK 1,919, i.e. an increase of MSEK 213, or MSEK 1,834 with comparable units. The increase is primarily due to Elanders' competitive offer with low-cost production in Poland and Hungary for the Swedish and the German markets.

Group operating result increased by MSEK 186 to MSEK 110 (–76), and cleared of one-off items of MSEK 25 (–59) in 2011 which consists solely of book VAT recognized as income, the improvement in the result was MSEK 102. The positive development is a result of a better use of existing production capacity, the cost saving measures taken and the success Elanders has had on the Swedish and German markets. Result before tax totaled MSEK 80 (–105) and result after tax was MSEK 60 (–84).

The necessary consolidation in the industry continues. In order to create long-term profitability in the industry and enable future investments the industry must increase the speed of the consolidation. Today the industry is too fragmented with too many players, often consisting of small family-owned companies. In 2011 Elanders contributed to the consolidation by taking over parts of the operations in the Swedish sheet-fed printers Fälth & Hässler and NRS Tryckeri, and they closed down their remaining production. The integration of these operations has continued according to plan.

In February 2010 a verdict was reached in the Court of Justice of the European Union in the so called Graphic Procédé case. In Sweden this is of particular importance for establishing the limits between printing companies delivery of goods (i.e. printed matter) and services as well as for the application of the so-called book VAT, i.e. a Value Added Tax of six percent. At the end of December 2010 Elanders submitted a claim for a VAT refund pertaining to 2004 to the Swedish Tax Agency. The reason for this was that a part of Elanders' income subject to VAT in this period came from goods, not services, according to the delineation now consid-

ered correct. A decision in this matter was taken in April 2011 and Elanders received a refund of MSEK 70. In the fourth quarter, MSEK 25 attributable to 2004 was recognized as income but there are still much uncertainty about the remaining amount. Elanders has also submitted a claim for a VAT refund of MSEK 67 pertaining to 2005. Due to a number of uncertain factors it is difficult at this time to assess which effect this will have on Elanders' result and therefore the sum for 2005 has not been recognized as income.

Investments and depreciation

During the year investments amounted to MSEK 43 (76), of which MSEK 10 (27) was acquisitions. Investments in production equipment were mostly new and replacement investments, primarily in Eastern Europe. Costs for depreciation and writedowns amounted to MSEK 86 (102).

Financial position, cash flow and equity ratio

At year-end net debt was MSEK 676 (732). Unused credit facilities including cash and cash equivalents amounted to MSEK 266 (172) at year-end. After an agreement with the banks the unused credit facilities were reduced by MSEK 30 in February 2012. Operating cash flow amounted to MSEK 93 (–90) for the full year, of which company acquisitions amounted to MSEK –10 (–27). The cash flow is affected negatively to a certain extent by the capital tied up in the operations that were taken over in 2011. Equity at year end amounted to MSEK 880 (819), making for an equity ratio of 44 (41) percent.

Since 30 September 2011 loans from the Group's main banks are reported as interest-bearing current liabilities since the credit agreement matures on 30 September 2012. Negotiations for a new credit agreement will be initiated in the spring of 2012. In the fourth quarter the Group signed agreements regarding interest swaps for MSEK 300 of Group debt. As a result the interest level for these debts has been hedged until 30 September 2014.

Research and development

The Group continuously develops different offers

that are usually developed in connection with specific customer projects and consist of, for instance, order interfaces, image databases and other publication tools.

Personnel

The average number of employees in the Group during the year was 1,546 (1,520) of which 395 (445) were in Sweden. The total number of employees at year-end amounted to 1,582 (1,564) of which 399 (416) were in Sweden. Further information concerning the number of employees, as well as salaries, remuneration and terms of employment is given in note 5 to the Group financial reports.

PARENT COMPANY

During the year the parent provided business support services for other companies within the group. No external sales took place. Investments in 2011 amounted to MSEK 1 (7), with MSEK 0 (1) for investments in subsidiaries. The average number of employees during the year was 8 (18) and the number at year-end amounted to 8 (10). Other information concerning the number of employees, salaries, remuneration and conditions of employment is given in note 5 to the Group financial reports.

ENVIRONMENTAL IMPACT

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

Legal requirements and incidents

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

In 2011 Elanders had operations in Vällingby

and Falköping that were obliged to submit reports and operations that required permits in Mölnlycke. Outside Sweden Elanders has operations in Great Britain, Poland, Hungary, China, Germany and the USA that require permits to different degrees. No significant accidents or incidents occurred in 2011.

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 UNCERTAINTY FACTORS

Elanders divides risks into circumstantial risks (the future of printed matter, business cycle sensitivity), financial risks (currency, interest, financing and credit risk) as well as business risks (customer concentration, operational risk, risks in operating expenses, contracts and disputes). For more detailed information than given below, as well as a sensitivity analysis, please see note 19 to the Group financial reports.

Circumstantial risks

Elanders believes printed matter will continue to grow on a global level 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. However, volumes are expected to shrink on mature markets such as North America and Western Europe and primarily in offset production. Elanders works constantly on making the best of our global presence, broadening our offer with packaging, offering production in countries with lower costs as well as developing solutions for the automated ordering of digital print.

The greatest business cycle sensitivity is primarily connected to supplying customers concentrated on consumer markets such as vehicles and electronics. Elanders works continuously to broaden our customer base and increase volumes to industries that are less sensitive to changes in business cycles such the food, cosmetics and pharmaceuticals industries as well as educational printers and the public sector.

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 risk in the Group primarily comes from transactions in other currencies than the companies' local currency and the conversion of net results and net assets from our foreign subsidiaries. Elanders' net influx of foreign currency is mainly in EUR, CNY, USD, GBP and PLN. In part the Group handles currency risks by hedging transactions, accounts payables and liabilities that are in foreign currency. Exposure regarding changes in interest levels stems mainly from Group interest-bearing loans with floating interest rates. Outstanding debt is mostly in SEK and EUR. In 2011 Elanders hedged the interest level for MSEK 300 of Group debt. The hedge matures on 30 september 2014.

Elanders is dependent on receiving financing via credit institutes and the Group's goal is to always have more than one party willing to offer financing on market terms. Currently the Group has credit contracts with two Swedish banks that cover operational financing. The contracts run until September 2012 and negotiations for new contracts will begin in the spring of 2012. The Group's policy specifies

a liquidity buffer of MSEK 100. On 31 December 2011 the liquidity buffer amounted to MSEK 266.

The Group is exposed to credit risks through the risk that a counterparty cannot meet its obligations. The most crucial financial credit risk for the Group arises when investing surplus liquidity and trading exchange derivative instruments. This risk is limited through the sole usage of well-known financial institutions. Although the commercial credit risk is spread out over many different customers it is concentrated to a few. These customers are for the most part large, listed companies that have good credit ratings. The Group also has credit insurance that covers bad debt losses from insured customers.

Business Risks

None of Elanders' customers generate more than 7 percent of net sales. The ten largest customers represented less than 36 (33) percent of its net sales. Elanders' strategy is to be more than a supplier of printed matter. We also serve customers with information and printed matter logistics, thereby creating customer value which makes Elanders more a strategic partner than a pure supplier. This approach builds the basis for long-term business relations.

The risk that the Group will suffer a major stop in operations is minimal since the Group has similar production capacity in several production units and since it is rare that there are no alternative suppliers of input goods. The Group also has a business interruption insurance that covers loss of margins caused by a stop in production of up to twelve months.

The most significant operating cost is personnel which makes up around 31 (32) percent of operating costs and the Group works to continually improve the health of its employees. Paper costs are next and make up approximately 21 (18) percent of operating costs. Elanders protects itself as is customary against price fluctuations through a paper price clause in contracts with our customers. Costs for outwork are 13 (15) percent of operation costs. Elanders sees no direct risk connected to substantial cost hikes in outwork as there is a price press on most markets the Group operates in. Costs for

other resources are not individually large enough for price fluctuations to have a significant effect on the Group.

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

INFORMATION CONCERNING COMPANY SHARES Total number of shares, votes, dividends and new shares

On 31 December 2011 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 the NASDAQ OMX Nordic Exchange, Small Cap list. Each A share represents 10 votes and each B share represents one vote. Shareholders may vote for all the shares they own or represent. All shares receive the same dividend. The Annual General Meeting has not given the Board any authority to purchase shares or issue shares. There are no bonus programs with dilution effects.

Transferability

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

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

Shareholdings

The only direct or indirect shareholding exceeding a tenth of the votes in the company per 31 December 2011 was Carl Bennet AB with 73.4 percent. No shares are owned by personnel through pension foundations or the like.

Contracts with clauses regarding 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.

GUIDELINES FOR REMUNERATION TO SENIOR OFFICERS

The company's guidelines for remuneration to senior officers were adopted by the Annual General Meeting on 5 May 2011. The Board proposes that the Annual General Meeting 2012 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 the basic wage. For other senior officers variable remuneration may amount to, at most, 40 percent of the basic wage.

Other benefits

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

Pension

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

Severance pay etc.

The period of notice for termination of the Chief Executive Officer by the company is 18 months. The period of notice from the Chief Executive Officer is 6 months. The period of notice for termination of other senior officers by the company normally varies between 3 to 18 months. Normal wages are paid during the period of notice. No severance pay is paid.

Deviation from guidelines

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

FUTURE PROSPECTS

Elanders continues to have a dominant position among our global industrial customers and this is where the largest opportunities for short-term expansion can be found. The undeniable trend is that a growing number of global companies centralize their purchasing processes while requesting local deliveries. Elanders also has to grow quickly in packaging and continue to create order interfaces online for medium and large companies in order to increase volumes in primarily digital printing where there normally are better margins.

Elanders' market position and our solid graphic expertise together with our access to low-cost production in Eastern Europe and China provides a good platform to increase market shares particularly on the Swedish and German markets, Elanders' two most important markets. Investments in production equipment in Eastern Europe and Asia will be prioritized over investments in Western Europe.

We continue to invest in broadening our customer base in order to attract customers in industries less sensitive to fluctuations in the business cycle such as food stuffs, cosmetics 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.

The forecast for 2012 is an increase in net sales and a better result before tax compared to 2011, apart from the MSEK 25 in positive one-off items recorded in 2011.

EVENTS AFTER THE BALANCE SHEET DATE

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

APPROPRIATION OF PROFITS

The Board of Directors and Chief Executive Officer propose that the profit and other unreserved funds of SEK 180,708,911 in the parent company at the disposition of the Annual General Meeting should be dealt with accordingly:

- SEK 0.50 per share, a total of SEK 9,764,999 is distributed to the shareholders,
- the remaining balance of 170,943,912 is to be carried forward.

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

Corporate governance report

This corporate governance report, a part of the Board of Director's report in the Annual Report, describes Elanders' corporate governance, which is comprised of the management and administration of the company operations as well as internal control over financial reporting. The role of corporate governance in Elanders is to create a good foundation for active and responsible ownership, a suitable distribution of responsibility between the different

company bodies as well as good communication with all of the company's interested parties.

SWEDISH CODE OF CORPORATE GOVERNANCE

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

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

This deviation is further explained in the section on the nomination committee.

More information about the Code can be found at www.corporategovernanceboard.se

CORPORATE GOVERNANCE IN ELANDERS

- A BRIEF OVERVIEW

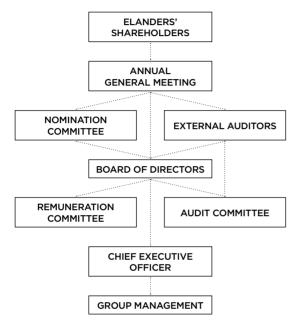
Corporate governance in Elanders is based on legal requirements (primarily the Companies act and accounting regulations), the articles of association, NASDAQ OMX Stockholm's issuer rules, internal regulations, policies and the Code.

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 2011 there were 2,413 share-holders and the foreign ownership in Elanders was 7 (7) percent of shares and 5 (5) percent of votes.

The only direct or indirect shareholding exceeding a tenth of the votes in the company per 31 December 2011 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 decisionmaking body. See figure above. All shareholders recorded in the share register that have declared their intention to participate in the Annual General Meeting within the stated time limit have the right to participate in the Meeting. Shareholders that cannot participate in person can elect a representative. At the Annual General Meeting an A share represents ten votes and a B share represents one vote. A shares and B shares have the same right to a share of company assets and profit. At the Annual General Meeting each person with voting rights is entitled to vote for their entire holding or represented holding without restrictions. Elanders' A shares are included in preemption as stated in the articles

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

ANNUAL GENERAL MEETING 2011

At the Annual General Meeting 5 May 2011 the following decisions were taken:

- the adoption of the Annual Report for 2010,
- that no dividend be distributed for 2010,
- that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for 2010,
- 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) (re-elected)
 - 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 commission the Chairman of the Board to summon a nomination committee before the Annual General Meeting 2012,
- to adopt regulations for the nomination committee work etc. as stated in the summons to the Annual General Meeting,
- to approve the Board's suggestion in the summons for remuneration to leading senior officers.

ANNUAL GENERAL MEETING 2012

The next Annual General Meeting for shareholders in Elanders will take place at Elanders headquarters in Mölnlycke Thursday 3 May 2012. 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) and Hans Hedström (Carnegie Funds). 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 2011

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 2011 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 Olle 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 owner. Carl Bennet is dependent with regards to the shareholder Carl Bennet AB where he is Chairman of the Board and owner. Johan Stern is also dependent in relation to Carl Bennet AB where he is a member of the Board.

The Board has produced and adopted a 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

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)	Total attendance, %	Remuneration Board + Committee work, SEK '000s	Share- holding, including related parties ¹⁾	Independent
MEMBERS CHOSEN BY THE AGM							
Carl Bennet, Chairman	8 (8)	1 (1)	Not member	100	500 + 50	1,166,666 A 10,382,098 B	No, owner
Tore Åberg, Vice Chairman	7 (8)	1 (1)	3 (3)	92	250 + 125	18,000 B	Yes
Göran Johnsson	8 (8)	Not member	3 (3)	100	250 + 50	2,066 B	Yes
Cecilia Lager	8 (8)	1 (1)	Not member	100	250 + 25	1,600 B	Yes
Magnus Nilsson, CEO	8 (8)	Not member	Not member	100	Employee	20,800 B	No, company
Hans-Olov Olsson	8 (8)	1 (1)	Not member	100	250 + 25	1,700 B	Yes
Kerstin Paulsson	8 (8)	Not member	3 (3)	100	250 + 50	2,000 B	Yes
Johan Stern	8 (8)	Not member	2 (3)	91	250 + 50	65,000 B	No, owner
EMPLOYEE REPRESENTATIVES							
Lena Hassini	8 (8)	Not member	Not member	100	Employee	-	No, company
Lilian Larnefeldt	8 (8)	Not member	Not member	100	Employee	-	No, company
Tomas Svensson	8 (8)	Not member	Not member	100	Employee	-	No, company
Olle Zetterquist	8 (8)	Not member	Not member	100	Employee	200 B	No, company
TOTAL				98			

¹⁾ Shareholding per 31 December 2011.

matters, a meeting to adopt the coming year's budget and a constitutional meeting following the Annual General Meeting. In addition, the Board is called to further meetings as needed. The Group's external auditors participate in the meeting that deals with the report for the first nine months of the year as well as the meeting regarding the annual accounts to report on all the results of their audit.

The Board followed the meeting plan for the year. The Board also met once to handle matters concerning remuneration for senior officers. The Board has otherwise been involved primarily in assessing market conditions, external circumstances and Elanders' business position as well as the Group's strategic expansion.

At the constitutional meeting of the Board the formal work plan and instructions for the Chief Executive Officer are reviewed and the customary de-

cisions 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 2011 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 above.

THE CHAIRMAN OF THE BOARD

The Chairman leads and organizes the Board and is responsible for making sure the Board meets its responsibilities and that the members receive the information necessary to ensure the work done by the Board is of high quality and performed according to legal stipulations and the contract with the stock exchange. The Chairman of the Board must also make sure that during the year an evaluation of the Board's work is carried out and that the nomination committee is informed of the results. The evaluation is carried out 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 2011 was 4.70 (4.63). In addition, the Chairman of the Board represents the company in ownership matters and communicates viewpoints from the owners to the Board. The Chairman of the Board is elected by the Annual General Meeting. Carl Bennet has been the Chairman of the Board since 1997.

REMUNERATION COMMITTEE

The remuneration committee is composed of Board members with the highest competence in this field. It deals with matters concerning remuneration to the Chief Executive Officer and officers that report directly to him. Decisions concerning remuneration to other employees in management positions in the Group are made by each individual's closest superior in consultation with their closest superior, also known as the "grandfather principle". During the year the remuneration committee held one meeting during which they adopted their work plan and prepared a proposal for remuneration. During the year the remuneration committee consisted of Carl Bennet, Chairman, Cecilia Lager, Hans-Olov Olsson and Tore Åberg. The guidelines for remuneration to leading officers adopted at the Annual General Meeting 2011 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 guidelines for remuneration to leading officers for 2011 and the Board of Director's proposal for guidelines for 2012 can be found on page 71 in the Annual Report 2011. The company has not issued, and will not issue any share-based payment obligation, or any similar incitement programs.

AUDIT COMMITTEE

The audit committee is appointed from within the Board based on members' experience of, and expertise in financial reporting and internal control. The committee follows a work program adopted by the Board. Its primary task is monitoring internal control, procedures for financial reporting, compliance of related laws and regulations as well as the external audit in the Group. The committee also evaluates the external auditors' qualifications and independence. The audit committee reports their observations on a regular basis to the Board and provides, as needed, external auditor candidates to the nomination committee. The committee meets at least twice a year and as needed. The external auditors normally participate in committee meetings. The committee met three times in 2011. The auditors reported on the audit of the nine month report and the annual accounts, the company's situation with the Code of Corporate Governance and internal control were discussed. The members of the audit committee in 2011 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 written instructions. These instructions contain a division of responsibility between the Board and the managing director and guidelines the managing director must observe in the running of operations.

GROUP MANAGEMENT

The President and Chief Executive Officer lead the work performed by Group Management and make decisions in consultation with members of Group Management. Group Management is responsible for day-to-day financial and commercial management and follow-up in the Group. It also strives to continually achieve synergies, identify acquisition and structural opportunities as well as adapt Group operations to market demands and short and longterm developments. Group Management makes sure that the competence and capacity of the Group is coordinated and adjusted to be as useful and profitable as possible in the short and long term. Elanders' Group Management consists of Magnus Nilsson, President and Chief Executive Officer as well as responsible for operations in Great Britain, Per Brodin, responsible for Asia, Jonas Brännerud, responsible for Sweden, South America, Poland and Norway, Peter Sommer, responsible for Germany, North America, Hungary and Italy as well as Andréas Wikner, Chief Financial Officer. Group Management meets once a month, often in conjunction with a visit to a unit within the Group.

THE BOARD'S REPORT ON INTERNAL CONTROL REGARDING FINANCIAL REPORTING

The purpose of internal control over financial reporting is to insure that the financial reports are reliable and follow generally accepted accounting principles and otherwise follow applicable laws and regulations concerning listed companies. According to the Swedish Companies Act and the Code

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

Control environment

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

Risk assessment

It is the responsibility of the Board to identify and handle any major financial risks and the risk of mistakes in financial reporting. This includes identifying areas in financial reporting where the risk of making a crucial mistake is higher as well as developing control systems to prevent and discover these faults. This is primarily done by identifying situations in operations and events in the outside world that could have an impact on financial reporting.

Control procedures

The aim of the control procedures is to ensure that financial reporting is correct and complete and that it is based on the Group's minimum requirements for internal control over financial reporting. Control procedures consist of general and detailed controls and can be both preventive and detective. For instance, the Board continuously follows developments in the operations through monthly reports containing detailed financial information as well as the CEO's comments on operations and result and financial position. Group Management or representatives from Group Finance regularly visit each unit and evaluate internal control and financial reporting. The MD in each subsidiary is responsible for making sure Group governance regulations are implemented and followed and that any deviations are reported. Companies in the Elanders Group make annual evaluations of how internal control functions in relation to the Group's goals. In this year's evaluation several areas there improvements have been made were identified as well as areas where further improvements are necessary. 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 over financial reporting is first and foremost handled by the audit committee. The observations and potential areas of improvement in internal control that have been identified in the external audit are processed by the audit committee together with the external auditors and the CFO. The annual evaluation of internal control in each individual company is reviewed by Group Finance, sometimes in cooperation with the external auditors. Conclusions from this review have been reported to the audit committee.

SPECIAL AUDIT FUNCTION, INTERNAL AUDIT

Elanders does not have a special internal audit function at the moment. This function is performed by Group Management and Group Finance, supported by the audit committee and the external auditors. The Board annually evaluates the need for an internal audit function but so far, considering the size of the Group and Group Management's operative character, it does not believe a special audit function would be of any significant advantage. A continuous dialogue between the company and the external 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 2012.

EXTERNAL AUDIT

The Annual General Meeting 2008 chose for a period of four years the authorized public accounting company PricewaterhouseCoopers AB. Head auditor is the authorized public accountant Johan Rippe. Once a year the auditors meet the Board in its entirety without the CEO or any other member of Group Management present, normally at the meeting that deals with the annual accounts. The auditors also participate in the Board meeting dealing with the report for the first nine months of the year.

GROUP

■ INCOME STATEMENTS

SEK '000s	Note	2011	2010
Net sales	2	1,838,831	1,705,923
Cost of products and services sold		-1,486,297	-1,450,317
GROSS PROFIT		352,534	255,606
Selling expenses		-110,059	-122,197
Administrative expenses		-174,633	-212,417
Other operating income	3	54,013	49,692
Other operating expenses	3	-12,059	-40,588
Shares in result from jointly controlled entities	4	-	-6,278
OPERATING RESULT	5, 6, 7, 8	109,796	-76,182
Financial income	9	4,939	10,632
Financial expenses	9	-34,772	-39,603
RESULT AFTER FINANCIAL ITEMS		79,963	-105,153
Taxes	10	-19,592	21,404
RESULT FOR THE YEAR		60,371	-83,749
Result for the year attributable to:			
- parent company shareholders		60,260	-83,749
- non-controlling interests		111	-
Earning per share, SEK ¹⁾	11	3.09	-6.79

¹⁾ There have been no dilution effects.

STATEMENTS OF COMPREHENSIVE INCOME

SEK '000s	2011	2010
RESULT FOR THE YEAR	60,371	-83,749
Other comprehensive income		
Translation differences	2,882	-75,946
Change in value of cash flow hedges, net	-4,244	-282
Tax effect on change in value of cash flow hedges, net	1,116	74
Change in fair value on the hedge of the net investment abroad	232	8,985
Tax effect on the change in fair value of the hedge of net investment abroad	-61	-2,363
TOTAL OTHER COMPREHENSIVE INCOME	-75	-69,532
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	60,296	-153,281
Total comprehensive income attributable to		
- parent company shareholders	60,185	-153,281
- non-controlling interests	111	-

COMMENTS ON THE INCOME STATEMENTS

Group net sales increased by MSEK 113 compared to the previous year, primarily due to success in raising sales on the German and Swedish markets. With the same exchange rates as last year net sales would have been MSEK 1,919 or MSEK 1,765 with comparable units. During the year parts of the Swedish sheet-fed printers Fälth & Hässler and NRS Tryckeri have been acquired. The contribution from these operations is calculated at close to MSEK 50 during the second half of the year.

The improved result is due to higher net sales, the rationalizations made mainly in the Swedish operations and continued success on the Swedish and German markets. One-off items of MSEK 25 (-59) are included in the operating result. The one-off items recognized as income in 2011 consist entirely of so-called "book VAT".

STATEMENTS OF FINANCIAL POSITION

SEK '000s	Note	2011	2010
ASSETS			
Fixed assets	26		
Intangible assets	14	869,508	875,218
Tangible assets	15, 25	320,277	371,721
Shares in jointly controlled entities	4	1,383	1,383
Deferred tax assets	10	145,420	149,014
Other financial assets		12,281	14,142
TOTAL FIXED ASSETS		1,348,869	1,411,478
Current assets			
Inventory	16	125,608	118,676
Accounts receivable	19	385,252	365,063
Current tax receivables	10	6,034	7,930
Other receivables		24,930	27,188
Prepaid expenses and accrued income	17	32,671	31,843
Cash and cash equivalents	18	81,195	50,144
TOTAL CURRENT ASSETS		655,690	600,844
TOTAL ASSETS		2,004,559	2,012,322
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to parent company shareholders			
Share capital	20	195,300	195,300
Other contributed capital		549,062	549,062
Hedging reserves		-3,323	-195
Translation reserves		-8,344	-11,397
Retained earnings		146,817	86,557
TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		879,512	819,327
Equity attributable to non-controlling interests		111	-
TOTAL EQUITY		879,623	819,327
LIABILITIES			
Long-term liabilities			
Other interest-bearing liabilities	19, 21, 25	25,184	423,655
Provisions for post-employment benefits	22	11,191	11,259
Other provisions	23	4,809	5,596
Deferred tax liabilities	10	35,343	30,420
TOTAL LONG-TERM LIABILITIES		76,527	470,930
Current liabilities			
Interest-bearing liabilities	19, 21, 25	720,469	347,534
Accounts payable	19	152,440	163,249
Current tax liabilities	10	5,674	2,239
Other liabilities		43,897	54,836
Accrued expenses and deferred income	24	107,803	106,536
Other provisions	23	18,126	47,671
TOTAL CURRENT LIABILITIES		1,048,409	722,065
TOTAL EQUITY AND LIABILITIES		2,004,559	2,012,322

STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to parent company shareholders								
SEK '000s	Share capital	Other contributed capital	Hedging reserves	Transla- tion reserves	Retained earnings	Total	Equity of non- controlling interests	Total equity	
OPENING BALANCE ON 1 JAN. 2010	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 share- holders 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	
Total comprehensive income for the year	-	-	-3,128	3,053	60,260	60,185	111	60,296	
CLOSING BALANCE ON 31 DEC. 2011	195,300	549,062	-3,323	-8,344	146,817	879,512	111	879,623	

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION

The Group's total assets decreased by MSEK 8 to MSEK 2,005 (2,012) and the capital employed on the balance sheet date was MSEK 1,555 (1,551). Both inventory and accounts receivable increased slightly as a result of higher net sales.

As of 30 September 2011 loans from the Group's main banks are reported as interest-bearing current liabilities since the existing credit agreements

As of 30 September 2011 loans from the Group's main banks are reported as interest-bearing current liabilities since the existing credit agreements mature on 30 September 2012. Negotiations regarding new credit agreements are expected to begin in the spring of 2012. Funds paid out for the rationalizations made mainly in the Swedish operations and primarily during the previous year reduced Other provisions.

STATEMENTS OF CASH FLOW

SEK '000s	Note	2011	2010
Operating activities			
Result after financial items		79,963	-105,153
Adjustments for items not included in cash flow	12	58,741	119,063
Paid taxes	10	-6,824	-7,606
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		131,880	6,304
Cash flow from changes in working capital			
Increase (-) / Decrease (+) in inventory		-7,100	-19,909
Increase (-) / Decrease (+) in operating receivables		-19,637	-47,073
Increase (+) / Decrease (-) in operating payables		-20,891	2,895
CASH FLOW FROM OPERATING ACTIVITIES		84,252	-57,783
Investing activities			
Acquisition of intangible and tangible assets	14, 15	-32,842	-48,731
Divestment of tangible assets	15	13,522	19,272
Acquisition of operations	28	-10,145	-26,754
Changes in of long-term receivables		1,859	-13,005
CASH FLOW FROM INVESTING ACTIVITIES		-27,606	-69,218
Financing activities			
New share issue		-	208,080
Amortization of loans		-30,362	-24,427
Other changes in interest-bearing liabilities	12	2,779	-81,597
CASH FLOW FROM FINANCING ACTIVITIES		-27,583	102,056
CASH FLOW FOR THE YEAR		29,063	-24,945
Cash and cash equivalents at the beginning of the year		50,144	78,856
Translation difference in cash and cash equivalents		1,988	-3,767
CASH AND CASH EQUIVALENTS AT YEAR-END		81,195	50,144
Change in net debt			
Net debt at the beginning of the year		732,201	837,446
Net debt in acquired operations		-	8,599
Translation difference		-176	-16,937
Change in interest-bearing liabilities and cash and cash equivalents		-56,479	-96,907
NET DEBT AT YEAR-END		675,546	732,201
Operating cash flow	13		
Cash flow from operating activities excl. financial items and paid tax		120,909	-21 206
Net investments		-27,606	-69 218
OPERATING CASH FLOW		93,303	-90 424

COMMENTS ON THE STATEMENT OF CASH FLOWS

Cash flow from operating activities improved by MSEK 142 amounting to MSEK 84 (-58) compared to 2010, primarily as a result of the considerably better result in underlying operations. Cash flow was, however, slightly weighed down by more capital tied up.

MSEK –33 (–49) of total net investments of MSEK –28 (–69) represented investments in intangible assets and production equipment in Group operations, mainly in Eastern Europe. Cash flow was also affected by acquisitions of MSEK -10 (-27) referring to the acquisition in 2011 of parts of the Swedish sheet-fed printers Fälth & Hässler and NRS Tryckeri.

Net debt amounted to MSEK 676 (732) at year-end.

■ NOTE 1 ACCOUNTING PRINCIPLES

1 GENERAL INFORMATION

Elanders AB (publ.), corporate identity number 556008-1621, is a limited company registered in Sweden. The parent company is registered in Mölnlycke. Elanders is listed on NASDAQ OMX Stockholm, Small Cap. The company's primary business and its subsidiaries are described in the Board of Directors' Report in this Annual Report. The annual accounts for the financial year ending on 31 December 2011 were approved by the Board and will be presented to the Annual General Meeting on 3 May 2012 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 2011. In addition, the Group follows the Swedish Financial Reporting Board Recommendation RFR 1 Supplemental Accounting Regulations for Groups, which specifies the additions to IFRSs information that are required according to the provisions in the Annual Accounts Act. In group accounting all items are valued at acquisition value, unless otherwise specified. The Group reports in Swedish crowns. All amounts are given in thousands of Swedish crowns, unless otherwise specified. The following is a description of the accounting principles considered elemental.

Consolidation

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

Business combinations

Subsidiaries are reported in accordance with the acquisition method. Acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value based on the date of acquisition. The surplus arising from the difference between the cost of the shares in subsidiaries and the fair value of the acquired identifiable assets and liabilities is recorded as goodwill. Acquisition value is the fair value of the assets left as reimbursement to the seller as well as the liabilities taken over on the acquisition date. If the acquisition price is lower than the fair value of the acquired subsidiary's net assets, the difference is recorded directly in the income statement. All acquisition costs are expensed. Companies acquired in the current year are included in group accounting from the acquisition date. Divested companies are included in group accounting up until the divestiture date.

Shares in jointly controlled entities

Operations classified as jointly controlled entities are those in which Elanders, together with one or several joint owners, has a shared controlling influence. Shares in jointly controlled entities are reported according to the equity method. The equity method means that shares in a company are recorded at cost at the time of acquisition and thereafter are increased or decreased by the Group's share of the change in the company's net assets. The Group share of the jointly controlled entity's result is recognized in the consolidated income statement. In transactions between the Group and a jointly controlled entity the part of unrealized results which are equivalent to the Group's share in the jointly controlled entity are eliminated.

Non-controlling interests

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

Revenue recognition

Revenue from products and services is reported on delivery if ownership has been transferred to the buyer. Net sales represent the sales value less VAT, returns and discounts. Service contracts in progress are reported, whenever possible, when contractual partial deliveries are made or otherwise when the final delivery is made. Net sales include product and service sales. Since all services are essentially integrated parts of product deliveries, a split of revenues into products and services is not meaningful.

Lease agreements

A finance lease agreement involves a transfer of virtually all rights and obligations that normally characterize ownership from the lessor to the lessee. The leasing agreements that are not finance leases are classified as operating lease agreements. An asset possessed through a finance lease agreement is accounted for as a fixed asset in the balance sheet and an equivalent financial liability is entered as an interest bearing liability. The initial value of both of these items is the lowest of the asset's fair value or the current value of the minimum lease payments. The lease payments are divided into amortization according to plan and accrued interest on the amount of the liability and recognized so that each accounting period is charged with the fixed interest on the recorded liability for the respective period. Lease payments under an operating lease are expensed systematically over the leasing term.

Foreign currency

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

Transactions and balance sheet items

Transactions in foreign currency are reported in each unit based on the unit's functional currency according to the transaction day exchange rate. Monetary assets and liabilities in foreign currency are translated to balance sheet date rates and translation differences are reported under the result for the period. Translation differences in operating receivables and payables are recorded under operating results while differences in financial assets and liabilities are reported under financial items.

Translation of foreign subsidiaries

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

Government support

The Group does not report governmental funding or grants in the income statement or balance sheet before there is a reasonable assurance that the

NOTE 1 ACCOUNTING PRINCIPLES (CONT.)

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 recorded and fiscal values of assets and liabilities. Calculation of the amounts is based on how the temporary differences are expected to reverse using enacted tax rates or tax rates announced on the balance sheet date. Deferred tax liabilities that refer to tax deficits and deductible temporary differences are only reported in cases where it is probable that tax deficits can be recognized against tax surpluses in the future. Deferred tax is reported as an income or an expense in the income statement except in cases where it refers to a transaction that is recorded against equity. Then the tax effect is recorded directly against equity. Deferred tax assets and liabilities are offset against each other if they refer to income tax that is charged by the same tax authority and where the Group intends to pay the net amount in tax.

Earnings per share

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

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

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

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

Intangible assets

Goodwill

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

Other intangible assets

Other intangible assets are customer relations, brands, favorable contracts identified at the time of an acquisition as well as the cost of purchasing and developing software. Internally created intangible assets are reported as an asset only in cases where an identifiable asset has been created, it is fairly certain that the asset will lead to financial gains and invested expenses for developments can be calculated reliably. If it is not possible to report an internally created intangible asset the costs for development are recorded as expenses in the period in which they occur. Other intangible assets are depreciated on a straight-line basis over a useful life period of 2-5 years.

Impairment losses

Group assets are assessed at every reporting date to determine whether or not there are a potential need for a write-down. Potential impairment losses relating to goodwill is, however, tested at least once a year. If there is an indication the recoverable amount of the asset is calculated. Goodwill is allocated to the smallest cash generating unit, which corresponds to Group operating segments. The recoverable amount is the highest of the value in use or the net realizable value of the asset. The value in use is the current value of all in and out payments attributable to the asset during its estimated useful life together with the current net realizable value at the end of the assets useful life. If the calculated recoverable amount is lower than the book value a write-down is made equivalent to the asset's recoverable amount. Prior write-downs are recovered when a change occurs in the premises that were the basis for deciding the assets' recoverable amount when it was written-down and which entails that the write-down is no longer considered necessary. Recoveries of prior write-

■ NOTE 1 ACCOUNTING PRINCIPLES (CONT.)

downs are tested individually and are recorded in the income statement. Impairment losses relating to goodwill are not recovered in a following period.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is calculated in accordance with the First-in, First-out method (FIFO) or weighted average prices. Acquisition value includes the cost of materials, direct labor costs and overhead charges involved in production of the goods. Net realizable value is the calculated sales value less sales expenses.

Financial instruments

A financial asset or liability is recorded in the balance sheet when Elanders becomes a party in the instrument's contractual conditions. A financial asset is derecognized from the balance sheet when the rights in the contract are realized, have matured or the company loses control over them. A financial liability is derecognized from the balance sheet when the obligation in the contract is met or resolved in some other way. Financial instruments are valued the first time at fair value plus transaction costs, which applies to all financial assets and liabilities not recognized at fair value through the result. Financial assets and liabilities recognized at fair value through the result are valued the first time at fair value, while attributable transaction costs are valued through the result. Acquisitions and divestitures of financial assets are recorded on the date of business, which is the date the company pledges to acquire or sell the asset, except in cases where the company acquires or sells listed securities, in which case settlement date accounting is applied. Financial assets are controlled at every external reporting instance to determine whether or not there are objective indications that one or a group of financial assets should be written-down. Financial instruments are recorded at their amortized cost or fair value depending on the initial classification under IAS 39 (see below).

Calculation of fair value for financial instruments

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

Amortized cost

Amortized cost is calculated with the help of the compound interest method, which means that premiums or discounts together with directly related expenses or income is recorded over the period the contract is valid with the help of the calculated compound interest. The amortized cost is the value generated from a present value calculation with the compound interest rate as the discount factor.

Offsetting financial assets and liabilities

Financial assets and liabilities are set off against each other and presented as net amount in the balance sheet where there exists a legal right to set off and where the intention is to settle the items with a net amount or realize the asset and liability at the same time.

Cash and cash equivalents

Cash and cash equivalents are cash in financial institutions and short-term liquid placements with a term of less than three months that run no real risk of fluctuations in value. They are reported as Loans and receivables.

Accounts receivable

Accounts receivable are categorized as Loans and receivables, which means they are recorded at amortized cost. Write-downs of accounts receivables are included in operating expenses.

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

Derivative instruments

Derivative instruments are recorded at their fair value in the balance sheet. Changes in the value of cash flow hedges are reported in particular categories under other comprehensive results until the hedged item is recorded in the income statement. Any result on hedge instruments attributable to the effective part of the hedge are recorded as equity under hedge provisions. Any result on hedge instruments attributable to the ineffective part of the hedge are recorded in the income statement. Hedges of net investments in foreign subsidiaries are recorded in the same way as cash flow hedges, with the exception that any effects from the hedge is recorded in the translation reserve.

Accounts payable

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

Other financial liabilities

Liabilities to credit institutions are categorized as Other financial liabilities which means they are reported at amortized cost and directly related expenses such as arrangement fees are distributed throughout the period of the loan with the help of the compound interest method. Long-term liabilities mature after the period of one year while current liabilities fall due within one year.

Financial guarantee contracts

The Group has financial guarantee contracts in which the Group has a commitment to reimburse the holder of a debt instrument for loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified contract terms. Financial guarantee contracts are initially recognized at fair value. Financial guarantee contracts are then recognized continuously at the higher amount of the best estimate of the present value of anticipated net fees to settle the guarantee commitment, and the original amount recorded as a liability.

Provisions

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

Reporting on segments

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

NOTE 1 ACCOUNTING PRINCIPLES (CONT.)

Standards, amendments and interpretations of existing standards that came into effect during 2011

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

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

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

IAS 19 Remuneration to employees

(changes)

IFRS 9 Financial Instruments (new standard)

Standards

Improvements of IFRSs 2011

Will be applied in the fiscal year that begins:

I January 2013

I January 2015

Varies, earliest 1 July 2012

The standards above are not expected to have any significant effect on Group financial reports during the period they are applied for the first time. Other issued, but not presented here, 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

3 IMPORTANT ESTIMATIONS AND ASSESSMENTS

When preparing the financial reports estimations and assumptions are made about the future that effect balance sheet and income statement items in the annual accounts. These assessments are based on historic experience and the various assumptions that Group Management and the Board of Directors consider plausible under existing circumstances. In cases where it is not possible to ascertain the book value of assets and liabilities through information from other sources these estimations and assumptions form the basis of the valuation. If other assumptions are made or other circumstances influence the matter the actual outcome can differ from these assessments. Individual assessments can have a particularly significant effect on Elanders' result and position in the areas of goodwill impairment testing, valuation of tax carryforwards, provisions for and book VAT.

Goodwill

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

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

Essential assumptions when testing the need for write-downs for goodwill and a description of the effect of plausible, possible changes in these assumptions that are basis of the calculations are found in note 14.

Valuation of tax loss carryforwards

Deferred tax assets concerning tax loss carryforwards reported by the Group amount to MSEK 132 (135) per 31 December 2011. The recorded value of these tax asstes have been tested at year-end and it is deemed probable that these can be set off against taxable gains. The tax assets primarily refer to Swedish tax loss carryforwards that can be utilized for an unlimited amount of time. The Group's Swedish operations, with the exception of the operations in Kungsbacka disposed of in 2007, have historically been profitable and are expected to generate a substantial surplus in the future. Elanders therefore believes it is safe to say that it will be possible to set off the deficit deduction which the tax assets stem from, against future taxable surpluses.

Provisions

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

Book VAT

In February 2010 a judgment in the so-called Graphic Procédé case was reached in the Court of Justice in the European Union. In Sweden this is particularly important when differentiating between providing goods (i.e. printed matter) and providing services, and the application of the socalled book VAT, a value added tax of six percent. Elanders has applied to the Swedish Tax Agency for a repayment of VAT for the years 2004 and 2005, the reason being that a part of Elanders' net sales liable to VAT in this period refers to goods and not services according to the delineation now considered to be correct. In 2011 the Swedish Tax Agency delivered its decision on 2004 and repaid MSEK 70. Elanders put in a claim of MSEK 67 for 2005 but no decision has been taken yet.

Crediting customers for any corrections in reported VAT for the fiscal years before 2008 is not required according to existing legislation, and the years in question in this case are 2004-2007. MSEK 25 attributable to 2004 was recognized as revenue in the fourth quarter but there is still a great deal of uncertainty regarding the remaining sum. Due to a number of uncertain factors nothing in the claim for 2005 has been recognized as revenue since it is difficult to assess at this time what impact this might have on Elanders' result in the future.

■ NOTE 2 SEGMENT REPORTING

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

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

SALES PER GEOGRAPHIC AREA

SEK '000s	2011	2010
Sweden	689,544	628,292
Germany	466,228	432,832
Great Britain	163,827	188,665
Poland	82,474	92,275
USA	67,530	89,812
China	110,191	87,062
Hungary	69,291	48,111
Other countries	189,746	138,874
TOTAL	1.838.831	1.705.923

INVESTMENTS BY GEOGRAPHIC AREA

SEK '000s	2011	2010
Germany	3,558	38.841
Hungary	8,618	14.646
Sweden	14,839	6,437
	•	•
China	474	2,235
USA	1,800	1,989
Poland	8,740	1,772
Great Britain	3,051	323
Other countries	1,911	9,244
TOTAL	42,991	75,487

Investments above are including acquisitions amounting to MSEK 10 (27).

FIXED ASSETS BY GEOGRAPHIC AREA

SEK '000s	2011	2010
	70.070	
China	78,070	88,902
Hungary	77,450	85,192
Germany	60,770	82,287
Sweden	56,649	63,502
Great Britain	12,630	17,067
USA	24,886	30,319
Other countries	47,073	44,972
TOTAL	357,528	412,241

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

Goodwill of MSEK 833.6 (836.1) has not been divided geographically since it is divided into the various operating segments which do not always coincide with each country.

AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHIC AREA

	2	011		2010
	Total	Whereof men	Total	Whereof men
Sweden	395	66 %	445	66 %
China	283	59 %	256	55 %
Germany	242	74 %	208	75 %
Hungary	195	54 %	175	54 %
Great Britain	169	77 %	166	77 %
Poland	136	61 %	136	62 %
USA	69	64 %	61	66 %
Brazil	24	59 %	37	51 %
Italy	21	25 %	23	22 %
Norway	12	92 %	13	85 %
TOTAL	1,546	63 %	1,520	64 %

INFORMATION CONCERNING THE GROUP'S LARGEST CUSTOMERS

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

■ NOTE 3 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

OTHER OPERATING INCOME						
SEK '000s	2011		2010			
Exchange rate gains	6,088		8,777			
Capital gains from the sales of fixed assets	4,278		11,777			
Result from negative goodwill in connection to acquisition	-		3,932			
Income relating to VAT refund	25,000		-			
Other	18,647		25,206			
TOTAL	54,013		49,692			

OTHER OPERATING EXPENSES

SEK '000s	2011	2010
Exchange rate losses	-6,440	-8,006
Capital losses from the sales of fixed assets	-2,170	-12,548
Other	-3,449	-20,034
TOTAL	-12,059	-40,588

NOTE 4 SHARES IN JOINTLY CONTROLLED ENTITIES

SEK '000s	2011	2010	SEK '000s	2011	2010
Opening book value	1,383	8,667	Share of (50 %):		
Shares in the result from jointly controlled entities	_	-6,278	total assetstotal liabilities	1,383	1,698 315
Translation difference	-	-1,006	- net sales	_	89
CLOSING BOOK VALUE	1,383	1,383	- result before tax	-	-6,278

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

The table above is a summary of the financial information for jointly controlled entities.

Company	Registered office	Share- holding
Hansaprint Elanders Kft	Komarom, Hungary	50 %

The company is under liquidation.

■ NOTE 5 PERSONNEL

AVERAGE NUMBER OF EMPLOYEES

	2011		2010	
	Total	Whereof men	Total	Whereof men
Parent company	8	75 %	18	72 %
Subsidiaries	1,538	63 %	1,502	64 %
TOTAL	1,546	63 %	1,520	64 %

SALARIES AND OTHER REMUNERATION

		2011		-	2010	
	Board and	of which variable remunera-	Other em-	Board and	of which variable remunera-	Other em-
SEK '000s	CEO	tion	ployees	CEO	tion	ployees
Parent company	8,172	1,910	6,552	6,140	-	12,066
Subsidiaries	15,405	1,907	418,041	14,426	954	406,859
TOTALT	23,577	3,817	424,593	20,566	954	418,925
		2011			2010	
SEK '000s	Salaries and remuneration	2011 Social security contribu- tions	of which pension contribu- tions	Salaries and remuneration	2010 Social security contributions	of which pension contribu- tions
SEK '000s Parent company	remunera-	Social security contribu-	pension contribu-	remunera-	Social security contribu-	pension contribu-
	remunera- tion	Social security contribu- tions	pension contribu- tions	remunera- tion	Social security contribu- tions	pension contribu- tions

DIVISION OF MEN AND WOMEN IN MANAGEMENT

	2011		2010	
	Total	Whereof men	Total	Whereof men
Board members	8	75 %	8	75 %
Group Management	5	100 %	5	100 %
Supervisors	86	71 %	86	74 %

■ NOTE 5 PERSONNEL (CONT.)

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

SEK '000s	Basic wage/ Board remu- neration	Variable remune- ration	Other benefits	Pension contri- butions	Remunera- tion 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	3,887	1,910	70	1,337	-
Other senior officers (4 persons)	9,690	2,577	1,365	1,362	-
TOTAL REMUNERATION TO CEO AND SENIOR OFFICERS	13,577	4,487	1,435	2,699	-
TOTAL REMUNERATION TO THE BOARD, CEO AND SENIOR OFFICERS	15,577	4,487	1,435	2,699	375

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

REMUNERATION TO THE BOARD, CHIEF EXECUTIVE OFFICER AND OTHER SENIOR OFFICERS 2010

SEK '000s	Basic wage/ Board remu- neration	Variable remune- ration	Other benefits	Pension contri- butions	Remunera- tion 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 remuneration reported above, in 2010 termination wages and benefits of 3,248 respectively 1,687 were paid to the former CEO and other former senior officers. Of these 3,248 were expensed in previous years.

NOTE 5 PERSONNEL (CONT.)

Basic wage/Board remuneration

The Chairman of the Board and Board members receive compensation for their participation on the Board and committee work from the total remuneration sum for the Board determined by the Annual General Meeting. Board members and deputies employed in the Group did not receive any fees or benefits in addition to those pertaining to their employment. The Chairman of the Board has not received any compensation other than Board and committee remuneration. Remuneration to the Chief Executive Officer, the former Chief Executive Officer and other senior officers consists of a basic salary, variable remuneration, other benefits and pension. Senior officers are the persons who, together with the Chief Executive Officer, comprised Group Management in 2011.

Variable remuneration

The proportion between basic salary and variable remuneration corresponds to the officer's responsibility and authority. For the Chief Executive Officer variable remuneration may not exceed 50 percent of his annual salary. For the other senior officers variable remuneration may not exceed 40 percent of their annual salary. Variable remuneration is based on results in relation to individually targeted goals.

Pension benefits as well as other benefits to the Chief Executive Officer and senior officers are part of the total remuneration. Variable remuneration is carried as an expense for the financial year 2011 and paid out in 2012.

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

Other benefits

Other benefits are mainly company cars.

Pensions

The Group has both defined benefit and defined contribution pension plans. Pension cost is the cost that affects the result for the year. 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 2011 MSEK 11.9 (12.1) on the balance sheet date. All pensions are fully vested, i.e. there is no dependency on future employment.

Chief Executive Officer: The current Chief Executive Officer only has a defined contribution pension corresponding to 35 percent of the salary pension. The pension premium, however, may never exceed the amount that is fully deductable for the company. The salary pension is based on is the basic wage. The retirement age is 65 years.

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

Financial instruments

There is no compensation or benefits in the form of financial instruments.

Other remuneration

No other remunerations have been distributed.

Severance pay

The period of notice for termination of the Chief Executive Officer by the company is 18 months. The period of notice from the Chief Executive Officer is 6 months. The period of notice for termination of other senior officers is normally 12 months. Usually no severance pay is paid no matter which party gives notice. Normal wages are paid during the period of notice.

Preparation and decision process

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

The Board has determined the remuneration for the Chief Executive Officer for the financial year of 2011 based on the remuneration committee's proposals. The Chief Executive Officer has determined the remuneration for other senior officers after consultation with the chairman of the remuneration committee.

Members of the remuneration committee during the year were Carl Bennet, Chairman, Cecilia Lager, Hans-Olov Olsson and Tore Åberg. The remuneration committee meets when necessary but at least once a year to prepare proposals for the remuneration of the Chief Executive Officer. 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 2011. The committee has been supported by external expertise in matters concerning compensation levels and structures.

NOTE 6 FEES TO THE AUDITORS

SEK '000s	2011	2010
PwC		
Audit assignment	1,946	2,016
Audit-related services	200	315
Tax advisory services	2,136	54
Other services	777	419
Other		
Audit assignment	91	81
Audit-related services	82	197
Tax advisory services	45	86
Other services	-	-
TOTAL	5,277	3,168

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.

■ NOT 7 EXPENSES ALLOCATED PER TYPE OF COST

SEK '000s	2011	2010
5	00.700	101.050
Depreciation and write-downs	86,388	101,956
Cost for remuneration to employees	554,007	579,288
Changes in work-in-progress and finished		
products	1,732	-9,763
Cost of paper	364,108	314,995
Other material	168,951	148,997
Cost of sub-contracted work	233,102	260,924
Other production costs	184,956	186,805
Freight costs	60,567	50,123
Cost for advertising and marketing	33,401	34,279
Other costs	83,777	117,327
TOTAL	1,770,989	1,784,931

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

■ NOTE 8 OPERATING LEASE AGREEMENTS

	Annu	ıal cost
SEK '000s	2011	2010
Computer equipment	2,092	4,401
Machinery and other equipment	55,445	50,455
Rental contracts, premises	44,411	56,864
TOTAL	101,948	111,720

	Future lease payments and rental costs				
SEK '000s	2012	2013-2016	2017-		
Computer equipment	2,123	2,060	-		
Machinery and other equipment	42,880	61,985	6,698		
Rental agreements, premises	42,087	114,773	46,938		
TOTAL	87,090	178,818	53,636		

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

NOTE 9 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME		
SEK '000s	2011	2010
Interest income	1,448	922
Exchange rate gains	3,491	9,710
TOTAL	4,939	10,632

FINANCIAL EXPENSES			
SEK '000s	2011	2010	
Interest expenses	-25,176	-27,777	
Exchange rate losses	-5,998	-10,114	
Other	-3,598	-1,712	
TOTAL	-34,772	-39,603	

■ NOTE 10 TAXES

SEK '000s	2011	2010
Current tax on the result for the year	-12,103	-5,828
Withholding tax on dividends	-	-1,644
Correction of previous years' current tax expense	1,861	181
Deferred tax	-9,350	28,695
RECORDED TAX	-19,592	21,404

RECONCILIATION OF CONSOLIDATED RECORDED TAX

SEK '000s	2011	2010
Result before taxes	79,963	-105,153
Tax according to Swedish tax rate of 26.3 $\%$	-21,030	27,655
Tax effect of:		
Differences in tax rates for foreign		
subsidiaries	4,289	-4,206
Non-deductible costs	-1,916	-956
Change in unrecorded deferred tax assets	887	-
Change in legal tax rate	128	2,622
Tax losses carried forward not valued	-3,643	-2,244
Correction of previous years' tax expense	1,861	181
Other	-168	-1,648
RECORDED TAX	-19,592	21,404

DEFERRED TAX ASSETS AND LIABILITIES BY NATURE, NET

SEK '000s	2011	2010
Tax loss carryforwards	145.104	143.105
Restructuring reserves	4.765	10,338
Fixed assets	-35,102	-34,889
Other items	8,601	8,595
	123,368	127,149
Less:		
Unrecorded deferred tax assets	-13,291	-8,555
DEFERRED TAX ASSETS/LIABILITIES, NET	110,077	118,594

Unrecorded deferred tax assets refer to not valued tax loss carryforwards and primarily stem from operations in Brazil and Italy. For information concerning the valuation of the tax loss carryforwards please see note 1, section Important estimations and assessments on page 86.

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

SEK '000s	2011	2010
Deferred tax assets	145,420	149,014
Deferred tax liabilities	-35,343	-30,420
CLOSING VALUE, NET	110,077	118,594

CHANGE IN DEFERRED TAX

SEK '000s	2011	2010
Opening value, net	118,594	90,534
Recorded deferred tax on the result for the year	-9,350	28,695
Tax items charged directly against equity	1,055	-2,289
Translation differences	-222	1,654
CLOSING VALUE, NET	110,077	118,594

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

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

SEK '000s	2011	2010
Due within a year	594	592
Due within 2-5 years	-	1,741
Due within 6-10 years	-	-
Due within 10 years	2,060	2,531
No due date	142,450	138,241
CLOSING VALUE, NET	145,104	143,105

NOTE 11 EARNINGS PER SHARE

	2011	2010
Result for the year attributable to shareholders, SEK '000s	60,260	-83,749
Average number of outstanding shares, in thousands	19,530	12,342
EARNINGS PER SHARE, SEK ¹⁾	3.09	-6.79

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.

■ NOTE 12 SUPPLEMENTARY INFORMATION TO THE 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.

PAID AND RECEIVED INTEREST

SEK '000s	2011	2010
Paid interest	-25,482	-27,234
Interest received	1,448	922
TOTAL	-24,034	-26,312

ADJUSTMENT FOR ITEMS NOT INCLUDED IN CASH FLOW

SEK '000s	2011	2010
Depreciation, amortization and write-downs of intangible and tangible assets	86,388	101,958
Shares in the result from jointly controlled entities	-	6,278
Changes in provisions that affect cash flow	-30,074	21,506
Unrealized exchange rate gains and losses	5,198	-12,353
Result from the disposal of tangible assets	-2,771	1,674
TOTAL	58.741	119.063

BANK OVERDRAFT

The item Other changes in long and short term borrowing refers mainly to changes stemming from the use of bank overdrafts.

■ NOTE 13 OPERATING CASH FLOW

SEK '000s	2011	2010
Cash flow from operating activities	84,252	-57,782
Financial items	29,833	28,971
Paid taxes	6,824	7,606
Acquisitions and sales of operations	-10,145	-26,754
Other items included in cash flow from		
investing activities	-17,461	-42,465
OPERATING CASH FLOW	93,303	-90,424

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

¹⁾ Earnings per share before and after dilution.

NOTE 14 INTANGIBLE ASSETS

	Goo	dwill	Other intang	aible assets	Total		
	-						
SEK '000s	2011	2010	2011	2010	2011	2010	
Opening acquisition value	836,771	895,591	71,480	96,994	908,251	992,585	
Acquisitions, incl. acquisition of operations	-	_	11,397	10,194	11,397	10,194	
Disposals	-	_	-2,105	-30,181	-2,105	-30,181	
Reclassification	-	_	1,825	124	1,825	124	
Translation difference	-2,441	-58,820	-511	-5,651	-2,952	-64,471	
CLOSING ACQUISITION VALUE	834,330	836,771	82,086	71,480	916,416	908,251	
Opening accumulated amortization	-	-	-26,605	-33,162	-26,605	-33,162	
Disposals	-	-	2,105	29,472	2,105	29,472	
Amortization for the year	-	-	-14,626	-25,973	-14,626	-25,973	
Reclassification	-	_	-1,825	-	-1,825	-	
Translation difference	-	_	471	3,058	471	3,058	
CLOSING ACCUMULATED AMORTIZATION	-	-	-40,480	-26,605	-40,480	-26,605	
Opening accumulated write-downs	-690	-690	-5,738	-5,738	-6,428	-6,428	
CLOSING ACCUMULATED WRITE-DOWNS	-690	-690	-5,738	-5,738	-6,428	-6,428	
NET RESIDUAL VALUE	833,640	836,081	35,868	39,137	869,508	875,218	

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

SEK '000s	2011	2010
Cost of products and services sold	-6,558	-17,586
Selling expenses	-143	-239
Administrative expenses	-7,925	-8,148
TOTAL	-14,626	-25,973

IMPAIRMENT TEST ON GOODWILL

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

The recoverable amount for cash generating units is based on a calculation of useful value. Impairment tests are performed on the lowest identified cash generating level, which for Elanders corresponds to operating segments and which also corresponds to operations in individual countries, or groups of countries.

Useful value of goodwill attributable to Elanders' cash generating units is based on discounted endless cash flows. Cash flows for the first three years are based on budgets and strategic plans. In the following period cash flows are assumed to have a growth rate corresponding to inflation of 2 (2) percent, which is below the company's expectations. The discount rate 9.1 (9.6) percent before tax has been used in all calculations, which was calculated based on the weighted average capital cost (WACC). Based on the assumptions given above the useful value exceeds the recorded value for all cash generating units.

Goodwill with infinite useful life divided by cash generating unit

SEK '000s	2011	2010
Germany/Hungary	423.026	425,351
	.,	•
Sweden/Poland	205,811	205,811
China	120,000	120,000
Great Britain	38,513	38,112
USA	35,128	34,863
Brazil	11,162	11,944
TOTAL	833,640	836,081

Sensitivity analysis

A number of sensitivity analyses have been made to evaluate whether or not feasible unfavorable changes could lead to write-downs. A reduction in the average rate of growth in income or an increase in the discount rate with one percent unit would indicate the need for write-downs of MSEK 7 respectively MSEK 9 for operations in the USA. A combination of a lower rate of growth and an increase in the discount rate with one percent unit would indicate the need for write-downs of a total of MSEK 52 divided among operations in the USA, China and Germany.

■ NOTE 15 TANGIBLE ASSETS

	Buildings a	and land ¹⁾	Plant and	machinery	Equipme fixtures ar	., ,	Fixed a		То	tal
SEK '000s	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Opening acquisition value	68,177	75,879	693,944	782,676	107,356	99,364	10,382	7,005	879,859	964,924
Acquisitions, incl. acquisition of operations	159	859	17,237	26,661	4,831	11,388	9,367	25,710	31,594	64,618
Disposals	-7,064	-553	-75,101	-75,754	-10,337	-1,404	-40	-	-92,542	-77,711
Reclassification	573	199	6,547	14,632	2,682	6,310	-15,173	-21,266	-5,371	-125
Translation difference	-1,760	-8,207	235	-54,271	105	-8,302	-1,002	-1,067	-2,422	-71,847
CLOSING ACQUISITION VALUE	60,085	68,177	642,862	693,944	104,637	107,356	3,534	10,382	811,118	879,859
Opening accumulated depreciation and write-downs	-16,109	-15,697	-409,757	-440,590	-82,272	-73,542	_	_	-508,138	-529,829
Depreciation for the year	-2,408	-2,488	-59,744	-62,393	-9,610	-11,104	-	-	-71,762	-75,985
Disposals	7,064	67	64,814	56,299	9,910	1,108	-	-	81,788	57,474
Reclassification	-	-	5,734	4, 894	-363	-4,893	-	-	5,371	1
Translation difference	490	2,009	1,661	32,033	-251	6,159	-	-	1,900	40,201
CLOSING ACCUMULATED DEPRECIATION AND WRITE-DOWNS	-10,963	-16,109	-397,292	-409,757	-82,586	-82,272	-	-	-490,841	-508,138
NET RESIDUAL VALUE	49,122	52,068	245,570	284,187	22,051	25,084	3,534	10,382	320,277	371,721

DEPRECIATION AND WRITE-DOWNS SPECIFIED PER FUNCTION

SEK '000s	2011	2010
Cost of products and services sold	-66,486	-70,052
Selling expenses	-678	-745
Administrative expenses	-4,598	-5,188
TOTAL	-71,762	-75,985

FINANCE LEASE AGREEMENTS

The net residual value of tangible assets possessed through finance leases is 24,176 (30,113). All leasing objects are reported as plant and machin-

Future minimum lease payments for finance leases

SEK '000s	2011	2010
Within 1 year	4,327	8,126
Between 1 and 5 years	10,872	14,085
More than 5 years	2,150	3,646
TOTAL	17,349	25,857
Future interest expenses for finance leases	-1,667	-2,626
CURRENT FINANCE LEASE LIABILITY	15,682	23,231

 $^{^{9}}$ Buildings and land include land with a book value of 487 (489). $^{2)}$ Fixed assets under construction include advances related to tangible assets of O (9,129).

■ NOTE 16 INVENTORY

SEK '000s	2011	2010
Raw materials and consumables	37,101	38,926
Work in process	33,291	41,168
Finished goods	55,100	38,582
Advance payments to suppliers	116	-
TOTAL	125,608	118,676

Costs relating to obsolescence expensed during the year amounted to 7,283 (2,783) and at year-end the obsolescence reserve was 7,054 (3,922).

NOTE 17 PREPAID EXPENSES AND ACCRUED INCOME

SEK '000s	2011	2010
Machine rent paid in advance	4,799	5,184
Premise rent paid in advance	8,436	8,233
Other prepaid expenses and accrued		
income	19,436	18,426
TOTAL	32,671	31,843

NOTE 18 CASH AND CASH EQUIVALENTS

SEK '000s	2011	2010
Cash and bank	81,195	50,144
CASH AND CASH EQUIVALENTS	81,195	50,144

Translation differences in cash and cash equivalents were 1,988 (-3,767).

NOTE 19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

FINANCIAL GOALS REGARDING CAPITAL STRUCTURE

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

Elanders' goal is a debt/equity ratio under 1 times and on 31 December 2011 it amounted to 0.8 (0.9) times.

Elanders' goal is a return on employed capital of at least 12 percent long-term. In 2011 it amounted to 7.1 (-4.8) percent.

Elanders' goal is an equity ratio of at least 30 percent and on 31 December 2011 it amounted to 44 (41) percent.

FINANCIAL RISK MANAGEMENT

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

Currency risk

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

Transaction exposure

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

The Group uses forward exchange contracts to handle exchange risk exposure and hedge accounting for contracted future payment flows as well as translation of financial assets and liabilities. The hedge reserve for forward exchange contracts per 31 December 2011 amounted to MSEK -1.0 (-0.3) and will be returned to the income statements in 2012.

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

Translation exposure

Financial assets and liabilities are hedged at 100 percent while exposure due to the translation of net results in foreign subsidiaries is not hedged. Elanders' net results from foreign subsidiaries in foreign currency consist

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

primarily of EUR, CNY, USD, GBP and PLN. A change in the currency rates up or down by 5 percent in these currencies would affect profit by MSEK 2.8 (2.2).

In regards to net assets in foreign subsidiaries the exposure is primarily in EUR. The German operations have been partly hedged through a loan in EUR. If the exchange rate in EUR changed by 5 percent it would affect equity by MSEK 11.7 (10.9), including hedging effects.

Hedges

The table below shows a compilation over the Group's outstanding forward exchange contracts per 31 December 2011. All the contracts are due within a year. Positive figures refer to hedging purchases of the first named currency and negative figures refer hedging sales.

	Nominal amount SEK '000s	Average hedging rate
GBP/SEK	63,872	10.77
PLN/SEK	52,271	2.07
EUR/SEK	-38,574	9.27
EUR/PLN	-17,665	4.43
USD/SEK	-14,186	7.00
EUR/GBP	-732	0.87

Interest risk

Interest risk is defined as the risk of lower profits caused by a change in interest rates. The Group strives to achieve a balance between cost efficient borrowing and the risk exposure of a negative influence on profits and cash flow if a sudden, substantial interest rate change should occur. In 2011 an interest rate swap was contracted to hedge the interest level of MSEK 300 of the Group's liabilities. The due date of the hedge is 30 September 2014 at a level of 3.7 percent. A change in market interest rates by one percentage point affects Group profit after financial items by MSEK 3.8 (7.3), calculated on the outgoing net debt minus liabilities with a fixed interest rate. The hedging reserve per 31 December 2011 amounted to MSEK -2.3 (o) and will be returned to the income statements in 2012. The table below presents the allocation of interest-bearing and noninterest-bearing financial assets and liabilities. Reserves for pensions have been included in interest-bearing liabilities. In the table regarding dividing financial instruments into categories farther down in this note they are included in financial liabilities.

	Interest-		
SEK '000s	Fixed interest	Floating interest	Non-interest bearing
Long-term receivables	-	-	12,013
Current receivables	-	-	402,740
Cash and bank	-	81,195	-
Long-term liabilities	-	-36,375	-103
Current liabilities	-300,000	-420,469	-174,831
TOTAL	-300,000	-375,649	239,819

Financing risk

Financing risk is defined as the risk of not being able to meet payment obligations as a result of insufficient liquid funds or difficulties in finding financing. The Group aims to always have several sources of credit that are willing to offer financing on market terms. The Group holds a very

close dialogue with its main banks in order to mutually ensure our long-term relationship and thereby reduce financing risks. Currently the Group has credit agreements with two Swedish banks that cover operational financing. The agreements run until September 2012 and negotiations for new agreements are expected to begin in the spring of 2012. The Group's policy specifies a liquidity buffer of MSEK 100. On 31 December 2011 the liquidity buffer amounted to MSEK 266 (170). See page 99 concerning due date structure regarding finacial liabilities.

Credit risk

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

Financial credit risk

The most crucial financial credit risk for the Group arises when trading exchange derivative instruments and investing surplus liquidity. The financial policy stipulates that financial credit risks must be limited through the sole usage of well-known financial institutions. On 31 December 2011 total exposure regarding financial credit risks was MSEK 108.5 (75.9). The exposure is based on the recorded value of all financial assets except shareholdings and accounts receivable.

Commercial credit risk

The commercial credit risk consists of the payment ability of customers and is handled by the subsidiaries through careful monitoring of payment ability, follow up of customers' financial reports and good communication. The Group's total credit risk is spread out over many different companies. However, in actuality a few customers represent a large part of the Group's accounts receivable. These customers are for the most part large, listed companies that have been thoroughly investigated. The total commercial credit exposure is equivalent to the book value of accounts receivable and amounted to MSEK 385.3 (365.1) per 31 December 2011.

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 40 (50) 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 2011 credit losses amounted to MSEK 5.7 (3.5), of which MSEK 0.8 (1.8) were previously reserved.

HEDGE ACCOUNTING

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

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

OPERATIONAL RISKS

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

SENSITIVITY ANALYSIS

The table below presents how group results after net financial items would have been affected by a change of one percentage point in the variables connected to Elanders various operational risks. Each variable has been treated individually under the condition that the others remain constant. It is assumed that a change in net sales will affect the value added on the margin which thereafter will presumably fall straight through the income statement. A change in the cost of paper is multiplied with total

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

paper costs. A change in personnel costs is multiplied with total personnel costs. Regarding sick leave costs, it is assumed that all employees contribute the same value added and that the change in sick leave affects those not present who are not substituted. The analysis does not pretend to be exact. It is merely indicative and aims to show the most relevant, measurable factors in this connection. The figures are presented in MSEK.

• Net sales	10.1
 Cost of paper 	3.6
 Personnel cost 	5.8
• Sick leave	10.1
• Cost of sub-contracted work	2.9

CATEGORIZATION OF FINANCIAL INSTRUMENTS

The categorization of financial instruments in the balance sheets for 2011 and 2010 is presented in the tables below.

2011 ASSETS SEK'000s	Derivative instruments in designated hedge accounting relationships	Loans and receivables	Available- for-sale financial assets	Non- financial assets	Total
INTANGIBLE ASSETS	-	-	-	869,508	869,508
TANGIBLE ASSETS	-	-	-	320,277	320,277
FINANCIAL ASSETS	-	8,793	3,220	147,0711)	159,084
CURRENT ASSETS					
Inventory	-	-	-	125,608	125,608
Accounts receivable	-	385,252	_	-	385,252
Current tax receivables	-	-	_	6,034	6,034
Other receivables	1,781	15,707	-	7,442	24,930
Prepaid expenses and deferred income	-	-	-	32,671	32,671
Cash and cash equivalents	-	81,195	-	-	81,195
TOTAL CURRENT ASSETS	1,781	482,154	-	171,755	655,690
TOTAL ASSETS	1,781	490,947	3,220	1,508,611	2,004,559

¹⁾ Mainly refers to deferred tax assets.

2011 LIABILITIES SEK'000s	Derivative instruments in designated hedge accounting relationships	Other financial liabilities	Non- financial liabilities	Total
LONG-TERM LIABILITIES AND PROVISIONS	-	25,184	51,343	76,527
CURRENT LIABILITIES AND PROVISIONS				
Interest-bearing liabilities	-	720,469	-	720,469
Accounts payable	-	152,440	-	152,440
Current tax liabilities	-	_	5,674	5,674
Other liabilities	5,560	16,831	21,506	43,897
Accrued expenses and prepaid income	-	-	107,803	107,803
Provisions	-	-	18,126	18,126
TOTAL CURRENT LIABILITIES AND PROVISIONS	5,560	889,740	153,109	1,048,409
TOTAL LIABILITIES AND PROVISIONS	5,560	914,924	204,452	1,124,936

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

2010 ASSETS SEK'000s	Derivative instruments in designated hedge accounting relationships	Loans and receivables	Available- for-sale financial assets	Non- financial assets	Total
INTANGIBLE ASSETS	_	_	_	875,218	875,218
TANGIBLE ASSETS	-	-	_	371,721	371,721
FINANCIAL ASSETS	-	10,652	3,220	150,667 ¹⁾	164,539
CURRENT ASSETS					
Inventory	-	_	_	118,676	118,676
Accounts receivable	-	365,063	-	-	365,063
Current 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	3,220	1,569,169	2,012,322

¹⁾ Mainly refers to deferred tax assets.

2010 LIABILITIES SEK '000s	Derivative instruments in designa- ted hedge accounting relation- ships	Other financial liabilities	Non- financial liabilities	Total
LONG-TERM LIABILITIES AND PROVISIONS	-	423,655	47,275	470,930
CURRENT LIABILITIES AND PROVISIONS				
Interest-bearing liabilities	-	347,534	-	347,534
Accounts payable	_	163,249	_	163,249
Current tax liabilities	-	-	2,239	2,239
Other liabilities	1,044	26,479	27,313	54,836
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

DUE DATE STRUCTURE REGARDING FINANCIAL LIABILITIES

Due date structure regarding financial liabilities including interest expenses, excluding utilized bank overdrafts, is presented in the table below. The credit agreement with the Group's main banks expires 30 September 2012. Negotiations regarding new credit agreement will start during spring 2012.

SEK '000s	JanMar., 2012	AprDec., 2012	2013-2014	2015-2016	2017-
Borrowing debts	7,969	475,044	8,989	2,996	-
Finance lease liabilities	3,692	3,298	6,280	4,669	2,147
Accounts payable	152,440	_	_	_	_
Other financial liabilities	12,730	416	_	_	_
Interest	4,070	8,611	1,476	931	36
TOTAL	180,901	487,369	16,745	8,596	2,183

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

FINANCIAL INSTRUMENTS - INITIAL ASSESSMENT

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

RECEIVABLES OVERDUE BUT NOT WRITTEN-DOWN

SEK '000s	2011	2010
1-30 days overdue	43,588	27,529
31-60 days overdue	11,111	9,989
61-90 days overdue	3,276	5,066
91-120 days overdue	1,355	1,913
More than 120 days overdue	981	3,694
TOTAL	60,311	48,191

Only accounts receivable are included in the table above. No other overdue receivables existed per 31 December 2011 or in 2010.

CHANGE IN PROVISION FOR DOUBTFUL RECEIVABLES

SEK '000s	2011	2010
Opening provision for doubtful receivables	-3.640	-6.704
Reversal of provision from previous year	952	2,574
Confirmed losses	820	1,841
Provided for during the year	-4,926	-1,679
Translation difference	393	328
CLOSING PROVISION FOR DOUBTFUL RECEIVABLES	-6,401	-3,640

INTEREST INCOME AND EXPENSES STEMMING FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

SEK '000s	2011	2010
Interest income from financial assets	1,448	922
Interest expenses due to financial liabilities	-24,373	-26,917
TOTAL	-22,925	-25,995

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

NET PROFIT/LOSS FOR FINANCIAL INSTRUMENTS RECORDED IN THE INCOME STATEMENT

The table below contains the following items that have been recorded in the income statement:

- Profits and losses stemming from exchange rate differences, including profits and losses attributable to hedge accounting.
- Profits and losses stemming from financial instruments where hedge accounting is applied.
- Profits and losses stemming from derivatives where hedge accounting is not applied.

SEK '000s	2011	2010
Loans and receivables	-6,923	-1,690
Other financial liabilities	2,490	2,630
TOTAL	-4,433	940

INEFFECTIVITY IN HEDGE ACCOUNTING

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

NOTE 20 SHARE CAPITAL

Number of registered shares in the parent company	2011	2010		Number of votes	Number of shares	Share capital, SEK
Issued per 1 January	19,529,998	9,764,999	A shares	10	1,166,666	11,666,660
New share issue	-	9,764,999	B shares	1	18,363,332	183,633,320
ISSUED PER 31 DECEMBER	19,529,998	19,529,998			19,529,998	195,299,980

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

NOTE 21 INTEREST-BEARING LIABILITIES

The Group had a total of MSEK 886 (884) per 31 December 2011 in credit facilities, of which MSEK 185 (122) were unutilized. During February 2012 a reduction amounting to MSEK 30 has been made regarding the Group's unutilized bank overdrafts.

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 3,5 (3,3) percent.

LONG-TERM LIABILITIES

SEK '000s	2011	2010
E. 1 8.1.990	17.074	22.225
Finance lease liabilities	13,074	20,285
Borrowing debts	12,110	403,370
TOTAL	25,184	423,655

CURRENT LIABILITIES

SEK '000s	2011	2010
Bank overdraft facilities, utilized amount	230,466	313,092
Finance lease liabilities	6,991	15,610
Borrowing debts	483,012	18,832
TOTAL	720,469	347,534

BANK OVERDRAFT FACILITIES

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

SEK '000s	2011	2010
Bank overdraft facilities, utilized amount	230,466	313,092
Bank overdraft facilities, granted amount	365,450	408,492
UNUTILIZED AMOUNT	134,984	95,400

PLEDGED ASSETS

See note 25 for information on pledged assets.

NOTE 22 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

PENSION PROVISIONS

	Funded	l plans	Unfunc	ded plans		Total
SEK '000s	2011	2010	2011	2010	2011	2010
Present value of pension obligations	11,895	12,130	11,670	12,819	23,565	24,949
The fair value of plan assets	-14,290	-12,827	-	-	-14,290	-12,827
Unrecognized actuarial profit (+)/losses (-)	2,524	865	-608	-1,728	1,916	-863
PROVISIONS FOR PENSIONS RECOGNIZED IN THE STATEMENTS OF FINANCIAL POSITION	129	168	11,062	11,091	11,191	11,259

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	2011	2010
Discount rate ¹⁾	3.4	3.5
Expected future annual raises in wages	3.0	3.0
Expected inflation	1.5	2.0
Expected personnel turnover	5.0	5.0
Expected return on plan assets	3.4	3.5

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

CHANGE IN CURRENT VALUE OF THE PENSION OBLIGATION

SEK '000s	2011	2010
Opening balance	24,949	25,074
Interest on the obligation	803	860
<u> </u>	152	
Current year service cost		1,751
Pensions paid out	-298	-454
Translation difference	-234	-196
Actuarial profit (-)/losses (+)	-1,807	568
Early redemption	-	-2,654
CLOSING BALANCE	23,565	24,949

CHANGE IN PLAN ASSETS FAIR VALUE

SEK '000s	2011	2010
Opening balance	12,827	10,913
Expected return on plan assets	484	413
Payments made by employer	131	2,029
Pensions paid out	-	-
Actuarial profit (-)/losses (+)	848	-528
CLOSING BALANCE	14,290	12,827

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

The actuarial profit and losses are not recorded in the income statement or balance sheet for 2011 since the Group applies the "corridor" rule. This rule stipulates 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 '000s	2011	2010
Current year service cost	151	1,751
Interest on the obligation	803	860
Amortization of actuarial profit (-)/losses (+)	124	577
Expected return on plan assets	-484	-413
PENSION COSTS FOR DEFINED BENEFITS PLANS	594	2,775

The obligations for retirement and sick pensions for white-collar workers for several of the Swedish companies have been safeguarded through insurance in Alecta. According to an opinion from the Swedish Financial Reporting Board, UFR 3, this is a defined benefit multi-employer plan. The Group has not had access to the information necessary to report these plans as defined benefit pension plans for the financial year 2011 since at the moment Alecta cannot provide specific defined benefit pension for those insured. Pension plans that are safeguarded through insurance in Alecta are therefore reported as a defined contribution plan. Fees for 2011 for pension insurance from Alecta totaled 3,826 (4,031).

ALLOCATION OF PENSION COSTS IN THE INCOME STATEMENT

Percent	2011	2010
Cost of products and services sold	52	49
Administrative expenses	35	35
Selling expenses	13	16

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 26,224 (34,709).

■ NOTE 23 OTHER PROVISIONS

STIV 1999-	2011	Provided for during the	Utilized during the	Reversal of unutilized	Translation	2010
SEK '000s	2011	year	year	amounts	difference	2010
PROVISIONS FOR RESTRUCTURING MEASURES						
regarding personnel	5,304	-	-20,370	-	_	25,674
regarding premise costs	5,706	-	-3791	-	-	9,497
regarding other	3,004	-	-4,161	-5,000	-52	12,217
OTHER PROVISIONS						
Other	8,921	5,050	-1,500	-490	-18	5,879
TOTAL	22,935	5,050	-29,822	-5,490	-70	53,267
of which current	18,126					47,671

Provisions for restructuring measures are primarily for cost adjustments and reorganizations. The closing provisions are expected to be used primarily in 2012.

Other provisions are expected to be used primarily in 2012.

NOTE 24 ACCRUED EXPENSES AND DEFERRED INCOME

SEK '000s	2011	2010
Holiday pay liability	28,313	27,454
Social security contributions	17,454	25,576
Accrued salaries and remuneration	9,581	6,110
Other accrued expenses and deferred income	52,455	47,396
TOTAL	107,803	106,536

NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS		
SEK '000s	2011	2010
Real estate mortgages	40,886	53,748
Floating charges	201,753	211,990
Other pledged assets	593,981	555,666
TOTAL	836,620	821,404
Given to:		
- credit institutions	836,620	821,404
TOTAL	836,620	821,404

CONTINGENT LIABILITIES

SEK '000s	2011	2010
Other contingent liabilities	1,805	6,973
TOTAL	1,805	6,973

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.

NOTE 26 INVESTMENT OBLIGATIONS

There were no material investment obligations per 31 December 2011 or 31 December 2010.

NOTE 27 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.

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

SALES OF PRODUCTS AND SERVICES

SEK '000s	2011	2010
Jointly controlled entities	-	182
TOTAL	-	182

PURCHASE OF PRODUCTS AND SERVICES

SEK '000s	2011	2010
Carl Bennet AB	472	451
Jointly controlled entities ¹⁾	-	815
TOTAL	472	1,266

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 194 (135). The transactions with Carl Bennet AB primarily concern costs stemming from Carl Bennet's role as Chairman of the Board in Elanders AB.

The following balances existed at the end of the year:

RECEIVABLES FROM RELATED PARTIES

SEK '000s	2011	2010
Jointly controlled entities	-	10
TOTAL	-	10

LIABILITIES TO RELATED PARTIES

SEK '000s	2011	2010
Carl Bennet AB	187	2,647
Jointly controlled entities	-	453
TOTAL	187	3,100

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 the 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 59 (57). Prices were set according to market terms.

Related parties to Peter Sommer own the property where Elanders GmbH runs most of its operations. During the year Elanders GmbH has paid MSEK 7.8 (8.2) in rent for this property, which is on par with the market.

NOTE 28 ACQUISITIONS

2011

Elanders acquired the assets and liabilities in Fälth & Hässler AB in Värnamo, Sweden in January 2011. The company was specialized in high quality printing and its customers were mainly publishers. The business was consolidated in the middle of 2011. The entire purchase sum referred to the company's brand and customer relations.

Elanders acquired some of the assets and liabilities in NRS Tryckeri AB in September 2011 which meant that parts of their sales organization and project management were taken over by Elanders. These operations were consolidated as of 15 October 2011. The entire purchase sum referred to the company's brand and customer relations.

Acquisitions costs for the operations above amounted to MSEK 0.3. In total these companies have contributed to net sales in 2011 by some MSEK 50.

2010

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 other operating income in its entirety.

Specification of fair value adjustments

		2011			2010		
SEK '000s	Net book value in acquired operations	Fair value adjustments	Consoli- dated net book value	Net book value in acquired operations	Fair value adjustments	Consoli- dated net book value	
Intangible assets	_	9,750	9,750	-	4,725	4,725	
Tangible assets	395	_	395	21,356	_	21,356	
Inventory	-	-	_	11,481	-	11,481	
Non- interest-bearing long-term liabilities	-	-	-	_	-1,506	-1,506	
Interest-bearing long-term liabilities	-	-	-	-8,599	-	-8,599	
IDENTIFIABLE NET ASSETS	395	9,750	10,145	24,238	3,219	27,457	
Negative goodwill			-			-3,931	
TOTAL PURCHASE SUM			10,145			23,526	
Less:							
Unpaid purchases sums			-			-	
Cash and cash equivalents in acquisitions			-			-	
NEGATIVE EFFECT ON GROUP CASH AND CASH EQUIVALENTS			10,145			23,526	

NOTE 29 EVENTS AFTER THE BALANCE SHEET DATE

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

PARENT COMPANY

■ INCOME STATEMENTS

SEK '000s	Note	2011	2010
Net sales		-	-
Cost of products and services sold		-	-
GROSS PROFIT		-	-
Administrative expenses	2, 7, 8	-31,740	-43,803
Other operating income	3	6,558	17,197
Other operating expenses	3	-777	-2,747
OPERATING RESULT	4, 16	-25,959	-29,353
Result from shares in group companies		79,600	-44,985
Result from shares in jointly controlled entities	10	-	-7,284
Interest income		7,708	8,895
Other financial income		5,611	32,125
Interest expenses		-17,054	-20,157
Other financial expenses		-7,890	-24,886
RESULT AFTER FINANCIAL ITEMS	5, 16	42,016	-85,645
Taxes	6	-34 281	25,334
RESULT FOR THE YEAR		7,735	-60,311

■ STATEMENTS OF COMPREHENSIVE INCOME

SEK '000s	2011	2010
RESULT FOR THE YEAR	7,735	-60,311
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	7,735	-60,311

BALANCE SHEETS

SEK '000s	Note	2011	2010
ASSETS			
Fixed assets			
Intangible assets	7	6,239	7,394
Tangible fixed assets	8	455	529
Shares in subsidiaries	9	1,017,536	1,014,528
Shares in jointly controlled entities	10	1,383	1,383
Receivables from group companies		84,975	99,357
Deferred tax assets	6	100,056	135,477
Other receivables		11,902	13,761
TOTAL FIXED ASSETS		1,222,546	1,272,429
Current assets			
Accounts receivable		2	1
Receivables from group companies		95,508	65,671
Current tax receivables	6	553	225
Other receivables		5,048	3,720
Prepaid expenses and accrued income		4,802	6,983
Cash and bank balances		95	640
TOTAL CURRENT ASSETS		106,008	77,240
TOTAL ASSETS		1,328,554	1,349,669

BALANCE SHEETS (CONT.)

SEK '000s	Note	2011	2010
EQUITY, PROVISIONS AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital		195,300	195,300
Statutory reserve		332,383	332,383
TOTAL RESTRICTED EQUITY		527,683	527,683
Unrestricted equity			
Retained earnings		172,974	181,695
Result for the year		7,735	-8,721
TOTAL UNRESTRICTED EQUITY		180,709	172,974
TOTAL EQUITY		708,392	700,657
PROVISIONS			
Provisions for pensions and similar obligations		1,343	1,247
Other provisions	11	2,516	7,516
TOTAL PROVISIONS		3,859	8,763
LIABILITIES			
Long-term liabilities			
Liabilities to credit institutions	12, 14	-	238,132
Liabilities to group companies		65,044	-
Other liabilities		103	103
TOTAL LONG-TERM LIABILITIES		65,147	238,235
Current liabilities			
Liabilities to credit institutions	12, 14	425,650	265,801
Accounts payable		3,417	1,921
Liabilities to group companies		103,113	106,877
Other liabilities		852	8,648
Accrued expenses and deferred income	13	18,124	18,767
TOTAL CURRENT LIABILITIES		551,156	402,014
TOTAL EQUITY, PROVISIONS AND LIABILITIES		1,328,554	1,349,669
Pledged assets	14	788,828	788,828
Contingent liabilities	14	267,179	264,401

STATEMENTS OF CHANGES IN EQUITY

SELVIORO-	Chave assitud	State to an area area.	Retained earnings and result for	Total
SEK '000s	Share capital	Statutory reserve	the year	Total
OPENING BALANCE ON 1 JAN. 2010	97,650	332,383	122,855	552,888
New share issue	97,650	-	110,430	208,080
Total comprehensive income for the year	-	-	-60,311	-60,311
CLOSING BALANCE ON 31 DEC. 2010	195,300	332,383	172,974	700,657
Total comprehensive income for the year	-	-	7,735	7,735
CLOSING BALANCE ON 31 DEC. 2011	195,300	332,383	180,709	708,392

CASH FLOW STATEMENTS

SEK '000s	Note	2011	2010
Operating activities			
Result after financial items		42,016	-15,645
Adjustments for items not included in cash flow			
from operating activitites	15	-8,480	-25,427
Paid taxes		1,139	-1,644
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		34,675	-42,716
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		525	-3,108
Increase (+)/decrease (-) in operating liabilities		-7,249	-12,339
CASH FLOW FROM OPERATING ACTIVITIES		27,951	-58,163
Investing activities			
Acquisition of tangible assets and intangible assets	7, 8	-965	-5,935
Investment in subsidiaries	9	-470	-669
Paid group contributions		-	-70,000
Received dividends from subsidiaries	15	4,600	25,015
Received amortizations on long-term receivables		2,429	1,417
Lending to and from subsidiaries		-8,626	13,079
CASH FLOW FROM INVESTING ACTIVITIES		-3,032	-37,093
Financing activities			
Changes in long and short term borrowing		-19,910	-112,237
Amortization of loans		-5,554	-
New share issue		-	208,080
CASH FLOW FROM FINANCING ACTIVITIES		-25,464	95,843
Cash flow for the year		-545	587
Cash and cash equivalents at the beginning of the year		640	53
CASH AND CASH EQUIVALENTS AT YEAR-END		95	640
Change in net debt			
Net debt at the beginning of the year		452,627	565,613
Change in interest-bearing liabilities and cash and cash equivalent	s	-25,729	-112,986
NET DEBT AT YEAR-END		426,898	452,627

NOTE 1 ACCOUNTING PRINCIPLES

A presentation of Elanders' accounting principles can be found in note 1 to Elanders' consolidated financial statements. The parent company has prepared its annual accounts according to the Annual Accounts Act and the Swedish Financial Reporting Board Recommendation RFR 2 Accounting for legal entities and where applicable statements made by the Swedish Financial Reporting Board. RFR 2 requires the parent company to, in the annual accounts for the legal entity, use all the EU approved IFRSs and interpretations as far as possible within the framework of the Annual Accounts Act and the Security Law, taking into consideration the connection between accounting and taxation. The parent company generally follows the same previously described principles as the Group. Differences between Group and parent company accounting principles are presented below.

Taxes

Tax laws allow provisions for special reserves and funds that are reported separately in the parent company. This allows companies within limits to allocate and retain recorded results in operations without them being immediately taxed. The untaxed reserves are not subject to taxation until they are dissolved. If companies lose money the untaxed reserves can be used to cover the losses without being taxed.

Intangible assets

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

Shares in associated companies and jointly controlled entities

Shares in associated companies, jointly controlled entities and subsidiaries are reported in the parent company according to the acquisition method. Acquisition-related costs for subsidiaries, which are expensed in group accounting, are included as part of the acquisition value for participation in subsidiaries. Reported values are tested on every balance sheet date in order to determine if the need for write-downs is indicated.

Pensions

The parent company's pension obligations have been calculated and reported based on the Swedish Security Law. Application of the Swedish Security Law is a prerequisite for fiscal deductions.

Financial guarantee contracts

The parent company's financial guarantee contracts consist primarily of guarantees on behalf of subsidiaries. A financial guarantee contract is a contract in which the company has a commitment to reimburse the holder of a debt instrument for loss it incurs because a specified debtor fails to make payment when due according to the contract terms. The parent company applies RFR 2 p. 71 to account for financial guarantees, which is a relief compared to the rules in IAS 39 connected to reporting and taxation. The parent company recognizes financial guarantee contracts as a provision on the balance sheet when the company has a commitment for which payment is most likely required to settle the commitment.

Group and shareholder contributions

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

Standards, amendments and interpretations of existing standards that have taken effect in 2011

The Swedish Financial Reporting Board has withdrawn UFR 2 Group contributions and shareholder contributions. These are now reported according to RFR 2, which is described above. Comparable figures have been recalculated since this is a change in an accounting principle. The change in principle has not had any effect on the balance sheet as of I January 2010.

NOTE 2 FEES TO THE AUDITORS

SEK '000s	2011	2010
PwC		
Audit assignment	450	450
Audit-related services	200	315
Tax advisory services	261	18
Other services	27	293
TOTAL	938	1,076

No fees were paid to other auditing firms.

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

■ NOTE 3 OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME			OTHER O
SEK '000s	2011	2010	SEK '000s
Exchange rate gains	451	2,495	Exchange r
Other	6,107	14,702	TOTAL
TOTAL	6,558	17,197	

OTHER	OPERATING	EXPENSES

SEK '000s	2011	2010
Exchange rate losses	-777	-2,747
TOTAL	-777	-2,747

■ NOTE 4 PERSONNEL

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

■ NOTE 5 RESULT FROM FINANCIAL ITEMS

RESULT FROM SHARES IN SUBSIDIARIES		
SEK '000s	2011	2010
Received group contribution	170,000	_
Paid group contribution	-	-70,000
Write-down of shares in subsidiaries	-95,000	-
Dividends from subsidiaries	4,600	25,015
TOTAL	79,600	-44,985

RESULT FROM SHARES IN JOINTLY CONTROLLED ENTITIES

SEK '000s	2011	2010
Write-down of shares	_	-7,284
TOTAL	-	-7,284

OTHER INTEREST INCOME AND SIMILAR ITEMS

SEK '000s	2011	2010
Interest income, external	594	326
Interest income, subsidiaries	7,114	8,569
TOTAL	7,708	8,895

OTHER FINANCIAL INCOME

Other financial income consists entirely of exchange rate gains.

INTEREST EXPENSES AND SIMILAR ITEMS

SEK '000s	2011	2010
Interest expenses, external	-15,350	-19,721
Interest expenses, subsidiaries	-1,704	-436
TOTAL	-17,054	-20,157

OTHER FINANCIAL EXPENSES

SEK '000s	2011	2010
Exchange rate losses	-5,594	-23,907
Other financial expenses	-2,296	-979
TOTAL	-7,890	-24,886

■ NOTE 6 TAXES

TAX ON THE RESULT FOR THE YEAR		
SEK '000s	2011	2010
Withholding tax on dividends from subsidiaries	-	-1,644
Correction of previous years' current tax expense	1,141	-85
Deferred tax	-35,422	27,063
TOTAL	-34,281	25,334

RECONCILIATION OF RECORDED TAX

SEK '000s	2011	2010
Result before taxes	42,016	-85,645
Tax according to Swedish tax rate of 26.3 $\%$	-11,050	22,525
Tax effect of:		
Withholding tax on dividends from subsidiaries	-	-1,644
Correction of previous year's tax expense	1,141	-85
Non-taxable dividends from subsidiaries	1,210	6,579
Non-deductible write-downs of shares in subsidiaries and jointly controlled entities	-24,985	-1,916
Contribution, representation and association costs	-20	-35
Other	-577	-90
TOTAL	-34,281	25,334

DEFERRED TAX RECEIVABLES

SEK '000s	2011	2010
Tax loss carryforwards	93,531	129,209
Other items	6,525	6,268
TOTAL	100,056	135,477

■ NOTE 7 INTANGIBLE ASSETS

	Good	lwill	Other inta	ngible assets		Total
SEK '000s	2011	2010	2011	2010	2011	2010
Opening acquisition value	1,959	1 959	10,204	5,312	12,163	7,271
Acquisitions	-	_	925	5,892	925	5,892
Disposals	-	-	-	-1,000	-	-1,000
CLOSING ACQUISITION VALUE	1,959	1 959	11,129	10,204	13,088	12,163
Opening accumulated amortization	-686	-588	-3,057	-2,301	-3,743	-2,889
Disposals	-	-	-	1,000	-	1,000
Amortization for the	-98	-98	-1,982	-1,756	-2,080	-1,854
CLOSING ACCUMULATED AMORTIZATION	-784	-686	-5,039	-3,057	-5,823	-3,743
Opening accumulated write-downs	_	_	-1,026	-1 026	-	-
CLOSING ACCUMULATED WRITE-DOWNS	-	-	-1,026	-1 026	-1,026	-1 026
NET RESIDUAL VALUE	1,175	1,273	5,064	6,121	6,239	7,394

Amortization has been charged entirely to administrative expenses.

Other intangible assets refer to software.

■ NOTE 8 TANGIBLE FIXED ASSETS

		tools, fixtures ittings
SEK '000s	2011	2010
Opening acquisition value	1,854	1,811
Acquisitions	40	43
CLOSING ACQUISITION VALUE	1,894	1,854
Opening accumulated depreciation	-1,325	-1,216
Depreciation for the year	-114	-109
CLOSING ACCUMULATED DEPRECIATION	-1,439	-1,325
NET RESIDUAL VALUE	455	529

Depreciation has been charged entirely to administrative expenses.

There has been no financial leasing.

NOTE 9 SHARES IN SUBSIDIARIES

SEK '000s	2011	2010
Opening book value	1,014,528	1,013,859
Investment/subscription for new shares	18,008	669
Shareholders' contribution	80,000	-
Write-downs	-95,000	-
CLOSING BOOK VALUE	1,017,536	1,014,528

SPECIFICATION OF SHARES IN SUBSIDIARIES

				Owned	
SEK '000s	Identity no.	Registered office	Number of shares	share in percent	Book value of holding
			0.000		47.044
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	2,538
Elanders 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	Gothenburg, Sweden	314,330	100	286,765
Elanders Sverige AB	556262-1689	Härryda, Sweden	-	100	-
Falköping Karlavagnen 6 AB	556832-7844	Härryda, Sweden	-	100	-
Elanders NRS AB	556229-6938	Härryda, Sweden	1,000	100	100
Elanders FoH AB	556099-5663	Härryda, Sweden	30,000	100	50,342
Elanders International AB	556058-0622	Kungsbacka, Sweden	1,000	100	155
Elanders Italy S.r.I.	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
Elanders Taiwan Co. Ltd	53729508	Taipei, Taiwan	200,000	100	470
ElandersUSA Inc.	58-1448183	Atlanta, USA	_	100	82,288
Elanders UK Ltd	GB 2209256	Harrogate, Great Britain	-	100	923
TOTAL					1,017,536

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

■ NOTE 10 SHARES IN JOINTLY CONTROLLED ENTITIES

SEK '000s	2011	2010
Opening book value	1,383	8,667
Write-downs	-	-7,284
CLOSING BOOK VALUE	1,383	1,383

Holdings in jointly controlled entities consist of the following:

Company	Registered office	Owned share in percent
Hansaprint Elanders Kft	Komarom, Hungary	50

The company is under liquidation.

SEK '000s	2011	2010
Share (50 %) of:		
- total assets	1,383	1,698
- total liabilities	-	315
- net sales	-	89
- result before taxes	-	-6,278

The table above shows financial information in summary for jointly controlled entities.

NOTE 11 OTHER PROVISIONS

SEK '000s	2011	Provided for during the year	Utilized during the year	Reversal of unutilized amounts	2010
Provisions for:					
- environmental obligations	1,500	_	_	_	1,500
- restructuring measures	_	_	-5,000	_	5,000
- other	1,016	_	_	_	1,016
TOTAL	2,516	-	-5,000	-	7,516

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 LIABILITIES TO CREDIT INSTITUTIONS

LONG-TERM LIABILITIES

All long-term liabilities are borrowing debts.

SHORT-TERM LIABILITITES

SEK '000s	2011	2010
Bank overdraft facilities, utilized amount	188,424	257,684
Borrowing debts	237,226	8,117
TOTAL	425,650	265,801

Liabilities to Elanders' main banks follows the terms in the credit agreement and maturity is in September 2012.

Elanders AB has loans in EUR and SEK. The interest rate on the loans per 31 December 2011 was in the interval 2.89–4.06 (2.51–3.05) percent.

BANK OVERDRAFT FACILITIES

Utilized amounts and available credit in bank overdraft facilities:

SEK '000s	2011	2010
Donk avaidant facilities utilized amount	100 424	257.004
Bank overdraft facilities, utilized amount	188,424	257,684
Bank overdraft facilities, granted amount	281,611	324,617
TOTAL	93,187	66,933

NOTE 13 ACCRUED EXPENSES AND DEFERRED INCOME

SEK '000s	2011	2010
Salaries and holiday pay	3,639	4,079
Social security contributions	6,088	5,598
Interest	641	947
Other accrued expenses and deferred income	7,756	8,143
TOTAL	18,124	18,767

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** '000s 2011 2010 3,300 3,300 Floating charges Other pledged assets 785,528 785,528 TOTAL 788,828 788,828 Given to: - credit institutions 788,828 788,828 TOTAL 788,828 788,828

CONTINGENT LIABILITIES

SEK '000s	2011	2010
Surety and contingent liabilities given for subsidiaries	294,431	264,401
TOTAL	294,431	264,401

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

■ NOTE 15 SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF CASH FLOW

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.

TOTAL

SEK '000s 2011 2010 Paid interest -17,360 -19,432 Interest received 7,708 8,895 -10,537

-9,652

ADJUSTMENT FOR ITEMS NOT INCLUDED IN CASH FLOW FROM **OPERATING ACTIVITIES**

SEK '000s	2011	2010
Depreciation, amortization and write-downs of intangible and tangible assets	2,194	1,963
Write-downs of shares in jointly controlled entities	-	7,284
Dividends from subsidiaries	-4,600	-25,015
Other items	-6,074	-9,659
TOTAL	-8,480	-25,427

DIVIDENDS RECEIVED FROM SUBSIDIARIES

PAID AND RECEIVED INTEREST

SEK '000s	2011	2010
Elanders (Beijing) Printing Company Ltd	-	15,689
Elanders Hungary Kft	4,600	9,326
TOTAL	4,600	25,015

NOTE 16 TRANSACTIONS WITH RELATED PARTIES

During the year the following transactions with related parties have taken

SALES OF PRODUCTS AND SERVICES

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 recorded net. During 2011 parent company invoicing for outlays amounted to MSEK 19.6 (27.5). Besides this there have been no sales of products or services to related parties.

PURCHASE OF PRODUCTS AND SERVICES

SEK '000s	2011	2010
Subsidiaries	4,895	3,140
Carl Bennet AB	472	451
TOTAL	5,367	3,591

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.

The following balances existed at year-end:

RECEIVABLES FROM RELATED PARTIES

SEK '000s	2011	2010	
Subsidiaries	180,483	165,028	
TOTAL	180,483	165,028	

LIABILITIES TO RELATED PARTIES

SEK '000s	2011	2010	
Carl Bennet AB	187	2,647	
Subsidiaries	168,157	106,877	
TOTAL	168,344	109,524	

Per 31 December 2010 the parent company had issued following loans to subsidiaries and jointly controlled entities:

	Currency	Amount, SEK '000s	Interest rate
Elanders GmbH	EUR	7,800	3.92 %
Elanders Printpack GmbH	EUR	1,700	3.50 %
Elanders Hungary Kft	EUR	536	3.50 %
Elanders Italy s.r.l.	EUR	1,344	3.50 %
Elanders Reprodução			
de Imagens Ltda	USD	977	3.28 %
Elanders Polska Sp.z o.o	PLN	3,500	7.44 %
Elanders Ltd	GBP	-5,386	2.66 %

No reserve has been required during 2011 or 2010 for the loans granted to subsidiaries.

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

Remuneration to Board members and Group Management is reported in note 5 to the consolidated financial statements.

Elanders AB has paid (-) or received (+) Group contributions to/from the following companies:

SEK '000s	2011	2010
Elanders Infologistics AB	70,000	-
Elanders Sverige AB	100,000	-70,000
TOTAL	170,000	-70,000

PROPOSED Appropriation Of Profits

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

The Board of Directors and Chief Executive

Officer propose that the profit and other unreserved funds of SEK 180,708,911 in the parent company at the disposition of the Annual General Meeting should be dealt with accordingly:

- SEK 0.50 per share, a total of SEK 9,764,999 is distributed to the shareholders
- the remaining balance of 170,943,912 is to be carried forward.

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

This Annual Report will be presented at the Annual General Meeting 3 May 2012 for adoption.

Mölnlycke 28 February 2012

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 28 February 2012 PricewaterhouseCoopers AB

> 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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Elanders AB (publ) for the year 2011, except for the corporate governance statement on pages 72–78. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 67–115.

Responsibilities of the Board of Directors and the Chief Executive Officer for the annual accounts and consolidated accounts

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Chief Executive Officer determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual

accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive Officer, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 72-78. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Chief Executive Officer of Elanders AB (publ) for the year 2011. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Chief Executive Officer are responsible for administration under the Companies Act and that the corporate governance statement on pages 72–78 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Chief Executive Officer is liable to the company. We also examined whether any member of the Board of Directors or the Chief Executive Officer has, in any

other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

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

Gothenburg 28 February 2012 PricewaterhouseCoopers AB

Johan Rippe Authorized Public Accountant

ECONOMIC DEFINITIONS

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

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

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

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

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

CAPITAL TURNOVER RATE | Net sales in relation to average total assets.

DEBT/EQUITY RATIO | Interest bearing liabilities less liquid funds in relation to total equity, including equity relating to non-controlling interest.

DIVIDEND YIELD | Dividends in relation to average share price.

EARNINGS PER SHARE | Result for the year divided by the average number of shares.

EBIT | Earnings before interest and taxes; operating result.

EBITDA | Earnings before interest, taxes, depreciation and amortization; operating result plus depreciation, amortization and write-downs of intangible assets and tangible assets.

EBIT-MULTIPLE | Enterprise value divided by operating result.

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

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

INTEREST COVERAGE RATIO | Operating result plus interest income divided by interest costs.

NET DEBT | Interest bearing liabilities less liquid funds.

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

OPERATING MARGIN | Operating result in relation to net sales.

OPERATING RESULT | Earnings before financial items; EBIT.

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

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

PROFIT MARGIN | Result after financial items in relation to net turnover

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

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

RETURN ON CAPITAL EMPLOYED (ROCE) | Operating result in relation to average capital employed.

RETURN ON EQUITY | Result for the year in relation to average equity.

RETURN ON TOTAL ASSETS | Operating result plus financial income in relation to total assets.

RISK CAPITAL | Equity plus deferred tax liabilities.

SPECIFIC TERMS

COMMERCIAL PRINT | Production of printed matter such as magazines, books, catalogues, manuals, marketing material etc. Production is made by both offset technique and digital print.

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.

ELECTRONIC DATA INTERCHANGE (EDI) 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.

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.

PREMEDIA | Our collective term for the work done before printing/publishing. The term includes layout, typography, image retouching and production of originals. In our world even other services are included such as: advertisement management, file management, quality assurance, printing plate production as well as database solutions for digital material.

PRINT-ON-DEMAND (POD) With the help of high-speed printers printed matter can be produced as needed and in very small editions.

WEB-TO-BUSINESS (W2B) | When the order is placed directly by the end customer using e-commerce platforms. Contains both when Elanders is selling direct to consumers and as supplier to e-commerce companies.

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

BOARD O DIRECTORS

TORE ÅBERG **Deputy Chairman** of the Board

b. 1942 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:** 18,000 class B shares.

CECILIA LAGER

Member of the Board

b. 1963 Elected in: 2009. **Education:** Business Administration. Appointments on the Elanders board: Member of the remuneration committee. Other appointments: Chairman of the board of Föreningen Enskilda Gymnasiet, Sherpani Advisors AB and Max Matthiessen Värdepapper AB. Member of the board of Kungl. Tennishallen AB and Kvinvest AB. **Shareholding:** 11,000 class B shares.

HANS-OLOV OLSSON

Member of the Board

b 1941 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.

OLLE ZETTEROUIST

Deputy employee representative b. 1964

Transport Manager, Elanders Sverige AB. Elected in: 2009. **Education:** Graphic college education and university education in journalism. Shareholding: 200 class B shares.

GÖRAN IOHNSSON Member of the Board

b. 1945 Elected in: 2006. **Education:** Elementary school and education within the trade unions. **Appointments on** the Elanders board: Member of the audit committee. Other appointments: Chairman of the board of Sveriges Television AB, Calmando AB and Rådhusgruppen City AB. Deputy chairman of EKN. Member of the board of

IQ-Initiativet AB, the

University of Umeå

Business Region AB.

2,066 class B shares.

and Stockholm

Shareholding:

KERSTIN PAULSSON Member of the Board

b. 1963 Elected in: 2007. **Education:** Master of Science in Engineering. Appointments on the Elanders board: Member of the audit committee. Other appointments: Member of the board of the Swedish **Defence Materiel** Administration and the Swedish Agency for Economic and Regional Growth. Deputy board member and managing director of Netsoft **Lund AB and Netsoft Lund Development** AB. Deputy board member of Netsoft Lund Holding AB. **Shareholding:** 2,000 class B shares.



GROUP MANAGEMENT



ANDRÉAS WIKNER Chief Financial Officer. b. 1971

Education and Background: Employed since 2007. Master of Science in Business Administration. Auditor during 1997-2007. Approved public accountant 2004. Authorized public accountant 2005.

3,000 class B shares.

MAGNUS NILSSON

President and CEO. b. 1966

Shareholding:

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 Berlings 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: 37,800 class B shares.

Education and Background:

PETER SOMMER

Responsible for operations in Germany, North America, Hungary and Italy. b. 1957

Education and Background: Employed since 2007. Graphic engineer. Sole founder of Sommer Corporate Media. Joined Elanders in connection with the acquisition of Sommer Corporate Media in 2007. Shareholding:

PER **BRODIN**

Responsible for operations in Asia. b. 1961

Education and Background: Employed since 1998. Diploma from Grafiska Institutet. Active within the graphic industry since 1976. Joined Elanders in connection with the acquisition of the Skogs group in 1998. Managing director of Elanders Hungary Kft during 2002-2009. Shareholding:

50,000 class B shares.

JONAS BRÄNNERUD

Responsible for operations in Sweden, South America, Poland and Norway. b. 1982

Education and Background: Employed since 2008. Master of Science (Econ.). Has previously been working within Elanders' units in China and Hungary. Shareholding: 10,000 class B shares.

AUDITORS & NOMINATION COMMITTEE

AUDITORS

PricewaterhouseCoopers AB with the authorized public accountant:

JOHAN RIPPE, B. 1968 Company auditor since 2008

Other appointments: Getinge AB, AB Volvo and Collector AB

THE NOMINATION COMMITTEE

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

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

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

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WELCOME TO ELANDERS' ANNUAL GENERAL MEETING

Shareholders in Elanders AB (publ) are welcomed to the company's Annual General Meeting Thursday 3 May 2012 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 Thursday 26 April 2012. Intent to participate must be reported by Friday 27 April 2012, I: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 Thursday 26 April 2012. This means that the shareholder must notify the nominee of this well in advance of this day.

Intent of participation can be made in writing to

Elanders AB (publ), Box 137, SE-435 23 Mölnlycke, Sweden and please write "Annual General Meeting" on the envelope. It is also possible to notify via telephone +46 31 750 07 21, fax +46 31 750 07 25, via e-mail arsstamma@elanders.com, 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 will any other business named in a separate summons.

ANNUAL GENERAL

3 May 2012

3 May 2012

12 July 2012

ANNUAL ACCOUNTS

28 January 2013

126-127 128

30 March 2013



DISTRIBUTION POLICY

ELANDERS' ANNUAL REPORT IS DISTRIBUTED to all shareholders that have not actively declined to receive a printed version. New shareholders are welcomed with their own copy of the Annual Report but it is possible to unsubscribe from future printed reports. 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. Those interested can via the website read Elanders' Annual Reports from the last ten years and order printed Annual Reports five years back.

PRODUCTION

Elanders AB in collaboration with More PR and Rubrik AB PHOTO

Daniel Grizelj

Cover: Scandia 2000 Smooth White 200 g Insert: Scandia 2000 Smooth White 115 g, MultiArt Silk 130 g TRANSLATION

Camille Forslund

The sections of the Annual Report that consist of uncoated paper (pages 1–66 and 119–128) are printed with high density print to increase the blackness and color range. This means that we have used 20 percent more color and higher screen frequency than recommended by ISO. Elanders Fälth & Hässler, which has long been a leader in this technology having used it in innumerable advanced book and catalogue productions, has done the repro work and extreme compensation of images.

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

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.







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.

Please find more information about climate neutral products on page 53.

