

## Interim report for the period January – September 2004

***“Mandator’s positive development continues and it is encouraging that we can also report a profit after tax for the third quarter. The utilisation rate is increasing and there is growing interest in IT investments, not least in the telecom industry.***

***We shall attain increased margins through further specialisation and productification of our offering and by intensifying our partnerships. In order to counter the still pinched – but stable – price levels we shall now increase the proportion of commitments wherein Mandator takes full project responsibility. We have also seen growth in the outsourcing of systems development, validation and testing to Mandator’s offices in Estonia, which now boast more than eighty staff members.***

***Mandator has, after restructuring, a specialised offering and a cost-effective organisation. Increased demand provides room for expansion and increased hourly charges. We now have the potential to start growing again,” says CEO Niklas Flyborg.***

### ▪ Positive earnings

- Sales during the third quarter: SEK 91 (85) million
- EBITA: SEK 9 (-5) million
- Profit/loss after tax: SEK 7 (-11) million
- Utilisation rate increased by eight percentage points to 74%
- Sales per employee increased by 14%
- The EBITA result has been positively affected by work conducted in previous periods now being taken up as income and the dissolution of a reserve for a previously communicated decision by an arbitration board in the amount of SEK 12 million net.

### ▪ New business deals within prioritised areas

- The telecom sector offers growth opportunities. During the year, Mandator has doubled its business with Ericsson and has received several assignments from Vodafone and Symbian.
- Within the automotive industry Mandator is strengthening its position through the development of IT-based support for dealers.
- Vägverket’s choice of Cenit as its project tool for more than 500 employees is a new breakthrough for one of Mandator’s proprietary concepts.
- A new general agreement within professional IT services has been signed with Uppsala County Council.

### ▪ The period January–September

- Sales: SEK 278 (309) million
- EBITA: SEK 9 (-29) million
- Profit/loss after tax: SEK -3 (-78) million
- Earnings per share: SEK -0.03 (-0.90)

## This is Mandator

Mandator is an IT consulting company that improves clients' competitive edge through technical stability and increased internal and external efficiency.

**Technical stability** – We create IT environments designed to secure the client's mission-critical IT systems and infrastructure. We deliver technical platforms and offer IT operation and security solutions.

**Internal efficiency** – We help companies and organisations to optimise and develop their business, their operations and their production. We develop and test systems and applications, manage projects and develop business processes for clients.

**External efficiency** – We deliver solutions that optimise our clients' interaction with the outside world and help companies get closer to their customers. We develop marketing and customer care systems, put together mobile/wireless solutions, and help clients utilise the web for online activities.

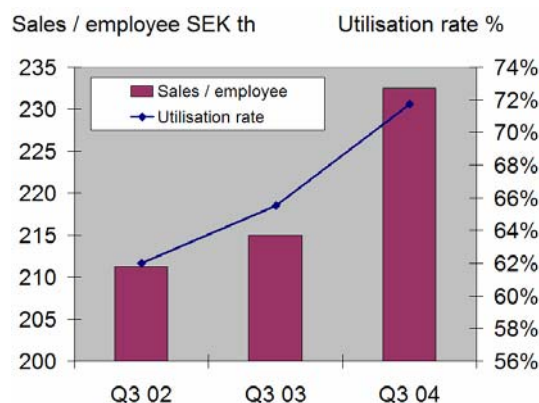
Mandator has been listed on Stockholmsbörsen, the Stockholm Stock Exchange, since 1997 and has 406 employees. The company's employees are well-educated and have an average of ten years' experience from the IT industry.

The company has operations in Sweden, Denmark, England, Estonia and Finland. Our vision is to be "the natural choice in the Nordic region and Baltic States where IT can make for better business". Mandator's operation in Estonia is a good platform for the increased demand for outsourcing systems development, validation and testing.

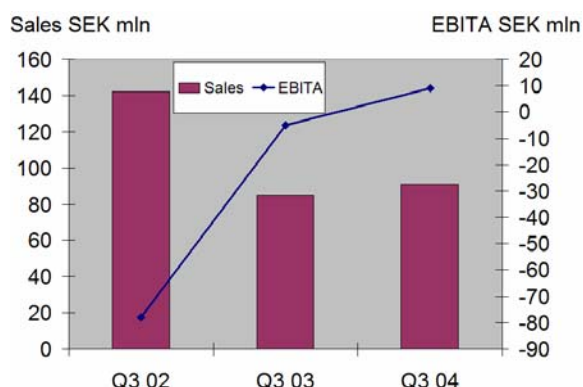
## Positive earnings trend

Over the past three years, Mandator has reported improvements in the important key ratios and a positive earnings trend.

*Trend in sales per employee and quarter and utilisation rate, rolling 12-month periods*



*Trend in sales and EBITA for Q3 2002-2004*



## Focus areas 2004

The market is enquiring after packaged services with tangible benefits for the client to an increasingly large extent. As a result of this, Mandator's proprietary concepts and products are becoming an increasingly important part of our offering. They bring together technical expertise and industry-specific knowledge. By reusing our experiences, we reduce costs and development times while enabling more effective implementations. These concepts and products account for a quarter of sales.

Technology is becoming increasingly complex and business tempos are quickening. Mandator therefore enters carefully chosen partnerships. These partnerships provide openings to new deals and access to new technology at an early stage. Mandator integrates the partner's products and manages the implementation. In turn, the client receives cost-effective solutions and quality service.

In 2004, Mandator will invest extra resources in the following areas:

### Partnership with Microsoft

Among Microsoft's 1,000 or so partners in Sweden, Mandator has been one of a few selected Recommended Microsoft Certified Partners for about a year. In May, we also became a *Business Solutions Partner* for the implementation of *Microsoft CRM* and *Microsoft Axapta*. As a selected Microsoft partner we can partake of IT trends and the latest technology at an early stage. We gain access to product launches and free training. The partnership also provides advantages to our employees, including opportunities to increase their knowledge of new areas. We are active within the growth areas of enterprise solutions, infrastructure, project management, portals and mobility. In 2003, Microsoft related projects amounted to about SEK 40 million. Since the end of the third quarter, we have moved closer to realising our goal of an increase in excess of 30%.

### Project-managed consulting in Estonia

In recent years, it has become common for multinationals to outsource parts of their IT development, primarily to countries in Asia, in order to reduce technology costs. Mandator now sees increased interest among Swedish companies to reduce costs for consulting projects. Through our Estonian subsidiary, Mandator can offer qualified expertise at competitive prices. This is particularly suited to outsourcing systems development, validation and testing. Mandator Estonia employs 85 consultants and has a strong market position in the Baltic region. For several consecutive years now the company has been ranked among the most profitable IT companies in Estonia. Among the company's international clients we find Ericsson, BanqIT, TietoEnator, Sampo Bank and various agencies within the EU.

The company is currently conducting a prestigious project assignment to develop an integrated administration and control system intended to optimise Estonian agriculture. The client is Estonia's financing agency for the EU and national Estonian grant funds for farmers. The project involves a dozen or so employees.

### Cenit – Mandator's project management concept

Cenit is a proprietary concept for project management. It is an operations-oriented, user-friendly modular project management tool, primarily aimed at larger companies and organisations. The concept includes a technical solution, operational expertise in project management, and integration with peripheral systems. Cenit can also be applied on different platforms, such as hand-held computers.

During the third quarter, Vägverket chose Cenit as its common project tool for 500 users. This deal is the largest so far to involve Cenit. Vägverket (Swedish Road Administration) will use Cenit as its general purpose business system within the business areas Drift (Operation) and Beläggning (Surfacing). The aim is to optimise project management along the entire chain from

tender to final invoice. Other important clients that have implemented Cenit include NCC, Umeå Municipality, Nacka Energi and Stadspartner/Tekniska Verken in Linköping Municipality.

### Long-term client relations

At a time when clients are keen to work with a smaller number of consulting firms, Mandator has strengthened its market position during the year through renewed agreements and/or new involvement with its ten largest clients.

Mandator has been working with eight of its ten largest clients for at least seven years. More than three-quarters of sales are to existing clients.

Important clients of the company include Apoteket, Ericsson, FMV (Swedish Defence Materiel Administration), General Electric, Swedish National Land Survey, NCC, various Swedish municipalities, Posten (Swedish Postal Service), SAAB, Sandvik, Stockholm City, Symbian, Tekniska Verken in Linköping Municipality, Tele2, Vodafone, Volvo Cars, Volvo Group and Vägverket (Swedish Road Administration).

### Distribution between sectors

Mandator's three prioritised sectors represent 67 percent of sales, an increase of three percentage points. Within the company's prioritised sectors, good development is noted within the manufacturing industry. This is particularly so within the automotive industry. Within the public sector, a flagging trend is noted in the previously considerably strong demand. Within the telecom sector, willingness to invest among operators is good, and is once again on the increase among manufacturers.

*Distribution of sales, rolling 12-month period as of the end of Q3 2004 and 2003*

	<u>2004</u>	<u>2003</u>
Manufacturing industry	30%	(26)
Telecom	19%	(12)
Public sector	18%	(26)
Total	67%	(64)

### Objectives

Mandator's goal is profitable growth. Growth in the company's prioritised markets shall exceed market growth.

The implemented costs-savings programme, a higher utilisation rate and the specialisation of our offering are expected to result in significantly improved earnings for 2004 compared with 2003. The company is to generate an EBITA margin in excess of 10 percent over a full business cycle.

## **Third quarter 2004**

The company's positive development continues. Operations developed according to plan during the third quarter, which includes a large number of holiday days. The higher utilisation rate provides stable sales, despite pinched price levels. The increase in demand creates a balance in the market. Market mechanisms enable successive price increases when renewing or extending agreements originally entered under poorer market conditions.

Sales amounted to SEK 91 (85) million. The utilisation rate increased to 74 (66) percent. Income per employee has increased by 14%.

The company reported an EBITA result of SEK 9 (-5) million.

In a more stable market with increased demand for IT investments, the company has improved its earnings. This is reflected in the important key ratios utilisation rate and income per employee. The EBITA result has also been positively affected by work conducted in previous periods now being taken up as income and the dissolution of a reserve for a previously communicated decision by an arbitration board in the amount of SEK 12 million net.

Earnings after net financial items amount to SEK 7 (-11) million.

### **Market prospects**

The market prospects for 2004 are better than was the case a year ago. The market continues to show restraint and prices are being pinched, but market activity has increased and demand has improved.

Demand within the telecom sector has strengthened during the year. This applies to both the industry and operators. The Stockholm market, which has previously been very weak, has improved considerably during the year.

Willingness to invest is generally greater for projects that optimise operations and reduce costs. Demand is also greater for services with much added value provided by experienced project managers with a sound understanding of the relevant industry. A growing market for Mandator comprises medium-sized companies to which we offer cost-effective solutions for, among other things, systems integration, business systems and hosting. The market for Mandator Estonia's offering within the outsourcing of systems development, validation and testing is expected to grow during 2004.

The improvement in the important key ratios utilisation rate and income per employee, together with market demand and the company's growth capacity within the bounds of its existing cost structure, comprise good starting conditions for continued positive development.

### **Personnel**

During the year, more than twenty new employees have been recruited within the prioritised areas telecom and manufacturing industry. The number of employees stood at 406 at the end of the third quarter, compared to 404 at the end of the second quarter this year.

### **Intangible fixed assets**

Intangible fixed assets, comprised of goodwill, amounted to SEK 50 (67) million.

**Financial position**

Liquid funds totalled SEK 48 million at the end of the third quarter, an increase of SEK 3 million for the quarter. The group has a credit facility of a maximum of SEK 55 million secured against trade debtors.

**Parent company**

The parent company generated sales of SEK 3 (3) million in the third quarter. Profit/loss after financial items amounted to SEK -5 (-13) million. The parent company had liquid funds totalling SEK 17 (1) million. Shareholders' equity amounted to SEK 94 (44) million at the close of the period.

**Accounting Principles**

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20 concerning interim reports. The applied accounting principles are unchanged from the previous year with the exception of FASC's recommendation RR 29 concerning employee benefits being applied as of 1 January 2004. The introduction of RR 29 has not entailed any effects on earnings or equity.

**Future reporting dates**

February 2005 Year-end Report 2004

Stockholm, 28 October 2004

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## Net sales and EBITA by geographic area, SEK millions

	Jul-Sep 2004	Jul-Sep 2003	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
<b>Net sales:</b>					
Sweden	76	69	225	260	347
Overseas	22	20	64	64	92
Parent company operations	2	3	8	11	14
Elimination of intra-group sales	-9	-7	-19	-34	-39
<b>Total, continuing operations</b>	<b>91</b>	<b>85</b>	<b>278</b>	<b>301</b>	<b>414</b>
Discontinued operations, overseas	-	-	-	8	7
<b>Total net sales</b>	<b>91</b>	<b>85</b>	<b>278</b>	<b>309</b>	<b>421</b>
<b>EBITA:</b>					
Sweden	10	-4	23	-17	-15
Overseas	1	0	3	-2	-2
Parent company operations	-2	-1	-17	-18	-55
<b>Total, continuing operations</b>	<b>9</b>	<b>-5</b>	<b>9</b>	<b>-37</b>	<b>-72</b>
Discontinued operations, overseas	-	-	-	8	8
<b>EBITA</b>	<b>9</b>	<b>-5</b>	<b>9</b>	<b>-29</b>	<b>-64</b>

## Consolidated income statement in summary, SEK millions

	Jul-Sep 2004	Jul-Sep 2003	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
<b>Net sales</b>	<b>91</b>	<b>85</b>	<b>278</b>	<b>309</b>	<b>421</b>
Operating expenses	-81	-89	-265	-336	-483
Depreciation of tangible fixed assets	-1	-1	-4	-2	-2
<b>EBITA</b>	<b>9</b>	<b>-5</b>	<b>9</b>	<b>-29</b>	<b>-64</b>
Depreciation of intangible fixed assets	-4	-4	-13	-16	-20
Write-down of intangible fixed assets	-	-	-	-18	-18
Income from participations in associated companies	-	-	-	-	-1
<b>Operating profit/loss</b>	<b>5</b>	<b>-9</b>	<b>-4</b>	<b>-63</b>	<b>-104</b>
Write-downs and write-backs of financial fixed assets	-	-	-	-11	-14
Profit/loss from financial investments	2	-1	1	-2	2
<b>Profit/loss after financial items</b>	<b>-</b>	<b>-10</b>	<b>-3</b>	<b>-76</b>	<b>-116</b>
Tax	-	-1	-	-2	10
<b>Loss for the period</b>	<b>7</b>	<b>-11</b>	<b>-3</b>	<b>-78</b>	<b>-107</b>

<b>Share data</b>		Jan-Sep 2004	Jan-Sep 2003
<b>Before and after full dilution</b>	No. of shares at end of period, thousands	169,173	56,391
	Weighted number of shares (thousands)	119,242	86,884
	EBITA per share, SEK	0.08	-0.34
	Earnings per share, SEK	-0.03	-0.90
	Equity per share, SEK	1,05	0.79

The share data has been calculated in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 18 concerning earnings per share.

### Consolidated balance sheet in summary, SEK millions

	2004-09-30	2003-09-30	2003-12-31
<b>Assets</b>			
Intangible fixed assets	50	67	63
Tangible fixed assets	12	13	14
Financial fixed assets	27	24	28
Trade debtors	43	61	83
Other current assets	73	64	41
Liquid assets	48	7	16
<b>Total assets</b>	<b>253</b>	<b>236</b>	<b>246</b>
<b>Equity and liabilities</b>			
Equity	125	44	27
Provisions	24	26	55
Interest-bearing liabilities	3	24	26
Other liabilities	101	142	138
<b>Total equity and liabilities</b>	<b>253</b>	<b>236</b>	<b>246</b>



## Change in equity, SEK millions

	Share equity	Restricted reserves	Profit/loss for the year	Net profit/loss for the year	Total
Opening balance, 01/01/03	94	913	-563	-353	91
Appropriation of profits			-353	353	-
Reduction	-89	-301	390		-
New share issue	9	25			34
Translation difference			-3		-3
Profit/loss for the year				-78	-78
<b>Closing balance, 30/09/03</b>	<b>14</b>	<b>637</b>	<b>-529</b>	<b>-78</b>	<b>44</b>
Opening balance, 01/01/04	14	555	-436	-107	26
Appropriation of profits			-107	107	-
New share issue	101				101
Reduction					
Translation difference			1		1
Profit/loss for the year				-3	-3
<b>Closing balance, 30/09/04</b>	<b>115</b>	<b>555</b>	<b>-542</b>	<b>-3</b>	<b>125</b>

## Consolidated cash flow statement in summary, SEK millions

	Jul-Sep 2004	Jul-Sep 2003	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Cash flow before change in working capital	1	8	-16	-40	-60
Change in working capital	9	-45	-29	-10	21
<b>Cash flow from current operations</b>	<b>10</b>	<b>-37</b>	<b>-45</b>	<b>-50</b>	<b>-40</b>
<b>Cash flow from investment activities</b>	<b>-1</b>	<b>-0</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>
<b>Cash flow from financing activities</b>	<b>-6</b>	<b>34</b>	<b>79</b>	<b>34</b>	<b>34</b>
<b>Change in liquid funds</b>	<b>3</b>	<b>-3</b>	<b>32</b>	<b>-18</b>	<b>-8</b>
Liquid funds, opening balance	45	10	16	25	25
<b>Liquid funds, closing balance</b>	<b>48</b>	<b>7</b>	<b>48</b>	<b>7</b>	<b>16</b>

## Key ratios

	Jul-Sep 2004	Jul-Sep 2003	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
EBITDA, SEK millions	10	-5	13	-28	-70
EBITDA, %	11%	-6%	5%	-9%	-17%
EBITA, SEK millions	9	-5	9	-29	-72
EBITA, %	10%	-6%	3%	-9%	-17%
Net margin, %	8%	-12%	-1%	-25%	-28%
Equity/assets ratio, %	49%	19%	49%	19%	11%
Net sales per employee, SEK thousands	215	188	643	607	862
Net sales per consultant, SEK thousands	283	242	830	785	1099
Utilisation rate, %	74%	66%	73%	65%	67%
Debt/equity ratio, %			3%	54%	96%
Return on equity, %			-2%	-116%	-181%
Return on capital employed, %			-1%	-83%	-62%