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## **Scribona Group year-end report for the fourth quarter and full year 2003**

### **The year ended well with rising demand and strong fourth quarter income**

- Net sales reached MSEK 11,857 (12,808) for the full year and MSEK 3,689 (3,627) for the fourth quarter of 2003. The drop in sales for the full year is mainly due to lower unit prices during the first quarters and the wind-up of Toshiba Digital Media.
- Operating income for the full year reached MSEK 20 (7) and income after tax was MSEK 1 (-33). For the fourth quarter, operating income amounted to MSEK 59 (7) and income after tax to 52 (-13).
- Earnings per share for the full year totaled SEK 0.02 (-0.65). Fourth quarter earnings per share amounted to SEK 1.02 (-0.25).
- The PC market showed growth in units sold and Scribona is assessed to have increased its market shares.

### **Comments from CEO Tom Ekevall Larsen**

- The IT market gradually strengthened during the autumn and the year ended with a strong fourth quarter. Scribona has benefited from market growth and has further consolidated its position as the leading Nordic IT distributor.
- In 2003 we carried out action programs aimed at reducing costs and boosting margins. I am highly satisfied with the improvements we have accomplished, the effects of which are clearly visible in the quarterly results.
- The previously sharp price erosion leveled out during the fourth quarter and we could even see a slight increase in the average PC price compared with the third quarter. Even though the total sales volume in SEK decreased during the year, we handled more transactions and delivered more units than ever before.

# SCRIBONA

## THE MARKET

Demand in Scribona's main markets strengthened during the fourth quarter, with a seasonal improvement during December. According to IDC and IT-Research, the Nordic market for PC products has grown by around 20% 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. Scribona's PC price fell by an average of 18% between years.

For document management products, the number of copiers sold in the Nordic market was up by an estimated 12%. Scribona's assessment is that prices have fallen by around 1%.

## GROUP DEVELOPMENT

### Sales and income during the fourth quarter

The Group's net sales rose 2% to MSEK 3,689 (3,627). For comparable units and at unchanged exchange rates, sales grew by 5%. Excluding the Toshiba Digital Media division, sales improved by 12%. 2003 was characterized by severe price erosion for PC products.

The Group's operating income was MSEK 59 (7).

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 yielded additional positive effects during the quarter.

The Danish units, which operate in a very tough market, have improved operating income through staff reductions and higher margins but are still showing a deficit.

The quarter's amortization of goodwill totaled MSEK 4 and excess depreciation of equipment in a vacated warehouse facility was carried out in the amount of MSEK 3.

Net financial items weakened to MSEK -5 (-1).

Income before tax was MSEK 54 (6).

### Sales and income for the full year

Consolidated net sales amounted to MSEK 11,857 (12,808), a decrease of 7%. For comparable units and at unchanged exchange rates, sales were down by 6%. Excluding the Toshiba Digital Media division, sales declined by 3%.

Operating income reached MSEK 20 (7).

Net financial items amounted to MSEK -10 (-27). Average borrowing and interest rates in 2003 were lower than in the previous year. The weighted average interest rate on the Group's loans at the end of the period was 3.6% (4.8%). The year's positive exchange rate differences on temporarily unsecured internal financial transactions amounted

to MSEK 6 (-1). In addition, the Group's net penalty interest is positive at MSEK 7 (4).

Income before tax is reported at MSEK 10 (-20).

Income tax amounted to MSEK -9 (-13). 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.

Net income after tax was MSEK 1 (-33) and earnings per share amounted to SEK 0.02 (-0.65).

## Cash flow and financial position

Cash flow from operating activities for the fourth quarter was MSEK 161 (379).

Cash flow from operating activities for the full year was MSEK -317 (424). Strong sales in December resulted in substantial accounts receivable at year-end. The Group's net investments reached MSEK -8 (-42). In September the Group received payment of MSEK 15 for the sale of its property in Denmark. Net financial assets at the end of the year totaled MSEK -67 (307). Capital employed was MSEK 952 (651). Liquid assets at year-end amounted to MSEK 268 (452). The Group's liquidity situation is satisfactory with consideration to the unutilized credit facility.

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 reports the sold accounts receivable on the balance sheet and the sales proceeds for these as a financial liability, amounting to MSEK. 392 per 31 December. 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 51 per 31 December.

## Take-over

IFS's Nordic hardware business was taken over 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 was completed in the fourth quarter and is expected to boost annual income by MSEK 15 with full effect from 2004. In 2003, TDM posted net sales of MSEK 434 (850) and operating income of MSEK -20 (-8).

## Employees

The number of employees at the end of the period was 1,310 (1,469).

## Key ratios

Earnings per share for the full year are reported at SEK 0.02 (-0.65).

Equity per share at the end of the period was SEK 17.31 (18.74).

The equity ratio on 31 December was 23.6% (26.4%).

Return on capital employed in 2003 reached 2.0% (0.7%).

Return on shareholders' equity during the year amounted to MSEK 0.1% (-3.4%).

## Parent Company

The Parent Company's net sales during the period totaled MSEK 18 (18), of which 100% referred to invoicing of subsidiaries. Income before tax was MSEK -101 (-27). During the year, shares in subsidiaries and claims on subsidiaries were written down by MSEK 186. Dividends from subsidiaries were received in an amount of MSEK 107. Liquid assets at the end of the year amounted to MSEK 0 (8). Net financial assets per 31 December totaled MSEK 182 (289). The year's investments in fixed assets reached MSEK 6 (2). Total assets at year-end amounted to MSEK 1,201 (960).

## DEVELOPMENT BY BUSINESS AREA

### *Scribona Solutions*

The market remained weak throughout the quarter, with estimated volume growth of 1% and assessed price erosion of around -6% compared with the fourth quarter of 2002. In this fiercely competitive climate, Scribona has chosen to prioritize high-margin products. The business area's market shares have increased somewhat and Scribona has consolidated 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 showing positive development and will continue to focus this important segment towards complex and competence-demanding IT infrastructure products. The take-over of IFS's Nordic hardware operations will further strengthen Solutions' ERP systems business.

Fourth quarter sales in the business area reached MSEK 765 (736), up 4%. Operating income amounted to MSEK 22 (19). The effects of price erosion have been offset by volume growth, cost adaptations and the focus on high-margin products.

Total sales during 2003 amounted to MSEK 2,080 (2,342). Operating income was MSEK 23 (17).

### *Scribona Distribution*

Volume sales of PC products in the Nordic region during the quarter were up 20% compared with the same period of 2002. Price erosion during the year was exceptional, with an 18% decrease in Scribona's average PC price between years. In this price war, which is being subsidized by PC makers, Scribona has succeeded in increasing its high market shares. The number of PCs sold by Scribona during the quarter rose 25% over the same period of 2002 to 139,000 units.

The business area's fourth quarter sales amounted to MSEK 2,576 (2,504), up 3%. Due to strong development in all countries, operating income improved to MSEK 28 (-14). 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 2004.

Net sales for the full year totaled MSEK 8,448 (9,145). Operating income was MSEK 15 (-3).

### *Scribona Brand Alliance*

According to a summary of statistics from the local industry organizations, the Nordic market for document management products grew by around 12% in units sold during the quarter, with price reductions of around 1%.

The wind-up of Toshiba Digital Media, the agent for Toshiba laptop computers, was completed during the quarter. Net sales for Toshiba Digital Media amounted to MSEK 9 (221) and operating profit was MSEK -6 (-3).

The business area's fourth quarter sales reached MSEK 369 (598), which represents a decrease of 38%. All in all, the document management divisions reported improved operating income despite lower sales. Operating income for the business area was MSEK 13 (11).

The business area's full-year sales totaled MSEK 1,688 (2,106), of which Toshiba Digital Media accounted for MSEK 434 (850). Operating income was MSEK 10 (26), of which MSEK -20 (-8) referred to Toshiba Digital Media.

## 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 went into effect during 2003, but refer to areas outside Scribona's operations and have therefore not affected the presentation of Scribona's financial statements.

## DIVIDEND

As in the previous year, the Board proposes that no dividend be paid to the stockholders. No change will be made in the dividend policy, which states that one third of income after tax is to be distributed to the stockholders over time.

## ANNUAL REPORT

The annual report is expected to be published in mid-March, at which time it will be posted on Scribona's web site. The report can also be ordered from Scribona AB, Box 1374, SE-171 27 Solna, Sweden, telephone +46 (0) 8 734 34 00.



### *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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## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 3:00 p.m. on March 30, 2004, at Scribona's head office in Solna.

## FINANCIAL CALENDAR

Interim report for	
January - March 2004	28 April 2004
January - June 2004	15 July 2004
January - September 2004	20 October 2004

Scribona AB

The Board of Directors

**SCRIBONA – YEAR-END REPORT, 2003**
**Summary Consolidated Income Statement**

Amounts in MSEK	2003 <u>Jan-Dec</u>	2002 <u>Jan-Dec</u>	2003 <u>Oct-Dec</u>	2002 <u>Oct-Dec</u>
<b>Total income</b>	<b>11,857</b>	<b>12,808</b>	<b>3,689</b>	<b>3,627</b>
Operating expenses				
Goods for resale	-10,493	-11,377	-3,287	-3,227
Other external costs	-495	-536	-124	-156
Staff costs	-750	-801	-188	-219
Depreciation	-74	-63	-25	-14
Other operating expenses	-25	-24	-6	-4
<b>Operating income</b>	<b>20</b>	<b>7</b>	<b>59</b>	<b>7</b>
Net financial items	-10	-27	-5	-1
<b>Income before tax</b>	<b>10</b>	<b>-20</b>	<b>54</b>	<b>6</b>
Tax	-9	-13	-2	-19
Minority share	0	0	0	0
<b>Net income for the period</b>	<b>1</b>	<b>-33</b>	<b>52</b>	<b>-13</b>
Earnings per share	0,02	-0,65	1,02	-0,25
Number of shares end of period	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

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>31 Dec</u>	2003 <u>30 Sept</u>	2003 <u>30 June</u>	2003 <u>31 March</u>	2002 <u>31 Dec</u>
Licenses	22	19	16	19	23
Goodwill	73	68	74	74	78
Tangible fixed assets	46	55	80	85	90
Other fixed assets	79	77	77	79	81
Inventories	806	734	740	890	923
Current operating receivables	2,391	1,833	1,509	1,494	1,969
Other financial assets	62	35	51	79	7
Liquid assets	268	29	147	218	452
<b>Total assets</b>	<b>3,747</b>	<b>2,850</b>	<b>2,694</b>	<b>2,938</b>	<b>3,623</b>
Shareholders' equity	884	838	851	900	957
Minority interests in shareholders' equity	1	1	1	1	1
Provisions	30	14	2	2	2
Long-term operating liabilities	15	18	16	18	19
Current operating liabilities	2,420	1,701	1,423	1,579	2,492
Financial liabilities	397	278	401	438	152
<b>Total liabilities and shareholders' equity</b>	<b>3,747</b>	<b>2,850</b>	<b>2,694</b>	<b>2,938</b>	<b>3,623</b>
Capital employed	952	1,053	1,056	1,042	651
Net financial capital	-67	-214	-203	-141	307

**SCRIBONA – YEAR-END REPORT, 2003**
**Income by Business Area**

Amounts in MSEK	2003 <u>Jan-Dec</u>	2002 <u>Jan-Dec</u>	2003 <u>Oct-Dec</u>	2002 <u>Oct-Dec</u>
Solutions	2,080	2,342	765	736
Distribution	8,448	9,145	2,576	2,504
Brand Alliance	1,688	2,106	369	598
<b>Total business areas</b>	<b>12,216</b>	<b>13,593</b>	<b>3,710</b>	<b>3,838</b>
Intra-Group	-359	-785	-21	-211
<b>Total</b>	<b>11,857</b>	<b>12,808</b>	<b>3,689</b>	<b>3,627</b>

**Operating Income by Business Area**

Amounts in MSEK	2003 <u>Jan-Dec</u>	2002 <u>Jan-Dec</u>	2003 <u>Oct-Dec</u>	2002 <u>Oct-Dec</u>
Solutions	23	17	22	19
Distribution	15	-3	28	-14
Brand Alliance	10	26	13	11
<b>Total business areas</b>	<b>48</b>	<b>40</b>	<b>63</b>	<b>16</b>
Joint Group	-28	-33	-4	-9
<b>Total</b>	<b>20</b>	<b>7</b>	<b>59</b>	<b>7</b>

**Income by Country**

Amounts in MSEK	2003 <u>Jan-Dec</u>	2002 <u>Jan-Dec</u>	2003 <u>Oct-Dec</u>	2002 <u>Oct-Dec</u>
Sweden	4,512	5,139	1,357	1,421
Denmark	1,976	2,448	576	609
Finland	2,065	1,781	687	555
Norway	3,316	3,473	1,069	1,041
<b>Total countries</b>	<b>11,869</b>	<b>12,841</b>	<b>3,689</b>	<b>3,626</b>
Intra-Group	-12	-33	0	-1
<b>Total</b>	<b>11,857</b>	<b>12,808</b>	<b>3,689</b>	<b>3,627</b>

**Changes in Shareholders' Equity**

Amounts in MSEK	2003 <u>Jan-Dec</u>	2002 <u>Jan-Dec</u>	2003 <u>Oct-Dec</u>	2002 <u>Oct-Dec</u>
Shareholders' equity at beginning of period	957	961	838	961
Change in translation difference	-74	29	-6	9
Net income for the period	1	-33	52	-13
<b>Shareholders' equity at end of period</b>	<b>884</b>	<b>957</b>	<b>884</b>	<b>957</b>

The Group's cumulative translation difference per December 31, 2003, amounted to MSEK -34. The decrease of MSEK 74 from the beginning of the year is the 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 – YEAR-END REPORT, 2003

### Cash Flow Statement

Amounts in MSEK	2003 Jan-Dec	2002 Jan-Dec	2003 Oct-Dec	2002 Oct-Dec
<b>OPERATING ACTIVITIES</b>				
Income after financial items	10	-20	54	6
Depreciation and writedown	74	63	25	14
Other	-18	8	-23	5
Tax paid	-9	-10	0	21
<b>Cash flow from operating activities before changes in working capital</b>	<b>57</b>	<b>41</b>	<b>56</b>	<b>46</b>
Cash flow from changes in working capital				
Change in inventories	83	104	-69	-67
Change in operating receivables	-510	514	-559	-196
Change in operating liabilities	53	-235	733	596
<b>Cash flow from operating activities</b>	<b>-317</b>	<b>424</b>	<b>161</b>	<b>379</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of operations	-10	-9	-4	1
Acquisition of fixed assets	-13	-33	-6	-5
Divestment of fixed assets	15	0	-1	0
<b>Cash flow from investing activities</b>	<b>-8</b>	<b>-42</b>	<b>-11</b>	<b>-4</b>
<b>FINANCING ACTIVITIES</b>				
Change in loans, net	187	-676	90	-174
<b>Cash flow from financing activities</b>	<b>187</b>	<b>-676</b>	<b>90</b>	<b>-174</b>
<b>Cash flow for the period</b>	<b>-138</b>	<b>-294</b>	<b>240</b>	<b>201</b>
<b>Liquid assets at beginning of period</b>	<b>452</b>	<b>738</b>	<b>29</b>	<b>247</b>
<b>Exchange rate difference in liquid assets</b>	<b>-46</b>	<b>8</b>	<b>-1</b>	<b>4</b>
<b>Liquid assets at end of period</b>	<b>268</b>	<b>452</b>	<b>268</b>	<b>452</b>

### Key Ratios

	2003 Jan-Dec	2002 Jan-Dec	2003 Oct-Dec	2002 Oct-Dec
Operating margin, %	0.2	0.1	1.6	-0.2
Return on capital employed, %	2.0	0.7		
Capital turnover rate, times per year	11.6	13.5		
Average capital employed, MSEK	1,025	946		
Return on shareholders' equity, %	0.1	-3.4		
Average shareholders' equity, MSEK	868	964		
Equity/assets ratio, %	23.6	26.4		
Shareholders' equity per share, SEK	17.31	18.74		
Earnings per share, SEK	0.02	-0.65	1.02	-0.25
Average number of employees	1,376	1,505		
Number of employees at end of period	1,310	1,469		
Sales per employee, MSEK	8.6	8.5		

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