



Year-end Report from TurnIT AB

JANUARY - DECEMBER 2000

20 February 2001

Profit in line with forecast

- **Group sales increased by 31% to SEK 1,580.8 million (1,210.2)**
- **Operating profit (EBITA) ¹ increased by 16% to SEK 155.2 million (133.7) and the operating margin was 9.8 (11.0) %**
- **Profit after financial items was SEK 70.0 million (92.3)**
- **Cash flow per share² was SEK 6.32 (6.27)**
- **The number of employees has increased by 50% to 1,362, of whom 725 are consultants**
- **High order volume in consultancy operation**
- **Substantial improvement in operating profit expected in 2001**

Sales amounted to SEK 1,581 million (1,210), an increase of 31 percent, and adjusted for the disposal of TriData in January 2000, sales rose by 34 percent compared with 1999. Operating profit (EBITA) increased by 16 percent to SEK 155.2 million (133.7), but with adjustment for TriData, the increase was 19 percent. SEK 96.5 million of profit consists of development gains relating to IAR. Repaid funds from Alecta (SPP) amounted to SEK 10.7 million.

Operating profit for the fourth quarter was SEK 30.1 million, which was in line with the forecast. The profits of the quarter represented a full 51 percent of the operating profit for the year before development gains. Non-recurring expenses, in particular SEK 9 million relating to Innovative IT, were charged against profits.

There was a clear increase in demand for both IT services and products towards the end of the year, and this increase is continuing in the current year. The improvement has been especially marked in the business areas Consulting and Communication.

Operating profits for business area Communication, which amounted to SEK 18.1 million, SEK 10.6 million arose in the fourth quarter, and the increase in income of SEK 116 million is equivalent to 38 percent of the income for 2000.

Profit after financial items fell to SEK 70 million (92) as a result of increased depreciation on Intellectual Capital/goodwill of SEK 24 million, of which a lump-sum write-down of SEK 10 million in the second quarter, increased financial expenses of about SEK 20 million due to increased borrowing for acquisitions, as well as about SEK 3.5 million in write-down costs for assets managed in mutual funds.

Cash flow amounted to SEK 6.32 per share (6.27). Earnings per share fell to SEK 2.97 (3.69), a deterioration arising largely from the increased financial expenses as well as the expansion in the number of shares. The trend in the stock market during the autumn prevented the realisation of any further development gains, and this had a negative effect on TurnIT's earnings per share.

¹ In TurnIT's reports, Operating Profit refers to the level before depreciation of Intellectual Capital/goodwill - EBITA.

² Cash flow is defined as the net profit for the period with the addition of minority participation on profit for the year, deferred taxes and depreciation on Intellectual capital.



Investment totalled SEK 702 million (375), of which SEK 470 million was invested during the fourth quarter in acquisitions, including Arete, Palett HR AB, and IAR's acquisition of Nuvation Labs. The investment was financed both through cash and through new issues, which resulted in a dilution of earnings per share by about 3 percent.

The operation

During 2000, a number of important acquisitions were made with the aim of generating long-term and stable profits. The companies acquired include LAC, Arete and Palett, all of which have achieved significant positions in their respective markets. Arete and Palett were acquired in November and December respectively. Careda (previously known as ID Network) has been expanded with the acquisition of Bravida's IT operation, and several smaller acquisitions have been added to Fiberdata, and IAR has acquired Nuvation Labs. Overall, the companies acquired during the year are expected to be responsible for 25-30 percent of Group sales during 2001.

Arete, SweDeltaco, LAC and Retea, as well as the new HR Group which includes Svenska PA, Palett and Time Recorder, are forecast to generate a joint current operating profit (EBITA) of SEK 170 – 200 million, with an estimated annual growth of approximately 25 percent before further acquisitions.

Operating profit has been charged with restructuring costs as well as the negative trend in three subsidiaries: Careda, Innovative-IT and Catwalk. Together, these companies' operating profits have been charged with SEK 59 million for the whole year. The companies, which jointly represent 12 percent of Group sales, have been the focus of a number of measures during the year. These have now been implemented in all three companies. The trend within IAR Systems, which is about 80 percent owned by TurnIT, has also had a negative effect of SEK –3.4 million on profit. This is to some extent attributable to the high cost of international expansion during the past year.

During the year, TurnIT's Intellectual Capital/goodwill increased by SEK 576 million, of which SEK 170 million was added at the end of December 2000 in connection with the acquisition of Palett. Depreciation increased by SEK 24 million, of which approximately SEK 10 million is attributable to a write-down in the second quarter relating to the liquidated company, TransNordic.

The basis for TurnIT's growth strategy – to finance acquisitions through, for example, realising development gains, deteriorated during the last six months as a result of swings in the stock market. The downturn has, however, presented new opportunities for acquisitions. Some of the acquisitions made during 2000 have, therefore, been financed through loans. During the fourth quarter, two share issues have been carried out in connection with acquisitions, resulting in an increase in the number of shares of 3,114,197.

During 2000, TurnIT was notified by Alecta (formerly SPP) of the return of pension funds. SEK 10.7 million of this appears in the results.

Business areas

TurnIT Supplies

Income and profit trends in TurnIT Supplies have been excellent. Sales increased by 34 percent to SEK 405.0 million (303.1) and operating profit rose by 25 percent to SEK 57.4 million (46.0). SEK 4.2 million was charged against operating profit for the final close-down costs for that part of the TransNordic operation which was not transferred to Insert.

During the year, Network Innovation merged with SweDeltaco. The stock turnover rate has been increased by co-ordinating and improving the efficiency of purchasing and distribution. Through its Internet-based commerce site for retailers and companies, SweDeltaco has been able to maintain an excellent operating margin. LAC has improved its strong position in the telecommunications components market, and after the end of the period, an agreement was signed with an American manufacturer of systems for the mobile Internet.

TurnIT Software

Sales amounted to SEK 270.5 million (205.6) and operating profit increased to SEK 77.2 million (20.9).



During the period, TurnIT Software continued to focus on the development of CityData and Innovative-IT, as well as on the international expansion of IAR. IAR has completed the planned acquisition of Nuvation Labs in Silicon Valley, strengthening the company's position in the North American market. IAR's sales increased significantly during the fourth quarter, and the inflow of orders worth SEK 27 million for development assignments alone which were placed during the last quarter is the best in the history of the company. Innovative-IT has appointed a new President, and the operation has focussed on an organisation more clearly orientated towards sales. CityData's sales and profit have increased significantly during the fourth quarter, and partnership agreements have been signed with a number of important companies. Of the company's operating profit of SEK 6.3 million, two-thirds were generated in Q4. Sales of products developed in-house continue to increase, and a breakthrough outside Sweden is expected during the current year.

TurnIT Communication

Sales have continued to increase strongly in comparison with 1999, and amounted to SEK 306.7 million (205.5). Operating profit amounted to SEK 18.1 million (19.8).

For Fiberdata, the fourth quarter has always been decisive for profits. Two-thirds of the SEK 14.3 million profit for the year was generated in the fourth quarter. Retea, a specialised communications consultancy company within Communication, reported an operating profit of SEK 5.9 million (5.3), evenly spread over the year.

Fiberdata's success continued, with new orders for the expansion of the urban networks in Östersund, Norrköping and Göteborg. During the period, Fiberdata also acquired the Norrköping-based company, BJ El och Dataelektronik, which holds a strong local position in network integration. Fiberdata now has offices in 14 locations around Sweden. Fiberdata has invested heavily in the telecoms area, and a charge of SEK 3.5 million was made against the profit for 2000 to cover the cost of developing the sales organisation. During January this year, sales of telecoms products have been promising, and the investments are expected to provide an excellent return during the current year.

TurnIT Consulting

The fourth quarter has met expectations of a strong increase in sales and profits. 50 percent of the operating profit for the year was generated during Q4. Arete has been included in the accounts as of November 1. Sales increased to SEK 368.6 million (293.3), or by 26 percent. If, however, Arete's total sales for 2000 are counted, sales for the business area would have amounted to SEK 521.5 million. Despite the rise in sales, operating profit fell to SEK 18.8 million, compared with SEK 19.7 million in the previous year. The result includes operating loss of approximately SEK 10 million for the Internet consultancy company, Catwalk. Catwalk has appointed a new President, and, for the current year, Catwalk's resources will be distributed within the framework of Arete's operation.

The integration of the companies within Arete and TurnIT's Swedish consultancy operations has been carried out successfully, without a single employee resigning from his or her position as a result of the integration. The effect of this has been positive, and earnings have improved markedly, largely as a result of the more efficient allocation of skilled staff. The order volume is currently very high.

The demand for systems development and project management is expected to continue to increase in 2001, and several master agreements were signed at the beginning of the year. There will, however, be a dramatic fall in demand for web design. This area is expected to become one of the skills offered as part of a comprehensive range of consultancy services, as customers are increasingly requesting.

A growing proportion of the revenue in TurnIT's Norwegian consultancy operation, Computas, is coming from the sale of licences for the Frame Solutions software for knowledge management, which was developed in-house. Profits doubled in the fourth quarter, compared with the previous nine months. The company has won yet another large order from the Norwegian judiciary, and is planning further expansion in Europe. Depending on its ambition for growth, the company may, in the future, require direct access to the capital market.

TurnIT employs 725 consultants in total, of which approximately 460 work for TurnIT Consulting.

**TurnIT Outsourcing**

Sales for the business area rose to SEK 230.0 million (202.7), but the operating profit fell to SEK 8.1 million (32.8). SEK 25.0 million, losses for Careda (formerly called ID Network), was charged against operating profit. The unit acquired from Bravida IT has completely failed to meet expectations. Measures have been taken to rectify this.

Within TurnIT Outsourcing, large investments have been made during the past period, including the acquisition of Palett at the end of December 2000. The merger with Bravida IT, which was acquired during the summer, and ID Network is intended to create a competitive player in the area of network operations. The new company has been given a new trade name, Careda. Careda's objective is to achieve a leading position as a supplier of ASP (Application Service Provider) services in segments in which TurnIT's companies operate.

Svenska PA has completed a major acquisition in the form of the salary systems company, Palett - a strategic addition to the operation. The new company, Palett HR AB, focuses on salary systems and HR for the public sector. It was acquired from IBM, a background which it shares with Svenska PA. This will provide an excellent opportunity for future co-ordination of the development of software and technical platforms. Together with Svenska PA's Norwegian subsidiary, Time Recorder, the companies will form a new HR group offering salary, HR and time recording systems currently used for almost 500,000 wage-earners in major private and public operations

TurnIT Development postpones flotation

TurnIT Development invests in IT companies in an early stage of development. Its investment is focused on companies with well-defined customer benefits, and where there is a market for the companies' services. Due to a well-diversified portfolio and limited financial commitment in each individual company, the risk profile is low. In late 2000, the venture capital market experienced increasing uncertainty, and as a result, TurnIT Development adjusted the level of its investment to the conditions on the market. The companies in which TurnIT Development invests have a limited requirement for capital input.

The conditions on the stock market for a flotation of TurnIT Development have gradually deteriorated, and the Board of Directors have, therefore, decided to postpone the listing of the company on the stock market. Only a minor profit effect arose during the period, mainly attributable to interest expenses.

Intellectual Capital

Intellectual Capital is an essential requirement for TurnIT's ability to make a profit, and it is by looking after and developing this capital that the company has achieved such rapid growth. In the Annual Report 2000, all TurnIT's companies will once again be rated using the assessment tool IC-Rating. The aim is to give shareholders and other interested parties a better opportunity to assess TurnIT's investments from a long-term point of view.

The Group's book value for Intellectual Capital/goodwill at the period end amounted to SEK 1,337 million. Compared with 31 December 1999, this is an increase of SEK 576 million (76 percent). During the second quarter, a write-down of Intellectual Capital in the TransNordic operation of SEK 10 million was charged against profit, as a result of the gradual liquidation of the operation.

The value of Intellectual Capital/goodwill has been checked using an impairment test in accordance with the recommendations of the Swedish Financial Accounting Standards Council. A quality assessment was also made through a valuation by IC Rating AB.

TurnIT focuses on improving operating profit, and measures results at the level prior to depreciation in Intellectual Capital. Depreciation on Intellectual Capital for the period was SEK 60.7 million. The depreciation period is 20 years.

Financing

The Group's financial situation remains excellent. During the report period, 3,467,197 shares were issued in connection with company acquisitions, of which 2,285,197 shares were a non-cash issue, as well as



1,182,000 shares through a directed cash issue. The issues increased equity by SEK 310 million and SEK 142 million respectively. In addition, new issues of shares took place during the year, based on outstanding options, which led to an increase in the number of shares of 482,702, and an increase in equity of SEK 34.6 million. The number of registered shares on 31 December 2000 amounted to 20,411,990.

During the period, the Group's interest bearing liabilities increased by SEK 259 million, primarily as a result of the increase in long-term liabilities in connection with corporate and property acquisitions.

Equity on 31 December amounted to SEK 1,317 million, and equity per share to SEK 64.54 (47.23). Cash flow was SEK 6.32 (6.27) per share, and earnings per share were 2.97 (3.69).

In 2001, acquisitions will primarily focus on strengthening existing operations. With SEK 117 million in cash, SEK 38 million in credit granted but not utilised, as well as the option of issuing the remaining 318,000 shares authorised by the General Meeting on 4 April 2000, the Group has the capacity to continue to acquire companies, should the opportunity arise. The proportion of interest-bearing liabilities in relation to the balance sheet total as at 31 December was 22.1 percent.

Investment

Investment for the year in corporate acquisitions amounted to SEK 702 million. Over and above this, an additional purchase sum of SEK 38 million was paid out in connection with acquisitions made previously. In addition, TurnIT Development has made minority investments of a further SEK 55 million during the reporting period.

Investment in tangible assets amounted to SEK 85 million, of which SEK 29 million relates to a property investment. Investment in intangible assets other than Intellectual Capital (in licences and rights) totalled SEK 16 million.

Personnel

At the close of the report period, 1,362 persons were employed. On 31 December 1999, there were 906 employees. The average number of employees during the period of the report was 1,253. For the full year 1999, the average number of employees was 811.

In accordance with a resolution of the Annual General Meeting, an incentive scheme has been introduced. A total of 273,775 staff options had been issued as at 30 June, and since then, 2,650 options have been issued. The scheme will run for five years, with the right of redemption after three years at a redemption price equivalent to SEK 209.40 per share. A new scheme involving a total of 57,600 staff options was issued after the acquisition of Arete, with the same running period and general conditions, but with an exercise price equivalent to SEK 110.05. The scheme has been hedged through an equity swap.

The Parent Company

The Parent Company comprises common Group functions, including finance, legal matters, information/IR, personnel and corporate valuation. Concurrently with the growth of the Group, the Group management team and the Group-wide functions have been substantially strengthened. The expenses of the Parent Company amounted to SEK 32 million (24), equivalent to two percent of sales.

The Board of Directors

The Chairman of the Board, Christer Zetterberg, has declined re-election at this year's Annual General Meeting. The Nomination work, led by Peter Westring, Gunnar Lindberg, Kjell Wallmark and Ulf Hedlund, has resulted in the nomination of Jan Ohlsson, Managing Director of Nordico Invest AB, as the new Chairman of the Board. All other members of the Board are nominated for re-election.

Distribution of profits

No distribution of dividends will be proposed at the annual general meeting in 2001.



The Future

The focus of the past year has been on strengthening the Group's most profitable companies, and on implementing the strategy of realising the development gains of the operation.

TurnIT's core businesses are characterised by a stable and satisfactory earnings capacity, with operating margins between 15 and 25 percent, and with limited risk.

More than half of the Group's employees are consultants. For this reason, it is essential to retain skilled staff and to ensure that the inflow of orders is high. Low staff turnover, stable processes and an understanding of the concept of "customer benefit" has gained TurnIT the trust of its customers, as is currently reflected in long-term assignments and improved inflow of orders. The consultancy market, with the exception of the specialist Internet market, is growing steadily, and TurnIT's consultancy companies are well positioned in the fastest-growing segments, including e-business and the mobile Internet.

The demand for components for the computer and telecommunications industries has gradually become more and more significant for TurnIT's profits. The global trend of manufacturers in the telecoms industry increasingly outsourcing their products will have a positive effect on TurnIT's sales growth.

Demand in the HR area is growing, and the long-term contracts signed have secured the bulk of sales for many years to come. The driving force in the market is, among other things, a high rate of product development with an increasing demand for network services.

The continued development of the IT infrastructure in Sweden, including regional and urban networks, is an important factor in Fiberdata's invoicing. The Communication order stock is good, and TurnIT has companies which are well-positioned in this area.

The restructuring of loss-making operations has largely been completed. Apart from Innovative-IT, which is now a specialist development company involved in the development of the product of the future, Pure-Load, all operations will contribute to the profit for the year. Market growth will be lower than in past years. In their 5-year forecasts, the analysts IDC and Gartner predict that the IT market as a whole will have an average growth of 13-16% in Scandinavia. This figure is lower than previously, which may result in increased competition. Being well-established, with good customers relations and strong finances will, therefore, be extremely important in order to maintain a profitable growth of at least 25%.

Development gains will be realised if the market conditions are favourable. The profits will be used to amortise interest-bearing loans, and to finance growth.

For 2001, a substantial increase is expected in operating profit excluding development gains.

TurnIT AB (Publ)
The Board of Directors

Review Report

We have reviewed this unaudited year-end report for TurnIT AB (Publ), and in doing so we have followed the recommendations issued by the Swedish Institute of Authorized Public Accountants relating to the review of half-yearly and other interim reports.

A review is considerably more limited than an audit. Nothing has emerged to suggest that the year-end report does not fulfil the requirements for interim reports laid down in the Annual Accounts Act.

Stockholm, 20 February 2001

Anders Malmeby
Authorized Public Accountant, KPMG

Carl Lindgren
Authorized Public Accountant, KPMG



Future financial information from TurnIT

Annual Report 2000	March 2001
Interim report Q1	11 May
Interim report Q2	22 August
Interim report Q3	9 November
Year-end report for 2001	19 February 2002

The Annual General Meeting for 2000 will be held at 15.00 on 3 April 2001 at Röda Kvarn Cinema in Stockholm, Sweden.

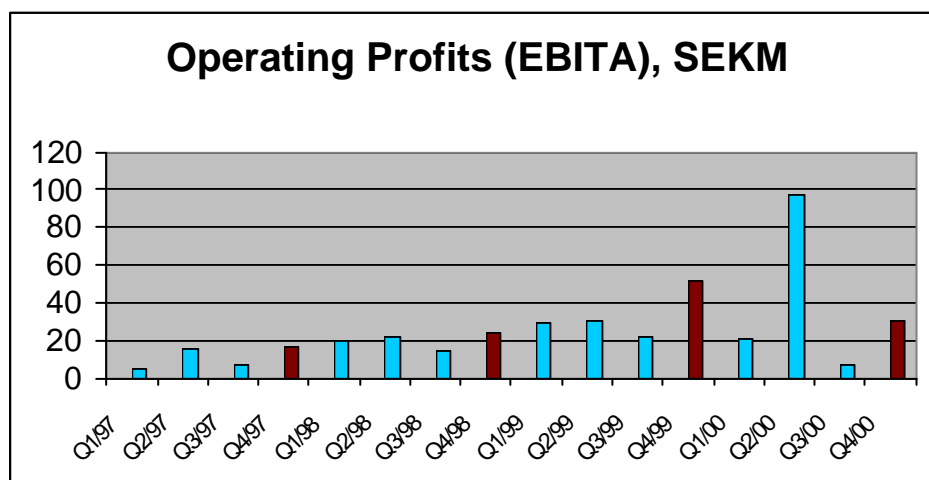
The year-end report is also available in Swedish

Net sales

	<u>Supplies</u>		<u>Software</u>		<u>Communication</u>		<u>Consulting</u>		<u>Outsourcing</u>		<u>Group</u>		<u>Total</u>	
	SEKM	%	SEKM	%	SEKM	%	SEKM	%	SEKM	%	SEKM	%	SEKM	%
1997	136.9	35	107.6	28	108.6	28	32.9	9					386.0	100
1998	222.5	28	132.9	16	135.6	17	165.5	21	145.4	18			801.9	100
1999	303.1	25	205.6	17	205.5	17	293.3	24	202.7	17			1 210.2	100
2000	405.5	26	270.5	17	306.7	19	368.6	23	230.0	15			1 580.8	100

Operating profit (EBITA)

	<u>Supplies</u>		<u>Software</u>		<u>Communication</u>		<u>Consulting</u>		<u>Outsourcing</u>		<u>Group</u>		<u>Total</u>	
	SEKM	%	SEKM	%	SEKM	%	SEKM	%	SEKM	%	SEKM	%	SEKM	%
1997	27.4	62	9.1	21	9.1	21	3.8	9			-5.1	-12	44.3	100
1998	33.3	42	11.6	14	20.5	26	13.3	17	11.6	14	-10.1	-13	80.2	100
1999	46.0	34	20.9	16	19.8	15	19.7	15	32.8	25	-5.5	-4	133.7	100
2000	57.4	37	77.2	50	18.1	12	18.8	12	8.1	5	-24.4	-16	155.2	100





Income statement

<i>Amounts in SEK million</i>	<i>1/1-30/9 2000</i>	<i>1/1-31/12 1999</i>
Net sales	1580.8	1210.2
Cost of goods sold	-1142.5	-851.7
Gross profit	438.3	358.5
Selling expenses	-254.5	-140.7
Administrative expenses	-139.6	-103.2
Other operating income	116.1	20.3
Other operating expenses	-5.1	-1.2
Operating profit before depreciation on intellectual capital/goodwill (EBITA) ¹⁾	155.2	133.7
Depreciation on Intellectual Capital/goodwill ²⁾	-60.7	-36.4
Operating profit after depreciation on Intellectual Capital/ goodwill ³⁾	94.5	97.3
Profit from financial items		
Profit/loss from participations in associated companies	-2.0	6.7
Other interest income and similar profit/loss items	9.3	-
Interest expense and similar profit/loss items	-31.8	-11.7
Profit after financial items	70.0	92.3
Minority interest	2.2	0.6
Profit before tax	72.2	92.9
Tax	-18.6	-35.5
Loss in Group company for that part of the year in which it was not part of the group	-1.5	-
Net profit for the year	52.1	57.4

1) During the report period, SEK 10.7 million relating to SPP funds has been taken up as income, as well as SEK 96.5 million relating to development gains in IAR.

2) There was a write-down relating to Intellectual Capital in the Transnordic operation of SEK 10 million in the second quarter.

3) Operating profit after depreciation on Intellectual Capital/goodwill has been charged with depreciation totalling SEK 87.5 million relating to fixed assets.

**Balance sheet***Amounts in SEK million**31 Dec 2000**31 Dec 1999*

ASSETS

Fixed assets

<i>Intangible assets</i>	1,352.7	762.2
<i>Tangible assets</i>	126.5	60.5
<i>Financial assets</i>	95.6	11.5
Total fixed assets	1,574.8	834.2

Current assets

<i>Other current assets</i>	581.7	384.9
<i>Cash and bank balances</i>	167.2	149.2
Total current assets	748.9	534.1
TOTAL ASSETS	2,323.7	1,368.3

EQUITY AND LIABILITIES

<i>Equity</i>	1317.4	777.5
<i>Minority interest</i>	39.3	8.7
<i>Provisions</i>	17.9	10.1
<i>Long-term liabilities</i>	401.6	186.5
<i>Current liabilities</i>	547.5	385.5
TOTAL EQUITY AND LIABILITIES	2,323.7	1,368.3



Cash flow report

<i>Amounts in SEK million</i>	<i>1/1-31/12 2000</i>	<i>1/1-31/12 1999</i>
Cash flow from day-to-day operations		
before changes in working capital	10,1	104.6
Changes in working capital	-62.6	-32.7
Cash flow from day-to-day operations	-52.5	71.9
Cash flow from investment operations	-357.0	-265.9
Cash flow from finance operations	426.7	267.5
CASH FLOW FOR THE PERIOD	17.2	73.5
Liquid funds at start of period	149.2	76.0
Exchange rate difference in liquid funds	0.8	-0.3
Liquid funds at end of period	167.2	149.2

Changes in equity

	<i>Equity SEK million</i>	<i>Number of shares</i>
Balance brought forward 1/1 2000	777.5	16 335 196
New share issue in progress on 1/1 2000		126 895
Exercise of options	34.6	482 702
Cash issue	141.8	1 182 000
Non-cash issue	310.3	2 285 197
Option funds in subsidiaries	0.9	
Cost of equity swap	-3.6	
Translation difference	3.8	
Profit for the period	<u>52.1</u>	
Balance carried forward 31/12 2000	1317.4	20 411 990



Key ratios	31 Dec 2000	31 Dec 1999
Operating margin, %	9.8	11.0
Cash flow per share, SEK	6.32	6.27
Acid-test ratio, %	127	122
Earnings per share, after full tax, SEK ¹⁾	2.97	3.69
Profit per share, after full tax and full dilution, SEK ¹⁾	2.95	3.56
Equity ratio, %	58.4	57.5
Return on equity (full tax), %	5.0	9.6
Return on capital employed, %	5.5	9.2
Equity per share, SEK	64.54	47.23
Interest bearing debt, SEK million	513.9	254.6
Debt/equity ratio, times	0.38	0.32
Interest coverage ratio, times	3.2	8.8
Sales per employee, SEK thousand	1262	1 492
EBITA per employee, SEK thousand	124	165
Average number of employees	1 253	811
Number of employees at end of period	1 362	906
Number of consultants	725	463
Share price, SEK	82.00	194.00
Average number of shares, thousand	17,575	15,558

- 1) Earnings per share is calculated as the net profit for the year divided by the average number of shares.