

FINAL RESULTS FOR THE YEAR TO 31 DECEMBER 2002

Turnover up 11% to £262m, profit before tax of £12.9m (2001: £6.7m)

- Turnover up 11% to £262.1m including first time revenues of £50.3m from Centurion, acquired in May 2002
- Adjusted operating profits £25.2¹m (2001: £26.0m), profit before tax £12.9m (2001: £6.7m) and EPS 4.9p (2001: 2.31p²)
- Centurion achieved annual revenue growth of over 25% and was earnings enhancing in 2002
- Barclays contract, worth £250m over five years, developing well. communisis' proprietary system, c-store, to be used by 700 Barclays staff
- New fulfilment contract signed with Barclays
- Dividend up 10% - final dividend proposed of 2.933p per share taking proposed full year dividend to 4.4p (2001: 4.0p) per share
- Mike Smith³ to be appointed Chairman following the 2003 AGM

Commenting on the results David Jones, Chief Executive of communisis plc, said:

“We are pleased with the performance in 2002 and in particular with the ground breaking contract with Barclays. Despite continuing uncertain market conditions our focus on contractual business has improved the visibility of our trading and gives us confidence for 2003.”

Note:

¹ Before amortisation of contract premium payment, goodwill amortisation and exceptional items.

² Restated for the adoption of FRS19.

³ Chief Executive of The Rank Group Plc.

For further information, please contact:

David Jones, Chief Executive
communisis plc

Tel: 0113 277 0202

Aidan Hughes, Finance Director
communisis plc

Tel: 0113 277 0202

William Clutterbuck/Michelle Jeffery
The Maitland Consultancy

Tel: 020 7379 5151

PRELIMINARY STATEMENT

Results for 2002

In the year ended 31 December 2002 turnover increased by 11% to £262.1m including first time revenues of £50.3m from Centurion Press Limited ("Centurion") acquired in May 2002. Adjusted operating profits¹ were £25.2m (2001: £26.0m) reflecting a return on sales of 9.6%, profit before tax rose to £12.9m (2001:£6.7m) with earnings per share at 4.9p (2001:2.31p³) and adjusted earnings per share² at 12.19p (2001:13.75p³).

Centurion contributed £2.5m² to operating profit and the acquisition was earnings per share enhancing in the year ended 31 December 2002.

Dividends

A final dividend of 2.933p per share is proposed taking the proposed full year dividend to 4.4p (2002: 4.0p) per share. Dividends will be paid, subject to shareholders' approval, on 23 April 2003 to shareholders on the register at the close of business on 21 March 2003.

Year of Transformation

2002 was a year of transformation for communisis with the acquisitions of Centurion and the logistics operation in Leicester, the groundbreaking 5 year contract with Barclays and the print management wins with Sainsbury's and Hutchison 3G.

communisis provides print solutions for its customers and the £50 million per annum 5 year contract with Barclays utilising c-store is the UK market's leading example. Barclays moved from its traditional client/supplier relationships to a strategic partnership with communisis for all its print solutions. Crucial to this arrangement is Barclays' adoption of c-store, the end-to-end business workflow and document management system developed by communisis. This is central to the delivery of business efficiency and process savings within Barclays.

The acquisition of Centurion in May 2002 broadened communisis' print solutions offering into print management and brought business with proven growth. The subsequent contract wins with Sainsbury's, worth £40 million, and Hutchison 3G, and the encouraging pipeline of opportunities going forward are evidence of the success of this acquisition. It was Centurion's strong relationship with Barclaycard that helped communisis win the leading position with Barclays Bank PLC.

communisis purchased the Response Management Division of SR Communications in October 2002. The business has since been re-focused and re-launched as communisis logistics, strengthening the group's ability to provide total project fulfilment as part of the overall print solutions offering to major customers. It is our intention to provide this service to Barclays Bank on a contractual basis during 2003.

The past year has been difficult for manufacturing and order-based business as price reductions more than offset any volume gains and profitability was again supported by the cost reduction initiatives of the past two years. In 2002 the contract wins such as Barclays and Sainsbury's brought initial cost rather than meaningful benefit to the year; their positive impact will be felt in 2003.

The year saw continued investment in our world class manufacturing resources including people training, quality processes and systems to support the print solutions offering. Following the greater emphasis on contractual business the group developed a centralised resource for purchasing, planning and supplier management. New contract wins will require manufacturing resources beyond our in-house capacity. Therefore it is critical to develop strategic supply arrangements that work alongside our internal facilities.

The objective of becoming the leading print solutions provider to UK and Northern European markets will continue to be met through the communisis key account programme. communisis' growth strategy is customer specific using the group's full offering which now includes c-store, print management, manufacturing and logistics. There is no equivalent competitive offering for the markets which we serve.

Despite the difficult economic environment putting pressure on prices and volumes of traditional manufacturers, we are confident that communisis will continue to grow and on an increasingly contractual basis. It will be growth that will underpin improvement in profitability from both the service and manufacturing ends of our business.

Business Review

Print Management	Turnover	£55.7m	(2001:£5.0m)
	Operating Profit	£2.7m	(2001:£0.5m)

Print Management comprises communisis one - the home of c-store, Centurion - acquired May 2002, Group Strategic Partnerships - Barclays contracts signed November 2002 and communisis logistics - acquired October 2002.

The change in growth and margin potential of this business grouping reflects the mix of businesses brought together to spearhead communisis' development. In 2002 this grouping had to absorb the cost of acquiring new contracts and the bespoking of c-store for Barclays.

communisis one continues to provide digital asset management and creative agency capabilities in support of key accounts. Its primary activity in 2002, however, was to bring c-store to full development and begin the implementation into Barclays towards the end of the year.

The Centurion acquisition has been highly successful for communisis and a vital ingredient in the provision of print solutions to key customers. Anticipated growth has continued with the Sainsbury's and Hutchison contract wins confirming the group's strategy with its customers to be working effectively.

The outlook remains encouraging with the contract pipeline expected to deliver further wins in 2003. Print management will be promoted with customers in Continental Europe in conjunction with the communisis Benelux operations.

A Group Strategic Partnerships business was formed during the year to manage larger contractual clients where the fuller communisis print solutions offering is in place. The Barclays print management partnership is now handled by this business following the signing of a five-year contract which includes the implementation of c-store. Many of communisis' key people will be deployed with these partners. For example, it is expected that in 2003 some 40 people will be working solely on Barclays, the majority permanently on site at the bank's major locations.

It is no exaggeration to state that the Barclays contract arrangement is groundbreaking for the UK printing industry.

The acquisition of the business now called communisis logistics completes the group's offering to major clients from document origination through planning, procurement and now to fulfilment. Increasingly, contract wins will include an important element of warehousing and distribution to bank branches and retail outlets.

Personalised Products	Turnover	£111.0m	(2001:£114.8m)
	Operating Profit	£15.5m	(2001:£14.8m)

Personalised Products is made up of direct marketing, communisis chorleys and communisis broadprint, and communisis security products.

Overall profits from these businesses improved in the year with direct marketing slightly down, contributing £8.1m on £77.6m of sales, being more than offset by the improvement in security products, which contributed £7.3m on £33.4m of sales.

In direct marketing communisis is the premium supplier of direct mail and specialist print products in the UK. Targeting mainly financial services and retail sectors the business traditionally relies on high levels of data management and personalisation to offer more sophisticated direct mail products. However the industry trend has been for simpler personalised products as marketing budgets have been trimmed and lowest cost purchasing has predominated in the current climate.

Following a weak second half 2001, the first quarter 2002 showed some improvement but thereafter, and in particular through the summer months, pricing came under increasing pressure as the simpler requirements attracted a wider range of print suppliers. However, direct mail volumes held up better than most print products where communisis continues to supply at the highest quality end of the market as well as being market leader at the most competitive end. In June communisis and Air Miles produced the largest ever digital mailing in the UK. The campaign targeted over 3 million customers in one-to-one communications.

Our objective to be world class includes a statement about being lowest cost producer. The direct marketing business made further strides in 2002 on both quality and costs. Increasingly the business will see growth in sales from the key account programme and print management contract wins. This, together with continuous productivity improvement, will support profitability.

In security products communisis is the market leader in the supply of cheques and credit products for both retail and corporate clients. Sole supply positions with several large banking customers make this business strategic to their overall print needs. In communisis' key account programme a majority of clients have strategic positions with our security products business.

Despite cheque usage declining by 6% annually communisis security products increased volume in the year by 1% due to further contract wins increasing market share. Nevertheless overall turnover declined due to lower prices in new contracts and market linked raw material cost reductions.

Profitability improved again this year, despite the lower turnover and driven by productivity. Continuous improvement is fundamental to the manufacturing culture and ISO 9000:2000 was achieved in all three cheque production facilities during the course of the year.

It is our objective to increase the UK market share for this business during 2003/2004 and maintain its position as part of a strategic manufacturing offer to the key account programme.

Document Services Europe	Turnover	£73.1m	(2001:£85.3m)
	Operating Profit	£6.1m	(2001:£8.5m)

Document Services Europe is a leading manufacturer of business stationery in the UK and the Benelux.

In 2002 profitability suffered due to a 14% turnover decline almost equally due to volume and price falls. Although UK profitability held up relatively well despite the competitive pressures, the Benelux fared worse.

The year saw the completion of factory rationalisations with the closure of manufacturing in Belgium and the transfer of capacity to expanded facilities in Luxembourg and The Netherlands. Over the past two years six facilities across Northern Europe have been reduced to three and despite a decline in profitability in 2002 the level is considerably ahead of the industry and reflects the quality of the communisis business.

Despite weak demand and reduced prices the UK business held profitability well, driven by the rationalisations initiated in 2000/2001 and the continuous improvement programme.

In Europe, recession in the Benelux countries seemed to impact immediately after the launch of the Euro had increased pre year-end activity in 2001. 2002 started poorly and struggled to recover. The closure of the Belgian factory was completed by the half year and the benefits only started to emerge towards the end of 2002.

We enter 2003 with a settled structure in Europe and a very efficient UK cost base; both will benefit from the key account programme and the contracts being delivered by print management.

Business forms documents are fundamental to our major clients in both the financial and retail sectors and our pan-European capability is set to follow our customers' development and geographic expansion.

Color Solutions	Turnover	£36.4m	(2001:£39.7m)
	Operating Profit	£3.6m	(2001:£4.4m)

Color solutions operates in the UK, France, Germany, Belgium, USA and Canada. Its major customers are in the DIY, retail, automotive and cosmetics sectors. It is a barometer of global economic conditions.

The continued slowdown in North America impacted turnover and profitability in 2002. Overall, the European business proved more resilient with longer term contracts supporting performance. North American customers reacted to the economic slowdown by reducing stock levels and the order pipeline, and competitive price pressures increased. Our response has been to change the organisation to be able to respond on an international front, consistent with the development of global customers particularly in the DIY and automotive sectors.

Sales and marketing is now operated on an international basis and customer opportunities are co-ordinated between the UK, Continental Europe and North America. We now offer to supply, with alternative products and services, on a multi-country production basis.

In the UK the transformation of our sheetfed and flexible print operation continued as a low cost, high quality alternative in support of not only colour cards but also the key account programme.

2003 will prove challenging, particularly in North America, and we will continue to develop the color solutions offering consistent with our focus on key customers.

Cashflow, net debt and exceptional items

Operating cash flow generation was £33.6m in 2002 before other cash outflows of £9.0m in respect of current and prior year exceptional charges and a £5.0m contract premium payment to Barclays Bank PLC. The major acquisition in the year was Centurion for a consideration of 7,403,758 new communisis shares valued at £12.7m and £24.6m of cash including costs. A further £5.3m was paid in cash to certain managers at Centurion. The cash payments were financed by a new £30m revolving credit facility. After outflows of £1.6m for interest, £6.1m for net capital expenditure, £6.4m for taxation, £7.6m for dividends and £0.6m of other inflows, net debt stood at £28.4m (2001: cash balance £3.0m).

The 2002 exceptional charge was £1.3m comprising operating exceptional costs of £0.3m and non-operating costs of £1.0m. The non-operating costs were principally in respect of the cost of co-ordinating Centurion and its IT systems with existing businesses. Operating exceptional costs total £0.3m arising from a further £2.3m of costs, principally relating to the completion of the reorganisation programmes initiated in 2001, net of £1.6m exceptional operating receipts. The long term incentive plan also generates a credit of £0.4m based upon a communisis plc share price of 111p at 31 December 2002.

The Board

This year the Board has been strengthened by the appointment of Roger Jennings and Mike Firth as non-executive directors. Roger is the Chief Executive of Austin Reed Group PLC and previously he has held a number of senior management appointments in consumer product companies and international consultancy. Mike is a non-executive director of Somerfield plc and has recently retired from his position as Head of Corporate Banking at HSBC Bank plc.

Aidan Hughes took on the role of Finance Director during the year having previously held a non-executive position with communisis and before that he was the Finance Director of The Sage Group plc.

Mike Mitchell and John Hollowood retired from the Board during 2002. They were formerly directors of Waddington PLC at the time of its acquisition by communisis in 2000 and subsequently joined the Board of communisis. In addition, Andrew Lipinski resigned from the Board in 2002. The Board would like to thank them for their contribution to the business.

The Board is delighted that Mike Smith, the Chief Executive of The Rank Group Plc, has agreed to join communisis as Chairman and feel confident that he will make a very significant contribution to the further success of the group during the next stages of its development.

Trading and Outlook

We are pleased with the performance in 2002 and in particular with the ground breaking contract with Barclays. Despite continuing uncertain market conditions our focus on contractual business has improved the visibility of our trading and gives us confidence for 2003.

Notes

¹ Before amortisation of contract premium payment, goodwill amortisation and exceptional items.

² Before goodwill amortisation and exceptional items.

³ Restated for the adoption of FRS19