

Interim Report, Mind AB (publ), six months ended June 30, 2000

Strong growth, increased focus on profitability

- » Sales increased by 370 percent, to SEK 177.9¹ M (37.8²), during the period. Sales in the second quarter amounted to SEK 99.0 M (20.6), an increase of 381 percent.
- » The operating loss, before amortization of goodwill, amounted to SEK 46.9 M (0.2). The operating loss before amortization of goodwill in the second quarter was SEK 30.2 M (0.2).
- » Increased focus on profitability: Mind's objective is to achieve positive results before amortization of goodwill in the first half of 2001.
- » The number of employees increased by 315 -- including 117 in the second quarter -- from 178 to 493, during the first half of the year.
- » Mind acquired two Internet operations during the second quarter, New Electronic Factory S.A.R.L, France and Kash Net Solutions AB, Sweden.
- » During the period a development center for wireless Internet systems was opened in Karlstad.
- » Mind's shares were listed on the "O" List of the OM Stockholm Exchange on June 13, 2000.

Sales, earnings and goals

Mind's sales during the period amounted to SEK 177.9 M (37.8), an increase of 370 percent compared with first-half 1999 sales. Sales in the second quarter amounted to SEK 99.0 M (20.6), an increase of 381 percent. The increase in sales was attributable both to new business and to expanded activities for existing customers.

The operating loss for the period, before amortization of goodwill, amounted to SEK 46.9 M (0.2). The operating loss before amortization of goodwill in the second quarter amounted to SEK 30.2 M (0.2). The loss before tax in the first half of the year was SEK 56.7 M (0.2). The consolidated loss after tax amounted to SEK 58.9 M (0.2).

Mind seeks to achieve a profitable position in the market as a fourth-generation Internet consulting firm. In line with this effort, Mind is assigning priority to growth rather than overall profitability over the short term, but with demands for profitability in the underlying assignments for clients. Mind's objective is to have growth in excess of 100 percent in the years immediately ahead. In addition, Mind's objective is to show a profit, before amortization of goodwill, in the first half of 2001.

During the period January-June 2000, Mind chose to invest in strong growth that resulted in higher costs for new employees in the form of recruiting costs, training, equipment and other items. These costs are estimated to amount to slightly more than SEK 35 M. Geographical expansion and the integration of acquired companies during the period is estimated to have had a negative impact on earnings of slightly more than SEK 10 M.

The Company also invested in the build-up of structural capital in the form of concepts and program-like work methods in special areas. These investments are estimated to have amounted to approximately SEK 3 M for the period. Customer contract activities in Mind continued to be profitable during the period.

The current climate for e-commerce companies in the capital market had a negative impact on Mind's sales and results, since some customers discontinued their projects with Mind or were judged to be unable to fulfill their commitments to Mind. Negotiations are under way with these customers and Mind has established reserves attributable to these projects, which affected growth in sales negatively by 32 percentage points (SEK 11.7 M), and represented a charge of SEK 13.9 M against earnings.

A specific fixed-price commitment that was made in 1999 affected earnings for the period negatively in the amount of SEK 1.9 M. Mind today has not substantial fixed-price commitments.

Employees

The number of Mind's employees increased by 315, of which 146 through acquisitions, from 178 to 493, or 177 percent, during the first six months of 2000. The "organic" increase in number of employees amounted to 169 persons,

¹ In 2000 Mind has changed its accounting principles whereby the revenue and expenses of acquired subsidiaries are reported in the consolidated accounts. Revenues and expenses are reported beginning in the quarter in which the acquisition occurred. The income statement for 1999 has been adjusted in a corresponding manner. In accordance with the principle applied earlier, revenue and expenses were reported for the entire fiscal year in which the acquisition occurred. In accordance with the new accounting principle, sales in 1999 amounted to SEK 84.9 M, compared with earlier reported sales of SEK 90.6 M, as shown in the 1999 annual report.

² Comparable figures pertain to the corresponding period of 1999. Comparable figures are pro forma, based on the operations that would come to constitute today's Mind Group. These operations include Mind Improvement Group AB (MIG), Innovative Media Consulting AB (IMC), Mind AB, Mind Norge AS for the full year 1999 and Affärsutveckling AB for the fourth quarter of 1999. The Mind Group was formed through a merger of IMC and Mind AB, which then acquired the business of MIG and the Inventa Affärsutveckling company. Pro forma data includes and expenses in MIG in the first six months of 1999, which are not shown in the "official" accounts because the business in MIG was acquired in July 1999. Excluding pro forma adjustments, sales in the first six months of 1999 amounted to SEK 20.0 M, with a loss of SEK 0.6 M before allocations and taxes.

or 95 percent. As of June 30, 2000, Mind had a total of 523 persons under contract, including 30 who had not yet begun their employment.

Investments

Excluding acquisitions of subsidiaries, investments for the period amounted to SEK 29.5 M. They pertained mainly to ongoing investments in operations and an investment of SEK 4.6 M in a newspaper portal. Mind acquired the rights to this portal during the first quarter of 2000 with a view to further developing, marketing and selling the portal. Mind estimates that the value of the portal exceeds the purchase price of SEK 4.6 M.

Financial position

Liquid funds at the end of the period amounted to SEK 236.9 M (0.5). The new issue of shares in connection with Mind's listing on the OM Stockholm Exchange increased the Company's liquidity by SEK 261.0 M. The equity/assets ratio was 79 (27) percent.

Operations

Mind's business concept is to make its customers leaders in the network society by providing services based on commercial creativity, an experience-based perspective and implementation power. The market for Internet consultants continues to show very good growth, with strong demand for Mind's services. The demands and ambition-levels of customers with respect to Internet solutions are also rising and are continuing to result in increasingly complex projects. Mind is one of a small number of "total suppliers" that have the expertise and resources that are required for this type of advanced and comprehensive projects in TIME segments (Telecommunications, Information technology, Media and Entertainment), finance, insurance, tourism and transport, and Network pioneers (Internet operations based on new business models). Mind continued to develop and grow at a rapid rate during the first half of 2000 and strengthened its market position. Mind acquired six Internet operations during the period. All operations were acquired with payments in the form of Mind shares.³

The company continued its aggressive program in the development-intensive finance segment during the second quarter. Kash Net Solutions AB, which is active in the banking and finance segment -- with a focus on investment banking -- was acquired during the second quarter. The company's consultants specialize in developing trading and information-distribution systems that are based on real time. Kash brings a number of well-known customers to Mind; these include OM, SIX, Seventh General Pension Fund, MeritaNordbanken, Robur, Alfred Berg and Swedbank. The purchase price for all of Kash's shares amounted to 2,835,540 Mind shares. Kash currently has sales of approximately SEK 2.5 M per month, with good profitability, and its growth target is well in line with Mind's target of growth exceeding 100 percent per year.

³ Payment for the acquisition of operations in Adevvat C AS included a cash portion of NOK 6 M. The acquisition of New Electronic Factory also included a supplementary cash payment of FFR 2.7 M.

Mind has established a development center for wireless Internet systems in Karlstad. The intention is to strengthen Mind's range through offering wireless applications. Mind has experienced strong demand for wireless Internet services and has received a large number of assignments from customers since the center was established.

Events following the close of the period

On July 20, 2000, Dressmart announced that it had applied to the Stockholm County Court for reorganization, due to difficulties in obtaining financing. Creditors are now being asked to consider a sale of the operations and a 25-percent composition settlement. The reconstruction is expected to be completed in August. Mind has established a reserve for the entire amount of the receivable, which is included in the SEK 13.9 M charged against earnings for the period. (See above under "Sales, earnings and goals.")

Future development

Development in the Internet consultant market and demand for Mind's services are expected to remain strong during the rest of the year. Mind's objective is to grow at a rate exceeding more than 100 percent annually in the years immediately ahead. Within the framework for this growth goal, Mind will reduce its recruitment pace during the second half of 2000 with the aim of increasing the focus on profitability.

Due to the change in financing possibilities of e-commerce companies, Mind's Board has decided to increase the focus on the Group's other prioritized segments (TIME and finance and insurance). The assessment is that this shift and a seasonally weaker third quarter will affect sales and earnings adversely in Q3.

The objective is to show a profit, before amortization of goodwill, in the first half of 2001.

Parent Company⁴

Sales of the Parent Company during the period amounted to SEK 122.2 M, with a loss of SEK 51.3 M before allocations and taxes. As of June 30, 2000, the Parent Company had 313 employees. Investments, excluding acquisitions of subsidiaries, amounted to SEK 25.3 M during the period. As of June 30, 2000, liquid funds amounted to SEK 224.4 M.

Stock Exchange listing

Mind's share has been listed on the "O" List of the OM Stockholm Exchange since June 13, 2000.

Shareholders as of June 30, 2000

As of June 30, 2000, Mind had 2,481 shareholders. Approximately 23 percent of the total number of registered shares are held by institutions, and approximately 14 percent by foreign owners.

⁴ Comparable figures are not available since the Parent Company did not conduct any operations in the year-earlier period.

Future reporting dates

Mind's interim report for nine months ending September 30, 2000 will be issued on October 24, 2000.

The preliminary report on full-year 2000 operations will be issued in February 2001.

Stockholm, August 14, 2000

The Board of Directors

Auditors' statement

We have reviewed the interim report for the six months ended June 30, 2000 in accordance with the Recommendation issued by the Swedish Institute of Authorized Public Accounts (FAR). A review is considerably limited in scope compared with an audit.

Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Annual Accounts Act.

Stockholm, August 14, 2000

Ernst & Young AB

Hamish Mahon

Authorized Public Accountant

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Mind AB is a third-generation Internet consulting company that specializes in portals that are designed to develop and strengthen the businesses of its clients. Mind has approximately 500 employees and focuses on the TIME (Telecom, IT, Media and Entertainment), finance and insurance, tourism and transport segments and on Network Pioneers (Internet operations based on new business models). Mind's customers include Ericsson, Göteborgs-Posten, Kreditkassen, MeritaNordbanken, Nokia, OM, Scandinavian Leisure Group, Telia and Unibank. The company is represented in Sweden, Norway and France and is traded on the O-List of the OM Stockholm Exchange.

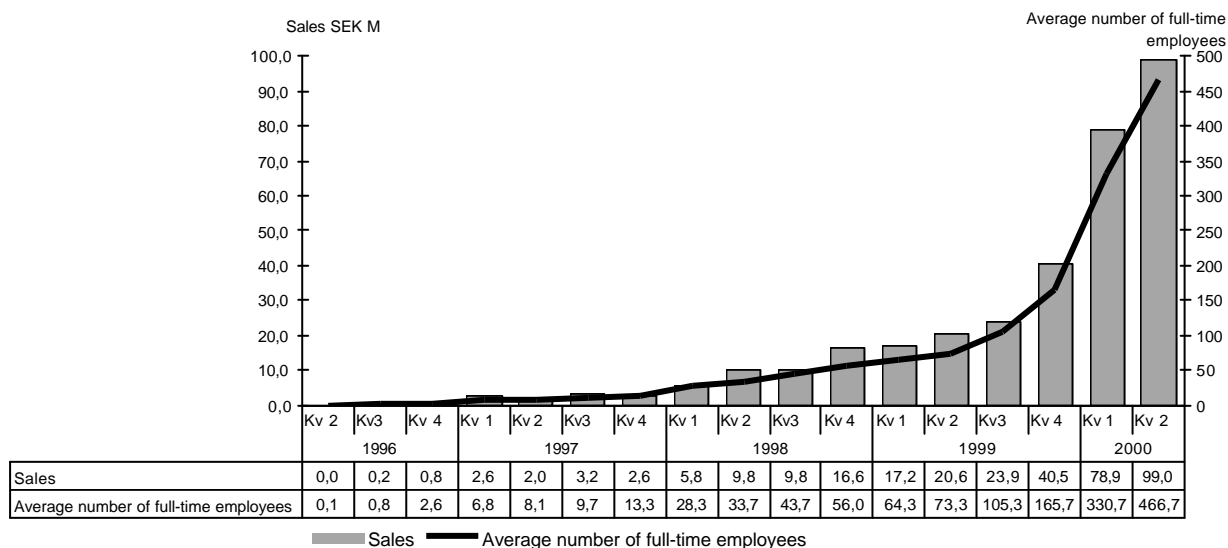
Condensed consolidated income statement

	Six months 2000	Pro forma ² Six months 1999	Full year ¹ 1999	Pro forma ⁵ Full year 1999
Sales	177.9	37.8	84.9	102.2
Cost of operations	-220.6	-37.8	-110.9	-128.1
Operating result before depreciation	-42.7	0.0	-26.0	-25.9
Depreciation/amortization of tangible and intangible assets, excluding goodwill	-4.2	-0.2	-0.6	-0.6
Operating result before amortization of goodwill	-46.9	-0.2	-26.6	-26.5
Amortization of goodwill	-6.4	0.0	-0.4	-0.4
Operating result	-53.3	-0.2	-27.0	-26.9
Financial items, net	-2.8	-0.0	-0.1	-0.1
Result after financial items	-56.1	-0.2	-27.1	-27.0
Income/loss in subsidiaries during portion of year when they were not part of Mind Group	-0.6	0.0	0.3	0.3
Taxes	-2.2	0.0	-0.2	-0.2
Loss for period	-58.9	-0.2	-27.0	-26.9

Condensed consolidated quarterly income statements

	Pro forma ⁶ Q1 1999	Pro forma ⁶ Q2	Q3	Q4	Q1 2000	Q2
Sales	17.2	20.6	23.9	40.5	78.9	99.0
Cost of operations	-17.1	-20.7	-29.4	-60.9	-94.1	-126.5
Operating result before depreciation	0.1	-0.1	-5.5	-20.4	-15.2	-27.5
Depreciation of tangible assets	-0.1	-0.1	-0.2	-0.2	-1.5	-2.7
Operating result before amortization of goodwill	0.0	-0.2	-5.7	-20.6	-16.7	-30.2
Amortization of goodwill	0.0	0.0	0.0	-0.4	-1.9	-4.5
Operating result after amortization	0.0	-0.2	-5.7	-21.0	-18.6	-34.7
Financial items, net	0.0	0.0	-0.1	0.0	-0.9	-1.9
Result after financial items	0.0	-0.2	-5.8	-21.0	-19.5	-36.6
Income/loss in subsidiaries during portion of year when they were not part of Mind Group	0.0	0.0	0.0	0.3	-0.3	-0.3
Taxes	0.0	0.0	0.0	-0.2	-0.5	-1.7
Income/loss for period	0.0	-0.2	-5.8	-20.9	-20.3	-38.6
Number of employees at end of period	64	81	118	178	376	493

Sales and average number of employees



5 Comparable figures pertain to the year-earlier period. Comparable figures are pro forma, based on operations that would come to constitute today's Mind Group. These operations include Mind Improvement Group AB (MIG), Innovative Media Consulting AB (IMC), Mind AB, Mind Norge AS for the full year 1999 and Inventa Affärsutveckling AB for the fourth quarter of 1999. The Mind Group was formed through a merger of IMC and Mind AB, which then acquired the business of MIG and the Inventa Affärsutveckling company. Pro forma data includes sales and expenses in MIG in the first six months of 1999, which are not shown in the "official" accounts because the business in MIG was acquired in July 1999.

Condensed consolidated balance sheets

Assets	June 30, 2000	June 30, 1999	Dec. 31, 1999
Goodwill	231.8	0.0	13.0
Other intangible assets	6.6	0.0	2.1
Tangible assets	30.7	1.5	7.3
Accounts receivable	94.7	11.2	32.7
Other current assets	17.4	3.6	15.3
Cash and bank deposits	236.9	0.5	10.7
Total assets	618.1	16.8	81.1

Shareholders' equity and liabilities

Shareholders' equity	487.1	4.5	1.5
Provisions	0.7	0.0	0.1
Long-term interest-bearing liabilities	0.6	0.0	19.2
Short-term interest-bearing liabilities	15.2	0.0	9.8
Short-term noninterest-bearing liabilities	114.5	12.3	50.5
Total liabilities and shareholders' equity	618.1	16.8	81.1

Condensed consolidated cash flow

	Six months 2000	Six months 1999	Full year 1999
Cash flow from current operations	-47.2	-0.6	-13.5
Cash flow from investment operations	-38.6	-1.4	-23.5
Cash flow from financing operations	312.0	0.1	47.7
Change in liquid funds	226.2	-1.9	10.7

Data per share before full dilution

	Six months 2000	Pro forma Six months 1999	Pro forma Full year 1999
Average number of shares	29 389 695	20 869 500	26 175 302
Number of shares at year-end	41 538 296	21 739 000	30 925 907
Loss per share after tax, SEK	-2.00	-0.01	-1.03
Shareholders' equity per share, SEK	11.73	0.21	0.05

Data per share after full dilution

	Six months 2000	Pro forma Six months 1999	Pro forma Full year 1999
Average number of shares	33 267 209	22 080 100	29 989 769
Number of shares at year-end	45 529 296	24 160 299	34 916 907
Loss per share after tax, SEK	-1.77	-0.01	-0.90
Shareholders' equity per share, SEK	10.70	0.19	0.04

Key data

	Six months 2000	Pro forma Six months 1999	Pro forma Full year 1999
Operating margin before amortization of goodwill, %	neg	neg	neg
Operating margin, %	neg	neg	neg
Profit margin, %	neg	neg	neg
Return on shareholders' equity, %	neg	neg	neg
Return on capital employed, %	neg	neg	neg
Number of employees at end of period	493	81	178
Average number of full-time employees	399	69	102
Sales per employee, SEK 000	446	548	1 002
Equity/assets ratio, %	79	27	2