

SCRIBONA

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Interim report January – September 2003 for the Scribona Group

Scribona reports positive operating income in a market with heavy price pressure

- Sales for the first nine months reached MSEK 8,168 (9,181) and third quarter sales amounted to MSEK 2,357 (2,617). The decrease is mainly due to lower market prices.
- Operating income for the first nine months amounted to MSEK -38 (1) and the loss after tax to MSEK -50 (-20). Operating income for the third quarter totaled MSEK 1 (-19) and the loss after tax was MSEK -5 (-20). Strong sales in September generated positive earnings during the quarter.
- Earnings per share for the first nine months amounted to SEK -0.98 (-0.39). For the third quarter, earnings per share reached SEK -0.10 (-0.39).
- According to IDC, the PC market has continued to grow in units sold. Scribona has defended its market shares.
- Decision to wind up the Toshiba Digital Media division. The wind-up will be completed during the fourth quarter and is expected to boost annual income by SEK 15 million.

Comments from CEO Tom Ekevall Larsen

- It is satisfying to see that the quarter generated positive operating income despite a very weak start and a drop in sales compared with the previous year. Gross margins improved in all business areas at the same time that our internal efficiency programs yielded cost savings.
- The PC market showed growth in units sold, although the year's severe price pressure reduced market prices by around 19% compared with the previous year. The contributing factors were a weaker US dollar and fierce competition between PC manufacturers. In this turbulent market, we succeeded in maintaining our strong position and defending our market shares.
- After persistent profitability problems in the agency business for Toshiba's laptop computers, a decision was made in August to wind up these operations. The wind-up will affect 45 employees and is expected to be completed during the current year. However, Scribona will continue to function as a distributor of Toshiba computers. Operations in Toshiba Document Solutions (document management products) will not be affected.

SCRIBONA

THE MARKET

Demand in Scribona's main markets was weak at the start of the third quarter but an improvement was seen in September. According to IDC, the Nordic market for PC products has grown 16% in volume compared with the same quarter of 2002. However, exceptional price erosion caused by intense competition between PC makers and dollar deflation has reduced the value of market sales. According to IDC the price of a PC fell by an average of around 19% between the years.

For document management products, we estimate that the number of copiers sold in the Nordic market was down by around 3%. Our assessment is that prices have fallen by around 1%.

GROUP DEVELOPMENT

Sales and income during the third quarter

The Group's sales fell 10% to MSEK 2,357 (2,617). For comparable units and at unchanged exchange rates, sales were down by 7%. On the whole, Scribona's unit sales have risen somewhat compared with 2002. The entire falloff in sales can be blamed on the past year's severe price erosion for PC products.

The Group's operating income was MSEK 1 (-19).

Stronger margins and a focus on high-margin products in all business areas have partly compensated for the drop in sales. The completed cost-cutting and efficiency improvement programs have borne fruit during the quarter.

The Danish units, which operate in a very tough market situation, have improved operating income through staff reductions and higher margins but are still showing a deficit. The action programs are expected to yield further improvements in earnings during the final quarter of the year.

Net financial items improved to MSEK -4 (-8).

Income before tax amounted to MSEK -3 (-27).

Sales and income for the first nine months

The Group's sales amounted to MSEK 8,168 (9,181), a decrease of 11%. For comparable units and at unchanged exchange rates, sales were down by 10%.

Operating income was MSEK -38 (1).

Net financial items amounted to MSEK -6 (-27). Average borrowing and interest rates in 2003 have been lower than in the previous year. The weighted average interest rate on the Group's loans at the end of the period was 4.4% (5.1%). The period's positive exchange rate differences on temporarily unsecured internal financial transactions amounted to MSEK 5 (1). In addition, the Group's net penalty interest is positive at MSEK 5 (2).

Income before tax reached MSEK -44 (-26).

Income tax is reported at MSEK -6 (6), comprising the interim share of tax for the full year. The tax expense is affected by non-deductible goodwill amortization, tax loss carryforwards for which the deferred tax receivable is not reported and non-deductible expenses.

The net loss after tax was MSEK -50 (-20) and earnings per share amounted to SEK -0.98 (-0.39).

Cash flow and financial position

The Scribona Group's cash flow from operating activities for the first nine months was MSEK -478 (45). Accounts payable have decreased significantly as a result of changed supplier payment terms in the form of cash discounts and shorter credit periods. The Group's net investments reached MSEK +3 (-38). In September the Group received payment of MSEK 16 for the sale of its property in Denmark. Net financial assets at the end of the period totaled MSEK -214 (-66). Capital employed was MSEK 1,053 (1,028) and liquid assets at the end of the period amounted to MSEK 29 (247). The Group's liquidity position is satisfactory in view of the unutilized credit facilities.

The accounts receivable securitization program through the international capital market was carried out at the beginning of 2003. The initial funds of MSEK 342 from the program were received in February and parts of the proceeds have been used to reduce short-term bank loans. The program has a term of five years. Scribona will continue to report the sold accounts receivable on the balance sheet and the sales proceeds for these as a financial liability, amounting to MSEK 278 per 30 September. Customer payments which will be available to Scribona at a later date are reported at the end of the period as Other financial assets, totaling MSEK 28 per 30 September.

Acquisitions

IFS's Nordic hardware business was acquired in May. Under the agreement, Scribona has exclusive product supply rights to IFS's Nordic customers for a period of five years.

Wind-ups

The wind-up of the Toshiba Digital Media division will be completed in the fourth quarter of 2003 and is expected to boost annual income by MSEK 15.

Employees

The number of employees at the end of the period was 1,354 (1,488).

Key ratios

Earnings per share for the first nine months totaled SEK -0.98 (-0.39). Earnings per share over the past 12-month period amounted to SEK -1.23 (SEK -0.65 for the full year 2002).

Equity per share at the end of the period amounted to SEK 16.41 (18.82).

The equity ratio on 30 September was 29.4% (30.5%).

Return on capital employed over the past 12-month period was -3.4% (0.7% for the full year 2002).

Return on shareholders' equity over the past 12-month period amounted to -7.1% (-3.4% for the full year 2002).

Parent Company

The Parent Company's net sales during the period totaled MSEK 14 (13), of which 100% referred to invoicing of rents of subsidiaries. Income before tax was MSEK-22 (-25). Liquid assets at the end of the period amounted to MSEK 0 (41). Net financial assets at the end of the quarter reached MSEK -133 (-112). The period's investments totaled MSEK 0.1 (0.3) and total assets per 30 September amounted to MSEK 1,272 (1,219).

DEVELOPMENT BY BUSINESS AREA

Scribona Solutions

The market remained weak throughout the quarter, with an estimated volume increase of 1% and estimated price erosion of around 10% compared with the third quarter of 2002. In this fiercely competitive climate, Scribona has chosen to prioritize high-margin products. The business area's market shares have therefore been unchanged, although Scribona has defended its position as the leading distributor of IT infrastructure products in the Nordic market.

With its excellent potential for development, this business area will be an important part of Scribona's future. Scribona is continuing its positive development and focusing of this important segment towards complex and competence-demanding IT infrastructure products. The acquisition of IFS's Nordic hardware operations will further strengthen Solutions' ERP systems business.

Third quarter sales in the business area reached MSEK 376 (395), down by 5%. Operating income amounted to MSEK -3 (-10). The focus on high-margin products and cost adaptations has offset the effects of a volume decrease.

Sales for the first nine months reached MSEK 1,315 (1,606) and operating income was MSEK 1 (-1).

Scribona Distribution

According to IDC, volume growth for PC products in the Nordic region during the quarter was up 16% compared with the same period of 2002. Price erosion was exceptional, with a decrease in the average price of IT products estimated at 19% by IDC. In this price war, which is being subsidized by PC manufacturers, Scribona has succeeded in defending its high market shares and increasing its volumes.

The business area's third quarter sales amounted to MSEK 1,651 (1,976), a decrease of 16%. Due to strong development in Norway and Finland, operating income improved to MSEK 7 (-7) despite continued weak performance in Denmark. Although operating income has been strengthened by the action program to boost profitability in Denmark, these operations are still showing a deficit. The effects of the action program are expected to generate further improvement in earnings during the fourth quarter.

Sales for the first nine months totaled MSEK 5,871 (6,641). Operating income was MSEK -13 (11).

Scribona Brand Alliance

According to our assessment, the Nordic market for document management products shrank by around 3% in units sold during the third quarter, with price reductions of around 1%. The Nordic laptop market is estimated to have grown 30% in volume according to IDC, but at significantly lower prices.

The business area's sales during the quarter amounted to MSEK 422 (521) which is a decrease of 19%. On the whole, the document management divisions Toshiba Document Solutions and Carl Lamm reported unchanged sales and continued growth in market shares.

Toshiba Digital Media, the agent for Toshiba laptop computers, has lost further sales and market shares due to excessively high prices. Furthermore, the decision in late August to wind up these operations also impacted sales during September. The wind-up is expected to boost annual income by MSEK 15.

Operating income for the business area was MSEK 1 (5).

Sales during the first nine months reached MSEK 1,320 (1,507). Operating income totaled MSEK -5 (15).

ACCOUNTING PRINCIPLES

The interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20, Interim reports.

The same accounting and valuation principles have been applied as in the most recent annual report with the addition of new recommendations issued by the Swedish Financial Accounting Standards Council in 2003: Presentation of financial statements (RR22), Segment reporting (RR25), Events after the balance sheet date (RR26) and Financial instruments (RR27). These new recommendations have increased the disclosure

requirements in Scribona's financial reports, but have not led to any significant change in the previously applied accounting principles.

Additional recommendations from the Swedish Financial Accounting Standards Council will go into effect in 2003, but refer to areas outside Scribona's operations and will therefore not affect the presentation of Scribona's financial statements.

FINANCIAL CALENDAR

Year-end report for	
January-December 2003	12 February 2004

This interim report has not been subject to special review by the company's auditors

Scribona AB
The Board of Directors

Facts about Scribona

Scribona is the Nordic market's leading provider of IT products and solutions, offering customers cutting-edge product expertise, the industry's leading e-commerce system, optimized product availability and a broad range of complementary services. Scribona's operations are organized in three business areas:

- *Scribona Solutions – value adding distribution of IT infrastructure*
- *Scribona Distribution – effective volume distribution of IT products*
- *Scribona Brand Alliance – exclusive agent for leading brand suppliers*

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SCRIBONA – INTERIM REPORT PER SEPTEMBER 30, 2003
Summary Consolidated Income Statement

Amounts in MSEK	2003 <u>Jan-Sept</u>	2002 <u>Jan-Sept</u>	2003 <u>July-Sept</u>	2002 <u>July-Sept</u>	2002/2003 <u>Oct-Sept</u>	2002 <u>Jan-Dec</u>
Total income	8,168	9,181	2,357	2,617	11,795	12,808
Operating expenses						
Goods for resale	-7,207	-8,150	-2,077	-2,325	-10,434	-11,377
Other external costs	-371	-380	-104	-119	-527	-536
Staff costs	-561	-582	-155	-169	-780	-801
Depreciation	-49	-49	-17	-15	-63	-63
Other operating expenses	-18	-19	-3	-8	-23	-24
Operating income	-38	1	1	-19	-32	7
Net financial items	-6	-27	-4	-8	-6	-27
Income before tax	-44	-26	-3	-27	-38	-20
Tax	-6	6	-2	7	-25	-13
Minority share	0	0	0	0	0	0
Net income for the period	-50	-20	-5	-20	-63	-33

Earnings per share	-0.98	-0.39	-0.10	-0.39	-1.23	-0.65
Number of shares at end of period	51,061,608	51,061,608	51,061,608	51,061,608	51,061,608	51,061,608
Average weighted number of shares	51,061,608	51,061,608	51,061,608	51,061,608	51,061,608	51,061,608

The above table does not take into account the option program since it will have no dilution effect on key ratios.

Summary Consolidated Balance Sheet

Amounts in MSEK	2003 <u>30 Sept</u>	2003 <u>30 June</u>	2003 <u>31 March</u>	2002 <u>31 Dec</u>	2002 <u>30 Sept</u>
Licenses	19	16	19	23	0
Goodwill	68	74	74	78	82
Tangible assets	55	80	85	90	99
Other fixed assets	77	77	79	81	99
Inventories	734	740	890	923	855
Current operating receivables	1,833	1,509	1,494	1,969	1,758
Other financial assets	35	51	79	7	13
Liquid assets	29	147	218	452	247
Total assets	2,850	2,694	2,938	3,623	3,153
Shareholders' equity	838	851	900	957	961
Minority interests	1	1	1	1	1
Provisions	14	2	2	2	8
Long-term operating liabilities	18	16	18	19	5
Current operating liabilities	1,701	1,423	1,579	2,492	1,852
Financial liabilities	278	401	438	152	326
Total liabilities and shareholders' equity	2,850	2,694	2,938	3,623	3,153
Capital employed	1,053	1,056	1,042	651	1,028
Net financial assets	-214	-203	-141	307	-66

SCRIBONA – INTERIM REPORT PER SEPTEMBER 30, 2003

Income by Business Area

Amounts in MSEK	2003 <u>Jan-Sept</u>	2002 <u>Jan-Sept</u>	2003 <u>July-Sept</u>	2002 <u>July-Sept</u>	2002/2003 <u>Oct-Sept</u>	2002 <u>Jan-Dec</u>
Solutions	1,315	1,606	376	395	2,051	2,342
Distribution	5,871	6,641	1,651	1,976	8,375	9,145
Brand Alliance	1,320	1,507	422	521	1,918	2,106
Total business areas	8,506	9,754	2,449	2,892	12,344	13,593
Intra-Group	-338	-573	-92	-275	-549	-785
Total	8,168	9,181	2,357	2,617	11,795	12,808

Operating Income by Business Area

Amounts in MSEK	2003 <u>Jan-Sept</u>	2002 <u>Jan-Sept</u>	2003 <u>July-Sept</u>	2002 <u>July-Sept</u>	2002/2003 <u>Oct-Sept</u>	2002 <u>Jan-Dec</u>
Solutions	1	-1	-3	-10	19	17
Distribution	-13	11	7	-7	-27	-3
Brand Alliance	-5	15	1	5	6	26
Total business areas	-17	25	5	-12	-2	40
Intra-Group	-21	-24	-4	-7	-30	-33
Total	-38	1	1	-19	-32	7

Income by Country

Amounts in MSEK	2003 <u>Jan-Sept</u>	2002 <u>Jan-Sept</u>	2003 <u>July-Sept</u>	2002 <u>July-Sept</u>	2002/2003 <u>Oct-Sept</u>	2002 <u>Jan-Dec</u>
Sweden	3,157	3,717	897	1,043	4,579	5,139
Denmark	1,401	1,832	402	560	2,017	2,448
Finland	1,379	1,225	441	332	1,935	1,781
Norway	2,247	2,432	622	698	3,288	3,473
Total countries	8,184	9,206	2,362	2,633	11,819	12,841
Intra-Group	-16	-25	-5	-16	-24	-33
Total	8,168	9,181	2,357	2,617	11,795	12,808

Changes in Shareholders' Equity

Amounts in MSEK	2003 <u>Jan-Sept</u>	2002 <u>Jan-Sept</u>	2003 <u>July-Sept</u>	2002 <u>July-Sept</u>	2002/2003 <u>Oct-Sept</u>	2002 <u>Jan-Dec</u>
Shareholders' equity at beginning of period	957	961	851	976	961	961
Change in translation difference	-69	20	-8	5	-60	29
Net income for the period	-50	-20	-5	-20	-63	-33
Shareholders' equity at end of period	838	961	838	961	838	957

The Group's cumulative translation difference per September 30, 2003, amounted to MSEK -28. The decrease of MSEK 69 from the beginning of the year is an effect of the changed value of the Swedish krona against DKK, EUR and NOK in translation of the shareholders' equity of foreign subsidiaries. The entire amount is attributable to the dramatic weakening of the Norwegian krone.

SCRIBONA – INTERIM REPORT PER SEPTEMBER 30, 2003
Cash Flow Statement

Amounts in MSEK	2003 <u>Jan-Sept</u>	2002 <u>Jan-Sept</u>	2003 <u>July-Sept</u>	2002 <u>July-Sept</u>	2002/2003 <u>Oct-Sept</u>	2002 <u>Jan-Dec</u>
OPERATING ACTIVITIES						
Income after financial items	-44	-26	-3	-27	-38	-20
Depreciation	49	49	17	15	63	63
Other	5	3	0	3	10	8
Tax paid	-9	-31	-2	-11	12	-10
Cash flow from operating activities before changes in working capital	1	-5	12	-19	47	41
Cash flow from changes in working capital						
Change in inventories	152	171	-6	-78	85	104
Change in operating receivables	49	710	-342	239	-147	514
Change in operating liabilities	-680	-831	317	-202	-84	-235
Cash flow from operating activities	-478	45	-19	-60	-99	424
INVESTING ACTIVITIES						
Acquisition of operations	-6	-10	0	-10	-5	-9
Acquisition of fixed assets	-7	-28	-2	-16	-12	-33
Divestment of fixed assets	16	0	16	0	16	0
Cash flow from investing activities	3	-38	14	-26	-1	-42
FINANCING ACTIVITIES						
Change in loans, net	97	-502	-105	-288	-77	-676
Cash flow from financing activities	97	-502	-105	-288	-77	-676
Cash flow for the period	-378	-495	-110	-374	-177	-294
Liquid funds at beginning of period	452	738	147	617	247	738
Exchange rate difference in liquid assets	-45	4	-8	3	-41	8
Liquid assets at end of period	29	247	29	247	29	452

Key Ratios

	2003 <u>Jan-Sept</u>	2002 <u>Jan-Sept</u>	2003 <u>July-Sept</u>	2002 <u>July-Sept</u>	2002/2003 <u>Oct-Sept</u>	2002 <u>Jan-Dec</u>
Operating margin, %	-0.5	0.0	0.0	-0.7	-0.3	0.1
Return on capital employed, %	-4.8	0.1			-3.4	0.7
Capital turnover rate, times per year	10.4	11.7			12.4	13.5
Average capital employed, MSEK	1,050	1,044			950	946
Return on capital employed, %	-7.7	-2.8			-7.1	-3.4
Average shareholders' equity, MSEK	863	967			887	964
Equity/assets ratio, %	29.4	30.5			29.4	26.4
Shareholders' equity per share, SEK	16.41	18.82			16.41	18.74
Earnings per share, SEK	-0.98	-0.39	-0.10	-0.39	-1.23	-0.65
Average number of employees	1,398	1,517			1,416	1,505
Number of employees at end of period	1,354	1,488			1,354	1,469
Sales per employee, MSEK	5.8	6.1			8.3	8.5

For definitions of key ratios see Scribona's latest annual report.