6 March 2002

FINAL RESULTS FOR THE YEAR TO 31 DECEMBER 2001

communisis plc, the information management and communications group, announces its final audited results for the year to 31 December 2001.

HIGHLIGHTS

- Turnover (£236m) up 22%, operating profit (£26m) up 44%
- Pre-tax profit £24.9m up from £16.1m*
- Return on Sales 11% up from 9.3%
- Return on Operating Assets 46%
- Cash at bank £3m
- Earnings per share 13.5p up 44%*
- Resumption of dividend – combined interim and final

* before goodwill amortisation and exceptional items

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

"communisis is leaner and fitter than a year ago and this has underpinned a strong performance despite the difficult economic climate. The start to this year has been satisfactory."

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Chairman's Statement

Poised for growth from a strong base

These results demonstrate the group's inherent strengths in its core businesses during 2001, confirming the performance ahead of market expectations at the interim stage in what has been a tough economic environment.

Operating profits before goodwill amortisation and exceptional items in the year to 31 December 2001 were £26.0m (2000 £18.0m) on sales of £236m (2000 £194m) with the return on sales passing the 10% target across all divisions to reach 11.0% against 9.3% for 2000. Our return on assets employed for the year was 46%.

Without doubt, this achievement of rising margins in these competitive markets reflects well on the management of the group, reinforcing the strategy of focusing on personalisation to add value and, importantly, combined with a continual drive to reduce the cost base.

Transition to a genuine support services group

The group continues to resist the chase for sales volume at any price. We believe that there are significant opportunities for growth from the cross selling of products in our main markets, retail and financial services. Our customers are looking increasingly towards outsourcing significant internal functions together with their more peripheral activities.

Our unique combination of world-class manufacturing, proven management and financial strength makes this an exciting opportunity for customers, employees and shareholders. 2002 will see the completion of the transformation to a genuine support services group.

Strong balance sheet with no gearing

At the half year we predicted nil borrowings, and your group has in fact achieved a positive net cash position of £3.0m against borrowings at the end of 2000 of £6.7m. This is the result of the constant focus on cash, and the operating companies will continue to generate positive cash flows in the coming year.

This represents an enviable position in the present climate and affords the group considerable flexibility in 2002 as implementation of our strategy progresses. It is satisfying to reflect on the historic peak borrowing requirement in April 2000 of £242m and the importance of successfully completing the disposal programme by the end of 2000.

Reorganisations complete

You will recall that there were a number of major reorganisations planned after completion of the acquisitions in April 2000 and the accounting standards have meant that the last of these projects have now been charged as exceptional items in the 2001 accounts.

Each project has required considerable skill and determination and I would like to pay tribute to all those involved over the last two years. Their successful completion will significantly benefit the group's competitiveness in the short to medium term.

Dividend

It was indicated in the 2000 annual report and the 2001 interim statement that a dividend would be declared for 2001.

I am pleased to announce that your Board has recommended a combined interim and final dividend of 4.0p per share. Dividends will be paid, subject to shareholder approval, on 25 April 2002 to shareholders on the register at close of business on 22 March 2002.

Outlook

The year has started satisfactorily and the key account programme to develop a more contractually based business is progressing well.

Stuart Wallis
CHAIRMAN

Chief Executive's Report

2001 was the first full year for the newly formed communisis group. It followed an extensive acquisition and disposal programme in 2000 and carried on a restructuring of manufacturing capacity. Operations in North London and Shepton Mallet were closed and announcements of closures were made in Belgium and Wincanton later in the year. In addition, cost reduction programmes were carried out in each of the divisions. This was not in response to a deteriorating economic climate, but part of a long term plan to lower the cost of maintained capacity devised following the acquisitions in 2000.

We enter 2002 with best in class manufacturing facilities and highly competitive cost bases. This is what our customers tell us they want. We are looking to take over more contractual business and it is our plan to become a fuller service provider to our customers based upon our core manufacturing skills.

The change to more contractually, service driven business is being effected through the group's key account programme. This includes people from across the communisis divisions working together on individual customers who we believe offer the greatest opportunity for significant growth. communisis has around 50 customers with more than £1m annual turnover although the key account teams’ concentration is on less than half of these at present.

We continue to offer the customer CRM/personalisation products using the most sophisticated data management and processing facilities. However, with the current economic uncertainty our customers are focused on cost savings and supplier rationalisation. We are therefore looking to supply them across the full range of printed communications even though we may ourselves only manufacture the key higher added value products.

The move towards more service orientation should achieve higher levels of long term return on assets employed from an already respectable 46% for 2001, as well as protecting our short term Return on Sales (‘ROS’) performance measure.

During 2002 we will keep our investors and employees up to date with progress on our key account programme and the changing shape of communisis plc.

e-comms

	Turnover £'m	**ROS%**
2001	5.0	27.5
2000	4.4	24.9

The e-comms division comprises communisis one in Leeds and communisis two in Brussels. These operations front the change in communisis, reshaping to a broader service as well as product provider. They essentially house specially recruited and trained staff to help our customers with their business solutions. In addition the business is revenue generating in its own right through four key product areas: creative design, multimedia, digital asset management and digital print. Given the downturn in the markets these products serve, the increase in turnover and sustained profitability in 2001 were commendable.

During the year the multimedia team developed our own product, c-store, to offer customers as part of a contractual supply arrangement. The significance of c-store meant that we needed a revenue development budget and dedicated team. These were created in 2001 and are separately disclosed within the segment information. We spent £0.9m in 2001 and will spend a further £1.4m in 2002 in support of people and hardware for c-store. The investment in the e-comms division during the year, together with our key account programme, is essential to the changing shape of communisis.

What is c-store? It is a digital document manager. With c-store you can locate, access and download your company's documents at any time of the day or night, wherever you are in the world. It is an internet based digital data management system. What makes it revolutionary is that it has been developed by people who really understand the life cycle of a document, from creation through to origination and output. c-store integrates with a customer's Management Information System and gives the customer total accountability and visibility over all levels of document and data management and, through our in-house programming capability, customers benefit from a truly bespoke solution.

Through c-store the customer can manage print procurement. communisis is, of course, itself a supplier through leading positions in documents, security products and direct mail. It is in the latter that communisis provides the higher added value personalisation products leading to CRM. These then help the customer not only save costs through a more efficient use of print, but also grow revenue through sophisticated targeting of individuals using text and images. Our CRM initiative, the future for personalisation, is now located as part of the powerful IT resource of the Direct Marketing Division.

Direct Marketing

	Turnover £'m	**ROS%**
2001	77.5	10.8
2000	76.4	11.0

communisis chorleys and communisis broadprint are the premier suppliers of direct mail and specialist print products in the UK. Targeting mainly the financial services and retail sectors, the direct marketing, stationery and transactional products rely on high levels of data management and personalisation in order to provide an increasingly sophisticated means of communication for the customer.

In 2000 the division benefited from specialist financial projects, in particular for Bradford & Bingley, that were not a feature the following year. Nevertheless in the first part of 2001 relatively good growth was achieved especially through our key accounts. A combination of slowdown of higher value added projects and fierce price competition at the lower end of personalisation then damaged the growth momentum for the remainder of the year. As has been well publicised the mainstream printing industry hit difficult times in 2001 and low pricing to fill capacities affected that part of the direct mail market where we overlap. Our response was to walk away from business that did not meet our profit margin criteria. The overall result for the year shows a sound profit performance although from less turnover than we had anticipated.

During the year we restructured the cost base at both manufacturing facilities as part of our long term efficiency programme. We enter 2002 with leaner and fitter operations yet with the same available capacity.

Our IT, data bureau and CRM capabilities are industry leading and through this we continue to develop closer strategic relations with our key accounts; these are critical to future, profitable growth.

We are now in even better shape to respond as market conditions improve.

Document Services

	Turnover £'m	**ROS%**
2001	85.3	10.0
2000	63.6	7.6

Already with a leading position in the UK document and business stationery market, the year 2001 saw considerable improvement in operating efficiency and profits. Two satellite plants are being merged into the main facility at Midsomer Norton, one move already completed in 2001, the other in progress at the beginning of 2002. The business is also developing a fuller capability to service its client base including distribution and warehousing.

Considerable progress was also made in the year with our mainland European business. In particular the closure of the Belgian documents manufacturing facility was announced with capacity being moved to extended operations in Luxembourg and The Netherlands.

With now very efficient manufacturing locations in the UK, The Netherlands and Luxembourg and versatile UK and Benelux sales capabilities augmented by the activities of the key account teams, this European business is at the heart of the communisis strategy to manage its customers' document business.

Security Products

	Turnover £'m	**ROS%**
2001	37.3	17.3
2000	24.0	11.0

Security Products division is the UK market leader in the supply of cheque and credit products for both retail and corporate clients. As the market leader we are sole supplier of these strategic products to a number of financial institutions including LloydsTSB, NatWest Bank and The Co-operative Bank. In addition we are a strategic supplier to The Royal Bank of Scotland, HSBC, HBOS, Abbey National and a number of other key financial customers. Associated products include financial fulfilment mailings and other printed security products to satisfy a wider demand portfolio from our customers.

Significant improvement in profitability during the year came from increased volumes but principally through reduced costs with the closure of one facility, the capacity being absorbed by the remaining three. Located in Crewe, Manchester and Lisburn, Northern Ireland, they each are APACS accredited and Crewe is the largest operation of its type in the world. A key differentiator is our capacity to offer a cheque contingency capability through a common IT platform where product can be personalised at an alternative site with minimal additional cost or customer risk.

Security Products' major customers are strategic and play a significant part in the communisis key account programme. The division is expected to continue to provide good profitability and cash flow in its own right.

Color Solutions

	Turnover £'m	ROS%
2001	39.7	11.1
2000	30.4	10.3

Color Solutions is communisis' international division operating in the UK, France, Germany, Belgium, USA and Canada. It is a useful barometer of economic conditions that changed during the course of 2001 and after September 11th. There is no doubt that the North American colour cards business has seen a drop in orders in the last quarter although it has continued with solid profitability. In Europe unemployment levels have increased in each area in which we operate. However, our order books are longer term and as yet do not appear affected. Earlier in the year the French colour card plant suffered a fire. No-one was hurt and customers were largely unaffected as we were able to provide backup cover from Germany for the period of disruption.

In the UK we have developed alternative colour cards at our labels business using both litho and flexo technology. However, this operation's cost base has become uncompetitive in servicing its core business and in developing new markets. Positive action to address this is underway.

Blue chip customers of this division, particularly in the decorative market, mirror the characteristics of those financial services and retail customers in the other divisions. They are looking for a broader service from communisis involving the fuller supply chain, creative input and the delivery of "colour-documents" in store at point of sale. communisis two in Brussels is providing support in conjunction with communisis one.

David Jones
CHIEF EXECUTIVE

Financial Review

Accounts

The results for 2001 are comparable to 2000 in so far as the structure of the group has remained unchanged throughout. However, 2000 included the post acquisition results of the retained businesses of Waddington PLC and the Rexam Printing Division for only eleven and eight months respectively.

The Mansfield 1999 Incentive Plan ("the Plan")

The bonus pools have been calculated at 31 December 2001 on the basis of the communisis share price of 158.5p at that date and on the basis that the same stock market conditions continue to apply until the maturity of the Plan in spring 2003. On this basis the total value of the pools, including Employer's National Insurance, amounts to £6.6m, payable part in March/April 2002 and part in March/April 2003.

In charging for the total value of the bonus pools, account has been taken of the period during which the bonus pools were earned by the two beneficiaries, Stuart Wallis and David Jones. Accordingly £5.2m, being the amount accruing on a time apportioned basis for both bonus pools, has been charged in the 2001 accounts as an operating exceptional cost. The balance will be charged in 2002 and 2003 together with any variance from the assumed £6.6m value of the bonus pools. Each bonus pool will be calculated using the communisis share price at close of business on the day the 2001 and 2002 results are announced to the London Stock Exchange.

Taxation

The tax rate in 2001 is 27% and this is anticipated to rise again by 1% in both 2002 and 2003, primarily as a result of the more focused level of capital expenditure.

Deferred taxation has been provided for all timing differences which are anticipated to crystallise in the foreseeable future using the partial provision method which is acceptable under the current accounting standard.

The new accounting standard (FRS 19) will be mandatory for all future accounting periods. Therefore, for the year ended 31 December 2002 deferred tax will have to be provided on a full provision basis.

The adjustment required to move the deferred tax provision from a partial to a full basis will be dealt with as a Prior Year Adjustment which will not have an impact on the earnings per share in the year of the change.

Borrowings, facilities and attendant risks

There is net cash in the balance sheet at 31 December 2001 of £3.0m against net borrowings of £6.7m in 2000. This is a notable achievement reflecting well on the focus of the group to ensure that its profits are turned into cash.

During the year the remnant of the facilities for acquisitions of £14m was repaid thereby allowing the release of all pledged security. Facilities in the UK remain at £23m including an element designated in US dollars ($8m). Shortly before the year end an additional facility of €9m was arranged to finance development of our European operations.

The group continues to have no speculative positions via financial derivatives as a matter of policy. In principle it manages its exchange rate fluctuation exposure by classically matching non-sterling assets with non-sterling debt. Hedging for interest rate fluctuations is reviewed regularly but at present borrowing levels are not sufficiently material to warrant specific action in this area.

Exceptional items
It was always intended to charge the costs of fundamentally reorganising the businesses to exceptional items.

Accounting standard FRS 12 dictated that a maximum of £6.8m could be provided in 2000 with the balance being charged in 2001, once the group had made public its intentions in this area. The charge in these accounts amounts to £5.3m which, combined with the amount last year, makes a total of approximately £12.1m. This is in line with projections made shortly after the acquisitions of Waddington PLC and the Rexam Printing Division.

Capital expenditure
The group continues to invest in capital equipment only where its high return criteria are met but as it completes its transition to a predominantly support services organisation, depreciation is forecast to continue to exceed capital expenditure in the coming year.

Capital expenditure remains under rigorous scrutiny with all projects over £10,000 requiring executive directors' approval. A decision is usually given within 48 hours of presentation of the proposal.

Pension Funds
The proposed introduction of revised Minimum Funding Requirement ('MFR') standards and the deterioration in worldwide stock market performance over the last two years has prompted debate and concern over the short term measurement of asset values for British pension funds. Although the communisis pension plan ("the Pension Plan") met the current MFR criteria at the last full actuarial valuation in September 1999, the company increased its contribution rate during 2001.

The Trustees and their professional advisers will continue to manage the Pension Plan's assets as efficiently as possible in the long term interests of members, although accounting standard FRS 17 will require any surplus or deficit caused by short term stock market fluctuations to be reflected in the group's financial results. For 2001 and 2002 this will require disclosure in the notes to the accounts only, with full adoption required from 2003. The impact of full FRS 17 disclosure in these accounts at 31 December 2001 would be to show a pension deficit of £9.0m after tax. The market value of the Pension Plan's assets has been adversely affected as a consequence of the weakness and volatility in the global equities markets during the last 12 months. Further details are given in note 23 to the accounts.

In April 2001 the group introduced a new section of the Pension Plan for former members of the Rexam pension plan and for all new employees. The retirement benefits are based on career revalued earnings. The existing final salary arrangements were closed to new entrants in October 2001.

Growth and capital balance

The structure of the group continues to be well balanced across the five divisions with the Document Services, Security Products and Color Solutions represented in mature but stable markets, generating significant cash flows from continuously reducing cost bases. Growth opportunities will arise by gaining market share. In 2001 all divisions attained our 10% Return on Sales target, with Document Services one year ahead of schedule in this achievement.

Andrew Lipinski
FINANCE DIRECTOR