



CELL NETWORK

This document is essentially a translation of the Swedish language version. In the event of any discrepancies between this translation and the original Swedish document, the latter shall be deemed correct.

Press Release

April 25, 2001

Interim report for the period January-March 2001

Tougher market, but good positioning and action plan improves profitability

“During the first quarter we have seen a continued positive trend in profitability, utilisation rate, and income per hour. The measures initiated in November have gradually taken effect and the large operations Cell Network Sweden, Cell Network Norway, and Cell Telecom are all showing positive results. It is also encouraging that the trend has been positive month on month the first quarter, and that our client show a continued confidence in us by renewing framework agreements. In parallel, the cooperation with the management consulting business within Cell Consulting in Germany continues. This operation now employs around 60 people and significant customer relationships have been established. This initiative plays an important role in positioning the Group as a supplier of services at the high end of the value chain.

During the last few months, however, the conditions in the market have become tougher and sales cycles have become longer. This has meant that the visibility for demand during the latter part of the year has worsened. Following the measures taken in November 2000, a new action plan focussing on continued improvement of profitability has been decided upon, and will be launched immediately,” comments Niklas Flyborg, CEO of Cell Network.

- Net sales amounted to SEK 408 (368) m, an increase of 11 percent compared with the same period 2000. Net sales generated by the Group’s international operations rose by 100 percent to SEK 143 (71) m.
- Gross profit (EBITA) from operations amounted to SEK -25 (-3) m, compared with SEK -53 m in the fourth quarter of last year. The result after net financial items amounted to SEK -46 (9) m.
- During the first quarter, the utilization rate was 66 percent, representing an increase of 5 percentage points compared with the fourth quarter of last year. Average income per hour rose by five percent compared with the fourth quarter of last year. Net sales per consultant amounted to SEK 278,000 in the first quarter compared with SEK 268,000 in the fourth quarter of last year.
- As a consequence of the increasingly uncertain market conditions the Board of Directors has decided to launch an aggressive action plan in order to ensure that satisfactory profitability levels are re-established in all business units.
- Cash flow before changes in working capital amounted to SEK -18 (4) m, compared with SEK -98 m in the fourth quarter. At the end of the first quarter liquid funds amounted to SEK 137 m. In addition to this the Group had unutilised credit facilities of SEK 72 m. The main reasons for the decrease in liquid funds are changes in working capital, repayment of loans and a loan given to Cell Consulting AG.
- The Board of Directors of Cell Network decided on April 24, 2001, on a new share issue with preferential rights for existing shareholders, subject to the approval of an extra-ordinary general meeting. The new issue is expected to raise approximately a maximum of SEK 280 m before costs related to the new issue. The purpose is to strengthen the financial position in order to be able to build up the management consulting operations in Germany and to be prepared for non-operational financial undertakings in the form of additional purchase sums for acquisitions and a compulsory redemption of shares, in combination with any potential downturn in demand.
- The management consulting operations within Cell Consulting progresses ahead of schedule. In order to secure key employees the majority of the shares in Cell Consulting are held by employees during 2001, which means that the operations will not be consolidated in the accounts for 2001.

Market characterised by uncertainty

The first quarter has been characterised by uncertainty about the future outlook of the market. This is due to a number of reasons:

- The global economic slowdown has been surprisingly fast.
- The cost-cutting measures of initiated by, for example, Ericsson may have substantial effects, not least for Swedish consultancy companies.
- Combined, these two factors have sharpened the competitive situation, particularly on the Swedish market.

During the first quarter the overall demand situation was satisfactory but the visibility regarding demand for the remainder of the year has worsened during the last month. This means that framework agreements and long-term relationships with clients are becoming increasingly important. Cell Network has framework agreements with names such as Telia, Volvo, Ericsson, Statoil, Pharmacia, Siemens, Sweden Post, Luftfartsverket, Riksförsäkringsverket, FMV, Tele2, SAS, ÖCB, and the Swedish Armed Forces.

In today's environment, it is more important than ever to be a company with fully integrated sets of skills as the trend towards larger and more complex projects continues. The need for companies to adapt to new technology is as great as ever, and forms the basis for a healthy demand in the coming years.

Objectives

Our objective is to grow with profitability. Our growth shall be at least at the same level as the market growth. As previously stated we estimate market growth during 2001 to be 20-25 percent.

Last year, our priorities were rapid integration and the creation of a new client offer. This has started to be reflected in earnings during the current year.

The first quarter of 2001

Sales and Earnings

Group net sales during the first quarter totalled SEK 408 (368) m. The total increase of 11 percent relates to organic growth. Foreign exchange fluctuations have only had a marginal impact on sales. Sales generated by international operations increased by 100 percent to SEK 143 (71) m. Divided by industry sector practice sales was distributed as follows: Telecom 24%, Public 15%, Financial Services 9%, Automotive 8%, Retail/Consumer Brands 6%, and Others 37%.

Profit before goodwill depreciation (EBITA) amounted to SEK -25 (-3) m. The improvement in EBITA compared with the last quarter of 2000 was SEK 28 m, resulting from an increased utilisation rate and a reduction in costs. The measures initiated in November last year, targeted mainly at the operations in Stockholm and in Cell ITS, have started to take effect in the first quarter. The trend during the quarter was positive month on month both in Sweden and in the international operations. In Sweden, the operating profit improved by SEK 43 m over the previous quarter, almost reaching break-even. However, the results of the Group's international operations fell by SEK 13 m, due primarily to weaker conditions in the market. The German operations still show a negative result but reveal a positive trend, both during the first quarter and when comparing the first quarter with the last quarter of 2000.

The result after financial items amounted to SEK -46 (9) m. In net financial items a capital gain of SEK 5 m from the sale of shares in EyeOne and Cell Consulting is included.

During the period under review the utilisation rate amounted to 66%, up from 61% in the fourth quarter of last year. Average revenue per hour increased by five percent compared with the last quarter of 2000.

Cell Consulting AG

In January 2001 the operations of Cell Consulting AG were started. Cell Consulting's position as a management consultancy in Germany, combined with the technological and creative services offered by Cell Network Germany, enables Cell Network to provide best-in-breed services throughout the essential parts of the consulting value chain. The company is progressing ahead of schedule, and today employs some 60 people with backgrounds from companies like Gemini Consulting, Deloitte & Touche, and A.T. Kearney. From offices in Frankfurt, Berlin, and Munich Cell Consulting works with clients like Lufthansa, Deutsche Post, and MAN.

When Cell Consulting was formed Cell Network owned the majority of the shares in the company. In order to give incentives to key employees and as a part of the agreement with the initiators of Cell Consulting, the managing director in the first quarter of 2001 has acquired the majority of the shares. Cell Network thereafter holds 18 percent of the shares. Consequently Cell Network is not consolidating Cell Consulting in the accounts of the first quarter. The capital gain of SEK 6 m from the sale of the shares is treated as financial income. Apart from the shareholding, Cell Network has committed itself to financing the operations of Cell Consulting

during the present year through a loan, which by the end of March 2001 amounted to SEK 38 m. In 2002, Cell Network may convert this loan into shares in Cell Consulting, making Cell Network the majority shareholder.

Personnel

At the end of the first quarter the number of employees stood at 1,885, a decrease of 97 compared with the year-end figure. The international operations employed 692 people representing 37 percent of the total number of employees. The decrease in the total number of employees has been affected by the lay-offs announced in November last year and by the divestment of EyeOne in Norway, which affected some ten people.

Financial Position

Cash flow before changes in working capital amounted to SEK -18 m, an improvement compared with the fourth quarter of last year by SEK 80 m. Cash flow from current operations during the first quarter of 2001 totalled SEK -41 (-26) m. Cash flow from investment operations amounted to SEK -57 (-34) m, of which SEK 16 m represents investments in tangible fixed assets and SEK 38 m is a loan to Cell Consulting AG. Cash flow from financing operations amounted to SEK -42 (-10) m, which mainly consists of amortisation of loans.

Shareholders' equity at the end of the period was SEK 891 m - compared with SEK 923 m at year-end 2000 - resulting in an equity/assets ratio of 52 percent, versus 51 percent a quarter ago.

Provisions amounted to SEK 454 m, up from SEK 436 m at the end of 2000. Out of these SEK 330 m relate to estimated additional purchase sums for previous acquisitions. The provisions also include SEK 110 m for the compulsory redemption of shares in the former Cell Network. This process is in progress, but it is uncertain when a payment will be due.

At the end of the first quarter liquid funds amounted to SEK 137 m. In addition to this, there were unutilised credit facilities of approximately SEK 72 m.

The Board of Directors decision on a new share issue

The market situation has become increasingly uncertain due to the economic slow down, cost-cutting measures at for example Ericsson, and a more competitive environment. Accordingly, following a decision by the Board of Directors, an action plan is being launched in order ensure that all units within the Group return to profitability. The necessary profitability improving measures may include both divestments and mergers of units.

During the course of this year, Cell Network has a number of financial undertakings to carry out in addition to its operational business. These involve the payment of additional purchase sums for acquisitions made and which are to be paid either in the form of shares or as cash. The additional purchase sums are dependent on certain targets having been met, meaning that payment will fall due for companies, which have enjoyed a favourable trend.

At the same time, the Group has initiated the build-up of a management consulting business in Cell Consulting with operations in Germany. This business has very good prospects for the future and is essential in positioning the Group high up the value chain, but will tie in capital during the build-up stage this year.

In light of the above, the Board of Directors of Cell Network has decided on a new share issue, with preferential rights for existing shareholders, subject to the approval of an extra-ordinary general meeting to be held on May 10, 2001. The new share issue, which is expected to raise approximately a maximum of SEK 280 m before costs related to the new share issue, will be executed according to the following conditions:

- Each current share entitles to subscription of 1 (one) newly issued share.
- The subscription price is SEK 3 per share.
- The record day for participation in the new issue is May 21, 2001.
- Trading with subscription rights will take place during the period May 28 to June 12, 2001, inclusive.
- The subscription period is from May 28 to June 15, 2001, inclusive.
- A prospectus and issue statement will be distributed to Cell Network shareholders beginning on May 23, 2001.

Investments

Total gross investments in tangible fixed assets for the accounting period stood at SEK 16 (11) m. Investments in company acquisitions and in other intangible assets, including additional purchase sums as yet unpaid, amounted to SEK 0 (15) m. Investment in financial assets totalled SEK 38 (-) m. This relates to the funding of Cell Consulting AG.

Development in the business areas

Cell IT/Internet

During the first quarter, net sales in the IT/Internet business area amounted to SEK 320 (275) m, an increase of 16 percent. Operating losses amounted to SEK -9 (15) m, an

improvement of SEK 9 m compared with the fourth quarter of 2000. Some of the continental European operations have experienced a more difficult market, resulting in poorer profitability. In Stockholm the measures initiated in November are taking effect, but the result is still negative. However, the Swedish operations outside Stockholm, together with the Norwegian operations, are now showing positive results. The number of employees decreased from 1,522 at the end of 2000 to 1,424, a decrease of 6 percent.

During the quarter, the framework agreement with Volvo was extended relating to systems development for advanced business and IT solutions. Important orders have come from Statens Innkrevningssentral in Norway, the OM Group, Alstom, GE Medical Systems Asia, Alecta and Luftfartsverket.

Cell Telecom

During the first quarter, net sales in the Telecom business area amounted to SEK 66 (40) m, an increase of 64 percent. Operating profit amounted to SEK 6 (4) m, up SEK 1 m over the previous quarter. The number of employees increased from 161 at the end of 2000 to 174, an increase of 8 percent.

The expansion of Cell Telecom's office in Brighton is progressing as planned, and in April operations was started up in Gothenburg.

Ericsson, the most important client of Cell Telecom, recently announced a number of initiatives aimed at cutting costs. This has not had any major effect on the sales of Cell Telecom during the first quarter, but it has become more difficult to get new orders and to extend assignments. In order to prepare for potentially lower demand from Ericsson, we have re-directed our sales teams to other clients, reviewed costs and are now more demanding when recruiting new personnel.

Cell Media/Communication

During the first quarter, net sales in the Media/Communication business area amounted to SEK 40 (35) m, an increase of 12 percent. Operating losses amounted to SEK -3 (1) m, an improvement of SEK 8 m over the previous quarter. The entire loss is attributable to the activities within Cell ITV. The number of employees increased from 163 at the end of 2000 to 179, an increase of 10 percent.

Within this business area, Journalistgruppen has experienced continued good growth, with expanded assignments for Assa Abloy, Sweden Post and Ericsson. Within the field of interactive TV, competition on price from companies needing to establish a track record has become increasingly tough. Cell ITV has, however,

become a recognised partner of Nokia Home Communication in the development of interactive TV solutions and applications.

Cell ITS

Net sales generated by Cell ITS during the period under review totalled SEK 19 (22) m, a decrease of 17 percent. Operating losses amounted to SEK -4 (-10) m, compared with a loss of SEK 16 m in the last quarter of 2000. The number of employees decreased from 102 at the end of 2000 to 79, or 23 percent. The measures taken in November last year reduced the cost base in Cell ITS during the first quarter. The mechanics and electronics unit was divested as a further step in concentrating on the core business of Cell ITS.

During the period Cell ITS received an order from Singapore Engineering Software Pte. Ltd. worth SEK 12 m. The order marks an international break through for Cell ITS.

Accounting principles

The interim report has been prepared in accordance with the Swedish Accounting Board Recommendation No 20 Interim report. From 2001 a number of new recommendations from the Swedish Accounting Board came into force. The Recommendation No 9 Income taxes have affected both the income statement and the balance sheet. Comparative figures for previous periods have been re-calculated in accordance with Recommendation No 5 Changes in accounting policies. Also the implementation of Recommendation No 18 Earnings per share imply that comparative figures for previous periods have been recalculated. Otherwise unchanged accounting principles have been applied.

Coming Financial Reports - 2001

Interim reports for 2001 will be published on the following dates:

25 July 2001 Interim Report for period January-June

25 October 2001 Interim Report for period January-September

Stockholm, April 25, 2001

Cell Network AB (publ)

Niklas Flyborg, President and CEO

This report has not been subject of a review by the company's auditors.

Questions regarding this report should be addressed to:
Niklas Flyborg, President and CEO, Tel: +46 8 52 20 40 02
Gunilla Rudebjer, CFO, Tel: +46 8 52 20 41 18
Arvid Liepe, Director of Investor Relations, Tel: +46 8 52 20 40 53, +46 70 956 51 85, arvid.liepe@cellnetwork.com
Ellinor Bollman, Director of Corporate Communications, Tel: +46 8 52 20 41 14, +46 70 347 37 14, ellinor.bollman@cellnetwork.com

Net sales and EBITA per operational area, SEK m

	Jan-Mar 2001	Jan-Mar 2000	Jan-Dec 2000
Net sales:			
Cell IT/Internet	320,0	275,0	1 229,2
Cell Telecom	66,1	40,4	185,4
Cell Media/Communication	39,7	35,5	154,5
Cell ITS	18,6	22,4	72,8
Parent Company operations	12,5	9,3	58,8
Elimination internal sales	-49,3	-15,0	-201,5
Total net sales	407,6	367,6	1 499,2
EBITA:			
Cell IT/Internet	-8,8	15,2	-86,6
Cell Telecom	6,1	4,4	16,7
Cell Media/Communication	-3,1	0,9	-7,4
Cell ITS	-4,1	-10,3	-50,9
Parent Company operations	-14,7	-12,8	-61,2
EBITA operations	-24,6	-2,6	-189,4
Refund from SPP	-	32,2	36,0
Transaction costs	-	-	-103,4
Merger costs	-	-	-54,9
Profit on disposal of operations	-	-	30,5
Restructuring costs	-	-	-13,1
Total items affecting comparability	-	32,2	-104,9
EBITA Group	-24,6	29,6	-294,3

Net sales and EBITA per geographical area, SEK m

	Jan-Mar 2001	Jan-Mar 2000	Jan-Dec 2000
Net sales:			
Sweden	301,5	301,7	1 133,7
International	142,9	71,5	508,2
Parent Company operations	12,5	9,3	58,8
Elimination internal sales	-49,3	-15,0	-201,5
Total net sales	407,6	367,6	1 499,2
EBITA:			
Sweden	-0,7	5,1	-118,0
International	-9,2	5,1	-10,2
Parent Company operations	-14,7	-12,8	-61,2
EBITA operations	-24,6	-2,6	-189,4

Consolidated Income Statement, in summary SEK m

	Jan-Mar 2001	Jan-Mar 2000	Jan-Dec 2000
Net sales	407,6	367,6	1 499,2
Cost of operations	-426,1	-365,7	-1 659,6
Items affecting comparability	-	32,2	-104,9
Depreciation of tangible fixed assets	-6,1	-4,5	-29,0
Gross profit (EBITA)	-24,6	29,6	-294,3
Depreciation of intangible fixed assets	-28,1	-23,6	-99,5
Write-down of intangible fixed assets	-	-	-171,3
Result from shares in associated companies	0,0	0,2	0,8
Operating loss/profit	-52,7	6,2	-564,3
Write-down of financial fixed assets	-	-	-40,0
Result from financial investments	6,4	2,4	7,9
Result after financial items	-46,3	8,6	-596,4
Tax	3,4	-7,1	5,1
Minority shares	2,0	0,7	5,3
Net loss/profit for the period	-40,9	2,2	-586,0

Share Data

		Jan-Mar 2001	Jan-Mar 2000	Jan-Dec 2000
Before dilution	Number of shares, in thousands	82 654	74 299	82 524
	Average number of shares, in thousands	82 611	74 283	75 562
	EBITA per share, SEK	-0,30	0,40	-3,89
	Earnings per share, SEK	-0,50	0,03	-7,76
	Shareholders' equity per share, SEK	10,79	16,62	12,22
After full dilution	Average number of shares, in thousands	82 611	77 520	75 562
	EBITA per share, SEK	-0,30	0,38	-3,89
	Earnings per share, SEK	-0,50	0,03	-7,76
	Shareholders' equity per share, SEK	10,79	15,93	12,22

Share information has been calculated in accordance with Recommendation No 18 Earnings per share, of the Swedish Accounting Board.

Consolidated Balance Sheet, in summary SEK m

	2001-03-31	2000-03-31	2000-12-31
Assets			
Intangible fixed assets	886,9	890,4	880,4
Tangible fixed assets	69,7	52,5	67,9
Financial fixed assets	154,4	58,1	115,3
Minority interests	-	0,2	-
Accounts receivable	235,3	268,3	302,2
Other current assets	233,5	183,7	180,7
Liquid funds	136,8	548,7	274,1
Total assets	1 716,6	2 001,9	1 820,7
Shareholders' equity and liabilities			
Shareholders' equity	891,4	1 234,9	923,3
Minority interests	0,3	-	2,3
Provisions	454,3	399,1	436,1
Interest-bearing liabilities	29,3	71,4	71,5
Other liabilities	341,3	296,5	387,5
Total shareholders' equity and liabilities	1 716,6	2 001,9	1 820,7

Change in equity, SEK m

	Share capital	Current new share issue	Restricted reserves	Result brought forward	Net loss/profit for the year	Total
Opening balance 2000-01-01	78,4	48,0	983,2	52,1	35,7	1 197,4
Adjusted accounting principles				7,1	6,8	13,9
Adjusted opening balance 2000-01-01	78,4	48,0	983,2	59,2	42,5	1 211,3
Appropriation of profit		45,2		42,5	-42,5	45,2
Share issue – contribution in kind			0,1			0,1
Premium, subscription options				-8,2		-8,2
Translation differences				-15,7		-15,7
Dividends					2,2	2,2
Net loss/profit for the year					2,2	2,2
Closing balance 2000-03-31	78,4	93,2	983,3	77,8	2,2	1 234,9
Opening balance 2000-12-31	165,0	2,1	1 273,1	69,1	-586,0	923,3
Appropriation of profit				-586,0	586,0	
Share issue – contribution in kind	0,3	-2,1	1,8			-0,4
Premium, subscription options			-0,4			
Translation differences				9,5		9,5
Net loss/profit for the year					-40,9	-40,9
Closing balance 2001-03-31	165,3	-	1 274,5	-507,4	-40,9	891,4

Consolidated Cash Flow Statement, in summary SEK m

	Jan-Mar 2001	Jan-Mar 2000	Jan-Dec 2000
Cash flow before changes in working capital	-18,0	4,0	-306,1
Change in working capital	-23,1	-30,3	4,5
Cash flow from current operations	-41,1	-26,3	-301,6
Acquisition of subsidiaries	-0,7	-19,7	-79,9
Sale of subsidiaries	-3,4	-	31,5
Cash flow from other investments	-53,2	-14,7	-132,8
Cash flow from investment operations	-57,3	-34,4	-181,2
Cash flow from financing operations	-42,1	-9,9	135,3
Change in liquid funds	-140,5	-70,6	-347,5
Liquid funds – opening balance	274,1	620,6	620,6
Exchange rate differences in liquid funds	3,2	-1,3	1,0
Liquid funds – closing balance	136,8	548,7	274,1

Key Ratios

	Jan-Mar 2001	Jan-Mar 2000	Jan-Dec 2000
EBITDA, SEK m	-18,5	34,0	-265,3
EBITDA, %	-4,5	9,3	-17,7
EBITA, SEK m	-24,6	29,6	-294,3
EBITA, %	-6,0	8,0	-19,6
Pretax margin, %	-11,4	2,3	-39,8
Equity/assets ratio, %	52,0	61,7	50,8
Net sales per employee, SEK 000s	215	217	796
Net sales per consultant, SEK 000s	278	272	995
Utilisation rate, %	66		64
Debt/equity ratio, %	3,3	5,9	7,7
Return on shareholders' equity, %	-4,3	0,1	-54,9
Return on shareholders' equity excl. items affecting comparability, %	-4,3	-2,6	-45,1
Return on capital employed, %	-4,0	0,9	-52,5

Note 1 Provisions, SEK m

	Jan-Mar 2001	Jan-Mar 2000	Jan-Dec 2000
Provisions for tax	10,7	9,0	13,1
Pension provisions	0,4	-	0,3
Provisions for guarantee commitments	0,4	1,0	0,5
Compulsory acquisition of shares in Cell Network Frölunda AB	110,0	110,0	110,0
Additional purchase sums due within a year of the balance-sheet date	155,5	13,8	131,4
Additional purchase sums due at least a year after the balance-sheet date	174,4	263,9	176,2
Reserve for restructuring	2,9	1,5	4,6
Total provisions	454,3	399,1	436,1

Provisions for compulsory acquisitions relate to an estimated settlement amount for the remaining 3.3 % of shares in Cell Network Frölunda AB. The time for determination of the settlement amount cannot be estimated.

Cell Network's acquisition model means that, on the one hand, the Group pays a fixed purchase sum and, on the other, an additional purchase sum, which is payable subject to certain set targets being met within 2 to 3 years of the acquisition. The estimated future additional purchase sum is entered in the books as a provision. Every time the books are balanced, the future purchase sum is re-assessed, with any revaluation therefore affecting provisions and goodwill.

Of the provisions relating to additional purchase sums due within a year (SEK 156 million in total), SEK 73 million are to be paid as cash. Purchase sums equivalent to an amount of SEK 66 million shall be paid through newly issued Cell Network shares, for which a resolution is to be passed at the Extra General Meeting on 10th May 2001. The remaining amount, SEK 17 million, can either be made as a cash settlement or through newly issued shares, in accordance with Cell Network's choosing. For provisions relating to additional purchase sums that are due more than one year after the balance-sheet date (total SEK 146 million), it is estimated that SEK 36 million are to be paid as cash, whilst the remaining amount can be paid either as cash or through the issue of new shares, depending on what Cell Network chooses to do.

The change in provisions relating to additional purchase sums compared with 31.12.2000 is due to the fact that the estimated level of target achievement has been re-assessed.

Pledged assets and contingent liabilities

Assets pledged as security for bank guarantees and credit facilities totalled SEK 33 million, with SEK 20 million of this relating to charges on company assets and SEK 13 million to blocked funds. As at 31.12.2000, pledged assets amounted to SEK 49 million. Contingent liabilities (guarantees) stood at SEK 30 million, compared with SEK 29 million as at 31.12.2000.