Year-end report, Mind AB (publ), 556570-7071, 1 January–31 December 2000

Balance between expenses and revenue re-established

» The balance between expenses and revenues has been re-established, and it is believed that the company has sufficient financial resources to continue development according to plan.

» Sales amounted to SEK 294.7[1] million (102.2[2]). Sales during the fourth quarter totalled SEK 57.6 million (40.5).

» Operating loss before amortization of goodwill and comparable items amounted to SEK 156.2 million (loss: 26.5). Operating loss for the fourth quarter before amortization of goodwill and items affecting comparability totalled SEK 49.4 million (loss: 20.6).

» Goodwill value was adjusted by a total of SEK 180.4 million, resulting in a year-end goodwill value of SEK 51.8 million.

» Mind has carried through a powerful programme of measures that have produced the following results:

  » Operating costs have almost been halved.

  » No less than 75 percent of Mind's sales are now generated from the prioritised segment – Finance and Insurance – and TIME. The share of Network Pioneers, what are known as "dotcom companies", accounts for less than 3 percent of sales.

  » An altered skill structure with more technicians and fewer design and communication employees.

  » Costs for implementing the programme have been calculated at SEK 80.7 million[3].

» Mind's goal remains to achieve a positive result before amortization of goodwill during the first six months of 2001.

» Hans Hasselgren, became the new CEO of Mind on 5 February 2001.

For additional information, please contact: Hans Hasselgren, CEO, tel. +46 (0) 733-61 10 11

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

2 Comparable items pertain to the corresponding period of 1999. Comparable items are entered 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 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 company Inventa Affärsutveckling. Pro forma data include revenue and expenses in MIG in the first six months of 1999, which are not shown in the official accounts because the business in IMG was acquired in July 1999. Excluding pro forma adjustments, sales in 1999 amounted to SEK 90.6 million, with a loss of SEK 26.8 million before allocations and taxes.

3 Estimated at SEK 80 million at the launch of the programme of measures on 1 November 2000.

Mind adjusted to match changed market conditions

Mind was one of the first IT consultancy companies to present a programme of measures intended to adapt Mind to the changed market conditions and to achieve a positive result before amortization of goodwill during the first six months of 2001. The cost of implementing the programme amounted to SEK 80,7[1] million, which heavily influenced the result for the fourth quarter of 2000. The total burden of expenses has now been reduced by approximately SEK 220 million[2] annually. The programme has now been completed, and its most important aspects are listed below.

Programme of measures

Measures to increase earnings:
- » Focus on Mind's prioritised segment.
- » Reduced exposure on Network Pioneers.
- » Adaptation of the skill structure.
- » Focus on increased contribution margin.

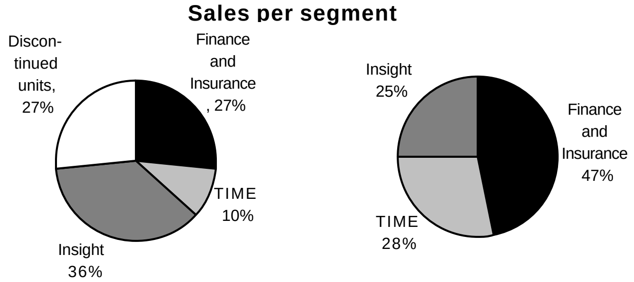
Measures to reduce costs:
- » Closure of the offices in Gothenburg and Uppsala.
- » Downsizing of 156 employees.
- » Termination of local contract.
- » Reduction of costs for support functions.
- » General cost reduction

A new Mind

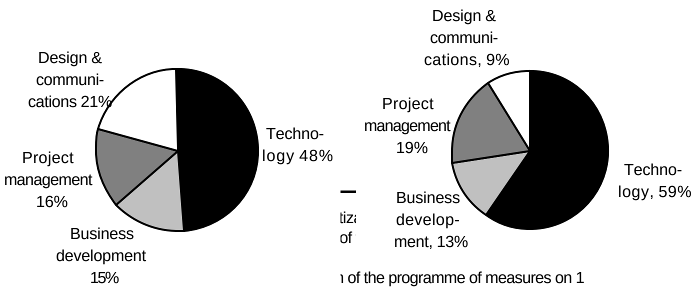
- » The balance between revenue and expenses has been re-established. Operating costs have been almost halved.
- » No less than 75 percent of Mind's sales are now generated by the prioritised segment – Finance and Insurance – and TIME. The share of Network Pioneers, what are known as "dotcom companies" accounts for less than 3 percent of sales.
- » Mind's operations have been adjusted to accommodate the convergence between IT and Internet consultants in the market.
- » Altered skill structure with a larger proportion of technicians and fewer design and communication staff. The average age of employees is now 34.

2000 **2001**

Sales per segment



Skill structure



ı of the programme of measures on 1 November 2000.

Comments on sales

In line with the forecast in the interim report for the third quarter, sales in the fourth quarter were negatively affected, primarily by changes in market conditions, and amounted to SEK 57.6 million (40.5), an increase of 42 percent. Sales for the year as a whole totalled SEK 294.7 million (102.2), an increase of 188 percent.

Mind has made provisions attributable to Network Pioneers, which negatively influenced sales to the sum of SEK 28.8 million and reduced earnings by SEK 30.7 million. These provisions affected sales in the fourth quarter to the sum of SEK 9.1 million, and reduced earnings in this quarter by SEK 8.7 million. At 31 January 2001, the share of accounts receivable against Network Pioneers was less than 2 percent, which means that Mind considers the risk of having to make further provisions to be appreciably reduced.

Comments on earnings

The operating loss for 2000 before amortization of goodwill and items affecting comparability amounted to SEK 156.2 million (loss: 26.5). The operating loss for the fourth quarter before amortization of goodwill and items affecting comparability totalled SEK 49.4 million (loss: 20.6). Provisions (see above) negatively affected earnings for the period to the sum of SEK 30.7 million, of which SEK 8.7 million is attributable to the fourth quarter.

The loss for the year before tax amounted to SEK 261.7 million (loss: 26.5). The loss for the period for the group totalled SEK 260.6 million (loss: 26.7).

Comparable items consist of costs of SEK 98.2 million, partly used for Mind's programme of measures, and partly for the amortization of goodwill. Of the total cost of the programme of measures (SEK 80.7 million) SEK 21.2 million has no effect on cash flow.

Items affecting comparability	
Cost of programme of measures	
Personnel	34.6
Rent[3]	8.2
Depreciation of tangible and intangible fixed assets	21.2
Other expenses[4]	16,7
Total cost of programme of measures	**80.7**
Amortization of goodwill	17.5
Total items affecting comparability	**98.2**

Comments on goodwill[5]

The acquisitions of businesses and companies completed by Mind in 2000 were based on evaluations determined by Mind's share value. The acquisitions were made when the market evaluation of the sector was considerably higher than it is at present. This means that the businesses acquired were initially

3 Rental expenses for premises until they are leased or which have not yet been leased are included in the rental costs up to 30 June 2001.
4 Leasing costs, concluded contracts, removal costs and external consultancy costs.
5 See the changed accounting principles, page 6.

valued more highly than they would be today. In accordance with the application of the new accounting principles, Mind's stock exchange value in November–December 2000 was considered a reasonable expression of the value of the businesses acquired. The effects of this are that the purchase value of the Group's goodwill has been reduced by SEK 162.9 million, and the Group's equity capital has been reduced correspondingly.

The amortization of goodwill for the year has been carried out on the basis of the resultant corrected purchase value, and the information in previous interim reports has been adjusted accordingly.

Mind has carried out an individual evaluation of each business acquired and has amortized goodwill for all these companies together to a total of SEK 17.5 million. This affected earnings in the fourth quarter of 2000.

Goodwill

Initial purchase value of goodwill	238.7
Result of change in accounting principles[1]	-162.9
Adjusted goodwill value	**75.8**
Budgeted amortization 1999	-0.1
Budgeted amortization 2000	-6.5
Goodwill value after amortization for the year	**69.2**
Amortization of shares in subsidiaries	-17.5
Year-end balance, goodwill	**51.8**

In future, it is estimated that Mind will amortize goodwill for SEK 5.6 million per year on the basis of the new goodwill values.

Operations

Finance and Insurance still strong

Mind has worked with advanced technological and business solutions in the Finance segment since 1997. Demand was high in the Finance and insurance segment throughout 2000. Today, Mind commands a central position with involvement in many of the most interesting and exciting projects in the area of finance.

In autumn, Mind received renewed expressions of confidence from a number of customers including Fora Försäkringscentral, FöreningsSparbanken, Nordea, SIX, Sjunde AP-fonden, and Bankenes BetalningsSentral, for which technical and business tasks are currently being carried out. OffeX has chosen consultants from Mind to take responsibility for testing and implementing the chosen commercial system. OffeX Crossing is a joint initiative involving the four major Swedish banks: Handelsbanken, FöreningsSparbanken, SEB and Nordea. Other new customers acquired during the fourth quarter were SEB e-Banking, SEB Enskilda, KPA, Norges Kreditt, and Storebrand.

An important key figure is what is known as the *Nöjd Kund Index* (NKI) (Satisfied Customer Index). Mind uses this figure after the completion of every assignment to measure how well the company fulfilled the expectations of the company, and how well Mind satisfied the stated delivery criteria. Twelve months' of continuous measurement in the Finance and Insurance segment produced a figure of 4.5 on a scale of 1–5.

Repositioning customers within the TIME segment

Many businesses in the TIME segment are carrying out comprehensive business modifications on the basis of altered market conditions driven by the Internet, broadband, mobile communication and telephony.

Telecom generated the overwhelming majority of the earnings from the TIME segment. During the fourth quarter of 2000, Mind received new commissions from companies such as Ericsson/Internet Applications, Ericsson/Division Multi Networks, Ericsson/SCSA, Skanova, Eniro, Oppido/Torget and Telia Mobile. New customers acquired during the fourth quarter included Speedy Tomato, Streamserve, Incirco, Targeted and TV2 (Norway).

The TIME segment achieved a score of 4.6 on the NKI since measurements started during the second six months of 2000.

Insight – targeted at new growth areas

During the last quarter of 2000, Mind built up Insight, which is targeted at new growth areas. Insight focuses on three segments: tourism and transport, construction and energy, and pharmaceuticals.

During the autumn, Insight received renewed expressions of confidence in the form of new commissions from former customers. Customers in this segment include Birka Energi, Sensel and Göteborg Energi, Scandinavian Leisure Group and AstraZeneca.

Insight achieved a score of 4.3 out of a possible 5 on customer satisfaction measurements since measurements were started in autumn 2000.

Employees

During 2000, the number of employees increased by 255 – or by 143 percent – from 178 to 433, of whom 146 joined the group through acquisitions. The total number of contracted employees at 31 December amounted to 287.

Investments

Investments in 2000 amounted to SEK 38.3 million, excluding acquisitions of subsidiaries. Investments were primarily made in the area of operations.

Financial position

At 31 December 2000, liquid funds amounted to SEK 85.2 million (10.7). Of the SEK 37.4 million in accounts outstanding, SEK 36.9 million had been paid at 21 February 2001. Of the costs of the programme of measures (SEK 80.7 million), approximately SEK 59.5 million affects liquidity. Of this amount, SEK 34.2 will influence Mind's liquidity during the first six months of 2001. To this will be added holiday pay owing to those employees who will be leaving Mind. Including social contributions, these costs will total SEK 6.6 million.

The balance between revenue and expenses has been re-established and it is believed that the company has the financial resources to continue development according to plan.

After amortization of goodwill, the equity ratio was 51 percent (down 10). The equity ratio excluding goodwill amounted to 37 percent.

1 The result of the change in the principles has no effect on earnings but is entered directly against shareholders' equity in accordance with the applicable accounting regulations.

Forecast for 2001

- Based on current market conditions, Mind should generate sales of SEK 250–300 million.
- Mind' goal is a positive result before amortization of goodwill within the first six months of 2001 and a positive result before amortization of goodwill for the year as a whole.

Events subsequent to the conclusion of the period

On 5 February 2001, Hans Hasselgren took over the post of CEO, replacing Jörgen Larsson. Hans Hasselgren previously worked for Modul1, initially as head of consultancy, and then as deputy CEO of Modul1 and President of Modul1 e-business. In the period 1995–1999, Hans worked for Cambridge Technology Partners, where he was head of consultancy in Sweden with responsibility for developing the business in Norway. Jörgen Larsson, one of the founders of Mind and the principal shareholder, will continue to work with the development of the company in his capacity of member of the board of Mind.

On 1 February 2001, Anders Gunnarsson replaced Mats Björkman as CFO. From January to December 2000 he held a corresponding position with Entra, where he worked for ten years.

The parent company

Sales for the year in the parent company totalled SEK 196.1 million (47.7) with a loss before allocations and taxes of SEK 393.3 million (loss: 10.1). At 31 December 2000, the company employed 232 people. Investments for the year, excluding acquisitions of subsidiaries, amounted to SEK 34.6 million. At 31 December 2000, liquid funds totalled SEK 73.9 million.

Shareholders at 31 December 2000

At 30 December 2000, there were 3,850 shareholders in the company. Of the total number of registered shares in Mind (41,538,296), around 20 percent are held by institutional owners, and approximately 6 percent by overseas owners.

Annual General Meeting

The Annual General Meeting will be held on 27 April 2001, starting at 15.00. Proposals for election to the board can be submitted to the nomination committee consisting of Jörgen Larsson, Stefan Wigren and Björn Wolrath.

Future reporting dates

The annual report is due to be published in April 2001.
The interim report for the period 1 January–31 March 2001 will be presented on 27 April 2001.

Stockholm, 21 February 2001
The Board of Directors

This report has been briefly reviewed by the company's auditors.

Mind is a consultancy company in the field of IT and business development, focusing on the areas of Finance and insurance, TIME (Telecom, Information, Media and Entertainment) and Insight, targeted at businesses within new growth areas. Mind's customers include AstraZeneca, Birka Energi, Ericsson, FöreningsSparbanken, Nordea, OM, Scandinavian Leisure Group and Telia. The company is represented in Sweden, Norway and France and is listed on the OM Stockholm Stock Exchange O-list.

Condensed consolidated income statement

	1 Jan–31 Dec 2000	1 Jan – 31 Dec[2] 1999	Pro forma[1] 1 Jan–31 Dec 1999
Sales	294.7	84.9	102.2
Operating costs	-441.0	-110.9	-128.1
Comparable entries – restructuring	-59.5	–	–
Operating result before depreciation	**-205.8**	**-26.0**	**-25.9**
Depreciation of tangible and intangible fixed assets excluding goodwill	-9.9	-0.6	-0.6
Comparable items – depreciation of tangible and intangible fixed assets	-21.2	–	–
Operating result before amortization of goodwill	**-236.9**	**-26.6**	**-26.5**
Amortization of goodwill	-6.5	-0.2	-0.2
Comparable item – depreciation of goodwill	-17.5	–	–
Operating result	**-260.9**	**-26.8**	**-26.7**
Financial items, net	-0.2	-0.1	-0.1
Result after financial items	**-261.1**	**-26.9**	**-26.8**
Income/loss in subsidiaries during the part of the fiscal year when they were not part of the group	-0.6	0.3	0.3
Taxes	1.1	-0.2	-0.2
Profit/loss for the period	**-260.6**	**-26.8**	**-26.7**

Condensed consolidated quarterly income statements[3]

	Pro forma[1] Q 1 1999	Pro forma[1] Q 2	Q 3	Q 4	Q 1 2000	Q 2	Q 3	Q 4
Sales	17.2	20.6	23.9	40.5	78.9	99.0	59.1	57.6
Operating costs	-17.1	-20.7	-29.4	-60.9	-94.1	-126.5	-115.4	-105.0
Comparable items – restructuring	–	–	–	–	–	–	–	-59.5
Operating result before depreciation	**0.1**	**-0.1**	**-5.5**	**-20.4**	**-15.2**	**-27.5**	**-56.3**	**-106.9**
Depreciation of fixed assets	-0.1	-0.1	-0.2	-0.2	-1.5	-2.7	-3.7	-2.0
Comparable item – depreciation	–	–	–	–	–	–	–	-21.2
Operating result before amortization of goodwill	**0.0**	**-0.2**	**-5.7**	**-20.6**	**-16.7**	**-30.2**	**-60.0**	**-130.1**
Amortization of goodwill	0.0	0.0	0.0	-0.2	-0.7	-1.7	-2.0	-2.0
Comparable item – depreciation of goodwill	–	–	–	–	–	–	–	-17.5
Operating result after amortization	**0.0**	**-0.2**	**-5.7**	**-20.8**	**-17.4**	**-31.9**	**-62.0**	**-149.6**
Financial items, net	0.0	0.0	-0.1	0.0	-0.9	-1.9	1.1	1.5
Result after financial items	**0.0**	**-0.2**	**-5.8**	**-20.8**	**-18.3**	**-33.8**	**-60.9**	**-148.1**
Income/loss from subsidiaries during the part of the fiscal year when they were not part of the group	0.0	0.0	0.0	0.3	-0.3	-0.3	0.0	0.0
Taxes	0.0	0.0	0.0	-0.2	-0.5	-1.7	0.4	2.9
Profit/loss for the period	**0.0**	**-0.2**	**-5.8**	**-20.7**	**-19.1**	**-35.8**	**-60.5**	**-145.2**
Number of employees at the end of the period	**64**	**81**	**118**	**178**	**376**	**493**	**491**	**433**

Condensed consolidated balance sheets

Assets	**31 Dec 2000**	**31 Dec 1999**
Goodwill	51.8	4.4
Other intangible assets	0.0	2.1
Financial assets	14.4	0.0
Tangible fixed assets	18.1	7.3
Accounts receivable	37.4	32.7
Other current assets	29.6	15.3
Cash and bank deposits	85.2	10.7
Total assets	**236.5**	**72.5**
Shareholders' equity and liabilities		
Shareholders' equity	121.0	-7.1
Provisions	0.1	0.1
Long-term interest-bearing liabilities	0.0	19.2
Short-term interest-bearing liabilities	1.0	9.8
Short-term non-interest-bearing liabilities	114.4	50.5
Total liabilities and shareholders' equity	**236.5**	**72.5**

Condensed consolidated cash flow

	1 Jan–31 Dec 2000	1 Jan–31 Dec 1999
Cash flow from current operations	-173.5	-13.5
Cash flow from investment operations	-47.4	-23.5
Cash flow from financing operations	295.5	47.7

1 Comparable figures pertain to corresponding period for the previous year. 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 subsequently 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.

2 In 2000 Mind changed the 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 expense was reported for the entire fiscal year in which the acquisition occurred.

3 Amortization of goodwill for the year has been carried out on the basis of the adjusted purchase value and previous interim reports have been altered accordingly.

Conversion differences	-0.1	0.0
Change in liquid funds	**74.5**	**10.7**

Data per share before full dilution

	1 Jan–31 Dec 2000	1 Jan–31 Dec 1999
Average number of shares	34 996 741	22 465 914
Number of shares at year-end	41 538 296	23 679 200
Profit/loss per share, after tax, SEK	-7.45	-1.20
Shareholders' equity per share, SEK	2.91	-0.29

Data per share after full dilution

	1 Jan–31 Dec 2000	1 Jan–31 Dec 1999
Average number of shares	38 784 388	25 259 971
Number of shares at year-end	43 680 096	27 405 400
Profit/loss per share. after tax, SEK	-6.72	-1.07
Shareholders' equity per share, SEK	2.77	-0.25

Key figures

	1 Jan–31 Dec 2000	1 Jan–31 Dec 1999. pro forma
Operating margin before amortization of goodwill, %	neg	neg
Operating margin, %	neg	neg
Profit margin, %	neg	neg
Return on shareholders' equity, %	neg	neg
Return on capital employed, %	neg	neg
Number of employees at end of period	433	178
Average number of full-time employees	437	102
Sales per employee, SEK 000	674	1 002
Sales per consultant, SEK 000	851	1 177
Equity ratio, %	51	-10

Definitions

Number of contracted employees: At a given point in time, the number of employees in service, with the addition of the number of employees that have signed an employment contract, but have not yet begun their employment, and the deduction of the number of employees that have resigned their positions, but have not yet left the company.
Number of full-time employees, average: The sum of the number of employees at the end of each month divided by the number of months in the period.
Shareholders' equity per share: Shareholders' equity as a percentage of the number of shares at year-end.
Shareholders' equity per share after full dilution: Shareholders' equity as a percentage of the number of shares at year-end, corresponding to the number if full dilution occurred.
Sales per employee: Sales in the period as a percentage of the average number of full-time employees.
Sales per consultant: Sales in the period as a percentage of the average number of full-time consultants.
Return on shareholders' equity: Earnings in the period as a percentage of shareholders' equity.
Return on capital employed: Earnings in the period after net financial items, plus financial expenses, in relation to the average capital employed.
Operating margin: Operating margin as a percentage of sales.
Operating margin before amortization of goodwill: Operating result before amortization of goodwill in relation to sales.
Equity/assets ratio: Shareholders' equity in relation total assets.
Capital employed: Total assets, less provisions and non-interest-bearing liabilities.
Profit margin: Earnings after net financial items in relation to sales.
Earnings per share: Earnings in the period as a percentage of the average number of shares.
Earnings per share after full dilution: Earnings in the period as a percentage of the average number of shares, increased by the number of shares added on full dilution.

Changed accounting principles as regards goodwill

The fact that operations acquired are entered at a value higher than that which would have been stated in the case of acquisition at a later date does not normally have an immediate effect on the earnings or position of the Group. Corrections of goodwill are usually only carried out when a need for amortization is identified. However, during the past year good accounting practices have been updated as regards acquisitions using own shares as liquidity, and Mind has chosen to apply the updated recommendation retrospectively.

The new recommendation means that for acquisitions made via the issue of registered shares, a change is made to the measurement period during which the share price is considered to form the basis for the actual value of the businesses acquired. Previously, the measurement period was ten days before the publication of the deal. Following the new recommendation, the measurement date is to be the transaction date insofar as this does not cause appreciably large fluctuations in the share price that would result in anything other than a satisfactory expression of the actual value. In such cases, the actual value is to be set on the basis of the share price during a period of reasonable length before and after the time at which the terms of the transaction were published.

In addition, the method has been updated for fixing the purchase price of businesses acquired via publication of non-registered shares, which is applicable to Mind's acquisitions prior to flotation. The implementation of the updated recommendation is treated as a dividend of the accounting principle which involves the accounts being calculated as if the regulations had applied from the start of the year. The effects of this will be that the purchase value of the Group's goodwill has been reduced by SEK 162.9 million and that the shareholders' equity in the Group will be reduced correspondingly. Via the application of the new principle, Mind's share price during November–December 2000 can be considered a reasonable expression of the value of the businesses acquired.

The amortization of goodwill for the year was carried out on the basis of the resultant corrected purchase price, and previously issued quarterly information has been adjusted accordingly.

In accordance with the applicable regulations, Mind has also applied other newly published accounting recommendations retrospectively during the fourth quarter, *inter alia* with regard to amortization. An analysis of amortization requirements was therefore carried out at the end of the year, and as a result of this, amortization of goodwill to the sum of SEK 17.5 million has been reported during the fourth quarter.