Mandator AB (publ), corporate ID number 556216-0357 Press Release, 20th February 2004

Year-end Report 2003

- **Positive cash flow. Profit before non-recurring costs.**
  - Sales during the fourth quarter: SEK 112 (157) million
  - EBITA for fourth quarter before non-recurring costs: SEK 1 (-12) million
  - Non-recurring costs for superfluous rented office space and optimisations burdened earnings in the amount of SEK 44 (0) million
  - Liquid assets increased by SEK 9 million to SEK 16 million during the fourth quarter
- **Continued improvements in all key ratios**
  - Compared to the fourth quarter of the previous year:
    - Sales per employee increased by 7%
    - Utilisation rate increased by five percentage points to 72%
    - Parent company costs more than halved
- **Renewed general agreements with important clients**
  - Mandator has signed new general agreements with Volvo Car, Vodafone, Sandvik, Korsnäs, Lantmäteriverket (Swedish National Land Survey) and FMV.
- **Board proposes new share issue**
  - The Board intends to convene an extraordinary shareholders' meeting in the near future in order to implement a new share issue. The purpose is to strengthen Mandator's strained liquidity, which has worsened during 2004 as a result of extended payment times for several of Mandator's larger clients.
  - The company reports a positive earnings trend. The raising of capital will provide an opportunity to reach a final settlement concerning certain superfluous rented office space and to implement limited optimisation measures within the group.
  - The raising of capital will also create the stability required for Mandator to be able to actively participate in the continued consolidation of the industry.
  - According to the Board of Directors a reduction in the level of financial risk in the company is advantageous to the shareholders. The restructuring that has been decided is assessed to be able to reduce financial and other costs within the group by at least SEK 20 million per year.
- **With a strengthened balance sheet the company has identified opportunities for growth through:**
    - Offering the outsourcing of systems development, validation and testing to Mandator Estonia
    - Complementary acquisitions and recruitments
    - The opportunity to implement a structural deal
- **The period January–December 2003**
  - Sales SEK 421 (713) million
  - Profit/loss after tax SEK -106 (-353) million
  - Earnings per share SEK -1.35 (-1.89)

This is Mandator

Mandator is an IT consulting firm that helps its clients to optimise and develop their operations with new ideas and new technology. The company has its roots in the 1960s and has been listed on Stockholmsbörsen, the Stockholm Stock Exchange, since 1997. The company has 440 employees.

Mandator provides services and projects to large and successful companies and organisations. Mandator distinguishes itself from the major consulting houses through, among other things, specialisation and a thorough understanding of operations in selected sectors, its ability to combine IT and telecommunications, and being fast-acting, sensitive to customer needs and easy to do business with.

Approximately 80% of sales are generated in Sweden. Clients are offered a local presence through an extensive network of offices. The company also has operations in Denmark, Estonia, Finland and the UK. 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.

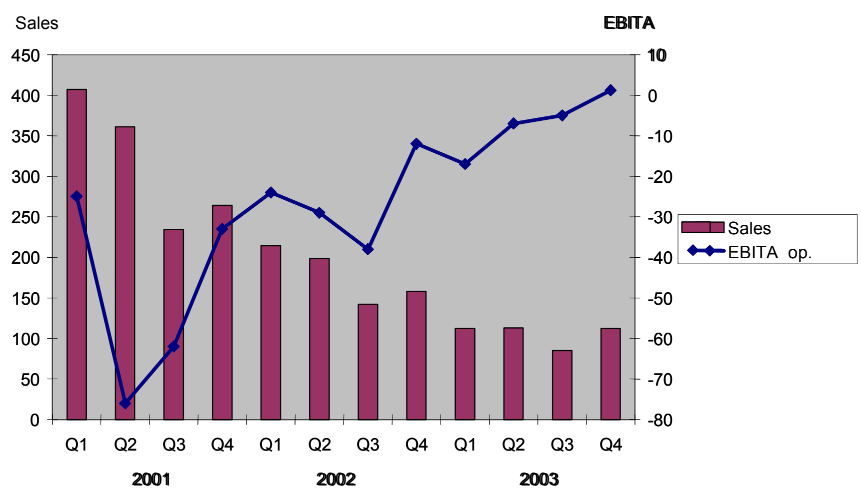
The company’s four service areas are systems integration, business development, interactive communication and convergence (IT/telecom). Systems integration accounts for more than half of sales.

The company’s employees are well-educated and have worked in the IT industry for an average of ten years.

Positive earnings trend

Despite continued restraint in the market, Mandator reported improvements in earnings and ran profitably during the fourth quarter.

Sales trend and EBITA tend (including items affecting comparability and non-recurring costs) for Q1 2001 to Q4 2003, SEK millions



In a dramatically altered market, the company has adapted its cost structure, increased industry-specific expertise in priority sectors and focused its offering. Mandator’s proprietary concepts, that is, reusable package solutions, represent an increasingly larger share of sales. This has had a positive effect on key ratios:

	Q4 2003	Q4 2002
Sales per employee (SEK k)	**262**	**245**
Utilisation rate	**72%**	**67%**

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 are becoming a more important part of our offering. These concepts bring together technical expertise and industry-specific knowledge. By reusing our experiences, we reduce costs and development times while enabling more effective implementations. The concepts represent more than a fifth of sales.

Technology is becomingly increasingly complex and business tempos are quickening. As a result, no company can provide complete solutions alone at the rate that clients demand. Mandator therefore enters carefully chosen partnerships. These partnerships provide us with 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.

Parallel to ongoing operations, in 2004 Mandator will place a special focus on the following areas:

Partnership with Microsoft

Among Microsoft's 1,000 or so partners in Sweden, Mandator was one of the chosen few to be selected as a Recommended Microsoft Certified Partner. This collaboration has resulted in about 100 business opportunities, and for 2003 alone Microsoft-related projects amounted to about SEK 40 million. 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 focus on three growth areas: infrastructure, project management and portals.

Offshore operations 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 almost a hundred 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 and Sampo Bank.

Concept for project management

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. Clients include NCC, SAAB Ericsson Space, Nacka Energi and Tekniska Verken i Linköping.

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. Since the previous interim report, the company has signed new general agreements with the important clients Volvo Car, Vodafone, Sandvik, Korsnäs, Lantmäteriverket (Swedish National Land Survey) and FMV.

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

Important clients of the company include Apoteket, the Swedish National Labour Market Board, AstraZeneca, Ericsson, the Swedish Defence Materiel Administration, General Electric, Lantmäteriverket (Swedish National Land Survey), NCC, Swedish municipalities, Pfizer, the Swedish National Social Insurance Board, the Swedish National Police Board, SAAB, Sandvik, Stockholm City, Symbian, Tele2, Vodafone, Volvo Cars and Volvo Group.

Distribution between sectors

The company's three largest sectors, the public sector, the automotive industry and the telecom industry, generate 59% of sales.

Distribution of sales, rolling 12-month period as of December 2003 and 2002

	2003	2002
Automotive	21%	(16)
Public Sector	20%	(24)
Telecom	18%	(14)
Retail & Consumer Brands	5%	(6)
Life Science	3%	(1)
Total	68%	(67)

Market prospects

The IT consulting market continues to show restraint, but there are signs of a general economic recovery that may lead to increased demand during 2004.

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. One growth area is complementing existing systems with mobile applications. The market for Mandator Estonia's offering within the outsourcing of systems development, validation and testing is expected to grow during 2004.

Objectives

Mandator's goal is profitable growth. Our growth is to match or exceed growth in the markets in which we operate. The company is to generate an EBITA margin of at least 10% over a full business cycle.

New share issue

The Board intends to convene an extraordinary shareholders' meeting in the near future in order to implement a new share issue. The purpose is to strengthen Mandator's strained liquidity, which has worsened during 2004 as a result of extended payment times for several of Mandator's larger clients.

The company reports a positive earnings trend. The raising of capital will provide an opportunity to reach a final settlement concerning certain superfluous rented office space and to implement limited optimisation measures within the group.

The raising of capital will also create the stability required for Mandator to be able to actively participate in the continued consolidation of the industry.

According to the Board of Directors a reduction in the level of financial risk in the company is advantageous to the shareholders. The restructuring that has been decided is assessed to be able to reduce financial and other costs within the group by at least SEK 20 million per year.

With a strengthened balance sheet and profitable operations Mandator can enter a growth phase. The company has long reported a positive earnings trend and operations attained profitability during the fourth quarter of 2003. The improved earnings were attained at the expense of size. Profitability will remain the prioritised goal in the future, but growth will become an increasingly important success factor.

Mandator’s clients are primarily large companies and authorities. In order to be able to meet their strict requirements on expertise and delivery capacity, a critical mass is required. Mandator can strengthen its position in the market by growing. Growth also has advantages in terms of costs, as the company could support a couple of hundred more employees without infrastructure and management costs increasing a significant amount.

In a more stable market the company sees opportunities for growth through:

- Outsourcing systems development, validation and testing to Mandator Estonia
- Recruitment and targeted acquisitions, such as within the telecom sector
- The opportunity to implement a structural deal

Fourth quarter 2003

Sales amounted to SEK 112 (157) million. The utilisation rate increased to 72% (67%) and sales per employee increased to SEK 324 (319) thousand.

The company reports a positive EBITA result of SEK 1 (-12) million before non-recurring costs. Non-recurring costs for superfluous office space and optimisation measures burdened earnings for the quarter in the amount of SEK 44 (0) million EBITA including non-recurring costs amounted to SEK -43 (-12) million.

During the fourth quarter, deferred tax claims increased by SEK 10 million. Profit/loss after tax amounted to SEK -28 (-147) million.

The provision for compulsory purchases was reduced by SEK 8 million during the period in connection with the ending of the cash offer in February 2004. The provision has not affected the company’s earnings.

January–December 2003

Sales and earnings
Group net sales totalled SEK 421 (713) million. Despite the drop in sales, both the utilisation rate and sales per employee increased.

Non-recurring costs for superfluous office space and optimisation measures burdened earnings for the year in the amount of SEK 44 (0) million EBITA including non-recurring costs amounted to SEK -72 (-185) million.

This improvement is explained in part by cutbacks and divestitures, and in part by increased efficiency in existing operations.

As previously communicated, the Danish company Cell Network AS was phased out in May.

During the first quarter, the claim on Cell Consulting in Germany was written down by SEK 15 million. During the second quarter goodwill was written down by SEK 18 million, attributable to operations in Denmark.

During the month of August, a preferential rights issue provided the company with SEK 34 million after issue costs.

During the fourth quarter, deferred tax claims increased by SEK 10 million.

Profit/loss after tax amounted to SEK -107 (-353) million.

The provision for compulsory purchases was reduced by SEK 8 million during the period in connection with the ending of the cash offer in February 2004. The provision has not affected the company's earnings.

Personnel
The number of employees stood at 440 at the end of the fourth quarter, compared to 460 at the end of the third quarter. The reduction is primarily an effect of the previously executed measures. During 2004 about thirty people have been recruited within selected areas.

Intangible fixed assets
Intangible fixed assets, comprised of goodwill, amounted to SEK 63 (104) million.

Financial Position
Liquid funds totalled SEK 16 million at the end of the fourth quarter. The group has a credit facility of a maximum of SEK 55 million secured against trade debtors.

Parent company
The parent company's net sales totalled SEK 14 (24) million for 2003. Profit after financial items amounted to SEK -70 (-396) million after a SEK 15 million write-down of the claim receivable on Cell Consulting in Germany. The parent company had liquid funds of SEK 1 (3) million at the end of the period. Shareholders' equity amounted to SEK 21 (60) million at the close of the period, giving an equity/assets ratio of 6% (13%).

Important events after the period

During 2004, Mandator's subsidiary Cell Network Frölunda Intressenter successfully acquired 22% of the minority shareholders' holdings in Cell Network Frölunda, the company that Mandator acquired during the merger in 2000. The cash bid amounted to five Swedish crowns per share. About 250,000 shares, equal to 1.2% of the total number of shares, were held by the minority shareholders when the time limit for the bid ran out in February.

During 2004, several large clients have extended their credit periods, with a negative effect on Mandator's liquidity.

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.

Dividends

The Board proposes that no dividends be paid for the 2003 financial year.

Annual general meeting

The annual general meeting will be held in Stockholm, Sweden on 13th May 2004. Notice of the annual general meeting will be made public no later than four weeks before the meeting is to be held.

The annual report will be available at the company's head office, located at Maria Skolgata 81, Stockholm, Sweden. The annual report will also be available at www.mandator.com.

Future reporting dates

6th May	Interim Report January–March 2004
26th July	Interim Report January–June 2004
28th October	Interim Report January–September 2004

Stockholm, Sweden, 20th February 2004

Mandator AB (publ)
Niklas Flyborg, President and CEO

Questions regarding this report may be addressed to:
Niklas Flyborg, President and CEO, Tel: +46 705 949 678, niklas.flyborg@mandator.com
Robert Karlsson, Director of Corporate Communications, Tel: +46 709 56 51 41, robert.karlsson@mandator.com
Klas Dehlin, CFO, Tel: +46 705 500 103, klas.dehlin@mandator.com

Mandator AB
Maria Skolgata 81
Box 17540
SE-118 91 Stockholm
SWEDEN
Tel: 08-402 31 00
Fax: 08-402 31 38
www.mandator.com

Net sales and EBITA by geographic area, SEK millions

	Oct-Dec 2003	Oct-Dec 2002	Jan-Dec 2003	Jan-Dec 2002
Net sales:				
Sweden	87	115	347	514
Abroad	28	28	92	93
Parent company operations	3	5	14	24
Elimination of intra-group sales	-6	-1	-39	-52
Total, continuing operations	***112***	***147***	***413***	***579***
Abroad	0	10	7	134
Total, wound-up operations	***0***	***10***	***7***	***134***
Elimination of intra-group sales	-	-	-	-
Total net sales	***112***	***157***	***421***	***713***
EBITA:				
Sweden	3	0	-13	-44
Abroad	1	2	-2	4
Parent company operations	-3	-10	-21	-40
Total, continuing operations	***1***	***-8***	***-36***	***-80***
Abroad	-	-2	8	-22
Total, wound-up operations	***-***	***-2***	***8***	***-22***
EBITA, operations	***1***	***-10***	***-28***	***-102***
Non-recurring cost	***-44(*)***	***-2***	***-44***	***-84***
EBITA group	***-43***	***-12***	***-72***	***-185***

(*)Non-recurring costs for superfluous rented office space and optimisations burdened earnings in the amount of SEK 44 (0) million.

Consolidated income statement in summary, SEK millions

	Oct-Dec 2003	Oct-Dec 2002	Jan-Dec 2003	Jan-Dec 2002
Net sales	***112***	***157***	***421***	***712***
Operating expenses	-155(*)	-166	-491	-801
Items affecting comparability	-	-2	-	-84
Depreciation of tangible fixed assets	-1	-1	-2	-12
Gross earnings (EBITA)	***-43***	***-12***	***-72***	***-185***
Depreciation of intangible fixed assets	-4	-4	-20	-37
Write-down of intangible fixed assets	-	-24	-18	-25
Income from participations in associated companies	-1	-	-1	0
Operating result	***-48***	***-40***	***-112***	***-247***
Write-downs and write-backs of financial fixed assets	4	-100	-6	-100
Profit/loss from financial investments	4	-5	2	-7
Profit/loss after financial items	***-40***	***-145***	***-116***	***-354***
Tax	12	-2	10	1
Profit/loss for the year	***-28***	***-147***	***-107***	***-353***

(*)Non-recurring costs in the amount of SEK44 (0) million are included in the operating expenses for the fourth quarter and the whole year 2003.

Share data

		Jan-Dec 2003	Jan-Dec 2002
	No. of shares at end of period (thousands)	56 391	187 969
Before dilution			
	Weighted number of shares (thousands)	79 261	186 683
	EBITA per share, SEK	-0,91	-0,99
	Earnings per share, SEK	-1,35	-1,89
	Equity per share, SEK	0,47	0,49
After full dilution	Weighted number of shares (thousands)	79 261	186 683
	EBITA per share, SEK	-0,91	-0,99
	Earnings per share, SEK	-1,35	-1,89
	Equity per share, SEK	0,47	0,49

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

	2003-12-31	2002-12-31
Assets		
Intangible fixed assets	63	104
Tangible fixed assets	14	15
Financial fixed assets	28	48
Trade debtors	83	137
Other current assets	41	92
Liquid assets	16	25
Total assets	***246***	***421***
Equity and liabilities		
Equity	27	91
Provisions	55	45
Interest-bearing liabilities	26	9
Other liabilities	138	276
Total equity and liabilities	***246***	***421***

Change in equity, SEK millions

	Share capital	Restricted reserves	Profit/loss Brought forward	Net profit/loss for the year	Total
Opening balance, 01/01/2002	368	1185	-216	-899	438
Appropriation of profits			-899	899	-
Reduction	-276	-149	425		-
Issue in kind	2	4			6
Translation difference			-1		-
Transfer between restricted and non-restricted equity		-128	128		-
Profit/loss for the year				-353	-353
Closing balance, 30/12/2002	***94***	***913***	***-563***	***-353***	***91***
Opening balance, 01/01/03	94	913	-563	-353	91
Appropriation of profits			-353	353	-
New share issue	9	24			34
Reversal of provision			8		8
Reduction	-89	-301	390		-
Translation difference			1		1
Transfer between restricted and non-restricted equity		-81	81		-
Profit/loss for the year				-107	-107
Closing balance, 30/12/31	***14***	***555***	***-436***	***-107***	***27***

Consolidated cash flow statement in summary, SEK millions

	Okt-Dec 2003	Okt-Dec 2002	Jan-Dec 2003	Jan-Dec 2002
Cash flow before change in working capital	-20	-21	-60	-105
Change in working capital	34	28	21	-26
Cash flow from current operations	**15**	**7**	**-40**	**-131**
Acquisition of subsidiaries	-	-	-	-28
Sale of subsidiaries	-	-	-	24
Cash flow from other investments	-1	1	-2	-2
Cash flow from investment activities	**-1**	**1**	**-2**	**-7**
Cash flow from financing activities	**-4**	**0**	**34**	**34**
Change in liquid funds	***9***	***8***	***-8***	***-103***
Liquid funds, opening balance	7	17	25	128
Exchange rate difference, liquid funds	0	-1	0	0
Liquid funds, closing balance	***16***	***25***	***16***	***25***

Key ratios

	Okt-Dec 2003	Okt-Dec 2002	Jan-Dec 2003	Jan-Dec 2002
EBITDA, SEK millions	-42	-11	-70	-173
EBITDA, %	-38	-7	-17	-24
EBITA, SEK millions	-43	-12	-72	-185
EBITA, %	-38	-7	-17	-26
EBITA before items affecting comparability, SEK millions	1	-10	-28	-102
EBITA before items affecting comparability, %	1	-6	-7	-14
Pre-tax margin, %	-35	-92	-28	-50
Equity/assets ratio, %			11	22
Net sales per employee, SEK thousands	262	245	862	813
Net sales per consultant, SEK thousands	324	319	1099	1041
Utilisation rate, %	72	67	67	63
Debt/equity ratio, %			96	10
Return on equity, %			-522	-133
Return on equity, % Items affecting comparability, %			-312	-101
Return on capital employed, %			-35	-129