

# SCRIBONA

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July 16, 2001

## Interim Report January – June 2001

**The market for personal computer products is expected to remain unchanged, measured in units, but due to sharp reductions in product prices, the market's value fell 10 to 15 percent, which had a negative impact on Scribona's sales and earnings in the first six months of 2001. The acquisition of PC LAN is now completed and the integration process is proceeding according to plan. Costs are being reduced considerably.**

- Sales totaled SEK 5,300 m. (4,443) and include PC LAN's sales of SEK 1,071 m. from the second quarter. Scribona is strengthening its market shares in the information technology (IT) infrastructure area and maintaining them in the PC market. Market shares of the Brand Alliance business area are decreasing, however.
- Decisions that have been made to date to reduce costs are expected to save the Group approximately SEK 100 million on an annual basis.
- The result before tax was SEK -84 m. (111). Income in the corresponding period of 2000 included nonrecurring income totaling SEK 89 m. The operating income was SEK -58 m. (85). Income in the first half of 2000 included nonrecurring income totaling SEK 56 m.
- Despite the positive effects of implemented measures to boost cost efficiency, and an anticipated but uncertain increase in market demand during the second half of the year, it is unsure if Scribona and PC-LAN's combined operating income (before items affecting comparability) from last year can be reached in 2001.

### **Statement by the CEO**

“With the acquisition of PC LAN, we have gained sufficient size for realizing substantial cost reductions and have also captured a position as the definite leader in the Nordic countries. This position of strength is a necessary platform for achieving growth and profitability – a strength whose importance cannot be emphasized enough, in view of today's difficult market situation”.

“We must maintain a humble attitude towards the very uncertain state of the IT products market. One of the reasons for the downturn in personal computer sales is probably the wait-and-see attitude of major PC users in growth areas like the telecom industry and consulting industry. At the moment, it is difficult to predict when demand from these users will turn. But in the long term, we operate in an industry with underlying growth and our long-term financial goals therefore remain valid”.

## **Acquisition of PC LAN**

The integration of PC LAN and Scribona is being successfully completed and on schedule. The two companies have been operating in a merged organization under the common name of Scribona since June 15 this year. The weaker market for IT products further underlines the importance of the acquisition in a strategic and operational perspective.

As announced earlier, PC LAN has been consolidated since April 1, 2001. In connection with the acquisition analysis, in which PC LAN's assets and liabilities were analyzed and, to some extent, revalued, negative goodwill in the amount of SEK 50 m. has arisen after goodwill in the PC LAN Group totaling SEK 114 m. was valued at zero.

An intense program is in progress to plan cost reductions and realize synergistic effects. Costs savings will be realized in three steps. The first is the previously announced adjustments related to lower sales volume made by each organization, which are expected to save about SEK 25 m. per year.

In the second step, the Group's structure will be rationalized as a consequence of the integration process. The effects of this step will surpass earlier projected savings and basically involve setting up operations in each Nordic country in a single office building and single logistics center. However, a study is still in progress in Denmark to determine what the optimal logistics structure will be for that country. Cost reductions as a result of this concentration of operations, and subsequent reductions in personnel, are expected to save approximately SEK 50 m. per year after implementation.

In the third step, the new organization will be further streamlined. The first measures to be carried out will be to have three of Scribona's divisions utilize a common internal infrastructure, e-commerce web site and IT platform. In addition, the logistics operations and offices of Connectus, a subsidiary in Finland, will be moved and located in the same premises used by Scribona's other companies in Finland. These measures are expected to result in annual savings of about SEK 20 m. and will be followed up with additional decisions during the fall.

The costs of integrating PC LAN are projected to amount to about SEK 50 m. and will be deducted continuously from remaining negative goodwill and will therefore not be charged against operating income

On June 30, 2001, remaining negative goodwill has been reported as a provision of SEK 31 m. after reporting integration costs of SEK 19 m. in the second quarter.

## **Market**

The development of the market in Scribona's three main market areas turned out to be a disappointment in the second quarter. The positive trend noted at the end of the first quarter broke radically in April in a way that surprised the industry. The PC market as a whole did not increase, compared with the second quarter last year. It is also worth noting that the portable PC market segment is also declining now. Due to

tougher price competition in the PC market, the average price of a PC decreased 10-15 percent in the first half of the year. Certain signals from leading manufacturers at the end of the quarter can be interpreted to indicate that this trend might be broken, or will soften.

The market for document management products was about 10 percent lower in the first and second quarters, compared with the same periods in the preceding year.

### **Sales and earnings**

Sales of the Scribona Group totaled SEK 5,300 m. (4,443) for the period and include second-quarter sales of the former PC LAN group totaling SEK 1,071 m. Based on comparable units and unchanged exchange rates, sales were 13 percent lower. The Brand Alliance business area accounted for the largest negative change in sales – a decrease of 17 percent. A decline in sales of portable computers was the primary reason why sales of the Toshiba Digital Media division decreased, compared with a strong second quarter in 2000. The Solutions business area increased sales 12 percent for comparable units, excluding added sales from PC LAN.

The operating result was SEK -58 m. (85). The Distribution and Brand Alliance business areas reported lower earnings, compared with the same period last year, while Solutions improved its results. Income in the first six months of 2000 included an item affecting comparability in the form of repaid pension funds from Alecta (formerly SPP) totaling SEK 56 m.

Net financial expense was SEK 26 m. (net financial income of 26). Net financial expense includes a write-down of receivables in Proventum, a partly owned web development company, in the amount of SEK 17 m. Last year's net financial income included a capital gain of SEK 33 m. on the sale of shares.

The result before tax was SEK -84 m. (111). Income in the corresponding period last year included the above repaid pension funds from Alecta and the capital gain.

### **Developments by business area**

#### *Scribona Solutions*

Scribona has gained market share in a relatively weak market for IT infrastructure products. In the first half of the year, Scribona has especially achieved considerable growth in the segment for large, high-performance servers. Target-oriented initiatives to introduce new marketing and customer concepts, based on experience from cooperating with Intenia, are the most important factor behind the success achieved by Scribona Solutions. The business area is assuming increasing responsibility for sales of complex IT products on behalf of Scribona's partners. The market is thereby gaining access to products and competence in an efficient manner, which generates increased sales and better results for Scribona and its partners.

Sales for comparable units (excluding PC LAN) rose 12 percent to SEK 514 m. Sales, including PC LAN, amounted to SEK 1,081 m.

Operating income was SEK 14 m. (-8) for comparable units. Operating income, including PC LAN, totaled SEK 16 m.

#### *Scribona Distribution*

The market for PC products weakened considerably in the second quarter. Based on preliminary statistics, the PC market in the Nordic region did not increase during the second quarter, measured in the number of sold units, and that average prices declined 10 to 15 percent. Sales of portable PCs also softened considerably and are decreasing for the first time in several years. The wait-and-see attitude of major PC users in growth areas like the telecom industry and consulting industry is most likely one of the reasons for the downturn in personal computer sales.

Market developments and Scribona's sales vary between the Nordic countries. Sweden was the weakest market, followed by Norway. On the whole, Scribona is maintaining its market shares in Sweden and Finland, while shares are increasing slightly in Denmark and Norway.

Sales for comparable units (excluding PC LAN) decreased 2 percent to SEK 2,885 m. Including PC LAN, sales totaled SEK 3,389 m.

The operating result was SEK -36 m. (-5) for comparable units. Including PC LAN, the operating loss was SEK 51 m. Operating income has been charged with additional bad debt losses totaling SEK 22 m. in the second quarter.

#### *Scribona Brand Alliance*

The Brand Alliance business area, which had a very strong performance in 2000, was adversely affected by a sharp decline in sales in the first half of 2001 that was primarily attributable to the decline in portable PC sales within the Toshiba Digital Media division. The reason for this is the general softening of demand for portable PCs and the fact that certain models in the Toshiba range have come to the end of their product cycle.

The market for document management equipment was also weak, declining about 10 percent in the number of units, but is unchanged in SEK, due to a richer product mix. Toshiba Document Solutions and Carl Lamm are maintaining or increasing their shares of this market.

Sales amounted to SEK 1,193 m. (1,431) in the first half of the year.

Operating income totaled SEK 1 m. (56).

**Cash flow and financial position**

Cash flow of the Scribona Group was SEK -377 m. in the first half of 2001 (-338). The negative cash flow was primarily attributable to a substantial decrease in accounts receivable – trade.

The Group's net investments totaled SEK 30 m. (54). Net financial capital was SEK -625 m. (-444) at the end of the second quarter.

In May, a cash dividend of SEK 0.50 per share (1.50), or a total of SEK 26 m. (51), was paid to shareholders.

**Key ratios**

The result per share was SEK -1.52 (2.22) in the first half of 2001. The result per share during the past 12-month period, excluding items affecting comparability, was SEK -0.55 (2.32 for the full year 2000).

Equity per share was SEK 19.86 (22.23) at the close of the period.

The equity/assets ratio was 27.7 percent on June 30, 2001 (27.7 percent).

**Personnel**

Scribona had 1,653 employees (1,382) on June 30, 2001.

**Outlook for the rest of the year**

Despite the positive effects of implemented measures to boost cost efficiency, and an anticipated but uncertain increase in market demand during the second half of the year, it is unsure if Scribona and PC-LAN's combined operating income (before items affecting comparability) from last year can be reached in 2001.

**Accounting principles**

During the period Scribona adopted Recommendation No. 9 of the Swedish Financial Accounting Standards Council concerning income taxes. As a consequence, deferred tax receivables related to certain deductions for losses have been reported. The effects of this are shown in a specification of changes in shareholders' equity. In other respects, the same accounting principles and calculation methods from the last annual report have been used in this half-year report.

**Recommendation of the Swedish Financial Accounting Standards Council with regard to interim reports**

This interim report has been prepared in accordance with Recommendation No. 20 of the Swedish Financial Accounting Standards Council concerning interim reports.

**Upcoming dates for financial reports**

Interim Report, nine months ended Sept. 30, 2001  
Report on 2001 Operations

October 24, 2001  
February 8, 2002

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 leading distributor and reseller of information technology products in the Nordic region and offers customers cutting-edge knowledge about products, the industry's most advanced e-commerce system, optimum product availability and a broad program of complementary services.*

*Scribona's operations are organized into three business areas:*

- *Scribona Solutions – value-added distribution of products and equipment for IT infrastructure.*
- *Scribona Distribution – efficient volume distribution of IT products.*
- *Scribona Brand Alliance – operating as the exclusive agent for leading brands.*

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**SCRIBONA – INTERIM REPORT PER JUNE 30, 2001**

**Summary Consolidated Income Statement**

SEK m.	2001 <u>Jan-June</u>	2000 <u>Jan-June</u>	2001 <u>April-June</u>	2000 <u>April-June</u>	2000/2001 <u>July-June</u>	2000 <u>Jan-Dec</u>
<b>Total income</b>	<b>5,300</b>	<b>4,443</b>	<b>2,947</b>	<b>2,240</b>	<b>10,336</b>	<b>9,479</b>
Operating expenses						
Goods for resale	-4,645	-3,812	-2,614	-1,919	-9,031	-8,198
Other external costs	-274	-237	-159	-117	-486	-449
Staff costs	-378	-314	-211	-156	-685	-621
Depreciation, goodwill	-21	-17	-11	-9	-43	-39
Depreciation, inventories	-30	-25	-16	-13	-57	-52
Other operating expenses	-10	-9	-5	-4	-16	-15
<i>Items affecting comparability</i>						
Gain/loss on the sale of operations	-	-	-	-	-1	-1
Swedish Pension Fund, surplus	-	56	-	56	6	62
Costs for implementation IT systems, utilization of reserves etc.	-	-	-	-	8	8
<b>Income before net financial items</b>	<b>-58</b>	<b>85</b>	<b>-69</b>	<b>78</b>	<b>31</b>	<b>174</b>
Net financial items	-26	26	-20	-5	-46	6
<b>Income before tax</b>	<b>-84</b>	<b>111</b>	<b>-89</b>	<b>73</b>	<b>-15</b>	<b>180</b>
Tax	20	-35	21	-22	4	-51
Minority interests	-1	0	0	0	-1	0
<b>Income after tax</b>	<b>-65</b>	<b>76</b>	<b>-68</b>	<b>51</b>	<b>-12</b>	<b>129</b>
Earnings per share	-1.52	2.22	-1.33	1.49	-0.31	3.77
Earnings per share after dilution	-1.49	2.18	-1.31	1.47	-0.31	3.71
Number of shares end of period	51,061,608	34,239,628	51,061,608	34,239,628	51,061,608	34,239,628
Number of shares, average	42,650,618	34,239,628	51,061,608	34,239,628	38,445,123	34,239,628
New shares issued	16,821,980	0	16,821,980	0	16,821,980	0

**Summary Consolidated Balance Sheet**

SEK m.	2001 <u>June</u>	2001 <u>March</u>	2000 <u>Dec</u>	2000 <u>Sept</u>	2000 <u>June</u>
Intangible fixed assets	159	168	174	191	200
Tangible fixed assets	157	129	130	129	132
Other fixed assets	93	58	58	52	54
Inventories	933	742	954	864	730
Current operating receivables	2,198	1,594	1,992	1,613	1,529
Financial assets	121	256	347	89	101
<b>Total assets</b>	<b>3,661</b>	<b>2,947</b>	<b>3,655</b>	<b>2,938</b>	<b>2,746</b>
Shareholders' equity	1,014	833	820	776	761
Minority interests	1	1	1	0	0
Provisions	100	51	52	32	43
Long-term operating liabilities	6	6	6	6	6
Current operating liabilities	1,794	1,560	2,181	1,615	1,391
Financial liabilities	746	496	595	509	545
<b>Total liabilities and Shareholders' equity</b>	<b>3,661</b>	<b>2,947</b>	<b>3,655</b>	<b>2,938</b>	<b>2,746</b>
Capital employed	1,639	1,074	1,069	1,196	1,205
Net financial capital	-625	-240	-248	-420	-444

SCRIBONA – INTERIM REPORT PER JUNE 30, 2001

Sales by Business Area

SEK m.	2001 Jan-June	2000 Jan-June	2001 April-June	2000 April-June	2000/2001 July-June	2000 Jan-Dec
Solutions	1,081	459	789	234	1,695	1,073
Distribution	3,389	2,940	1,761	1,485	6,741	6,292
Brand Alliance	1,193	1,431	560	704	2,728	2,966
<b>Total business areas</b>	<b>5,663</b>	<b>4,830</b>	<b>3,110</b>	<b>2,423</b>	<b>11,164</b>	<b>10,331</b>
Intra-group	-363	-387	-163	-183	-828	-852
<b>Total</b>	<b>5,300</b>	<b>4,443</b>	<b>2,947</b>	<b>2,240</b>	<b>10,336</b>	<b>9,479</b>

Results Before Items Affecting Comparability

Belopp i Mkr	2001 Jan-Juni	2000 Jan-Juni	2001 April-Juni	2000 April-Juni	2000/2001 Juli-Juni	2000 Jan-Dec
Solutions	16	-8	6	-4	32	9
Distribution	-51	-5	-51	3	-9	38
Brand Alliance	1	56	-10	28	55	110
<b>Summa affärsområden</b>	<b>-34</b>	<b>43</b>	<b>-55</b>	<b>27</b>	<b>78</b>	<b>157</b>
Koncerninternt	-24	-14	-14	-5	-61	-52
<b>Summa</b>	<b>-58</b>	<b>29</b>	<b>-69</b>	<b>22</b>	<b>17</b>	<b>105</b>

On 1 January 2001 certain operations were transferred from Solutions to Distribution. Historical figures have been adjusted for the sake of comparability.

Key Figures

	2001 Jan-June	2000 Jan-June	2001 April-June	2000 April-June	2000/2001 July-June	2000 Jan-Dec
Operating margin before items affecting comparability	-1.1%	0.7%	-2.3%	1.0%	0.3%	1.1%
Earnings per share	-1.52	2.22	-1.33	1.49	-0.31	3.77
- excluding items affecting comparability	-1.52	1.04	-1.33	0.31	-0.55	2.32
Shareholders' equity per share	19.86	22.23			19.86	23.95
Equity/assets ratio	27.7%	27.7%			27.7%	22.4%
Return on capital employed before tax	-8.5%	16.1%			2.5%	15.9%
- excluding items affecting comparability	-8.5%	5.5%			1.8%	9.6%
Return on shareholders' equity after full tax	-14.1%	20.0%			-1.3%	16.5%
- excluding items affecting comparability	-14.1%	9.4%			-2.4%	10.2%
Capital turnover rate	7.8	8.4			8.3	8.6
Capital employed, average	1,357	1,059			1,245	1,096
Shareholders' equity, average	924	761			861	780
Number of employees	1,653	1,382			1,653	1,369



**SCRIBONA – INTERIM REPORT PER JUNE 30, 2001**

**Cash Flow Statement**

SEK m.	2001 Jan-June	2000 Jan-June	2001 April-June	2000 April-June	2000/2001 July-June	2000 Jan-Dec
<b>ONGOING OPERATIONS</b>						
Income after financial items	-84	111	-89	73	-15	180
Adjustments for items not included in cash flow etc.						
Depreciation	51	42	27	22	100	91
Other	0	-35	0	0	-4	-39
	<b>-33</b>	<b>118</b>	<b>-62</b>	<b>95</b>	<b>81</b>	<b>232</b>
Tax paid	-14	-17	7	-9	-24	-27
<b>Cash flow from ongoing operations before changes in working capital *</b>	<b>-47</b>	<b>101</b>	<b>-55</b>	<b>86</b>	<b>57</b>	<b>205</b>
Cash flow from changes in working capital						
Changes in inventories	321	-73	110	40	95	-299
Changes in receivables	672	99	270	-7	193	-380
Changes in liabilities	-1,267	-360	-671	-282	-446	461
<b>Cash flow from ongoing operations</b>	<b>-321</b>	<b>-233</b>	<b>-346</b>	<b>-163</b>	<b>-101</b>	<b>-13</b>
<b>INVESTMENT ACTIVITIES</b>						
Acquisitions of operations	25	-71	28	-71	24	-72
Sale of operations	0	2	0	0	6	8
Acquisitions of fixed assets	-55	-19	-41	-13	-100	-64
Sale of fixed assets	0	34	0	0	17	51
<b>Cash flow from investment activities</b>	<b>-30</b>	<b>-54</b>	<b>-13</b>	<b>-84</b>	<b>-53</b>	<b>-77</b>
<b>FINANCING ACTIVITIES</b>						
Dividend paid	-26	-51	-26	-51	-26	-51
<b>Cash flow from financing activities</b>	<b>-26</b>	<b>-51</b>	<b>-26</b>	<b>-51</b>	<b>-26</b>	<b>-51</b>
<b>Cash flow for the period</b>	<b>-377</b>	<b>-338</b>	<b>-385</b>	<b>-298</b>	<b>-180</b>	<b>-141</b>
<b>Net financial capital, opening balance</b>	<b>-248</b>	<b>-106</b>	<b>-240</b>	<b>-146</b>	<b>-444</b>	<b>-106</b>
<b>Net financial capital, closing balance</b>	<b>-625</b>	<b>-444</b>	<b>-625</b>	<b>-444</b>	<b>-625</b>	<b>-247</b>

\* including items affecting comparability and write-down of financial assets

-17	56	-17	56	-17	56
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**SCRIBONA – INTERIM REPORT PER JUNE 30, 2001**

**Changes in Shareholders' Equity**

SEK m.	2001 <u>Jan-June</u>	2000 <u>Jan-June</u>	2001 <u>April-June</u>	2000 <u>April-June</u>	2000/2001 <u>July-June</u>	2000 <u>Jan-Dec</u>
Dec. 31, 1999, according to annual report						720
Effect of changed accounting principle for deferred tax receivables attributable to loss carryforwards						20
Dec. 31, 1999, adjusted according to new accounting principle						740
Opening balance for the period	820	740	833	761	761	740
New share issue **	269	0	269	0	269	0
Dividend	-26	-51	-26	-51	-26	-51
Change in translation difference	16	-4	6	0	22	2
Net income for the period	-65	76	-68	51	-12*	129*
<b>Closing balance for the period</b>	<b>1,014</b>	<b>761</b>	<b>1,014</b>	<b>761</b>	<b>1,014</b>	<b>820</b>

\* Income for the period has been adjusted by MSEK 2 with regard to the new accounting principle.

\*\* The new stock issue refers to a directed issue of shares to the shareholders of PC LAN ASA (Norway) that was effected in conjunction with the acquisition of PC LAN.