

# SCRIBONA

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## **Interim Report January – June 2002**

**In a market characterized by declining volumes, Scribona succeeded in achieving a strong cash flow and a positive operating result in all business areas.**

- Second quarter sales was MSEK 3,196 (2,947).
- Operating income for the second quarter improved to MSEK 5 (-69) and income after tax was MSEK -8 (-68). Operating income for the first six months amounted to MSEK 19 (-58) and income after tax MSEK 0 (-65). All three business areas achieved a positive operating result during the quarter.
- The cash flow from operating activities was positive and amounted to MSEK 221 for the quarter and MSEK 649 for the past 12 months.
- In the second quarter Scribona attained its highest market share ever in both the PC product market and the document management market.
- Earnings per share for the first half of the year was SEK 0.00 (-1.52).

### **President's comments**

- Although we are not satisfied with the results, the second quarter of 2002 shows that Scribona is on the right path and is well poised to benefit from a coming market upswing. Despite a flagging market, all three business areas achieved a positive operating result and Scribona attained its highest market shares ever in both the PC product market and the document management markets. While there are no reliable statistics for infrastructure products, there are indications that we have increased our share of this market as well.
- For Scribona, the highlight of the quarter was that cash flow and capital employed showed such strong development. This was achieved through a combination of structural changes in our logistics and organization and determined efforts to improve our capital management. Compared with the corresponding period of last year, we had reduced capital employed at mid-year by a full MSEK 688, a decrease of 42%.

## **THE MARKET**

Compared with the preceding year, Scribona's main markets showed a continued drop in demand during the quarter. One exception is Swedish home PC sales, which boosted the PC market in Sweden to an increase in units sold of around 18%.

However, the total Nordic market for PC products has decreased by around 6% in units sold. In the laptop PC segment, the market was unchanged compared with the preceding year. The market for document management products has contracted by an estimated 5%. While there are not reliable statistics for IT infrastructure products, this market is also estimated to have declined by at least 5%.

The combination of falling prices, primarily in the infrastructural segment, and a decreased volume has further contributed to the shrinking market. The opposite has been true in the document management market, where the average price per product has risen somewhat.

In general, sales to businesses and organizations have continued to decline, while consumer sales via home PC offers and electronics retailer chains have shown more positive development.

## **DEVELOPMENT DURING JANUARY – JUNE 2002**

### **Sales and income in the second quarter**

During the second quarter the Group's sales rose to MSEK 3,196 (2,947), which is an increase of 8%. For comparable units and at unchanged exchange rates, sales were unchanged. Despite a rising market share, sales were adversely affected by a flagging market and a continued drop in prices for IT infrastructure products.

Second quarter sales in the Solutions business area totaled MSEK 628 (789), a decrease of 20% attributable to lower average prices, a continued weak IT infrastructure market and the transfer of high volume products to Scribona Distribution.

Sales in the Distribution business area amounted to MSEK 2,256 (1,761), an improvement of 28%. Adjusted for comparable units and at unchanged exchange rates, this represents an increase of around 14% compared with the preceding year.

Sales in the Brand Alliance business area have continued to decrease, primarily due to an ongoing drop in sales for Toshiba Digital Media. Within the business area, only Carl Lamm noted a favorable sales trend. Total sales in the business area amounted to MSEK 506 (560).

The Group reported operating income of MSEK 5 (-69). The improvement over the preceding year is mainly attributable to dramatically higher earnings in the Distribution business area of MSEK 6 (-51) through volume growth and lower costs. In the previous year, Distribution was charged with accounts receivable losses of

MSEK 22. Brand Alliance also achieved earnings growth of MSEK 4 (-10) thanks to a strong result for Carl Lamm.

Solutions showed weaker earnings of MSEK 3 (6) owing to weak sales and lower prices.

### **Sales and income for the first six months**

Sales for the first six months amounted to MSEK 6,564 (5,300), an increase of 24%. PC LAN was acquired on 1 April 2001, and was therefore not consolidated in the Group during the first quarter of last year.

In the first half of the year, the Solutions business area reported sales of MSEK 1,211 (1,081), Distribution of MSEK 4,665 (3,389) and Brand Alliance of MSEK 986 (1,193).

Operating income for the first six months amounted to MSEK 19 (-58). The improvement was attributable to the Distribution business area, which achieved a result of MSEK 18 (-51) through volume growth and lower costs, and Brand Alliance with MSEK 10 (1). Solutions reported a weaker result of MSEK 9 (16).

Net financial items for the first six months amounted to MSEK -19 (-26).

Income before tax was MSEK 0 (-84).

### **Cash flow and financial position**

The Scribona Group's cash flow from operating activities during the first half of the year was MSEK 105 (5). Second quarter cash flow amounted to MSEK 221 and net investments totaled MSEK 7 (70). At the end of June, structural changes and determined efforts to reduce tied up capital resulted in positive net financial capital of MSEK 25 (-625). Capital employed has decreased by MSEK 688 over the past 12-month period, corresponding to a reduction of 42%. Despite a significant growth in operations, inventories were very low at mid-year. The capital turnover rate during the first six months was 12.5/year (7.8).

### **Employees**

The number of employees on 30 June was 1,536 (1,624).

### **Key ratios**

Earnings per share for the first half of the year amounted to SEK 0.00 (-1.52). Earnings per share over the past 12-month period, excluding items affecting comparability, totaled SEK -0.40 (-1.82 for the full year 2001).

Equity per share at the end of the period was SEK 19.11 (19.86).

The equity ratio on 30 June was 26.6% (27.7%).

Return on capital employed excluding items affecting comparability over the past 12-month period was 3.0% (-3.4% for the full year 2001). Including items affecting comparability, return on capital employed was -1.2% (-7.2% for the full year 2001).

Over the past 12-month period, return on shareholders' equity excluding items affecting comparability was -2.1% (-9.1% for the full year 2001). Including items affecting comparability, return on shareholders' equity was -5.7% (-12.7% for the full year 2001).

## **DEVELOPMENT BY BUSINESS AREA**

### *Scribona Solutions*

Investments in IT infrastructure fell short of expectations although the majority of market analysts agree that there is a underlying need for increased infrastructural capacity due to security and data storage requirements. The market weakened further during the quarter. The telecom industry's more restrictive attitude towards investment and a continued drop in average prices have further impacted sales. However, despite declining sales Scribona is believed to have maintained or consolidated its leading position as a distributor of IT infrastructure products.

Second quarter sales in the business area reached MSEK 628 (789), down 20%. Half of the decrease is attributable to the transfer of high volume products to the Scribona Distribution business area. Operating income amounted to MSEK 3 (6).

Sales for the first six months of the year totaled MSEK 1,211 (1,081). PC LAN was acquired on 1 April 2001 and was therefore not consolidated in the Group during the first quarter of last year. Operating income amounted to MSEK 9 (16).

### *Scribona Distribution*

Market development for PC products in the Nordic region showed a declining trend during the quarter, with a 6% decrease in units sold. The corporate market remains weak and contracted by 5% in Sweden. The one positive exception was consumer sales, primarily via home PC sales in Sweden, but also via electronics retailers. Vigorous home PC activity was the main factor behind growth of a full 18% in the Swedish market. The Nordic market for laptop computers was unchanged. It should be noted that the PC product supplier Dell has lost market share during the quarter and that distributors have strengthened their share of the total market for PC products.

Second quarter sales amounted to MSEK 2,256 (1,761). After adjustment for comparable units and at unchanged exchange rates, this represents an increase of around 14% compared with the preceding year. Scribona Distribution has thus achieved its highest market share ever in the PC product market. The positive trend from the beginning of the year continued into the second quarter and operating income amounted to MSEK 6 (-51). This earnings growth was attributable to higher volumes and lower costs. In the previous year, Distribution was charged with accounts receivable losses of MSEK 22.

Sales in the first six months amounted to MSEK 4,665 (3,389) and operating income to MSEK 18 (-51).

### *Scribona Brand Alliance*

In the second quarter the Brand Alliance business area achieved weaker than anticipated sales of MSEK 506 (560), a decrease of 10%. The market for document management products shrank by around 5% during the second quarter, while the

laptop market was stable. The Toshiba Digital Media division continued to lose sales, while sales in the Carl Lamm division increased.

Operating income amounted to MSEK 4 (-10). Toshiba Document Solutions achieved higher income than in the corresponding period of 2001 and Carl Lamm reported significantly higher income than in the preceding year.

Sales during the first six months totaled MSEK 986 (1,193). Operating income amounted to MSEK 10 (1).

### **Accounting principles**

The same accounting and valuation principles have been applied as in the most recent annual report.

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation no. 20, Interim reports.

### **Financial calendar**

Interim report for January - September 2002	5 November 2002
Year-end report for January - December 2002	14 February 2003

This report has not been examined by the company's auditors.

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Scribona AB  
Board of Directors

*Facts about Scribona AB*

*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 JUNE 30, 2002**
**Summary Consolidated Income Statement**

SEK m.	2002 <u>Jan-June</u>	2001 <u>Jan-June</u>	2002 <u>April-June</u>	2001 <u>April-June</u>	2001/2002 <u>July-June</u>	2001 <u>Jan-Dec</u>
<b>Total income</b>	<b>6,564</b>	<b>5,300</b>	<b>3,196</b>	<b>2,947</b>	<b>13,136</b>	<b>11,872</b>
Operating expenses						
Goods for resale	-5,825	-4,645	-2,837	-2,614	-11,686	-10,506
Other external costs	-260	-274	-125	-159	-516	-530
Staff costs	-413	-378	-206	-211	-790	-755
Depreciation, goodwill	-10	-21	-5	-11	-39	-50
Depreciation, inventarier	-24	-30	-13	-16	-50	-56
Other operating expenses	-13	-10	-5	-5	-21	-18
<i>Items affecting comparability</i>						
Swedish Pension Fund, surplus	-	-	-	-	2	2
Amortization of goodwill	-	-	-	-	-50	-50
<b>Income before net financial items</b>	<b>19</b>	<b>-58</b>	<b>5</b>	<b>-69</b>	<b>-14</b>	<b>-91</b>
Net financial items	-19	-26	-15	-20	-42	-49
<b>Income before tax</b>	<b>0</b>	<b>-84</b>	<b>-10</b>	<b>-89</b>	<b>-56</b>	<b>-140</b>
Tax	0	20	2	21	0	20
Minority	0	-1	0	0	1	0
<b>Income after tax</b>	<b>0</b>	<b>-65</b>	<b>-8</b>	<b>-68</b>	<b>-56</b>	<b>-120</b>
Earnings per share	0.00	-1.52	-0.16	-1.33	-1.08	-2.56
Number of shares end of period	51,061,608	51,061,608	51,061,608	51,061,608	51,061,608	51,061,608
New share issue	-	16,821,980	-	16,821,980	-	16,821,980
Average weighted number of shares	51,061,608	42,650,618	51,061,608	51,061,608	51,061,608	46,856,113

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**

SEK m.	2002 <u>June</u>	2002 <u>March</u>	2001 <u>Dec</u>	2001 <u>Sept</u>	2001 <u>June</u>
Intangible fixed assets	79	84	91	100	159
Tangible fixed assets	95	101	106	107	157
Other fixed assets	99	98	92	84	93
Inventories	776	1,037	1,030	1,018	933
Current operating receivables	1,983	1,922	2,441	2,401	2,198
Liquid funds	617	415	738	225	67
Other financial assets	20	21	38	53	54
<b>Total assets</b>	<b>3,669</b>	<b>3,678</b>	<b>4,536</b>	<b>3,988</b>	<b>3,661</b>
Shareholders' equity	976	963	961	957	1,014
Minority interests	1	1	1	1	1
Provisions	8	9	14	38	100
Long-term operating liabilities	5	6	6	6	6
Current operating liabilities	2,067	2,073	2,727	2,310	1,794
Financial liabilities	612	626	827	676	746
<b>Total liabilities and Shareholders' equity</b>	<b>3,669</b>	<b>3,678</b>	<b>4,536</b>	<b>3,988</b>	<b>3,661</b>
Capital employed	952	1,154	1,013	1,356	1,640
Net financial capital	25	-190	-51	-398	-625

**SCRIBONA – INTERIM REPORT PER JUNE 30, 2002**
**Sales by Business Area**

SEK m.	2002 <u>Jan-June</u>	2001 <u>Jan-June</u>	2002 <u>April-June</u>	2001 <u>April-June</u>	2001/2002 <u>July-June</u>	2001 <u>Jan-Dec</u>
Solutions	1,211	1,081	628	789	2,615	2,485
Distribution	4,665	3,389	2,256	1,761	9,038	7,762
Brand Alliance	986	1,193	506	560	2,147	2,353
<b>Total business areas</b>	<b>6,862</b>	<b>5,663</b>	<b>3,390</b>	<b>3,110</b>	<b>13,800</b>	<b>12,600</b>
Intra Group	-298	-363	-194	-163	-664	-728
<b>Total</b>	<b>6,564</b>	<b>5,300</b>	<b>3,196</b>	<b>2,947</b>	<b>13,136</b>	<b>11,872</b>

**Results Before Items Affecting Comparability**

SEK m.	2002 <u>Jan-June</u>	2001 <u>Jan-June</u>	2002 <u>April-June</u>	2001 <u>April-June</u>	2001/2002 <u>July-June</u>	2001 <u>Jan-Dec</u>
Solutions	9	16	3	6	32	39
Distribution	18	-51	6	-51	20	-49
Brand Alliance	10	1	4	-10	6	-3
<b>Total business areas</b>	<b>37</b>	<b>-34</b>	<b>13</b>	<b>-55</b>	<b>58</b>	<b>-13</b>
Joint Group	-18	-24	-8	-14	-24	-30
<b>Total</b>	<b>19</b>	<b>-58</b>	<b>5</b>	<b>-69</b>	<b>34</b>	<b>-43</b>

**Kay Figures**

	2002 <u>Jan-June</u>	2001 <u>Jan-June</u>	2002 <u>April-June</u>	2001 <u>April-June</u>	2001/2002 <u>July-June</u>	2001 <u>Jan-Dec</u>
Operating margin before items affecting comparability	0.3%	-1.1%	0.2%	-2.3%	0.3%	-0.4%
Earnings per share	0.00	-1.52	-0.16	-1.33	-1.08	-2.56
- excluding items affecting comparability	0.00	-1.52	-0.16	-1.33	-0.40	-1.82
Shareholders' equity per share	19.11	19.86			19.11	18.82
Equity/assets ratio	26.6%	27.7%			26.6%	21.2%
Return on capital employed	3.6%	-8.5%			-1.2%	-7.2%
- excluding items affecting comparability	3.6%	-8.5%			3.0%	-3.4%
Return on shareholders' equity	0.0%	-14.1%			-5.7%	-12.7%
- excluding items affecting comparability	0.0%	-14.1%			-2.1%	-9.1%
Capital turnover rate	12.5	7,8			11.7	9.3
Capital employed, average	1,053	1,357			1,121	1,273
Shareholders' equity, average	969	924			964	941
Number of employees end of period	1,536	1,624			1,536	1,539

**SCRIBONA – INTERIM REPORT PER JUNE 30, 2002**
**Cash Flow Statement**

SEK m.	2002 Jan-June	2001 Jan-June	2002 April-June	2001 April-June	2001/2002 July-June	2001 Jan-Dec
<b>FUNDS FROM OPERATIONS</b>						
Income after financial items	0	-84	-10	-89	-56	-140
Depreciation	34	51	17	27	89	106
Other	0	0	-4	0	43	43
Tax paid	-20	-14	-15	7	-23	-17
<b>Cash flow from operations before changes in working capital</b>	<b>14</b>	<b>-47</b>	<b>-13</b>	<b>-55</b>	<b>53</b>	<b>-8</b>
Cash flow from changes in working capital						
Change in inventories	249	347	273	110	157	255
Change in receivables	471	667	-12	270	215	411
Change in liabilities	-629	-962	-27	-614	224	-109
<b>Cash flow from operations</b>	<b>105</b>	<b>5</b>	<b>221</b>	<b>-289</b>	<b>649</b>	<b>549</b>
<b>INVESTMENT ACTIVITIES</b>						
Acquisitions of operations	-	-62	-	-62	-	-62
Divestments of operations	-	-	-	-	18	18
Acquisitions of fixed assets	-12	-18	-7	-8	-29	-35
Sales of fixed assets	0	0	0	0	44	44
<b>Cash flow from investment activities</b>	<b>-12</b>	<b>-80</b>	<b>-7</b>	<b>-70</b>	<b>33</b>	<b>-36</b>
<b>FINANCING ACTIVITIES</b>						
Change in loans	-214	-113	-13	258	-137	-36
Dividend paid	-	-26	-	-26	-	-26
<b>Cash flow from financing activities</b>	<b>-214</b>	<b>-139</b>	<b>-13</b>	<b>232</b>	<b>-137</b>	<b>-62</b>
<b>Cash flow for the period</b>	<b>-121</b>	<b>-214</b>	<b>201</b>	<b>-127</b>	<b>544</b>	<b>451</b>
<b>Liquid funds at beginning of period</b>	<b>738</b>	<b>281</b>	<b>415</b>	<b>191</b>	<b>67</b>	<b>281</b>
<b>Exchange difference in liquid funds</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>5</b>
<b>Liquid funds end of period</b>	<b>617</b>	<b>67</b>	<b>617</b>	<b>67</b>	<b>617</b>	<b>738</b>

**SCRIBONA – INTERIM REPORT PER JUNE 30, 2002**
**Changes in Shareholders' Equity**

SEK m.	2002 <u>Jan-June</u>	2001 <u>Jan-June</u>	2002 <u>April-June</u>	2001 <u>April-June</u>	2001/2002 <u>July-June</u>	2001 <u>Jan-Dec</u>
Dec. 31, 2000, according to annual report						798
Effect of changes in accounting principle relating to income taxes						22
Dec. 31, 2000, adjusted according to new accounting principle						820
Opening balance for the period	961	820	963	833	1,014	820
Dividend	-	-26	-	-26	-	-26
New share issue	-	269	-	269	-	269
Change in translation difference	15	16	21	6	17	18
Net income for the period	0	-65	-8	-68	-55	-120
<b>Closing balance for the period</b>	<b>976</b>	<b>1.014</b>	<b>976</b>	<b>1.014</b>	<b>976</b>	<b>961</b>