

Stockholm, February 27, 2004

## **Axel Johnson AB - 2003 Year-end Report**

- **Continued improvement in earnings** – for the third consecutive year, earnings after net financial items showed positive growth, rising 12 percent to SEK 742 M. Wholly owned Åhléns and jointly owned Axfood posted record earnings.
- **Strong financial position** – The equity/assets ratio rose by 5 percentage points to 66 percent and the debt/equity ratio remained unchanged at 0.
- **Weak markets** – The Group's markets showed weak growth during the year. Despite the unfavorable conditions, consolidated sales rose by 3 percent to SEK 8,874 M.
- **Development and efficiency enhancement** – All operations were characterized by a focus on cost savings and efficiency enhancement. At the same time, Åhléns established a number of new units and Axfood opened new Willys stores and modernized a large number of Hemköp stores. Servera acquired 91 percent of Fällmans Kött, and NovAx acquired 47 percent of Designorget.

### **Key ratios**

| <i>SEK M</i>                          | <b>2003</b> | <b>2002</b> |
|---------------------------------------|-------------|-------------|
| Net sales                             | 8 874       | 8 640       |
| Operating earnings after depreciation | 727         | 644         |
| Operating margin, %                   | 8,2         | 7,4         |
| Earnings after financial items        | 742         | 661         |
| Shareholders' equity                  | 2 893       | 2 365       |
| Equity ratio, %                       | 66          | 61          |

Fiscal 2003 was another successful year for the Axel Johnson AB Group. Earnings after net financial items amounted to SEK 742 M (661), an increase of 12 percent. Consolidated sales totaled SEK 8,874 M (8,640), up 3 percent on the preceding year. Sales by wholly and jointly owned companies remained unchanged at SEK 46 billion (46).

During 2003, the equity/assets ratio was further strengthened, rising 5 percentage points to 66 percent. The return on capital employed was 27 percent (27). Cash flow improved sharply and totaled SEK 342 M (15).

### **Axfood – intensified competition**

The competition intensified significantly during 2003, and “discount” was the dominant trend. This favored Willys, which increased its sales by 26 percent. Central purchasing and a higher percentage of private label products also made positive contributions. Sales totaled SEK 33,616 M (33,115), up 1.5 percent. Axfood's wholly owned retail business in Sweden showed a 14-percent increase in sales. Earnings after financial items amounted to SEK 971 M (919), up 6 percent. Axfood is listed on the stock exchange and Axel Johnson owns 45 percent.

### **Servera – increased market share**

Volumes in the market for restaurants and food-service segments declined by 5 percent in 2003. Servera's sales amounted to SEK 4,099 M (4,093), virtually unchanged compared with the preceding year, which signifies an increase in market share. During the year, Servera acquired Fällmans Kött, a specialist meat company, which strengthens Servera's position in the restaurant market in Stockholm. Earnings after financial items amounted to SEK 99 M (116), a decrease of 15 percent.

### **Åhléns – continued increase in earnings**

The positive trend that has characterized Åhléns in recent years was strengthened during 2003. Increases were posted in margins and sales. Sales amounted to SEK 4,522 M (4,350) up 4 percent. Earnings after net financial items amounted to SEK 191 M (165), up 16 percent. A number of new department stores and chain stores were established. Combined, the number of Åhléns and Kicks stores totals 158 units.

### **NovAx – investments for the future**

During the year, NovAx acquired 47 percent of the shares in Designtorget. NovAx also increased its ownership in Bevakningstjänst to 28 percent. Earnings after net financial items amounted to SEK 1 M (0). Shareholders' equity at year-end amounted to SEK 72 M (71) and the total investment in portfolio companies amounted to SEK 70 M (54).

### **Saba Trading – structural changes continued**

Despite lower sales, Saba Trading showed a positive trend of earnings during the year. The effects of restructuring on operations during 2001 and 2002 have led to a more customer-oriented working method, which had a favorable impact on earnings in 2003. Sales amounted to SEK 3,578 M (3,896) and earnings after financial items improved to SEK 100 M (73). Axel Johnson AB's ownership interest amounts to 25 percent.

*Stockholm  
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Axel Johnson AB  
The Board of Directors

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**The Axel Johnson Group** is a fourth-generation, family-owned company, with origins dating back to the A. Johnson & Co. trading company founded in 1873. The Group consists of four legally and financially independent corporate groups with a common owner, Antonia Ax:son Johnson and family. In addition, the Group has proprietary interests in the UK company Spirent, listed on the London and New York stock exchanges, and in the Swedish company Nordstjernan, which in turn holds major interests in other companies, including exchange-listed NCC.

**Axel Johnson AB** focuses on consumer-oriented goods and services for the Nordic market, with the emphasis on Sweden. Currently, wholly owned Åhléns and Servera, and the company's part ownership in Axfood and Saba Trading represent most of Axel Johnson AB's operations. In total, the wholly and partly owned subsidiaries have annual sales of about SEK 46 billion, with slightly more than 13,000 employees.

**Axel Johnson International AB** is active in the European market with a highly diversified and decentralized distribution and trading organization consisting of about 50 companies in 20 countries. The company has annual sales of SEK 5 billion, with 1,300 employees.

**Axel Johnson Inc.**, with the bulk of its operations in North America, works with products and services in the areas of energy, the environment and communications technology. The company has annual sales corresponding to SEK 11 billion, with about 1,100 employees.

**AxFast AB** owns, develops and manages properties tailored exclusively for trading and distribution. The portfolio of some 80 properties, comprising more than 600,000 square meters of space, is spread throughout Sweden.

## Condensed income statement

| <i>SEK M</i>                          | <b>2003</b>   | <b>2002</b> |
|---------------------------------------|---------------|-------------|
| Net sales                             | <b>8 874</b>  | 8 640       |
| Cost of goods sold                    | <b>-6 526</b> | -6 444      |
| <b>Gross profit</b>                   | <b>2 348</b>  | 2 196       |
| Selling/administrative expenses, etc. | <b>-1 621</b> | -1 552      |
| <b>Operating profit</b>               | <b>727</b>    | 644         |
| Net financial items                   | <b>15</b>     | 17          |
| <b>Profit after financial items</b>   | <b>742</b>    | 661         |
| Tax                                   | <b>-181</b>   | -212        |
| <b>Net profit for the year</b>        | <b>561</b>    | 449         |

## Condensed balance sheet

| <i>SEK M</i>                            | <b>2003-12-31</b> | <b>2002-12-31</b> |
|---|-------------------|-------------------|
| <b>ASSETS</b>                           |                   |                   |
| Intangible fixed assets, excl. goodwill | 65                | 65                |
| Goodwill                                | 56                | 80                |
| Tangible fixed assets                   | 410               | 404               |
| Financial assets                        | <u>936</u>        | <u>753</u>        |
| <b>Total fixed assets</b>               | <b>1 467</b>      | <b>1 302</b>      |
| Inventories, etc                        | 1 060             | 1 038             |
| Accounts receivable                     | 459               | 452               |
| Other current assets                    | 257               | 268               |
| Short-term investments                  | 900               | 509               |
| Cash and bank balances                  | <u>267</u>        | <u>316</u>        |
| <b>Total current assets</b>             | <b>2 943</b>      | <b>2 583</b>      |
| <b>TOTAL ASSETS</b>                     | <b>4 410</b>      | <b>3 885</b>      |
|   |                   |                   |
|   | <b>2003-12-31</b> | <b>2002-12-31</b> |
| <b>EQUITY AND LIABILITIES</b>           |                   |                   |
| Restricted equity                       | 1 114             | 938               |
| Unrestricted equity                     | <u>1 779</u>      | <u>1 427</u>      |
| <b>Total equity</b>                     | <b>2 893</b>      | <b>2 365</b>      |
| <b>Provisions</b>                       | <u>201</u>        | <u>191</u>        |
| <b>Long-term liabilities</b>            | <u>–</u>          | <u>–</u>          |
| Other current liabilities               | 625               | 700               |
| Accounts payable                        | <u>691</u>        | <u>629</u>        |
| <b>Total current liabilities</b>        | <b>1 316</b>      | <b>1 329</b>      |
| <b>TOTAL EQUITY AND LIABILITIES</b>     | <b>4 410</b>      | <b>3 885</b>      |