



TurnIT ANNUAL REPORT 2000

TurnIT Supplies
TurnIT Software
TurnIT Communication
TurnIT Consulting
TurnIT Outsourcing

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The picture theme is a metaphor based on the challenges of sailing, where an excellent team-spirit is essential in successfully overcoming changing circumstances.

Every boat's crew must be able to act independently, just as with TurnIT's companies and their short internal decision paths.

Sailing also involves navigation, a metaphor on business strategy and tactics, to set the correct course and reach the goal.

TurnIT has set a course of continued growth, both organic and through acquisitions with the opportunity for the individual flotation of selected companies.

Annual General Meeting

The Annual General Meeting for 2000 will be held on 3 April 2001 at 3 p.m. at the Röda Kvarn Cinema in Stockholm.

Timetable for information from TurnIT AB

Annual Report 2000	March 2001
Quarterly Report Jan-Mar	11 May 2001
Half-yearly Report Jan-June	22 August 2001
Quarterly Report Jan-Sept	9 November 2001
Year-end Report 2001	19 February 2002

The year in summary

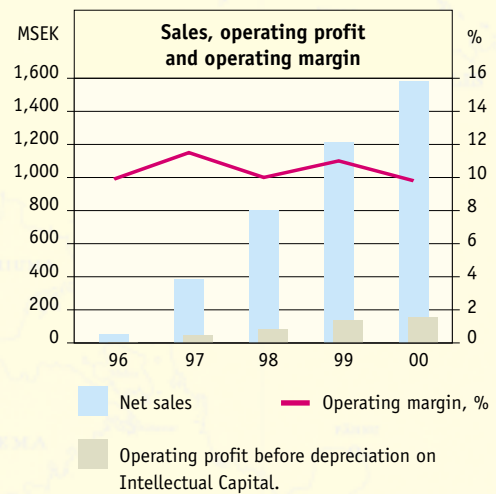
Group sales increased by 31 percent to SEK 1,580.8 million (1,210.2)

Operating profit (EBITA)¹⁾ increased by 16 percent to SEK 155.2 million (133.7), and operating margin was 9.8 (11.0) percent.

Profit after financial items was SEK 70.0 million (92.3)

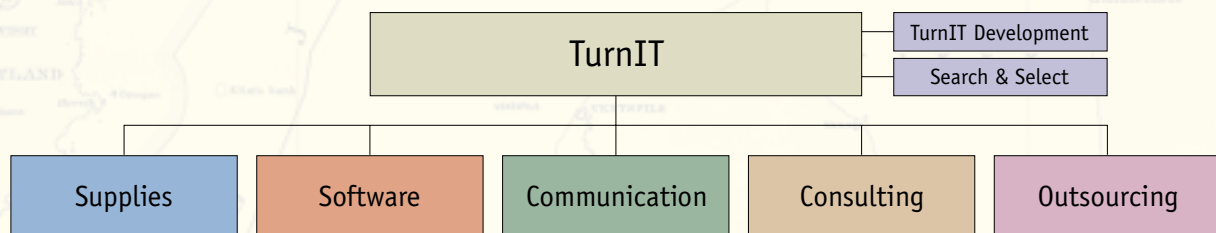
Cash flow per share²⁾ was SEK 6.32 (6.27)

The number of employees increased by 50 percent to 1,362, of whom 725 are consultants



¹⁾ TurnIT measures operating profit at the level Operating profit before depreciation on Intellectual Capital/Goodwill.

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.



TurnIT in brief

TurnIT's business idea is to acquire and develop unlisted IT companies. Since the company was founded in 1996, almost 40 subsidiaries and supplementary operations have been acquired. During 1999, TurnIT expanded its strategy to include the option of realising development gains in the event that a subsidiary requires access to venture capital through a stock market flotation, or would have better development opportunities in a different ownership constellation. Development gains may also be realised if it is clear that doing so would increase value for TurnIT's shareholders. During 2000, the shares in TriData were also sold, in exchange for 7 percent of the shares in DCM, and IAR Systems was floated on the OM Stock Exchange in connection

with an issue directed at TurnIT's shareholders. TurnIT has retained about 80 percent of the shares in IAR. With the acquisition of Arete, TurnIT's Swedish consultancy operations have been co-ordinated under Arete's strong brand and management.

TurnIT's goal is to create a group consisting of IT companies with high profitability within prioritised areas. A further goal for TurnIT, seen from the shareholders' perspective, is to offer a share with limited risk and less volatility than is general for IT shares on the stock market.

Profitability and growth remain high. Average annual growth since 1996 has been 99 percent, and operating margin has increased on average by 99 percent.

The CEO's view



Dear shareholders

The year 2000 did not live up to our expectations. A weak start to the year had been widely predicted, but it could hardly be foreseen that the effect of this would last well into the autumn. Between 1993 and 1999, the expansion of the IT sector was responsible for around 25 percent of the total increase in Swedish GNP. From 1997 to 1999, the IT sector represented more than 40 percent of the overall increase in employment in Sweden. During the same period, investment was relatively greater than the sector's corresponding share of GNP. So why has the IT sector, which has enjoyed such strong growth, come to a virtual halt within a few months? Does the fault lie with the Y2K problem?

No, of course not. We were well aware that companies were exceeding their budgets at the end of the 1990s, and that this would be balanced by cut-backs in the order volume. This is a fact which most major suppliers of IT services and products have taken into account in their calculations. But we did not know that some parts of the IT sector, e.g. the Internet consultancy companies, would rock the market. Although these companies make up only a small part of total IT operations, the fact that they and their market potential were grossly overvalued resulted in a revaluation of the whole sector. The fall has also led to the questioning of many general operating and accountancy practices, with the facts increasingly being called into question. The industry has been forced to defend itself, and is for the first time finding it a little difficult to act aggressively. Share prices have fallen sharply, and TurnIT has lost around 60 percent in one year. This is a lot, and the fact that we have done better on average than other IT companies is a poor consolation.

What we are now seeing in early 2001, is a return to more traditional IT players, where buyers and sellers are familiar with patterns and behaviour, and where the foundation is being laid for renewed confidence. Investments are being made and projects are being commissioned. The

work on hand for expert consultants is increasing and sales have picked up. If TurnIT's development gains are deducted from the earnings for the year, a full 51 percent of operating profit was generated in the last quarter of the year.

Results

Although an increase in income of 31 percent must, under the circumstances, be regarded as excellent, the low growth rate has, naturally, left its mark on our expansion as well. Sales increased from SEK 1,210 million to SEK 1,581 million. Operating profit rose by 16 percent from SEK 133.7 million to SEK 155.2 million.

SweDeltaco has continued to expand, and generated increasingly good results. The merger with Network Innovation has allowed SweDeltaco to improve its local presence through Network's sales staff, and has made Network's products available to the Scandinavian market. The operation has moved to new premises in Skärholmen, and is in process of building Scandinavia's largest e-commerce site for computer accessories. The target is for 75 percent of all orders to be handled by the commerce site, compared with the current figure of around 35 percent, which will further strengthen the competitiveness of the company. Handling costs are already low, but will only represent a few percent of the sales cost for products in the future. As a result, the lower margins will have only a minor effect on profitability.

LAC, which was acquired at the start of 2000, has demonstrated a sustained rise in profits. 2000 was the fifth year in a row in which the company increased its profits, and the sales agreements signed in the previous year, primarily with the telecoms industry, give good reason to expect that 2001 will be another year of growth.

The consultancy company Arete, previously quoted on the O list, was acquired on 1 November last year. The aims were twofold. Firstly, our Swedish consultancy operations required a collective parent body. Secondly, the operation had to be of a certain size to ensure that the company would not be excluded from, for example, major master agreement procurements.

We spent a long time searching among the larger unlisted companies, but without success. Despite the fact that Arete was a listed company, and that an acquisition would be regarded as a deviation from our strategy, it rapidly became clear that there were such great similarities in culture and expertise that an amalgamation would be very unlikely to

have any negative effects on our joint staff. We had finally found a company which would suit us, and on the basis of our Intellectual Capital evaluation model, the deal was successfully concluded. To this day, not a single employee of the new Arete Group has resigned as a result of the merger. A significant proportion of the profit of the new Arete Group was generated in the last quarter of 2000, and the target for this year is an operating margin of over 10 per cent. The start of the year has been very promising, and the new internal structure will strengthen Arete's competitiveness in the future.

Salary and personnel administration operations are being transferred to a new group called PaHR. Growth in recent years has been strong, and TurnIT regards PaHR as a strategic operation. On 31 December 2000, Palett was



“ What we are now seeing in early 2001 is a return to more traditional IT players where buyers and sellers are familiar with patterns and behaviour and where the foundation is being laid for renewed confidence. ”

acquired from IBM, creating Scandinavia's largest salary and Pa company for large public and private organisations. Sales for the current year are expected to exceed SEK 200 million, with an operating margin in the region of 25 per cent. Continued expansion in this area can be expected.

But there were also disappointments during the year. ID Network, currently trading under the name Careda after an amalgamation with Telenor's Swedish IT operation, has failed to adapt to the new conditions. The IT operation acquired from Telenor did not come up to our expectations. As a result, the company has been the subject of more widespread restructuring than originally planned, and staff has been cut by around 40 during the year. The company will focus increasingly on ASP services, and the aim is to show positive monthly results by the summer.

Innovative-IT has invested heavily in securing a position in the area of monitoring, testing and storage software for servers and server clusters. In a short time, the company doubled its staff, and when income failed to increase by nearly as much as costs, a decision was made to concentrate only on in-house products for load tests, in parallel with some profitable and well-run agencies. Restructuring costs and operating losses amounted to SEK 24 million, and the company will continue to generate smaller losses during the first quarter of the current year.

Catwalk is the only company in the Group which has performed less well in the fourth quarter than in the previous quarters of the year. The company may have been under budget until then, but the outcome of the fourth quarter increased the loss for the whole year to SEK 10



“We turn intellectual capital into growing profits” is our vision, and we are doing our best to achieve this.”

million. Catwalk's resources will now be used in the Arete environment, and will be adapted for better utilisation.

IAR Systems, which was floated on the stock exchange in June last year, has made a major effort to increase its global presence. The number of staff has been increased by 65 percent to 160 persons. In December, the company acquired Nuvation Labs in Silicon Valley, with around 30 employees and offices in Boston, Toronto, Tokyo and San Jose, California. These have made only a limited contribution to the company's income for the year. The inflow of orders has been strong during the autumn, and the company is currently working very actively to remedy the shortage of qualified staff. Investments during the year and the request from an important client to postpone deliveries resulted in an operating loss for the company of SEK -4.3 million.

TurnIT's operating profits have been charged with restructuring expenses as well as negative results in three subsidiaries: Careda, Innovative-IT and Catwalk. Together, these companies represented a charge against operating profits of SEK 59 million for the full year. Against this background, the SEK 22 million improvement in operating profits to SEK 155 million for the Group must be regarded as acceptable. TurnIT's strategy of spreading risks within the IT market has undoubtedly had a positive effect on results. Depreciation on Intellectual Capital/Goodwill increased by SEK 24 million, of which SEK 10 million represents write-downs. Financial expenses increased by approximately SEK 20 million, partly as a result of increased borrowing for acquisitions and a write-down of SEK 3.5 million for liquidity managed by funds. Profit before tax was SEK 70 million, and profit per share SEK 2.97.

Investments

During the year, the Group has invested SEK 702 million in companies and operations. The largest ones are Arete, Palett, Telenor IT and LAC, representing around SEK 600 million in total. The two largest investments, Arete and Palett, were made at the end of the year, and, consequently, these have only had a very limited effect on results. This is particularly the case with Palett, since the deal was concluded on 31 December, and the only effect is an increase in the balance sheet of SEK 170 million, this representing Intellectual Capital. There is no effect on the income statement. Investment in associated companies totalled SEK 27 million.

Investment in tangible assets amounted to SEK 85 million, an increase of SEK 62 million, which is partly attributable to an investment in property.

Training

During the year, TurnIT launched a management development programme, TurnIT Academy, in collaboration with the Stockholm School of Economics. The main task of the academy is to improve the ability of TurnIT managers to handle intangible assets, and to show them how the IC-rating Intellectual Capital tool can be used to create stability and continuity. Over the past four years, TurnIT has placed great emphasis on the importance of deep insight into and understanding of how companies which have only intangible assets at their disposal can generate good profits. If the staff cannot be persuaded to stay with the company, continuity is lost, as is the confidence of the stock market. The result of this training will soon become noticeable, and the processes currently being developed in the Group's companies with the aim of supporting continuity and stability will, hopefully, have an effect on the income statement for 2001. TurnIT invests around SEK 6 million in training and assessment tools.

Intellectual Capital

We are pleased to announce that the Swedish Financial Accounting Standards Council has drawn up new guidelines governing how Goodwill, or Intellectual Capital as TurnIT calls it, should be assessed using "impairment tests". This is an important step towards creating a more accurate picture of the companies' positions, and will, hopefully, clarify some, although unfortunately far from all, points.

As of 2001, Groups whose balance sheets include Intellectual Capital/Goodwill must carry out impairment tests. TurnIT had already introduced this in 1998, and described it in the administration report. But despite the fact that Intellectual Capital/Goodwill is frequently the largest asset of knowledge companies, there are still no instructions regarding the special analysis and description of a company's structure, holdings and risks relating to this. One reason raised in debates for not requiring companies to adopt this is that companies which have grown organically and command approximately the same market value but whose

balance sheet does not include the intangible assets item, would have to submit different accounts. But quite irrespective of whether the surplus value or difference is taken to the balance sheet or not, a regulation on this would give shareholders and the stock market a significantly better opportunity to assess the risks in goodwill. Even if there is no willingness to go this far, a simple instruction, for example, that differences, behind which are positive cash flows for the year, are to be designated Intellectual Capital, and differences behind which there are negative cash flows for the year are to be designated Goodwill, would be an improvement. Another alternative with the equivalent aim would be to require additional information on the underlying cash flows. Anyone reading the accounts would immediately have a clearer picture of the risk level in the intangible assets, and perhaps the worst and most uninformed mutations of Goodwill as an indispensable item in the balance sheets of large knowledge companies would disappear. At the same time we would achieve one of the new objectives of accounting: a fairer picture.

The future

We believe that the market will recover during the year, but the rate of growth will slow down. Our forecast is for 13-16 percent, rather than 16-20 percent. This means that competition will increase, and companies whose business idea is not sufficiently clear may expect to be eliminated.

Demand for qualitative consultancy services will increase, and it will be extremely important for stock market players to keep track of which company does what.

The importance of the demand for components for the telecoms and computer industries on TurnIT's results has increased. TurnIT will probably benefit from the changing structure of the industry and the outsourcing of production. Procurement decisions are taken by production companies with which TurnIT already has a good relationship.

We will increase our investments in cutting edge expertise in the communications convergence area in Scandinavia. In other words, we regard the development of Fiberdata as extremely important, since the market for the company's products and services will enjoy excellent growth for several years to come.



The salary and PA companies have demonstrated an impressive stability and profitability, making an expansion in this area an obvious choice.

The market for the group's in-house software has improved markedly. Alongside IAR Systems, the expansion of City-Data at the end of the last year has resulted in greater confidence. An ever-increasing proportion of sales involves in-house products, and two-thirds of the SEK 6.3 million operating profit was generated in the fourth quarter. The improvement in profits will continue in the current year.

Development gains will be realised if market conditions allow. The profit will be used for amortisation of interest-bearing loans and for financing growth.

We will continue our efforts to develop our Intellectual Capital further. We strongly believe that the way forward is based on an understanding of peoples' need for skilled management, continuous training and interesting work. As with so much else in business, it is ultimately a question of management, and we have great hopes that our managers, through TurnIT Academy and other support, will be able to further develop their ability to handle human and structural capital. In the long term, this will have a positive effect on the Group's profitability. "We turn intellectual capital into growing profits" is our vision, and we are doing our best to achieve this.

For 2001, we expect overall a significantly better operating profit excluding development gains.

Peter Enström
President

Goals and strategies



Vision

"We turn Intellectual Capital into growing profits".

Business idea

TurnIT's business idea is to acquire and improve primarily unlisted IT companies.

Goal

TurnIT's goal is to create a Group made up of highly-profitable IT companies involved in a number of prioritised areas. From the shareholders' perspective, TurnIT's goal is to offer a share with limited risk and more stable growth than is general for IT shares on the stock market.

Company status		
Profit-generating core	Development	Innovation
Arete	Careda	CityData
Retea	Computas	Insert
LAC	Fiberdata	Innovative-IT
Svenska PA	IAR	
SweDeltaco	TurnIT Development	

The companies in the profit-generating core have strong cash flows, and do not as a rule require external capital for their expansion. The companies in the development sector have positive cash flows, but can be expected to grow by irregular leaps, and so external capital may be required. Within the innovation companies, which may from time to time have negative cash flows, product development takes place continuously. This requires cost coverage from the sale of the products developed in-house, or new capital.

Development strategies

TurnIT aims to develop larger units in selected business areas. There are prioritised areas of expertise for each business area, within which TurnIT invests in future growth. These areas include systems development and systems integration, the mobile Internet, ASP solutions, PA systems and the development of total communications solutions and communications systems, also known as open broadband.

In Consulting, the prioritised market segments are banking, finance and insurance. For the outsourcing operation, including PA systems and ASP solutions, the public sector will become increasingly important. In the communications solution area, and the area TurnIT calls operator-independent broadband, the prioritised markets are for urban and regional networks, as well as domestic networks.

Acquisition strategy

TurnIT acquires unlisted companies operating in the IT sector. The aim is always for TurnIT to acquire the whole company, but in some instances, a majority share may be acceptable if this ensures that, in the long term, a 100 per cent holding can be acquired. The companies in question are often at an early stage of development or growth, with sales of between SEK 50 million and SEK 250 million. Acquisitions focus on companies with a stable operating margin, sound cash flow and a commercially strong position.

As a public limited company, TurnIT has established a strong position which attracts unlisted IT companies. As a result, TurnIT has access to a large number of potential acquisitions which, for reasons of size or maturity, would rather grow as part of TurnIT than obtain listings on their own account.

Corporate development

TurnIT has an operational structure in which all trading operations act as independent companies.

TurnIT develops companies by nurturing and securing an effective business environment, and by creating the right conditions for balanced growth. TurnIT may, for example, add supplementary operations to a company, since this is a recognised method for creating stronger and more competitive structures. TurnIT actively develops Intellectual Capital, partly by using tools such as IC Rating™. The valuation is an integral part of the company's effort to develop its operation, e.g. when drawing up business plans.

During the year, TurnIT opened the TurnIT Academy in partnership with the Stockholm School of Economics. The purpose is to further develop management in subsidiary companies, with the aim of improving their competitiveness, profitability and growth.

TurnIT also develops operations by encouraging collaboration between companies, meeting the requirement for operating capital during periods of intensive investment, and by adding valuable expertise to the work of the Boards of Directors.

Widened ownership or sale

TurnIT is prepared to consider a widening of the ownership in subsidiaries with the right potential. As a rule, this does not happen during the first three years. If it becomes obvious that a widening of the ownership in a subsidiary would lead to greater value for TurnIT's shareholders, then such a widening of ownership may be appropriate. Another reason for broadening ownership may be that the future growth and development of a company requires the injection of large amounts of capital. Alternatively, the best solution for both employees and TurnIT's shareholders may be an outright sale.

TurnIT's assessment takes into account the future growth potential of a company, its level of internationalisation, the ambitions of the management team, the result of the IC Rating™ and the company's potential for improvement. A widening of ownership is carried out in the optimum way for each individual company as well as for TurnIT's shareholders. The focus is on the potential of individual companies.

Goals for the Group's development

TurnIT's goal is that a third of its companies should be listed or be suitable for sale in accordance with the fundamental strategy. But purely structural deals may also be of interest, and may influence the objective. They generate development gains which can be used for new investments.

TurnIT also plans to build up and own a base of companies that will maximise their potential for growth through being part of TurnIT in the long term. This base of companies is TurnIT's profit-generating core.

During a normal year, the TurnIT Group has a target of 25 percent organic growth and an operating margin of at least 10 percent before depreciation on Intellectual Capital, EBITA. The companies acquired must have, or be able to demonstrate clearly that over the next twelve months they will be able to achieve, an operating margin of 10 percent before depreciation on Intellectual Capital and parent company expenses.

Financial targets

The equity ratio of the Group must not fall below 35 percent. In the long term, interest-bearing liabilities must not exceed about 20 percent of the balance sheet total.

Financing

Until now, TurnIT has used new issues as its most important form of finance. In the future, development gains, generated by a widening of ownership or sale of subsidiaries, will become an increasingly important source of finance. TurnIT will also use other forms of finance, e.g. equity or loan funding, depending on the acquisition target and the aim. New issues are also possible, although to a smaller extent.

A brief history

Since 1996, when TurnIT was founded, almost 40 subsidiaries and supplementary operations have been acquired. In 1998, TurnIT adopted its current structure of five business areas. In partnership with Intellectual Capital Sweden AB, it also developed an assessment and follow-up method which has been implemented throughout the Group. The method is aimed at developing the Intellectual Capital, i.e. the structural and human capital, and in this way improving the profitability, growth and renewal of each company.

As a result of the expansion of operations during 1999, the companies began to work together as IT partners in the market.

January 2000 saw the disposal of TriData, and in June, the subsidiary, IAR Systems, was listed on the Stockholm Stock Exchange.

As a result of the acquisition of Arete during 2000, the Swedish consultancy operations were amalgamated into one consultancy group consisting of more than 300 consultants and with annual sales of approximately SEK 400 million.

Dividend policy

TurnIT intends to continue to acquire companies in prioritised areas with the aim of creating larger units within the Group during 2001. As the Group expands, profits will principally be invested in the acquisition of new companies. No proposal for dividend payments will therefore be put to the 2001 Annual General Meeting. Dividends will be paid once the development gains have increased to such an extent that they exceed the capital required for growth in accordance with the Group's goals. Dividend will be calculated on cash flow after investment and finance operations.

Structure and organisation

To facilitate inter-company co-operation, the Group's companies are divided into five separate business areas. Each business area is based on the joint value-generating factors which are required for operational growth. The business areas illustrate the Group's chosen areas of expertise.

TurnIT has adopted a flat organisation, and no specific business area organisation has been established. Instead, the companies are managed and followed-up through a structured approach by the Board, with support provided by the support functions of the parent company.

Support functions

The parent company has a number of central departments, including finance, company evaluation, personnel, legal and market communications.

The Group's Finance Department provides the companies with support in drawing up annual accounts and reports, and assures the quality of financial reports. The department also develops financial policies and guidelines for the Group.

The parent company has the expertise necessary to evaluate companies and negotiate deals, and this is a central function in the acquisition and development of companies. In addition, this Controller function supports the companies in any acquisition negotiations. The Controller is also responsible for the budget process, as well as for follow-ups and analyses.

The Personnel Department supports the companies in the recruitment of key staff and in drawing up special incentive agreements. The department also draws up TurnIT's staff policy, and operates the TurnIT Academy.

The Legal Department supports the companies in drawing up business agreements, and the parent company in matters involving the stock market agreement and issues.

The Market Communications Department draws up policies and communications strategies, and handles any contacts with the media and analysts. It also supports the subsidiaries in their media contacts and other forms of communication.

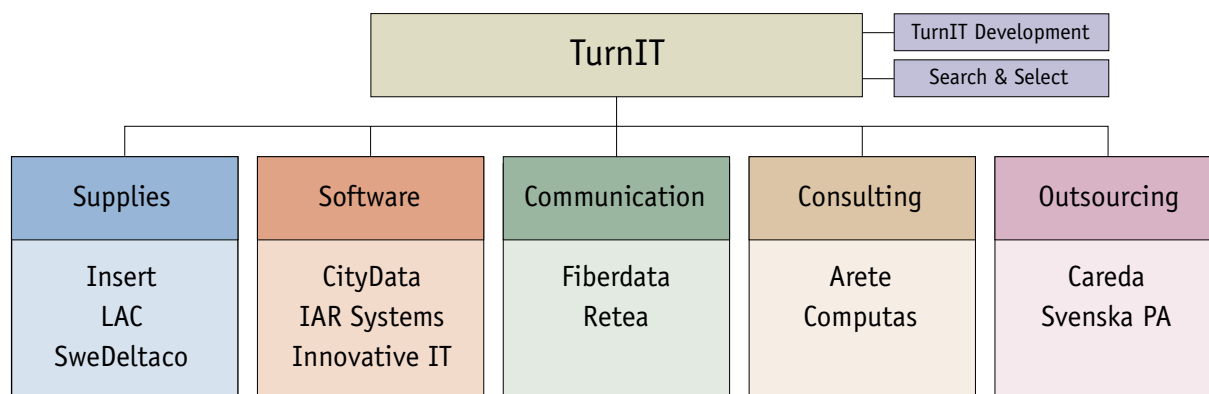
The parent company organisation supports the development of the companies and facilitates co-operation within the Group.

Companies outside the business areas

The Group also includes the recruitment consultants Search & Select, which was part of the acquisition of Arete. Search & Select improves TurnIT's opportunities to recruit suitable staff in the consultancy market.

TurnIT Development's strategy is to acquire minority shares in companies at an early stage in their development, where the risk is higher than for other TurnIT holdings.

TurnIT Fastigheter is a corporate support function, whose sole purpose is to offer optimal leasing conditions for SweDeltaco's operations.



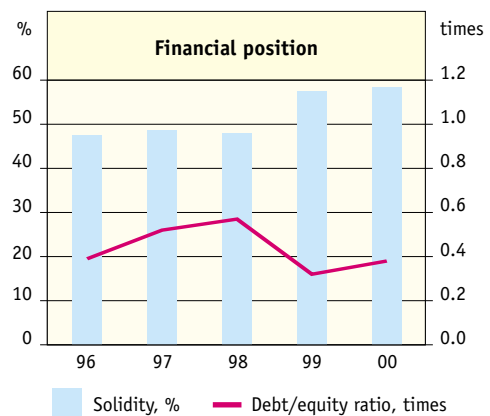
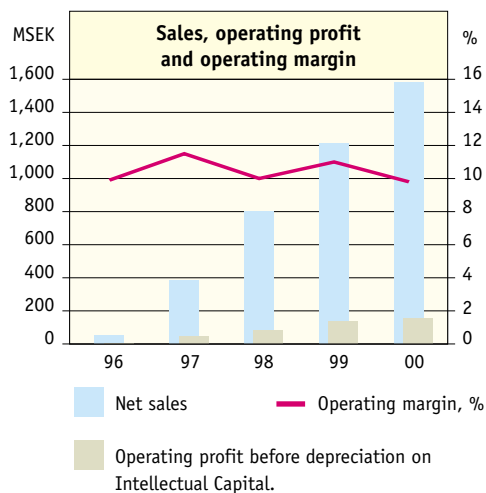


Five year summary

(Amounts in SEK million unless otherwise stated)

	2000	1999	1998	1997	1996
Sales, profit and cash flow					
Net sales.....	1,580.8	1,210.2	801.9	386.0	50.8
Operating profit before depreciation on Intellectual Capital (EBITA).....	155.2	133.7	80.2	44.3	5.0
Operating profit after depreciation on Intellectual Capital.....	94.5	97.3	57.8	30.7	4.1
Net financial income/expense.....	- 24.5	- 5.1	- 4.8	- 2.7	- 0.7
Profit before tax.....	70.0	92.3	53.0	28.0	3.4
Cash flow.....	111.1	97.5	57.8	34.4	3.8
Cash flow per share, SEK ¹	6.32	6.27	5.01	3.38	0.91
Financial position					
Equity.....	1,317.4	777.4	418.5	168.4	59.2
Equity per share, SEK ¹	64.54	47.23	31.32	16.38	8.28
Balance sheet total.....	2,323.7	1,368.3	885.8	346.1	124.5
Equity ratio, %.....	58.4	57.5	47.9	48.6	47.6
Debt/equity ratio, times.....	0.38	0.32	0.57	0.52	0.39
Interest-bearing liabilities.....	513.9	254.6	237.8	87.2	23.9
Profitability					
Operating margin, %.....	9.8	11.0	10.0	11.5	9.9
Return on equity (full tax), %.....	5.0	9.6	10.3	14.2	7.8
Return on total capital, %.....	5.5	9.2	9.9	13.5	5.4
Interest coverage ratio, times.....	3.2	8.80	7.90	8.50	4.90
Profit per share, after standard tax rate, SEK ¹	2.96	4.30	3.26	1.98	0.59
Profit per share, after full tax, SEK ¹	2.97	3.69	2.61	1.58	0.68
Average number of shares (thousands).....	17,575	15,558	10,530	7,367	2,910
Personnel					
Average number of employees.....	1,253	811	503	206	16
Number of employees at year-end.....	1,362	906	611	227	57
Sales per employee, SEK thousand.....	1,262	1,492	1,594	1,874	3,173
EBITA per employee, SEK thousand.....	124	165	159	215	313

¹ This has been recalculated in consequence of the cash issues in 1999, 1998 and 1997.
See definitions on jacket flap.



IC Rating™



The 2000 rating shows the strengths and weaknesses of subsidiaries, and provides the basis for future comparisons within each company, as well as between the subsidiaries. The rating is intended to contribute to a more accurate assessment of the Group on the capital market, and facilitate the management of the Group's operations. The result of the assessment is used by the subsidiaries when drawing up business plans and in internal communications, as well as by the Group management team in their work of developing the Group.

Most of TurnIT's companies underwent a complete rating for the 1998 Annual Report. During 1999, the rating was followed up, with the emphasis on the subsidiaries' business formulas and, in particular, the driving forces in the business environment and the subsidiaries' ability to renew themselves strategically. In the same year, the newly-acquired companies AU-Gruppen, Catwalk, Innovative-IT, Retea and Systemering underwent their first ever rating.

In preparation for this Annual Report, a complete IC Rating™ has once again been carried out for all of TurnIT's subsidiaries. The results have been compared with the last ratings for each subsidiary. The merger of Arete and the Swedish companies within TurnIT Consulting into the new Arete has posed some special problems. The ratings for the Swedish consultancy companies, which were previously part of TurnIT consulting, have been added together

and compared with the corresponding historical values. At the same time, the companies from Arete have undergone their first rating. These two assessments are presented individually in the Arete section. LAC, which was acquired in 2000, has also been assessed for the first time.

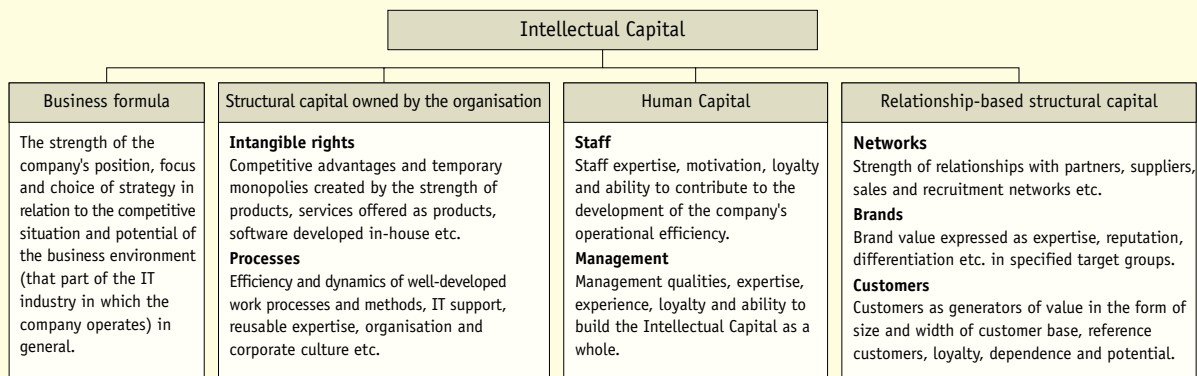
Rating method

IC Rating™ is IC AB's measuring tool for the evaluation of a company's Intellectual Capital. IC Rating™, which was launched in 1998, is the result of extensive studies of Intellectual Capital in knowledge companies. The studies showed that there is a large number of assessable factors which influence the future cash flow of a company.

An IC Rating™ is based on information supplied by persons working within the company and by external interested parties. Quantifiable in-depth interviews are carried out with people in management positions and key staff, as well as with customers, partners and suppliers. Everyone interviewed has a good understanding of the company undergoing assessment and an idea of the reference framework for the company's competitors.

IC AB carried out 15-20 interviews per subsidiary between October 2000 and January 2001. Each interview lasted 1.5-2 hours. The questions used were open or multiple choice questions, or a combination of the two, depending on the person interviewed and the purpose of the interview.

Intellectual Capital is the collective designation for non-financial assets, such as expertise, processes, customer relations, networks, brands etc. The importance of the Intellectual Capital to the competitiveness of a knowledge company, and its valuation on the stock market, is attracting increasing interest. • Through IC Rating™, TurnIT is helping to establish generally accepted forms for the systematic analysis and assessment of Intellectual Capital. In the Annual Report for 2000, just as for the previous two years, TurnIT presents an assessment of its Intellectual Capital, using the assessment tool IC Rating™, developed by Intellectual Capital Sweden AB (IC AB). According to the model used by IC AB, Intellectual Capital consists of the following components:



The parameters which form the basis for the IC Rating™ score are shown in the different boxes in the diagram. The level of interactivity between parameters, i.e. their ability to affect each other's values, is taken into account. For main parameters, please refer to the list above.

For an explanation of the IC Rating™ diagrams, please see the flap at the back of this report.



Personnel

The ability to recruit, retain and develop skilled staff is essential to the success of TurnIT's operation. This involves identifying and developing the right expertise, and creating a good working climate which promotes optimum work effort and ensures that a company lives up to customer expectations.

The subsidiaries largely work independently and are characterised by short decision paths and transparency. At the same time, they have the resources and financial strength which come with being part of a larger group. In general questions, they have access to central resources in the Group management, such as policies, corporate acquisitions, recruitment of key staff and interpretation of regulations and agreements.



TurnIT has made a substantial investment in an education programme in partnership with the Stockholm School of Economics. Here, Peter Enström is discussing the programme with Håkan Hederstjerna, President of HHS Executive Education.

Demanding development assignments and everyday challenges help to generate sharp staff who welcome further development, familiarity with contemporary and environmental matters and the opportunity to work in technically-advanced environments.

All managers of subsidiary companies play a central role in the development of the staff in their individual companies, and this makes developing qualified leaders even more essential.

TurnIT Academy and Future Leader

During 2000, TurnIT, in collaboration with the Stockholm School of Economics, invested heavily in a high-level development programme for the Group's top managers and key staff. The TurnIT Academy is a development programme geared to growing companies, with a scope similar to that of an Executive MBA. The depth of the programme has been inspired by the School of Economics' strategic, financial and leadership programme, with a strong emphasis on growth. The programme spans a year, the first course, Executive Leaders, is aimed at the presidents of subsidiaries. The next stage is aimed at those nominated by their companies as Future Leaders.

During 2000-2001, a total of 90 people will take part in the year-long programmes, which include strategies, leadership in a growth company, company evaluations, acquisitions and stock exchange flotations.

To stimulate staff development, an MBA scholarship will be awarded once a year on the basis of nominations submitted by the subsidiaries.

Incentive programme

Every subsidiary has the freedom to develop its own bonus schemes and systems for rewarding performance. In addition, the Group offers a staff share options programme, which TurnIT was the first company in Sweden to introduce. This programme has been reinsured. The programme will not lead to any dilution for the shareholders. The share options programme gives the staff the opportunity to benefit from the long-term increase in the value of shares. The condition for exercising the options is that staff members continue their employment until the exercise date which will be, at the earliest, in 2003. The exercise price for the programme is equivalent to SEK 209.40. The programme was extended in connection with the acquisition of Arete, this time with an exercise price of SEK 110.05.

TurnIT Supplies

The aim of Business Area Supplies is to expand SweDeltaco to a position as one of Scandinavia's largest e-commerce based suppliers of accessories and peripherals to retailers, and in the long term, through LAC, to become a significant global supplier of components for the IT and telecoms industries.



The year 2000 saw the acquisition of the components trading company, LAC, and the merger of Network Innovations and SweDeltaco.

E-commerce based sales have increased rapidly in Sweden, and are gradually picking up in the other Scandinavian countries as well. The conditions in the output data market have changed, and for this reason Insert has gradually been repositioned to offer print-on-demand services. LAC's sales are aimed at sub-components for systems for the mobile Internet and subsystems for network solution. Due to its specialist areas, the company has maintained a strong position in the European market.

The market

The market for network equipment, accessories and other peripherals is estimated at approximately SEK 7 billion in Sweden according to EITO 2000 (the European IT Observatory). The driving forces for its development are different from those which characterise PC sales. Professional and domestic use of networks and peripherals is increasing. The service life of PCs is being extended through upgrades and networks for high-speed Internet access, and this is expected to increase demand for SweDeltaco's products.

During the year, the market for components for the IT and telecommunications industries has suffered from a shortage of components, with premiums available to suppliers who were able to meet the acute demand. A high degree of adaptation to customer requirements in combination with secured supplied capacity from some of the world's largest producers of components ensured that the company profited from its ability to deliver.

Co-ordination and improved efficiency in purchasing operations, satisfactory cost management and effective distribution channels allow SweDeltaco to operate with good margins. The company's sales show a high turnover rate, which means that little capital is tied up in stocks. An effective e-commerce solution aimed at retailers ensures the best possible opportunity to increase the sale of accessories outside Sweden as well, with negligible customer losses.

Strategy

Strong customer relations based on the companies' ability to handle orders electronically, or very fast, and their just-in-time delivery capabilities, have created very strong positions for SweDeltaco and LAC. Through further development of e-commerce solutions and sales agreements, as well as by improving the purchasing operation, they will make their positions even stronger.

The expansion of the e-commerce system and LAC's global agreements mean that the cost of widening sales into different geographical markets is low.

Threats and opportunities

The main competition faced by SweDeltaco will be from global players. Adaptation to local markets is often expensive for these players, since it involves adapting their ranges and delivering small quantities of products.

LAC's components sales face competition mainly from global competitors. LAC has developed in-depth partnership agreements with several of the world's largest telecoms companies. LAC sells components on a global basis, which eliminates the risk of customers relocating their production operations.

The future

During 2001, the market for PCs is expected to grow by approximately 5 percent, and there will be a continued global shortage of components for the IT and telecommunications industries. Supplies expects to reach the target of a minimum 25 percent growth in profits. Factors which drive this strongly are the development of networks and the convergence between computers and telecommunications, which will expand the applications for computer equipment and lead to new requirements for accessories and more advanced components. Various types of Internet usage will increase, leading to growing customer demand.

TurnIT companies in this segment: Insert • LAC • SweDeltaco

Other Swedish companies in this area: Nocom • IMS Data • and others

Net sales	MSEK	%	Proportion of Group operating profit 2000 ¹⁾		Percentage of Group operating profit before depreciation on Intellectual Capital 2000 ¹⁾	
1997	136.9	35	26% 		37% 	
1998	222.5	28				
1999	303.1	25				
2000	405.0	26				
Operating profit (EBITA)						
1997	27.4	62				
1998	33.3	42				
1999	46.0	34				
2000	57.4	37				

¹⁾ The total of the parts may differ due to group eliminations.



Insert is a total supplier in the output data area. It is a well-established company with in-depth understanding of the industry, offering leading brands.

Key data	00	99 ¹⁾	98 ¹⁾	97 ¹⁾	96 ¹⁾
Net sales, SEK million	39.4	71.3	70.3	64.1	68.7
Sales margin, %	neg.	4.6	2.0	2.7	20.5
Average number of staff	29	37	34	40	43
¹⁾ These figures include Transnordic, which has now been liquidated					
Part of the Group since 1 November 1999.					

Insert's
President,
Peter Ståhl



Insert offers total solutions for output data management, graphics products and systems for print-on-demand and customer relationship management, CRM. Irrespective of what a client may need – from the smallest desktop model to large systems for professional users – Insert has the solution. The company is a universal agent for several world-leading brands in these areas, including Bell+Howell, Bourg, Bryce, EBA, Hunkeler and MB. Insert is also an agent for Renz and Scitex.

Clients include the output data and printing departments of banks, insurance companies and public authorities, as well as the graphics industry, who purchase fast, advanced address printers, enveloping systems, print-on-demand and finishing equipment. The systems are customised to meet the requirements of individual clients. Insert has supplied, for example, the direct mail sorting machines used by the Swedish Post Office, as well as systems which print manuals for mobile telephones and books on demand. The office machinery range includes address printers, shredders, franking machines, binding machines and enveloping machines. Inset works in partnership with several printer suppliers, including Xerox, IBM, OCE and Wasberger.

In 2000, sales represented approximately 53 percent and services approximately 47 percent of turnover.

Insert has signed master agreements with, among others, the Swedish National Agency for Services to Universities and University Colleges, the National Corporation of

Swedish Pharmacies and Handelsbanken. Other clients include IBM Global Services, the National Swedish Social Insurance Board, the Swedish Post Office, SEB, Sema Group, the Swedish Parliament and Xerox. The company's ten largest clients are together responsible for just over 35 percent of sales.

Restructuring during the year

During the year, the general agency for Hunkeler and the agency for KAS were transferred from TurnIT's former subsidiary, Transnordic. In connection with this, the agency for Kern was wound up. The restructuring process generated some uncertainty among clients, and resulted in a loss of market share for Insert in the beginning of 2001.

Sales and results

Insert's sales amounted to SEK 39.4 million during 2000. The fall in sales is due to a general weakness in the market, which increased further as a result of the increased uncertainty among clients in connection with the winding up of the Kern agency. The market improved towards the end of the year. By the end of 2000, Insert had an excellent order stock. Operating loss amounted to SEK –2.2 million.

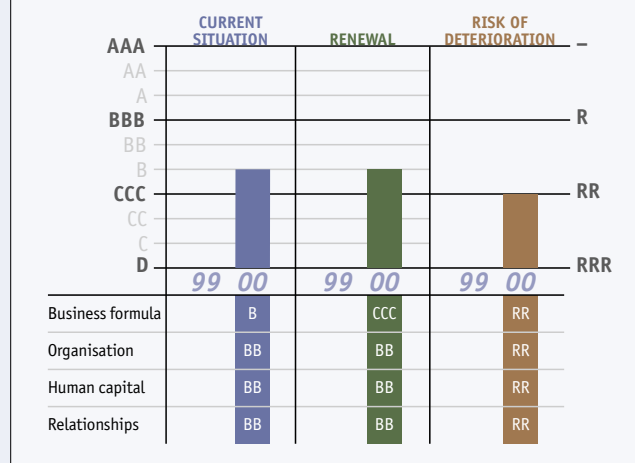
By the end of the year, the trend in results was positive.

The average number of employees was 29.

Intellectual Capital - IC™

Since the time of the last IC Rating™, the then Insert/Transnordic has undergone such substantial changes that an historical comparison is not relevant. We will, instead, present the latest rating.

On the IC Rating scale, Insert has a relatively low level of efficiency, and the efforts the company is making to renew and develop its Intellectual Capital are relatively weak. The risk of the current level of efficiency deteriorating is estimated as high. The staff and the intangible assets represent the strongest parts of Insert's Intellectual Capital.



New opportunities for development and growth

The output data sector is one part of the IT industry which, until now, has grown more slowly than other areas. The sector is undergoing a major consolidation, through acquisitions, mergers and outsourcing. This has created new opportunities for development and expansion. The output data area is increasingly merging with the graphics area, and clients, who have come to see it as an integral part of their company's IT strategy, are now paying it more and more attention.

Paper-borne information is facing major changes. It will become more refined and continue to represent an important form of communication. Improvements will include increased automation, simpler interfaces with alternative IT technology, improved security and integrity, as well as more refined customer relationship management. Using advanced customer databases and modern equipment for output data management the right conditions are being created for handling large volumes of customer-specific dispatches.

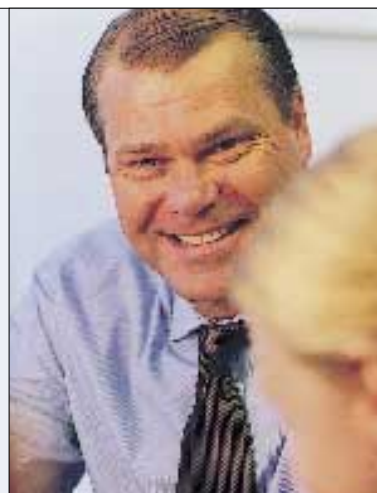
In the print-on-demand area, there is considerable scope to increase the degree of refinement. Insert's aim is to develop new services continuously. In the long term, Insert will develop its range to include turn-key solutions, where the company handles all the tools clients require for their output data management – machinery, staff, maintenance, consultancy services and finance.

Focus on profitability

In 2001, Insert will focus more closely on the profitable parts of its operation, e.g. the service market, which represents an important area with a high level of growth. Print-on-demand, an area where Insert has a strong product programme and can offer an attractive range of services, is also expected to grow. In addition, it will be extremely important to improve the canvassing of existing clients, since this will generate additional sales. Having lost market share in 2000, Insert expects to strengthen its market position during 2001.



LAC Electronics is a well-established and fast-growing supplier and developer of components for the data and telecommunications industries throughout the world.



LAC Electronics' President, Torbjörn Heidergren

Key data	00	99	98	97	96
Net sales, SEK million	79.7	62.6	55.1	39.9	27.2
Sales margin, %	26.9	5.3	2.4	2.0	2.8
Average number of staff	21	22	20	21	13
Part of the Group since 2000					

LAC supplies components for, among other applications, power supply equipment, capacitors, inductors and frequency equipment. Its products are used in the radio frequency area, signal filtration and booster functions for circuits in mobile telephony and data communications. Other applications include digital WAN and mobile telephony networks, as well as fixed access networks.

LAC offers a wide range of products in the components areas which are the company's core business, and this means that it can take total responsibility towards clients. This means that the company's clients can avoid dealing with several different suppliers, which simplifies their planning, purchasing and manufacturing processes.

LAC's suppliers are located in China, Taiwan, Malaysia, Mexico, Spain, Italy, Switzerland and Great Britain. Products are purchased under customer agreements and are checked at the distribution centre in Stockholm, which carries out adaptations, preparation, checks and testing. If required, LAC will also keep stocks on clients' premises. Products tailored to the needs of individual clients represent approximately 60 percent of sales.

LAC ensures an efficient flow of components from several different manufacturers to the same client. The company's logistics system facilitates deliveries straight to the production lines of the client companies. A major factor in the company's success is its ability to handle just-in-time deliveries of the right quantities throughout the world. LAC has a delivery time of 24 hours for clients in Europe and 48 hours in the rest of the world.

LAC's clients include many of the world's largest telecommunications and data communications companies, such as Ericsson, Nokia, Dell, Compaq, Sun and Hewlett Packard. In 1999, LAC started canvassing contract manufacturers, with great success. This category of clients includes SCI, Celestica, Solectron, Avex, Flextronics.

Extremely good profit margin

During 2000, LAC's sales rose by 27 percent to SEK 79.7 million. High demand in all product areas and a successful start as a supplier to contract manufacturers had a positive effect on sales. Operating profit amounted to SEK 21.5 million (3.3). LAC's increased invoicing for new GPRS systems had a positive effect on profits. During 1999, several projects were run with increased expenses, but these have resulted in substantial increases in income during 2000. The average number of staff was 21 (22).

Rapid growth

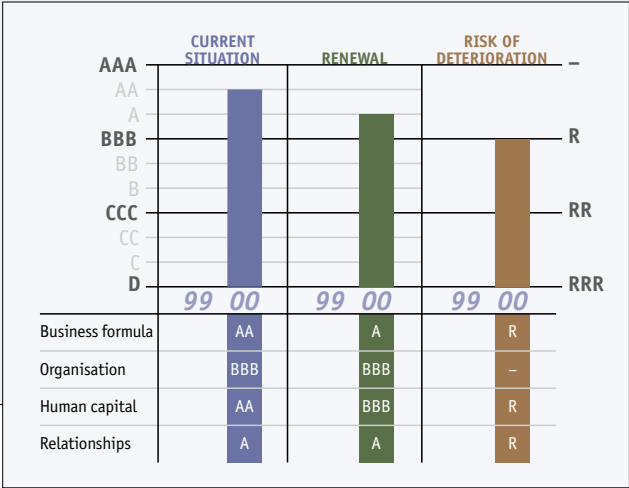
LAC is taking advantage of the rapid growth of the tele and data communications industry. The company's broad and deep range in each product area, with the emphasis on customised components, has proved to be a competitive advantage. LAC has components for all mobile telephony systems which will be implemented in the next few years: GPRS, WCDMA and UMTS (3G).

Intellectual Capital - IC™

LAC has a very high degree of efficiency and is making excellent efforts to renew and develop its Intellectual Capital. There is a moderate risk that the current level of efficiency will deteriorate. The human capital and the business formula represent the strongest parts of LAC's Intellectual Capital.

Demand for LAC's products is expected to grow rapidly. The explanation for this lies in the working methods developed and refined by the company during its longstanding involvement in the sector. LAC's operationally-critical processes for purchasing/logistics and warehousing are functioning effectively, and are relatively well documented. There are continuous attempts to renew various routines and to make them more efficient.

The operationally-critical supplier and distributor networks are assessed as being very strong, while the company's recruitment network is weaker.



Contract manufacturers are a prioritised group of customers. Their growth is powered by, for example, the mobile telephony companies, which concentrate their resources on development and marketing, and who farm out an increasing amount of production to subsidiaries. LAC has created a strong position, and is listed as a prioritised supplier by all the major contract manufacturers.

In October 2000, LAC signed an agreement with Yageo Phycomp on global sales rights for components for energy storage, interference elimination and radio frequency modulation, also known as RC components. The agreement represents a breakthrough and may double LAC's sales. As the only global distributor, LAC will have a unique opportunity to sell Yageo Phycomp's components to all contract manufacturers, as well as to producers of Nokia and Ericsson products. The agreement provides considerable benefits, since it will allow LAC to present a broader product portfolio to its existing clients.

In October, LAC won an American order for components for mobile Internet systems. The annual volume of the order is estimated at approximately SEK 32 million.

Growth among contract manufacturers

During 2001, LAC intends to focus further on more processed and customised components. The canvassing of the market will intensify, particularly with respect to contract manufacturers. The trend towards customers preferring to work with fewer but larger suppliers is expected to continue, and this will benefit LAC, which has a strong position in its product areas.



SweDeltaco is Scandinavia's leading distributor of computer accessories, with operations in Sweden, Finland and Denmark. During 2000, Network Innovations was absorbed as a subsidiary into SweDeltaco, adding products for professional communication and graphics tools to the operation.

Key data	00	99	98	97	96
Net sales, SEK million	282.2	230.5	155.5	105.6	75.3
Sales margin, %	15.2	17.6	17.5	19.2	12.8
Average number of staff	56	48	31	19	15
Network Innovation is included in all figures Part of the Group since 1997					

SweDeltaco's President, Mohammad Motazed



SweDeltaco is Scandinavia's largest distributor of computer accessories to retailers. With a stock of over 4,000 articles, the company is well known for its wide product range, including own-brand products, as well as famous brands like Logitech, Samsonite and Zyxel. The largest purchasing markets are Sweden and the Far East, particularly Hong Kong and Taiwan. Own-brand products have a higher margin and represent approximately 30 percent of sales.

SweDeltaco's sales channels are the e-commerce site on the homepage and the product catalogue. During 2000, around 30 percent of orders were placed via the Internet. The aim is to increase this share to 50 percent in 2001, when the e-commerce site will be tied more closely to the company's business system. This will make the clients' ordering processes even simpler, since they will, for example, be able to see stock balances.

There are several companies in the market which compete in some areas of SweDeltaco's product range, but no one else can offer as comprehensive a range. SweDeltaco's clients like the fact that they can obtain all their computer accessories a single source. Further strengths include considerable logistics expertise and a high level of service, as well as extremely reliable deliveries.

SweDeltaco has 4,700 registered customers. They include distributors, independent computer shops, industrial clients, PC builders, mail order companies and retailers. Reliance on individual customers is small. The ten largest customers represent around 20 percent of sales in the Swedish market.

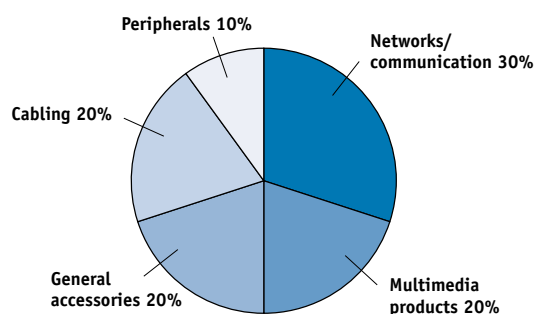
Sales and results

In 2000, SweDeltaco's sales rose by 22.4 percent to SEK 282.2 million (230.5). The increase is partly due to the acquisition of Network Innovation and partly to a rising market share in Sweden. Exports to Europe also increased. Operating profit was SEK 42.9 million (40.5), which is an improvement of 6 percent compared with 1999. Excluding Network Innovation, profit would have increased at the same rate as sales. Operating margin was 15 percent.

Focus on rapidly-growing product areas

PC sales in Sweden fell during the first half of 2000, compared with the same period in the previous year. Despite this, demand from PC builders remained largely unchanged. At the same time, the sale of notebook computers increased, creating a new opportunity for SweDeltaco. The fastest-growing customer categories are mail order companies, such as Dustin, and suppliers of industrial solutions, including Elfa.

SweDeltaco sales 2000, %



Intellectual Capital - IC™

The SweDeltaco Group has a high level of efficiency and is making relatively good renewal efforts. The risk that the current level of efficiency will deteriorate is assessed as moderate. The level of efficiency has remained unchanged from the previous rating, while the renewal efforts, which was previously only rated as average, have improved. These changes are related to an increased effort to renew and develop the Group's Intellectual Capital. In the last assessment, the risk was rated as high, but has now fallen substantially as a result of the appointment of a new President during the period, with leadership being spread over a larger number of people. This has made the organisation less vulnerable, should key staff resign from the company. Another factor which has reduced the risk is that network

contacts are handled by more people within the company.

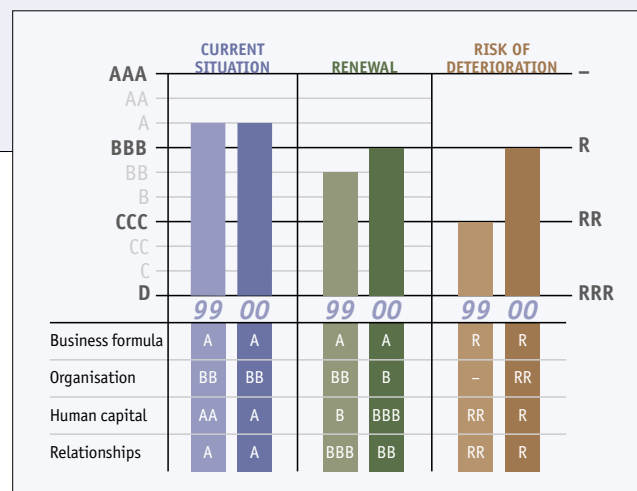
The Intellectual Capital is strong in all aspects, with the exception of the weaker organisation-owned structural capital. With respect to the Group's processes, there are major variations between SweDeltaco and Network Innovation, with the latter having the more highly-developed processes and better focus on them. By utilising the strengths of the companies better, SweDeltaco should be able to achieve synergies which would further increase the value of its Intellectual Capital.

SweDeltaco was previously best known as a supplier of cabling, but over the past few years, the proportion of sales from more rapidly-growing areas has increased. The largest expansion is in the networks/communications and multimedia areas. During 2000, SweDeltaco deepened its range in each of these categories.

Network Innovation adds new products

Network Innovation imports and markets products for professional communication and graphics tools. Products for professional communication include products used by companies in their workflows or in internal and external communication.

Network Innovation's main focus is the sale of products for the Macintosh environment and the graphics industry. The company represents around thirty foreign manufacturers on the Swedish market. The product range includes about 500 articles which can be divided into three areas: network and communications solutions, volume products and graphics tools. The products are sold via retailers throughout Sweden. The principal business area is graphics tools, including software for advanced graphics processing, multimedia databases and pre-press products. Volume products include modems, screen cards, scanners and simple accessories. The network and communications solutions product area offers, for example, solutions for teleworking, ISDN communication, computer switchboards, firewalls and VPN solutions.



Further expansion

SweDeltaco has been active in Finland since 1999, when a company was acquired. A high level of service and delivery reliability has contributed to SweDeltaco's success in Finland. In 1999, SweDeltaco started a small operation in Denmark. The company is continuously investigating the opportunity to establish itself in Norway, via acquisition or through joint ventures. Other countries which may be of interest for further expansion are Germany and the Netherlands.

Adapting to rapid growth

SweDeltaco believes that the very high rate of expansion will moderate slightly during 2001, while a good level of profitability will be maintained. During the year, the range will be increasingly adjusted towards the fast-growing industrial customer segment, which means largely network and communications equipment. SweDeltaco will also increasingly canvass existing clients, with the aim of improving awareness of the company's full product range.

TurnIT Software

A circular inset photograph showing two fishermen in white shirts and dark overalls pulling a fishing net on the deck of a boat. The net is filled with fish, and the water is splashing. The background of the entire page is a high-contrast, reddish-orange photograph of a ship's deck and rigging.

The aim of the Business Area is to have at least two software products which will be launched globally during each five-year period.



IAR, which was floated on the Stock Exchange in 2000, is currently TurnIT's most successful global product company. The software development companies, CityData and Innovative-IT, have also proved themselves able to make software commercially viable very quickly. TurnIT has not limited its investment horizon to any specific area, but concentrates on acquiring software companies which have reached a certain stage in the development cycle.

The development of the companies in this business area is well on target. IAR's products are sold in most parts of the world, while CityData's products have gained recognition through partnerships with both Microsoft and IBM, although these products are still awaiting a world-wide launch.

The market

The demand for improved efficiency and system development in the IT industry and among its customers is increasing. There is a growing number of professional areas with a requirement for different applications which have not yet been developed. The success of newly-developed software relies on the cost of development being spread over a large market, making a global presence essential.

Strategy

TurnIT will continue to develop companies which offer products which have reached, or have the potential to reach, a global market. The software must have completed the development stage, and must have achieved market acceptance. This limits the risk in these investments.

Threats and opportunities

For Business Area Software, the best prospect is a successful global launch. That is also why this business area represents the greatest risk, since unsuccessful investments may be costly. Software can also lose market share if the market experiences major changes, due to, for example, technical innovations or the growth of competing applications.

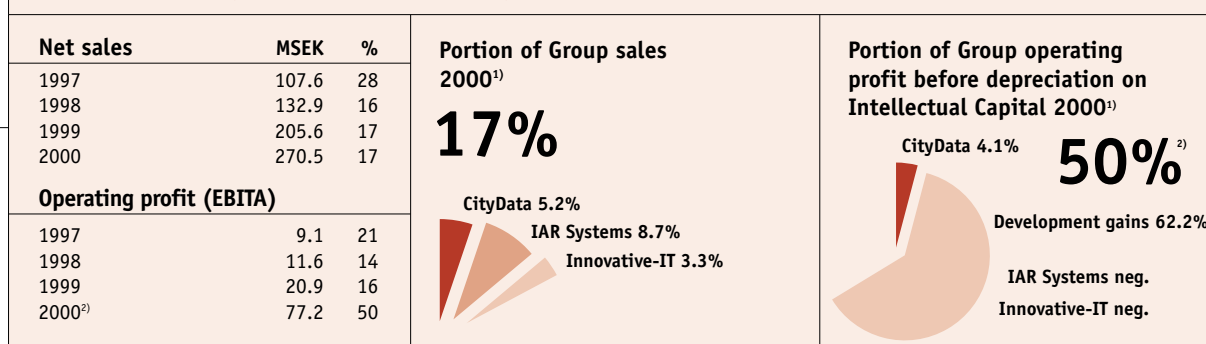
The product development of individual companies is broad, with several applications at different stages of development. Many of the companies are, in addition, agents for other software, and this reduces the risk.

The future

The companies in the business area are developing well and several of their products are candidates for global launch. Sales may, in the first instance, be co-ordinated in partnerships or distributed via the Internet. Pilot projects in this area have already started, and several thousand downloads of beta versions have been carried out. In 2001, TurnIT will be aiming to increase its efforts to locate software companies which will further expand the breadth of the business area operation.

TurnIT companies in this segment: CityData • IAR Systems • Innovative-IT

Other Swedish companies in this area: Telelogic • Enea • and others



¹⁾ The total of the parts may differ due to group eliminations.

²⁾ Operating profit for the Group for 2000 includes a profit arising from development gains on the sale of IAR shares of SEK 96.5 million.

CityData

CityData markets the Conisio document management program, which was developed in-house, and is Sweden's leading distributor of AutoCAD and AutoCAD LT with its own industry-specific applications including mechanical engineering, construction, heating, ventilation and sanitation engineering, electricity and telecommunications registration and 3D solutions for mechanical design and visualisation.



CityData's President,
Staffan Haegermark

Key data	00	99	98	97	96
Net sales, SEK million	82.0	65.8	56.0	37.4	37.6
Operating margin, %	7.7	2.9	5.1	4.0	13.2
Average number of staff	28	31	29	16	13
Part of the Group since 1996					

Thanks to a comprehensive product range, training, technology, support and strong sales and marketing back-up, CityData has achieved a unique position as a value-adding distributor in the Swedish market. In the past year, CityData has carried out an internal restructuring process and has invested in particular in staff and technology, with the aim of satisfying market requirements and the enormous demand in several product areas, both in Sweden and internationally.

Sales and profit

CityData's growth continued during 2000. Sales increased by 24.5 percent to SEK 82 million (65.8). Operating profit amounted to SEK 6.3 million (1.9). The average number of employees was 28 (31).

AutoCAD and industry-specific applications

In the CAD area, CityData distributes the Autodesk products, AutoCAD and AutoCAD LT, including industry-specific applications for mechanical engineering, construction, electricity, heating, ventilation and sanitation and telecommunications registration. 2000 saw the launch of two new versions, AutoCAD 2000i and AutoCAD LT 2000i. CityData has also adapted AutoCAD LT to the Swedish market with a Swedish-language version.

CityData's own application Mechanical LT for AutoCAD LT experienced a market breakthrough in 2000.

Mechanical LT is a highly-effective tool for two-dimensional engineering design. As well as being sold in Sweden, Mechanical LT is also available in the rest of Scandinavia, Great Britain, the Benelux Countries, Germany, Japan and Korea.

3D Engineering – moving forward strongly

CityData's engineering group has had major success in the 3C engineering area, where it distributes the Mechanical Desktop and Autodesk Inventor solutions. During 2000, it linked up with some of the strongest retailers in the area, who were attracted by the company's expertise and high level of service. The strong economic situation in the industry, in combination with some very exciting products contributed to the very high level of demand in late 2000.

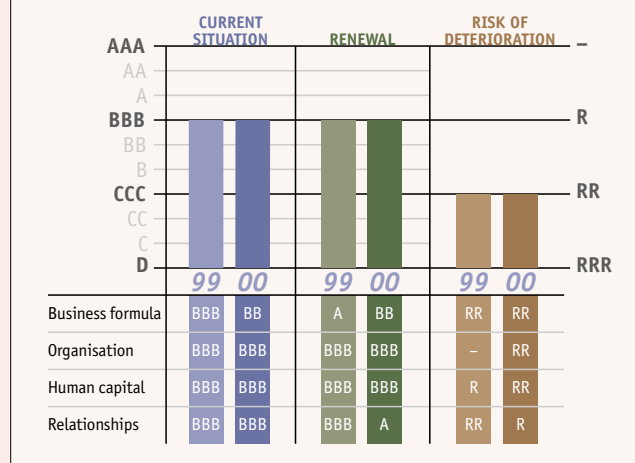
Considerable interest in Conisio

The number of documents in circulation is constantly increasing in the majority of organisations. These documents often represent considerable work input and irreplaceable knowledge. Many are changed continuously and they may be handled by a large number of people involved in several different areas in an organisation, including design, quality assurance, marketing and production.

For people involved in document handling, CityData offers Conisio, which was developed by its subsidiary, GCS Scandinavia AB. Conisio is based on newly-developed

Intellectual Capital – IC™

As in the previous IC Rating™, CityData has a relatively high level of efficiency, and is making a relatively good effort to renew and develop Intellectual Capital. The risk of the current level of efficiency deteriorating is assessed as moderate. The deterioration in profit since the previous year's rating is primarily related to changing circumstances in the business environment. The strongest part of the Intellectual Capital is CityData's intellectual property rights.



technology, and it eliminates the risk of common and extremely costly mistakes in the handling process for all types of documents. Since the handling of documents frequently involves a whole organisation, Conisio can be used not only in the CAD environment, but at all work stations.

Conisio's user interface is fully-integrated into Microsoft Windows. Conisio does not require the expensive adaptation of applications currently in use. Most users feel at home in the Windows environment, and this minimises the need for training and increases productivity. The latest version of Conisio also contains a web client, which allows users to follow, for example, a project without geographical limits. Conisio is available and in use in Sweden, Norway, Finland, Denmark, Great Britain, the Irish Republic, Australia, New Zealand and Japan.

New partnership agreements

Important agreements with Microsoft and Autodesk, which facilitate easy integration with their products, were renewed. The agreements with Microsoft and Autodesk involve a continuation and expansion of the the parties' joint marketing operations. During the last few weeks of 2000, an agreement was signed with Cadpoint AB, which develops the construction application Point for AutoCAD. The basic Point module includes the document handling system PDoc, which has been supplied to 20,000 users in Scandinavia.

The agreement involves the replacement of PDoc with Conisio as the Point range document manager. CityData believes that the agreement has great potential.

During 2000, partnership agreements have also been signed with SolidWorks. This agreement makes GCS Scandinavia AB the first Swedish developer to hold SolidWorks Solution Partner status. As a result of the partnership, Conisio had its own stand at the SolidWorks World conference in Florida in February 2001.

During the year, GCS Scandinavia AB was also appointed International Software Vendor by IBM.

Great demand for in-house products

The market for CAD products continues to grow, albeit at a more moderate rate than the market for document handling systems. The sales potential for the in-house product Mechanical LT is estimated as very high. Mechanical LT and Conisio have been developed by CityData's subsidiary, GCS Scandinavia AB.

CityData believes that the engineering design area also has great potential, and has noted very high demand for Autodesk Inventor from the 3D mechanical engineering sector.

During the autumn, CityData noticed a considerable increase in market interest in Conisio, and future sales growth is expected to be very good indeed.



IAR is one of the world's leading producers of software for programming microprocessors in built-in systems.



IAR System's
President,
Tomas Wolf

Key data	00	99	98	97	96
Net sales, SEK million	137.2	93.7	74.0	56.0	45.9
Operating margin, %	neg.	12.0	14.8	14.1	17.3
Average number of staff	147	92	65	46	39
Part of the Group since 1997					
TurnIT's participating interest amounts to 80 percent					

In June 2000, TurnIT widened the ownership of IAR, and the company's shares were listed on the OM Stockholm Stock Exchange

IAR offers software products for the development of programs in built-in systems. IAR's products are part of an overall approach aimed at reducing customers' development times. Built-in systems control or monitor processes in other products, such as fuel injection systems, industrial robots, cameras, laser printers and mobile telephones.

The product portfolio includes programming tools such as compilers and de-buggers (translation tools for program languages), specially-adapted tools for Bluetooth applications and graphic programming tools. Graphic programming tools are tools that support microprocessor programming, using symbols and diagrams. In contrast to traditional programming, it also generates program codes automatically, speeding up product development and improving quality. IAR's products are suitable for a large number of microprocessors with a memory capacity of 8, 16 or 32 bit. IAR also offers consultancy services, and this is a rapidly-expanding part of the operation.

Clients include leading micro processor manufacturers, as well as end-customers i.e. companies which use microprocessors in the production of telecommunications equipment, vehicles or consumer electronics, for example. IAR works in partnership with a large number of microprocessor manufacturers, including Atmel, Hitachi, Mitsubishi, NEC and Texas Instruments. End-customers include ABB, BMW, Bang & Olufsen, DaimlerChrysler, Ericsson, Nokia and Sony.

During the year, IAR launched several new products for different microprocessors, and the company won substantial orders from several leading companies, not least in the important American market. New, unique products for Bluetooth applications were introduced as was an embedded workbench product for a popular 32-bit processor from ARM.

In December, IAR acquired the American company, Nuvation Labs Corporation, in San Jose, California. The acquisition will further strengthen IAR's position on the American market. North America is the largest market for built-in systems, representing 50 percent of the world market, while Europe has 30 percent and Asia 15 percent.

IAR's head office is situated in Uppsala, Sweden, and as well as its Swedish operation, the company also has its own operations in Denmark, Great Britain, Canada, Germany and the US. IAR's export share is over 86 percent and the company's products are sold in around 35 countries.

Sales and results

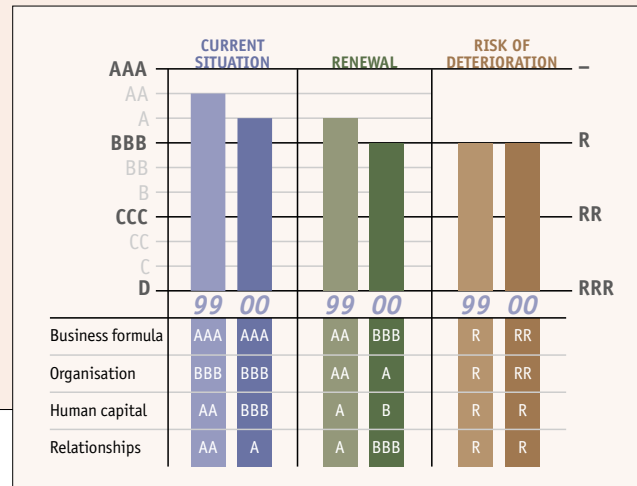
Sales increased by 46 percent to SEK 137.2 million (93.7). The acquired Nuvation Labs operation is responsible for SEK 30.7 million of this increase. Sales of licensed software amounted to SEK 91.8 million (85.1), equivalent to an increase of 8 percent. Sales during the third quarter were lower than in 1999, mainly as a result of uncertainty in the market which arose partly from the global shortage of components. However, organic growth during the first six months of the year was 25 percent, and growth in the fourth quarter was 24 percent. Sales of consultancy services

Intellectual Capital – IC Rating™

IAR Systems has a high level of efficiency and is making relatively good efforts to renew and improve its Intellectual Capital. The risk of a deterioration in the current level of efficiency is assessed as moderate. The business formula, in combination with the external relationship capital, represents the strongest parts of IAR Systems' Intellectual Capital. In the previous rating, the level of efficiency was rated as very high and the renewal efforts as good. The risk was assessed as moderate then as well.

The change in the level of efficiency is due to a slight deterioration in human capital as well as in relationship-based structural capital. Since the last IC Rating™, IAR systems has changed its competitive situation by broadening

its product range and by competing on a global market. This affects mainly the strength of the company's brand and network, as well as the risk in the business formula.



(application development) increased to SEK 45.4 million (8.6), partly as a result of the acquisition of Nuvation Labs. Excluding this acquisition, income from application development increased by 80 percent to SEK 15.5 million (8.6).

Operating loss before depreciation on Intellectual Capital/Goodwill was SEK -4.3 million (9.2), while the loss after financial items was SEK -5.9 million (7.2). Loss after tax was SEK -9.9 million (4.1). Nuvation Labs' profit after tax, SEK 1.4 million, is not included in the after tax result above.

The cost of administration, goods sold and sales increased by 67 percent to SEK 146.5 million (87.7). The main reason for this increase is the rise in the number of employees. On average, the number of employees increased by 55 people equivalent to a rise of 60 percent.

Increased usage and greater complexity

The most important driving forces on the market are the increased usage of microprocessors, greater software complexity in new products, the requirement for faster development from a time-to-market perspective and, last but not least, the shortage of qualified software developers. The value of faster development times to the industry as a whole is becoming increasingly significant, and IAR is paying a great deal of attention to this area, particularly with the visualSTATE™ graphics programming tool. Although the underlying driving forces have strengthened in the expected direction, the shortage of components has caused some changes in customer purchasing behaviour.

With the prevailing uncertainty over future deliveries of components, several clients hesitated about starting new development projects. This uncertainty is expected to disappear as suppliers are now beginning to demonstrate greater delivery capacity.

Some current forecasts suggest that software may soon represent as much as 90 percent of the development cost of built-in systems. IAR's concept, products and services are well positioned to take advantage of any expansion in this market.

Continued rapid growth

Ever more powerful microprocessors require greater programming efforts, which means that demand for programming tools for 32 bit microprocessors is expected to rise faster than for smaller microprocessors. The telecoms industry is expected to continue to be the dominant customer segment over the next few years. The fastest growing customer segment is, however, manufacturers of office machinery and consumer electronics, as well as vehicle manufacturers.

The market is expected to grow strongly over the next few years. Growth per year over the next few years is estimated at about 15 percent for traditional programming tools, and around 25 percent for graphics programming tools. IAR is well positioned, and the target is to achieve an average growth rate of at least 40 percent per year over the next five years, through a combination of organic growth and acquisitions.



For ten years, Innovative-IT has specialised in selling software which adds considerable value to large organisations. The success of products such as Ghost, Enterprise Administrator and Strobe has made Innovative-IT an attractive partner for software companies looking to establish themselves in northern Europe.

Key data	00	99	98	96/97 ¹⁾	95/96
Net sales, SEK million	51.5	46.5	56.1	24.5	1.7
Operating margin, %	neg.	16.2	14.1	11.2	7.1
Average number of staff	32	18	12	6	2

¹⁾ The financial year 96/97 covered 18 months.
Part of the Group since 1999

Innovative-IT's
acting President,
Jan Lundberg



Innovative-IT offers products, consultancy services and training in areas such as administration and monitoring of large, Microsoft-based networks, integration of mainframe computers with the Internet, Keynote and performance optimisation. Up until the third quarter, the company expanded rather too rapidly. To adapt the company to the prevailing conditions, a new President, with a new programme of action, was required.

Software for Windows and mainframe computers

According to a 1999 survey carried out by analysts IDC, 88 percent of personal computers and 38 percent of servers use Microsoft Windows. Notwithstanding this dominance, Windows does not always meet the needs of large companies. Software distribution, transfer to Windows 2000, user administration and monitoring of applications such as Exchange and SQL Server are some of the areas where third-party products from Innovative-IT are extremely useful. Innovative-IT's most important suppliers in this area are NetIQ, Confusersoft and Symantec. Major clients include Ericsson, Föreningssparbanken, Tetra Pak and ABB.

According to IBM, 70 percent of the world's business-critical data is stored on IBM servers, most of it in the mainframe computer platform S/390. Integrating the enormous amount of data stored in mainframe computers with new systems, and providing them with modern interfaces, is a fast-growing operation. The basis for this are products from Neon Systems and HiT Software. Since it involves

advanced technology, consultancy services and training form another major part of the operation. Clients include Skandia, the Swedish Postal Giro Centre, Trygg Hansa and the Swedish State Railways.

Fast-growing market for load tests

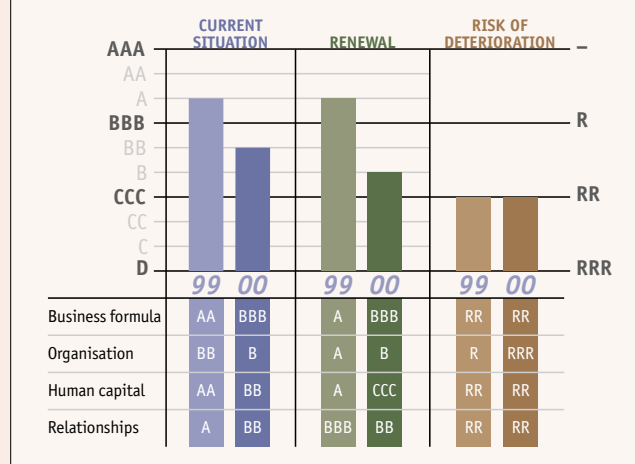
Through Keynote, the company offers website monitoring services. Performance, accessibility and reliability are monitored continuously, 24 hours a day from up to 1,100 assessment computers spread over the Internet. The service, which does not require any software, is called Keynote Perspective and has so far been purchased by such companies as Volvo Cars, SEB and Nokia.

According to the analysts, the Newport Group, the world market for load test products and related services will have increased to twice its current size and be worth more than USD 700 million by 2003. With the help of Innovative-IT's in-house load generator PureLoad and the assessment tool SysLoad, as well as advanced services related to these, Innovative-IT aims to have 3-5 percent of the world market by 2003. In brief, Innovative-IT's performance optimisation service stimulates users with PureLoad, analyses bottle-necks with SysLoad and draws up recommendations for action. Clients include SEB, Avanza, Scandinavia Online, Ericsson, Reuters and Lehman Brothers.

Innovative-IT has offices in Sweden and Norway. The head-office is situated in Danderyd, near Stockholm, Sweden.

Intellectual Capital – IC Rating™

Innovative-IT has an average level of efficiency, and relatively weak efforts are being made to renew and develop Intellectual Capital. This represents a deterioration from the previous year's IC Rating™, when the level of efficiency was assessed as high and renewal efforts as good. As in the previous rating, the risk that the level of efficiency would fall was assessed as high. The business formula and human capital are the strongest components of Innovative-IT's Intellectual Capital. The principal reasons for the deterioration are internal turbulence, the change of President and a high level of staff turnover.



Substantial loss

In 2000, sales increased by 10.7 percent to SEK 51.5 million (46.5). Demand during the first six months was weak, but improved substantially during the latter part of the year. Operating loss was SEK –23.6 million (7.5). Profit has been charged with sizeable costs for the internal action programme. The average number of employees was 32 (18).

Operation split into two companies

PureLoad is assessed as having great potential to achieve success on the world market. The investment in PureLoad, SysLoad and performance optimisation services is in a development phase, while the rest of the operation is more mature and profit-driven. At the start of 2001, a decision was taken to divide Innovative-IT into two separate companies: one for PureLoad, SysLoad and performance optimisation services, and one for the rest of the operation.

The effort to launch PureLoad, SysLoad and the performance optimisation services on the international market will start in 2001. The launch will be handled jointly with partners in Europe, the US and Asia.

A new product with great potential is Survey from Scalable Software. Survey measures the efficiency with which computer users use various applications, with the aim of helping clients to optimise the use of their own IT resources.

On 1 March 2001, Carl von Blixen-Finecke was appointed President of Innovative-IT.

TurnIT Communication



The goal for Business Area Communication is to become one of Scandinavia's three largest IT partners for systems integration and communications services solutions by 2003.



The expansion in Scandinavia has begun, and the operation has grown substantially, particularly in the broadband segment, including in the integration of residential network systems or urban networks. In the face of fierce competition, several contracts have been signed for the development of major communications solutions, with a duration of one to two years.

The market

The market for network integrators consists in equal parts of sales of communications services and of consultancy services. In the business area, the market is being cultivated in three segments: the large company segment, the urban and regional networks segment, and the consumer segment through housing companies.

The Swedish market for network integration services is estimated at SEK 1.5 billion (IDC: IT Services Industry Market and Trends 1999-2004) and is expected to grow by around 17 percent a year until 2004. The most rapidly-growing segment in this market is network integration services for broadband technology for urban and residential networks, which is expected to grow by about 50 percent per year.

Large investments are being made in all segments, with different players introducing new technology, resulting in network integration companies experiencing a high level of development pressure. The competition for network expansion has reduced profitability in certain segments, and those who are solely dependent on the largest hardware supplier find it difficult to improve their margins.

Strategy

The strategy within the business area is to develop networks for communications solutions through consultancy

services or hardware development. It has achieved a strong position by offering more reliable, operator-independent broadband solutions. The clients can own the solutions and offer their own services on their networks. Working in partnership with several different hardware suppliers allows the companies in the business area to work with several different technical solutions, reducing dependence on a single supplier. Tailoring the integration services to different market segments means that the more profitable segments can be prioritised.

Threats and opportunities

The growth of the market has attracted a large number of competitors, which has speeded up development. Net operators, for example, have offered new technology, but without evident success as yet. In the event that any of these technologies should win the confidence of the market, they would have to be integrated with other networks. Demand from the public sector and property companies is growing noticeably. The large company segment will, within a few years, enter a consolidation phase, and players supplying standard products and standard solutions will experience lower margins. Consequently, it will be necessary to focus on services which offer greater added value. Technical progress is difficult to forecast, and the business area is focussing on segments with a high level of growth and technical complexity.

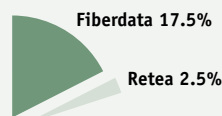
The future

The companies in the business area have a strong customer base and several important framework agreements, as well as an order stock which promises balanced development. With a strong position as systems integrator and supplier of highly complex services the prospects for improved margins are good.

TurnIT companies in this segment: Fiberdata • Retea

Other Swedish companies in this area: Cygate • Merkantil Data • TietoEnator

Net sales	SEK million	%	Proportion of Group sales 2000 ¹⁾	Proportion of Group operating profit before depreciation on Intellectual Capital 2000 ¹⁾
1997	108.6	28		
1998	135.6	17		
1999	205.5	17		
2000	306.7	19		
Operating profit (EBITA)			19%	12%
1997	9.1	21		
1998	20.5	26		
1999	19.8	15		
2000	18.1	12		



¹⁾ The total of the components may differ due to group eliminations.



Fiberdata is a leading supplier of nationwide, total communication solutions with four business areas: Network Systems, Telecoms, Systems Development and Process/Video.



Fiberdata's
President,
Torbjörn Eriksen

Key data	00	99	98	97	96
Net sales, SEK million	276.9	173.7	135.6	107.2	70.7
Operating margin, %	5.1	8.4	14.9	8.3	15.6
Average number of staff	171	102	66	59	41
Part of the Group since 1996					

Fiberdata offers complete, secure, scalable and cost-efficient communications solutions, including technical design and products, as well as consultancy services for planning, introduction, support and training.

The aim is for Fiberdata to be one of Scandinavia's three largest IT partners for systems and services for communications solutions by 2003. The year 2000 saw the start of a Scandinavian expansion, with acquisitions in Norway.

Unique market position

Fiberdata focuses on advanced solutions using cutting-edge technology. The company's own development department solves customer-specific hardware and software problems. Fiberdata has achieved a unique position in the market by combining standard solutions and customer-specific solutions. The company is known for its considerable technical expertise in the construction of IP-based communications solutions based on the most important technical platforms in the market, including Ethernet, ATM and DTM. Fiberdata has adopted a flat and project-orientated organisation model and working methods supported by a quality system based on ISO 9001. Fiberdata is represented in 14 locations throughout Sweden, and has a subsidiary in Norway. The company's head office is situated in Stockholm.

Total solutions

Through Business Area **Network Systems**, Fiberdata delivers total and secure network solutions for LAN, urban and residential networks, as well as for WAN. The solutions use both standard products from leading manufacturers and in-house systems. Fiberdata can offer qualified expertise in switching and routing-based solutions, as well as in broadband communications over cable TV.

Through Business Area **Telecoms**, Fiberdata offers powerful solutions for telephony and the integration of telephony

and computer communications via, for example, IP telephony. This includes advanced solutions for referral systems and CTI. The business area has expanded during 2000 and, as a result of Fiberdata acquiring a large part of Alcatel's direct sales of telephony systems in Sweden in November, the company is even better placed to create telecommunications solutions and integrated systems for data and telecommunications.

Through Business Area **Systems Developments**, Fiberdata primarily offers systems for fibre communication. Solutions are developed to meet customer-specific requirements, and many of these solutions are subsequently included in Fiberdata's standard product range.

The **Process/Video** area works with, for example, camera-based systems for monitoring and fault-finding in production processes, and with platforms for distribution of real-time network content, such as video and music.

Strong suppliers and broad customer base

Fiberdata works in partnership with leading manufacturers, including Alcatel, Lucent, Marconi and Net Insight.

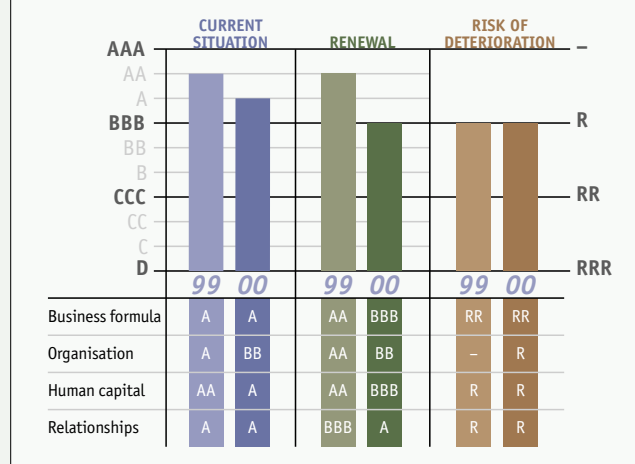
The company has signed master agreements with, among others, Malmö Kommunala Bostäder, RegNet and the Swedish Agency for Administrative Development. The company's clients include ABB, Atlas Copco, Ericsson, Göteborg Energi, HSB, the National Swedish Civil Aviation Administration, Manpower, Riksbanken, Scania, SSAB and Stora Enso.

Strong growth in sales

Fiberdata's sales amounted to SEK 276.9 million (173.7), an increase of 59 percent. Fiberdata's rate of growth exceeds that of its competitors, and despite strong competition, the company has managed to gain the market's confidence for its urban, regional and residential network solutions.

Intellectual Capital - IC Rating™

Fiberdata has a high level of efficiency and its efforts to improve its Intellectual Capital are relatively good. The risk of the current level of efficiency deteriorating is assessed as moderate. Compared with the previous IC Rating™, efficiency has fallen from a very high to a high level, and the renewal efforts have deteriorated from very good to relatively good. Risk remains unchanged compared with the last rating. Just as at the time of the last rating, human capital represents the strongest component. The business formula and relationship-based structural capital are also some of the Fiberdata Group's strongest areas. Organisation-owned structural capital is one of the weakest elements, as it was in the previous rating.



Operating profit was SEK 14.3 million (14.6). Results were affected by substantial investment in the company's expansion.

Expanding broadband market

The broadband market can be divided into three segments: corporate, urban and regional, and residential networks. The market for urban, regional and residential networks shows the highest rate of growth, well over 50 percent per year. In Sweden, this market is believed to be worth SEK 10 billion over the next five-year period. Fiberdata intends to take 20 percent of this market.

Competition in the corporate market is fierce, and the rate of growth lower, currently around 20 percent per year. Fiberdata prioritises profitability and, for this reason, the company focuses on high-growth market segments, matched with a requirement for solutions with a high level of technical complexity. In the residential network market, Fiberdata works with operator-independent broadband solutions. Operator-independent broadband gives users the opportunity to choose whichever supplier they want for, for example, Internet access, video services and IP telephony. The concept has been highly successful. During 2000, contracts were signed with Malmö Kommunala Bostäder (MKB), among others, for the supply of broadband equipment. By 2002, all MKB's 20,000 apartments will be provided with broadband connections, which allows residents to choose their own operator. The contract is worth around SEK 100 million.

Through its subsidiary, Broadway Sweden, Fiberdata will also act as an operator-independent supplier of broadband services for residential and commercial buildings. Broadway provides the infrastructure and offers operational, service and maintenance facilities.

In April, Fiberdata signed a framework agreement with RegNet, under which it will supply communications equipment for a regional broadband network which will link about 40 locations in Gävleborg County. The potential value of the contract is estimated at more than SEK 100 million. The aim of RegNet is to create a competitive and operator-independent IT infrastructure in Gävleborg County.

Continued high growth

Fiberdata's aim is to maintain an organic growth rate of 35 percent per year, while maintaining a high level of profitability in its operation. Growth will also be achieved through acquisition-orientated horizontal expansion which will ensure a strong presence in other Scandinavian countries, where synergies in technical concepts, product platforms and market segments are being sought.

In 2000, 49 percent of the shares in BJ El- & Datateknik in Norrköping were acquired, with the right to acquire the remaining shares during the first quarter of 2001. The company is an integration company which operates in the network installation and telecoms technology areas. It operates in the expanding region around the university college towns of Linköping and Norrköping. The Norwegian company, Informationsteknologi Rådgivning AS, ITR, was also acquired. The company is a specialist consultancy company, offering strategic IT advice, project management, systems and network administration and IT platform operation, as well as communication and database application development. ITR's clients include several of the largest organisations in Norway, and the company is growing rapidly with satisfactory profitability.



Retea is a specialist consultancy company with a high level of collective expertise in the areas of strategic solutions for data communications, e-commerce, electricity environments, electricity networks, telephony systems and teletechnical engineering.

Key data	00	99	98	97	96
Net sales, SEK million	38.9	33.6	20.8	14.7	2.7
Operating margin, %	15.1	15.7	11.8	8.4	13.5
Average number of staff	40	33	22	15	4
Part of the Group since 1999					

Retea's
President,
Bengt Lundgren



Retea will make it possible for clients to realise their goals and visions by offering strategic network solutions. Retea will achieve this by listening, analysing and understanding the actual needs of its clients. Retea's solutions shall be perceived as long-term, well thought-through and relevant, and the company shall provide its clients with added value at all times.

Rapid growth in Data Communication

Retea provides its clients with expert project support and assistance with analysis, design, requirement specifications, purchasing, negotiation management, project management, supervision and inspection. The company focuses on expandable and scalable solutions. A major advantage for its clients is that Retea is supplier-independent. The convergence between data communication and telephony is generating rapid expansion and, as a result, the Data communications and Telephony systems areas work in close partnership.

Retea is, for example, involved in designing a completely new data and telecommunications solution for the newly-formed Institutet authority, which carries out growth policy studies. The authority includes Sweden's technical attachés. The assignment involves the creation of high-integration solutions for all offices abroad, as well as in Stockholm and Östersund.

High level of expertise in Telephony Systems

Retea has the necessary expertise to handle the whole process for the introduction of modern telecommunications solutions. Procurements increasingly involve customised solutions integrated with different computer-based support systems. One such area is contact centres. This part of the market is growing extremely rapidly, and is one in which Retea has a high level of expertise.

During the year, Retea has been involved in the major procurement by Stockholm County Council and the City of Stockholm of fixed and mobile telephony services. In partnership with the contractor, Retea has developed current situation and purchasing documentation, and has been responsible for managing the negotiations.

Expanding telecommunications technology

Teletechnical engineering includes everything to do with infrastructure for telecommunications and data communications: data output, basic installations for teletechnical engineering plants, alarm systems and fibre optics for a variety of broadband solutions. The area is experiencing rapid expansion. Retea has cutting-edge broadband expertise, and has, for example, been involved in the preparation of "General Guidelines for Future-proof IT Infrastructure", at the request of the IT Commission. Retea is leading a number of management and documentation projects on behalf of hospital facilities and other properties administered by Locum, the Stockholm County Council property company.

Installation consultants for electrical environments

Retea acts as an installation consultant and handles total planning of electrical environments for new installations, as well as a variety of reconstruction projects. A project may include everything from basic power supply to lighting. The demand for commercial premises and the understanding of the importance of a sound electrical environment is increasing, and this is forcing up demand in the area.

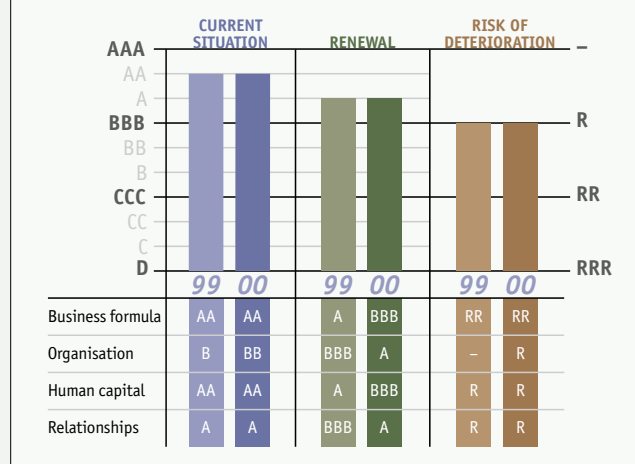
Electricity Network has unique combination of knowledge

Retea offers a unique combination of knowledge and experience in the electricity distribution and street lighting areas.

Intellectual Capital – IC Rating™

Retea has a very high level efficiency and is making good efforts to improve its Intellectual Capital. The risk of a deterioration in the current level of efficiency is assessed as moderate. The level of efficiency, renewal efforts and risk remain unchanged compared with the last rating. The business formula and human capital are, just like at the time of the previous rating, the strongest components, while organisation-owned structural capital is the weakest element in Retea's Intellectual Capital.

A slight improvement has taken place in organisation-owned structural capital. There are, however, no major changes in business formula, human capital and the relationship-based structural capital, leading to an unchanged overall result compared with the previous rating.



Retea also has a high level of expertise in other technically-complex spheres in the area. Plant owners and contracting consultancy companies rarely prioritise this expertise, and this makes them major clients. The deregulation of the electricity market and the increasing concentration on nuclear power by the electricity network companies and municipalities have resulted in a great demand for consultancy services. The business area has considerable expertise in the installation of underground cables, ensuring that Retea, with its other business areas, can undertake total broadband projects.

E-commerce – a new area of expertise

During the year, Retea has established an area of expertise in e-commerce. Retea concentrates on B2B solutions, where the greatest growth is expected.

Continues increase in sales

Retea's sales increased by 16 percent to SEK 38.9 million (33.6). Demand has been excellent during the year, but growth in sales has been hampered by a shortage of consultants. The increase is mainly due to an increase in the number of consultants employed. E-commerce experienced lower sales than expected, but the contract volume rose towards the end of the year. Operating profit was SEK 5.9 million (5.4). The average number of employees was 40 (33).

The price picture for Retea's services has developed well during the year, and there is a fair number of signed master agreements. When entering into new specialist areas, such as e-commerce, there was an increase in expenses, while income will take some time to build up to a stable level.

Demand for overall responsibility

Retea's strengths include a broad and deep fund of expertise. This is due, among other things, to the long experience

of the consultants - most of them have at least ten years' experience in their area. As client companies concentrate on their core businesses, there is an increase in the demand for the type of client expertise possessed by Retea. The company's expertise mix is believed to be appropriate to take advantage of future growth in all areas of operation. This combination of expert areas means that Retea can take total responsibility for increasingly complex projects, and this is being demanded by clients.

Master agreements are extremely important to ensure continuity in the operation. Retea has signed master agreements with, for example, Birka Energi, Locum, Stockholm Country Council, the City of Stockholm, Vattenfall and the National Swedish Road Administration. During the year, an extensive master agreement was also signed with the Defence Matériel Administration.

Retea's clients consist in approximately equal parts of private companies and the public sector. Clients also include Manpower, NCC, SEB, Trygg Hansa and Vasakronan. When carrying out procurements on behalf of public organisations, Retea enjoys a competitive advantage due to the company's great familiarity with the Public Procurement Act (LOU). Retea is highly experienced in handling assignments for public contractors.

Continued excellent demand

Retea expects to continue to grow at the same rate as before. The company is open to supplementary acquisitions or acquisitions which will provide additional expertise within existing areas.

The market's demand is expected to continue excellent for all operations. During 2001, the organisation will, in particular, concentrate on the expanding broadband market and complex projects in data and telecommunications, such as contact centres.

TurnIT Consulting



The aim of Business Area Consulting is to establish itself as a Scandinavian consultancy company no later than 2002.



The year 2000 saw the implementation of major changes as a result of the acquisition of the listed consultancy company, Arete. TurnIT's

Swedish consultancy operation, consisting of Ambrosia, AU-Gruppen, Catwalk, Libro and Systemering, has been co-ordinated under the strong Arete brand and with a joint management team, improving the opportunity to win major master agreements. The Norwegian company, Computas, which is developing its own knowledge management concept, remains independent of Arete.

The market

During 2000, sales in the market for IT services in the implementation and systems development area in Sweden were estimated at around SEK 12 billion (according to IDC, IT Services Industry Market and Trends 1999-2000), and growth of around 19 percent is predicted for 2001. An annual growth of around 14 percent is forecast for the next five years.

Demand for consultancy services did not achieve the expected level during the first six months. The millennial change involved greater falls than the market had predicted. During the latter part of the year, however, demand for traditional IT consulting increased.

Operations in the business area focused on the financial sector, telecoms, manufacturing industry and commerce, as well as the public sector.

Project procurement for major clients is increasingly carried out under master agreements, and Arete has around ten large master agreements.

Strategy

The acquisition of Arete is a move away from the strategy of acquiring only unlisted companies. It has, however, resulted in the acquisition of a larger operation with the same culture and focus as TurnIT's other Swedish consultancy companies.

With the acquisition of Arete, the consultancy operation is much larger. The prospects for expansion in Scandinavia are excellent, as clients move towards greater internationali-

sation. The operation focuses on advanced project management and consultants with a high level of expertise and many years' experience of complex systems. Arete is thoroughly familiar with the integration of mainframe computer systems with the Internet. The company carries out continuous skills development, and co-ordinates sales to growth industries in which the company has in-depth operational know-how. Within Arete, the operation is organised in separate companies which develop organically. An individually-tailored incentive system is a powerful driving force. Skills development and sales are co-ordinated to take advantage of Arete's size and position on the market.

Threats and opportunities

Competition in the web design area, which is still principally aimed at the companies' marketing department, has increased dramatically, and the area now represents less than 10 percent of the business area's activities. In the financial sector, IT is increasingly being used as a competitive weapon, which is generating greater demand for professional IT consultants/services. The increasing use of master agreements in public sector procurement is benefiting companies which are well-positioned to take part in the procurement process.

The future

The market for established consultants is good, and technical developments are creating new needs, which is increasing demand even further. Arete is expected to grow through taking market share, and also through geographical expansion in Sweden and the rest of Scandinavia. New services will be developed within existing segments. The integration of TurnIT's consultancy companies with Arete has created excellent opportunities for effective sales co-ordination. The Arete Group now has the strength to win master agreements for the procurement of systems development services. Existing master agreements incorporate satisfactory price levels, and at the start of 2001, the volume of orders and invoicing is good.

TurnIT companies in this segment: Arete • Computas

Other Swedish companies in this area: TietoEnator • VM-Data • Modul1 • CyberCom • Adcore

Net sales	SEK million	%	Proportion of Group sales 2000 ¹⁾	Portion of Group operating profit before depreciation on Intellectual Capital 2000 ¹⁾
1997	32.9	9		
1998	165.5	21		
1999	293.3	24		
2000	368.6	23		
Operating profit (EBITA)			Arete 14,5% ²⁾ Computas 9,4%	Arete 6,7% ²⁾ Computas 8,1%
1997	3.8	9		
1998	13.3	17		
1999	19.7	15		
2000	18.8	12		

¹⁾ The total of the components may differ due to group eliminations.

²⁾ The figures relate to TurnIT's Swedish consultancy companies and Arete, which is included from November.



The merger of Arete and TurnIT's five Swedish consultancy companies has created a strong group, with IT consultancy companies working under the Arete brand.

Key data for TurnIT's Swedish consultancy companies excluding Arete					
	00	99	98	97	96
Net sales, SEK million	192.8	195.9	192.4	153.7	118.1
Operating margin, %	2.1	7.1	8.2	9.0	7.3
Average number of staff	195	175	152	136	115

Key data for Arete excluding TurnIT's Swedish consultancy companies					
	Nov-Dec 00	99/00	98/99	97/98	96/97
Net sales, SEK million	36.0	158.2	104.4	75.4	59.3
Operating margin, %	17.6	9.0	20.3	21.1	16.5
Average number of staff	158	137	82	61	51

Part of the Group since November 2000



Kent Pettersson, Group Controller, Pernilla Jernberg, Information Manager, and Anders Hägg, President

At the start of 2001, Arete had a staff of 358, of whom 305 were consultants. The company offers services in the fields of Systems Development, Market Communication & Internet, and Operating Support for the Financial Market.

In Systems Development, Arete offers cutting-edge expertise in all individual parts of a project, as well as total solutions, with high quality requirements. As a result, Arete works as a partner to the major purchasers of IT services in its market.

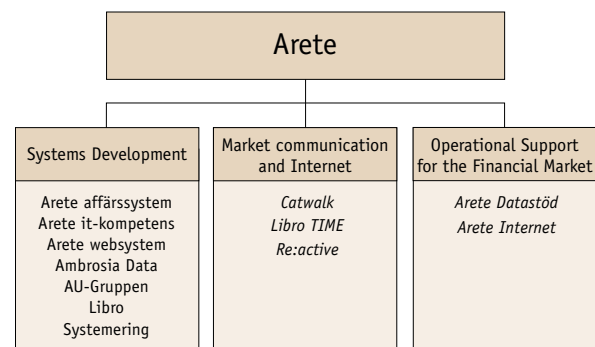
In the area of Market Communication & Internet services, Arete offers creative total solutions in market communication, with the emphasis on Internet and multimedia solutions.

Operating Support for the Financial Market includes advanced operating and technical IT services for the banking, financial and insurance markets. Arete has extensive operational expertise in this area, and the requirements for service and accessibility are extremely high. The area also offers broadband Internet connections for small and medium-sized companies.

Market position

Arete is a well-positioned player in the growing market segments of finance, telecommunications, the public sector and industry.

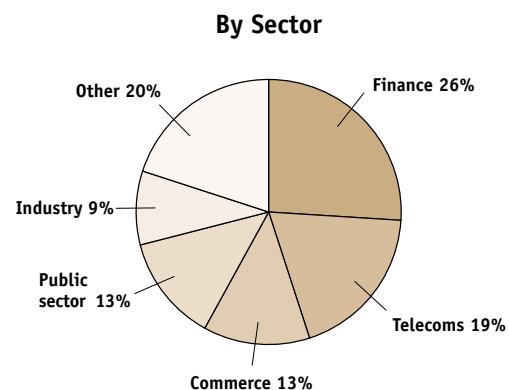
Arete has achieved a strong position in the Stockholm market, and also has operations in Västerås and Uppsala. Demand for traditional IT consultancy companies is rising as companies increasingly want to combine the Internet with business-critical, mainframe computer-based systems. Investment in a combination of expertise and experience has, not least over the past few years, proved to be a decisive factor in achieving a high level of orders with sustainable



profitability. This is a safeguard against any weakening in the market.

Organisation

The different companies operate largely as independent units, which provides the greatest possible encouragement for further development and organic expansion. Sales and skills development activities have been co-ordinated to take advantage of the Group's size and position in the market.



Business idea

Arete will act as a partner for its clients, offering solutions and support for systems development, Internet-based market communication, and operational support for the financial market.

Goals

Arete's overall goal is to have controlled growth of at least 20 percent per year, while maintaining profitability. Until now, Arete's primary market has been in the Stockholm area. In order to strengthen its position in sectors such as engineering and telecommunications, the Group is interested in geographical expansion in Scandinavia, particularly through the acquisition of strategic expertise. Such an expansion may also prove a competitive advantage when negotiating master agreements with clients whose operations are spread over a wider geographical area.

The future

Arete believes that the market for advanced expert services will remain strong. Arete's largest market, the financial industry, has a high rate of investment in IT services, since the industry's products are largely based on the use of IT. Technical development, which largely involves the convergence of telecommunications and data communications, will result in an increasing demand for mobile services. Third generation mobile telephony is providing an opportunity to offer new services for consumers. This technical shift will result in considerable demand for consultancy services.

Staple industries are currently investing more and more in e-commerce projects. The management of such projects not only requires familiarity with everything from base systems to web interfaces, but also demands advanced project management and a large amount of business professionalism. Attractive suppliers must be able to offer comprehensive and in-depth traditional consultancy services, i.e. a

high level of expertise in project management and systems development. Arete is sufficiently large, and has the breadth of knowledge, to act as a comprehensive partner, offering expert advice in every area from basic systems to the web.

Strategies

Arete is a network of smaller, manageable units with strong corporate cultures and a high degree of independence, but with strong market co-ordination. This allows Arete to combine the efficient sales operation and skills development of a large company with a small company's flexibility and ability to adapt to changing market requirements and increasingly fast technical development. By concentrating on developing assignments and skills development, Arete will attract, develop and retain the best IT consultants in the market, and create a strong corporate culture.

Guiding stars

Every contact with Arete shall be perceived as high quality. Arete's operation shall be synonymous with experience, knowledge and participation.

High level of staff expertise

The staff have a high level of expertise and many years' experience of the industry, an average of 13 years. 65 percent of the company's consultants have university level education. Experience and expertise are decisive factors in satisfying clients' requirements, and achieving success in a highly-competitive market.

With the aim of retaining and developing skilled staff, the company regards it as extremely important to offer interesting and challenging assignments and to encourage staff participation and involvement. A strong sales organisation ensures Arete's staff access to interesting assignments and projects.

Clients' IT Department		Clients' management & marketing staff	
Information	Function	Presentation	
Arete it-kompetens • Libro • AU-Gruppen • Systemering • Arete affärssystem			
Ambrosia • Arete Websystem			
		Arete Re:active • Catwalk • TIME	
		Arete Datastöd	
		Arete Internet	

The Arete Group offers a wide range of services which cover clients' requirements for multilayer solutions, from information storage, via applications and presentations for users. There is an increasing tendency for assignments to be purchased by IT departments.

Continuous skills development

Over and above interesting assignments, ongoing further training is crucial for future success. Every year, each employee draws up a training schedule with the help of his or her immediate manager. The aim is for members of staff to set aside at least two weeks for training every year. Courses may be held both within the company and outside. As well as a large number of different technical courses, there are also courses in finance and individual development, such as presentation techniques and stress management. A great deal of operational expertise is built up as a result of assignments in various sectors.

An important driving force in improving expertise are the various expert networks set up within Arete. These networks are organised according to their field of interest, and they plan and organise a wide range of courses, seminars and workshops, many of which result in certification. The members of a network meet regularly to exchange knowledge and experiences, carry out study visits and follow developments in their own area. Networks have currently been formed in the following competence areas:

- Project management. Arete IT-kompetens is concentrating on advanced project management. By the end of 2000, eight project managers were certificated in accordance with the standards laid down by the Project Management Institute, PMI, which sets extremely high standards for training levels and project experience.
- Database technology, information management and performance,
- Microsoft architecture and products,
- Linux
- Java
- Systems architecture and
- E-commerce

Systems Development

The Systems Development area includes Ambrosia Data, Arete affärssystem, Arete it-kompetens, Arete websystem, AU-Gruppen, Libro and Systemering. A total of 255 people work in these companies.

Wide collective expertise

Ambrosia, Arete it-kompetens, Arete websystem, AU-Gruppen, Libro and Systemering are involved in systems development, systems management and systems integration. Their collective expertise in modern development environments and mature mainframe computer environments allows Systems Development to work with multilayer solutions, integrating the basic systems with web-based interfaces. One of the most important driving forces is the need for making information stored in mainframe computers available through web-based systems. The financial sec-

Broad customer base

Customers consist mainly of medium-sized and large companies and organisations in the Stockholm region, with the emphasis on the financial sector. Major clients include Folksam, OM, SEB, Skandia, SPP and Trygg Hansa. The company also handles contracts in the telecommunications industry, commerce, manufacturing industry and in the public sector. Ericsson, Telia, Atlas Copco, ICA and the Swedish Government Offices are some of the company's larger customers. Customer relations often go back for many years.

Many major purchasers of consultancy services choose to limit their purchasing to a small number of large consultancy companies, with which they sign master agreements. By amalgamating Arete and TurnIT's Swedish consultancy companies, the organisation's ability to succeed in negotiating master agreements has increased. Master agreements have been signed with the Swedish Government Offices, Telia Prosoft, SPP, Folksam and FMV, among others. The size of the organisation also allows it to offer its clients the right consultancy expertise at the right time.

Sales and results

Calculated on a proforma basis for the full year 2000 compared with the full year 1999, sales for the amalgamated units rose by 20 percent to SEK 377 million (312). During 2000, the number of staff increased by 12 percent from 319 to 357. As a result of the general drop in demand, profits fell from SEK 33.9 million to SEK 16.1 million. A major part of the decline in profit is attributable to a fall in demand for Internet consultancy services, which has resulted in some restructuring costs.



Per-Olof Steen, AU-gruppen, Pär Larsson, Ambrosia Data and Arete websystem, Lars Widén, Systemering, Gunnel Petterson, Arete it-kompetens and Ulf Ringblom, Arete affärssystem

tor, for example, regards mobile Internet services as an increasingly important competitive tool.

An increasing number of assignments are coming from the telecoms industry. In its future expansion, Arete will prioritise the telecoms area and, in particular, the mobile Internet.

After a slight drop in the market during the first six months of 2000, activity increased considerably during the second half of the year. Arete estimates that investments in the Group's largest customer segment, finance, will increase substantially over the next few years. One sign of this is the

rise in client activity, including the planning of new projects, and this is reflected in the increasing number of master agreements on the market.

Broad range of services

Ambrosia Data has many years' experience of e-commerce and b2b integration, and combines technical expertise with in-depth operational knowledge in such areas as logistics, purchasing and finance. As of 1 February 2001, Ambrosia will be working in close partnership with Arete websystem.

Arete websystem offers solutions which uses the Internet as a channel for clients' business operations, and this will improve Ambrosia's strength in the area of Internet, intranet and integration solutions. One of Ambrosia's recent projects has been a pilot study of an e-commerce system for Atlas Copco. Together, the companies will become one of the Mälär Valley's largest players in the Lotus/Notes area.

Arete it-kompetens provides services in three main areas: project management, object-orientated systems development in the Microsoft and Unix environments, and development of new server services and traditional applications in the mainframe computer environment. The company offers specialist services in all areas, but is mainly involved in large-scale projects where existing information is used in a new way via new channels.

A large proportion of Arete it-kompetens' assignments come from the financial sector, and include securities trading and risk assessment. The company has also created an e-commerce system for NCC, which will provide support for everything from suborders via a price article register, to the creation of invoices and initiation of payments. It will also handle the exchange of electronic business messages with suppliers.

AU-Gruppen's main area of expertise is the development of client/server systems in an open environment, using UNIX or Windows-NT as the technical platform, extranet and intranet solutions, development of systems for IBM mainframe computer environments, as well as project man-

agement and pilot studies. AU-Gruppen has been the lead consultant for AB Familjebostäder for the development of a totally new property administration system, which includes a property register, contract management and rental debiting.

Libro's expertise ranges from operational analysis, modelling and IT architecture, to systems development using both sandwiched client/server technology and web technology. The company offers everything from pilot studies, analysis and design, to construction and training, and supplies fully-customised systems.

One of Libro's projects has been to build a system for Pharmacia, which handles the flow of documents from clinical studies. The system consists of a client/server application for about 30 local users, as well as a web application for about 300 users all over the world.

Systemering is a specialist computer consultancy company, focusing on administrative systems development in three main areas: project management and assessment; client/server and Internet development, as well as mainframe computer development.

Systemering has genuine experience of and familiarity with, for example, debiting systems, and has a long history of working in partnership with Telia as one of the major suppliers to Telia Prosoft. Systemering has, for example, developed an additional service for the Passagen Internet portal.

Arete affärssystem accepts consultancy assignments in the area of business system implementation, particularly for SAP R/3. The company has broad and deep expertise in pilot studies, process analysis, implementation, training, management and development. It concentrates in particular on medium-sized companies, and offers team-based and individual consultancy services, including total undertakings.

Arete Affärssystem has, for example, implemented the SAP R/3 finance and logistics elements for Goodyear Dunlop's Scandinavian organisation. Affärssystem has also implemented SAP R/3 finance and logistics components at Wella.

Market Communications & Internet

The Market communications & Internet area consists of the subsidiaries Catwalk, Libro TIME and Arete Re:active. A total of 63 people work in these companies.



Petter Stare, Catwalk, and Simon Disheden, Arete Re:active

The Internet an integrated part of the clients' operations

In the early days, the Internet was a way for companies to present their market communication. Today, companies are increasingly using the Internet and multimedia solutions to improve their competitiveness. The Internet is a highly-integrated part of the business operation of many companies, which demands highly-effective integration with underlying operational systems.

In 2000, profitability was squeezed, partly as a result of a change in clients' purchasing habits: assignments have become more advanced and the sales cycle is longer. In combination with rapid expansion, this has resulted in low profitability for the Market Communications & Internet companies. Measures have been taken by Catwalk and other companies to reduce costs and restore profitability.

Customers come from both the private and public sectors. Dependence on individual clients is low, and only a few are dotcom companies. Clients include the National Corporation of Swedish Pharmacies, the National Swedish Rail Administration, Europolitan, the Defence Matériel Administration, Interflora, NCC, Pizza Hut, Posten AB, SAS, Tetra Pak and the Swedish Ministry for Foreign Affairs.

Expertise and creativity

Catwalk is a full-service web bureau and its business idea is to create effective and successful relations on the Internet, using a business strategy approach. Catwalk has developed Interflora's e-business, one of Sweden's first profitable e-commerce services. The company also supplied customised applications for SAPA, which help clients to simply and cost-effectively market themselves through around ten Internet sites produced in-house.

Operational Support for the Financial Market

The Operational support for the Financial Market area consists of the subsidiaries Arete Datastöd and Arete Internet. There are 32 employees.

Advanced operational and technology services

Arete Datastöd offers advanced operational and technology IT services for the banking, financial and insurance markets, providing substantial operational knowledge and a high level of service. The company has expertise in operational management, technical support, project management and business development for large and medium-sized companies, primarily in the capital market.

Arete Datastöd has total responsibility for the IT operations of several clients, mainly in the Stockholm area. These include Deutsche Bank, MeritaNordbanken, OM Gruppen and SPP.

Market growth is being driven by an increasing number of companies choosing to contract out their computer departments. In addition, several new players have appeared in the financial market in the last few years. These players often choose to concentrate on their core business, and outsource many functions. An outsourcing concept with its own finance department, aimed at larger companies, will be launched in 2001.

Libro TIME is involved with most aspects of modern interface-independent multi-media technology, including e-training systems, company and product presentations, Internet games and sales and demonstration tools for exhibitions, for example. In addition, the company provides total Streaming Media solutions. The company's areas of operation are summarised by the TIME concept: Telecoms, Information, Media and Entertainment.

Libro TIME has signed an agreement with the Swedish Government Offices to stream media technology web transmission of all major EU meetings during Sweden's EU presidency. The company has also carried out major assignments for Scania.

Arete Re:active offers total advertising, web and PR solutions. The company works with integrated on-line and off-line marketing, including traditional communication and brand-building on the Internet. It has, for example, marketed Pizza Hut for several years. Ericsson Terraplay, which will revolutionise the games market, is a new and exciting project which uses Internet-based Speedmarketing.



Fredrik Thelander, Arete Internet and
Steen Petersen, Arete Datastöd

Fast and reliable connection

Arete Internet offers small and medium-sized companies a fast and reliable fixed Internet connection at an extremely competitive price, using the latest broadband technology. The company sells services, monitors the net and offers support.

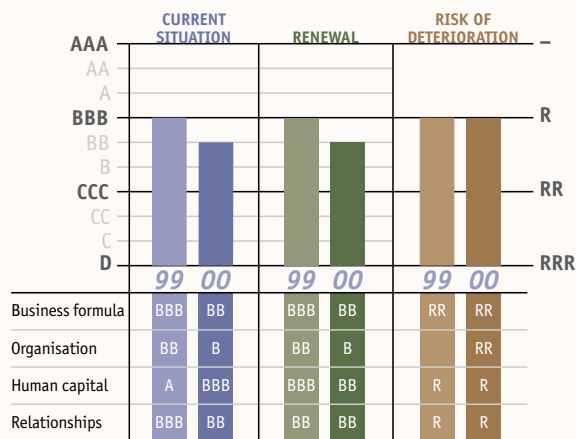
Arete Internet owns its own infrastructure in the Stockholm area, as well as in Gothenburg, Malmö, Linköping and Norrköping. The network is being continuously expanded. The company often provides technical support for Arete Datastöd in matters of communication. The market for broadband connection is expanding rapidly. Arete Internet works closely with its clients and constantly develops its range of additional services to further strengthen the products and services on offer. The company has a broad customer base, which consists of small and medium-sized companies.

Intellectual Capital - IC Rating™

Since the last IC Rating™, the Swedish companies in TurnIT's Business Area Consulting have been integrated with Arete. To achieve continuity in the rating, the results for these companies have been added together and compared with the corresponding values two years ago. A new rating has been carried out for companies which were already part of Arete. These two assessments are presented separately.

TurnIT's consultancy companies prior to the merger

The level of efficiency of the five TurnIT consultancy companies is rated as average, and the companies have made average efforts to renew and develop their Intellectual Capital. This is a deterioration compared with the previous assessment, which found that the level of efficiency was relatively high, as was the effort to renew and develop Intellectual Capital. In this rating, as in the previous one, the risk of a deterioration in the level of efficiency is assessed as moderate. As in the previous IC Rating™, human capital represents the strongest component of the Intellectual Capital of TurnIT's consultancy companies.

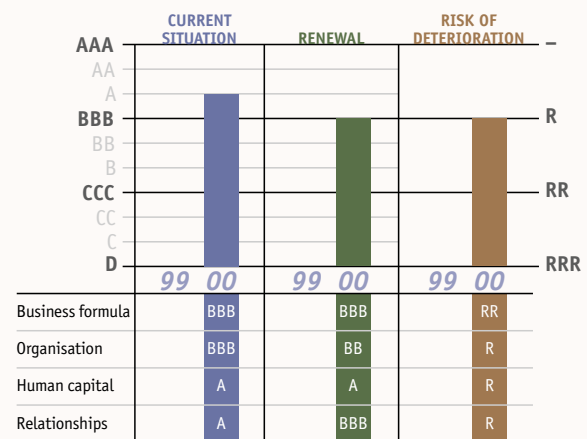


TurnIT's Swedish consultancy companies before the merger

The changes in results since the last IC Rating™ are mainly attributable to changes in the business environment. Competition has increased, and purchasers are becoming increasingly strong, resulting in a growing requirement for consultancy expertise. The assessment of the IT consultancy industry and resource consultants is more critical than it was a year or two ago.

Arete before the merger

Arete's level of efficiency is assessed as high, and the company is making relatively good efforts to renew and develop its Intellectual Capital. The risk of a deterioration in the current level of efficiency is assessed as moderate. The human capital and, to some extent, the relations-based structural capital are the two strongest elements in Arete's Intellectual Capital. Through greater utilisation of the strengths of the different companies in the Group, Arete should be able to achieve synergies which will further improve the value of its Intellectual Capital.



Arete before the merger



Computas is expanding its operation by establishing operations through acquisitions in North America, and by opening a new office in Great Britain. Increased licence sales demonstrates growing market acceptance of the company's in-house software.

Key data	00	99	98	97	96
Net sales, SEK million	149.4	109.8	93.9	77.0	49.3
Operating margin, %	8.4	6.2	4.5	6.5	8.4
Average number of staff	153	138	130	99	63
Part of the Group since 1998 TurnIT's participating interest amounts to 60 percent					

Computas'
President,
Lasse K Fjell



Computas is a consultancy company which offers technology-based knowledge management. The company develops computer-based systems which facilitate the mapping, preservation, creation, distribution, usage and improvement of the collective knowledge in an organisation. The major difference between Computas and traditional systems suppliers is the distinction between knowledge and information. The use of artificial intelligence, object-oriented models and an understanding of the phenomenon of knowledge has allowed Computas to develop unique, advanced technology and methods which can be patented.

Effective utilisation of knowledge

Computas develops systems that include models and rules for a company's work processes. Computas provides the expertise required to generate the models and rules relating to the clients' knowledge. Clients contribute the knowledge of their own operations. Since the processes used by many companies are very similar, the methods for modelling knowledge can be reused. Computas has developed generic software known as frameworks, which it licenses to client companies. The technology-independent frameworks are then filled with customised solutions. The programs can utilise knowledge expressed in plain text, and not in computer codes. Computas helps its clients to use their knowledge of the industry in a far more effective way than other technologies.

Several major projects during 2000

The acceptance of Computas' concept grew considerably during 2000, and the company signed agreements for several major projects. Clients are principally found in the public administration sector. Computas has, for example, developed a solution for case management for the police and judiciary, which supports the whole process from a crime being reported until such a time as a sentence may be passed. The solution involves 1,300 users.

Other Computas clients can be found in the shipping industry, such as the classification society Den Norske Veritas, and in the public sector. The company is currently focusing on the banking, insurance and financial markets. It has opened an office in London, with the aim of ensuring access to the large market of financial institutions there.

Computas' head office is in Lyksaker outside Oslo, and the company also has offices in London and Seattle. The average number of employees during the year was 153 (138).

Acquisition key to the American market

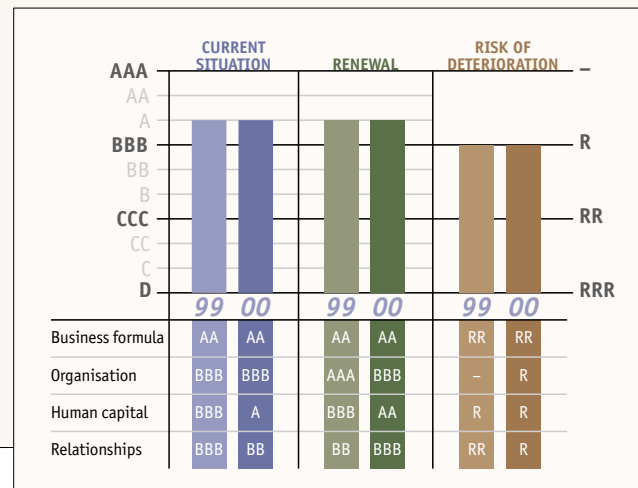
In 2000, Computas acquired the Metis software from the American company, NCR. Metis is a powerful tool for visual modelling, which supports users of complex operational knowledge in solving operationally-critical issues and problems. Metis simplifies the retrieval and linking of information in an operation: from product and processes to systems. The user can look at the operation as a whole, or

Intellectual Capital – IC Rating™

Computas has a high level of efficiency and is making good efforts to improve its Intellectual Capital. The risk of a deterioration of the current level of efficiency is assessed as moderate. The level of efficiency, renewal efforts and risk remain unchanged from the last rating. As in the previous rating, the business formula represents the strongest component. Relationship-based structural capital is the weakest area of Computas' Intellectual Capital, and, having previously been above average, it has now fallen below the average value.

Relationship-based structural capital has deteriorated slightly, while human capital has improved somewhat. The business formula and the organisation-owned structural capital has maintained the same values as before.

This means that the overall result remains unchanged from the time of the last rating.



focus on details. Using Metis, a user can, for example, analyse the effects of changes, providing a better basis on which to make decisions.

The acquisition of Metis has given Computas access to established sales channels in North America. Computas has also set up an American subsidiary, and believes that there is great potential in offering clients the combination of Computas' framework and Metis.

Major projects and increased licence sales results in rising turnover

In 2000, Computas' sales increased by 36 percent to SEK 149.4 million (109.8). Several major projects and a five-fold rise in licensing contributed to the increase in sales. Operating profit was SEK 12.6 million (6.8). The increase in profit is due to improved project quality and sales successes for the high-margin framework and Metis. During 1999, Computas also had to cover the cost of expanding its marketing and sales organisations.

Paradigm shift to focus on knowledge

The growth in computer-based knowledge management is driven by companies' desire to improve the utilisation of the knowledge which exists among employees and within company processes. Correctly-designed systems can increase return on IT investments. Computas' strength is the com-

pany's unique technology and its knowledgeable staff, all of whom have some form of academic qualification. One factor which to some extent may slow down the company's expansion is the shortage of skilled staff, and the relatively small size of the company. Computas believes that the IT industry is facing a paradigm shift, moving its focus from technology to knowledge. The company has the expertise and the solutions necessary to succeed when companies rationalise and systemise their knowledge management methods.

Competitors include global systems suppliers, such as Accenture and Cap Gemini.

Foundation laid for rapid expansion

During 2000, Computas established a platform for rapid expansion over the next few years. The company expects that public sector demand will continue to increase, but believes that private trade and industry offers the greatest potential. Interest in technology is growing strongly in the private sector. The acquisition of Metis and the establishment in Great Britain are signs of a successful geographical expansion. The rate of growth of licensing is expected to accelerate during 2001. The target for 2003 is that half of sales will be generated outside Norway, and that product sales and licensing will represent half of Computas' sales.

TurnIT Outsourcing



The aim of Business Area Outsourcing is to achieve critical volume for growth in all Scandinavian countries during 2002.



Several major acquisitions took place during the year, and this has strengthened the operations in Sweden and created an opening for future expansion in Scandinavia. The driving force for companies within the business area have been fully engaged in the work of developing ASP services, but it was also necessary to improve the profitability of support services and of the efforts to integrate newly-acquired businesses.

The market

The market for outsourcing had sales of more than SEK 6 billion (according to IDC: IT Services Industry Market and Trends 1999-2004), and can be divided into traditional outsourcing, the outsourcing of applications and remote operation (Application Service Provider, ASP). The market for ASP services is beginning to expand, with a projected growth over the next few years of about 25 percent. Growth in traditional outsourcing was considerably weaker during the past year.

Some extremely large contracts were signed in the market, but companies usually sign selective outsourcing agreements for different parts of their operations. The main driving force is the fact that outsourcing allows clients to focus on their own operations, and it frees them from the need to maintain costly expertise within the company.

Strategy

The strategy is to develop services with greater added-value and to focus sales on segments where the companies have a deeper operational expertise. These have been the guidelines followed in acquisitions to complement the operation in the public sector area, and they have also been significant in the development of the first ASP services. The overall aim of the company is to sign more long-term contracts and to increase added value in services and applications.

Threats and opportunities

Threats include the fact that companies are still hesitant about outsourcing their IT operations. For some application areas, such as human resources, the cost of translating differences in laws and regulations, agreements and culture is hampering expansion in other countries. Global players may compete in outsourcing of specialist operational and support services, but they lack operational expertise and a customer base in Sweden.

There are opportunities in transforming deep operational expertise and customer relations into services requiring more effective technical solutions (such as ASP) or in increasing the value of services through additions to applications. The increasing demands on the public sector to produce more services with unchanging or shrinking financial resources also offers an opportunity to offer cost-effective IT solutions.

The future

Complementary acquisitions have widened the market for TurnIT's companies to include strategically-important areas such as operational and salary systems for the public sector. The companies have a very large customer base and deep operational expertise, and this provides an excellent opportunity to develop new ASP services. Growth over the next few years can take place within the framework of the current operation without a deterioration in margins.

TurnIT companies in this segment: Careda • Svenska PA

Other Swedish companies in this area: TietoEnator • Sema • VM-Data

Net sales	SEK million	%	Proportion of Group sales 2000 ¹⁾	Proportion of Group operating profit before depreciation on Intellectual Capital 2000 ¹⁾
1997	—	—		
1998	145.4	18		
1999	202.7	17		
2000	230.0	15		
Operating profit (EBITA)			Careda 7.4% Svenska PA 7.5%	Svenska PA 21.7% Careda neg.
1997	—	—		
1998	11.6	14		
1999	32.8	25		
2000	8.1	5		

¹⁾ The total of the components may differ due to group eliminations



In 2000, ID Network was merged with Bravida's IT division. On 1 January 2001, the company changed its name to Careda. The company's vision is to be Sweden's leading supplier of operational IT services.

Key data	00	99	98	97	96
Net sales, SEK million	116	109	142	135	109
Operating margin, %	neg.	6.4	6.0	1.9	2.1
Average number of staff	156	101	100	66	45
Part of the Group since 1998					

Careda's
President,
Stefan Bohman,
appointed
8 February 2001



Careda's business idea is to offer advanced services for reliable operation, service and development of IT environments to medium-sized and large companies and organisations, through a high level of operational understanding, innovation and expertise.

Operational services, such as net monitoring and ASP solutions make up the core business of Careda. These core areas are surrounded by consultancy services, servicing, support and product supply. Careda offers a full range of services, from simple operations to total, strategic outsourcing.

Careda's model for strategic outsourcing involves the active incorporation of IT as a strategic and flexible tool into clients' operational processes. The company's IT services are of a high quality and provide quantifiable results. Strategic outsourcing involves more than simply contracting out an operation. The concept also includes all the added value that IT services bring to the clients' operations.

Careda is a leading supplier of operational IT services. The company's clients include government, municipal and county council organisations, as well as private companies in a number of industries, such as the Swedish Postal Giro Service, the Municipality of Lerum, the Södersjukhuset Hospital and the Municipality of Enköping. By the end of 2000, Careda was responsible for around 7,000 PC work stations through outsourcing agreements.

During the year, an agreement with the Municipality of Lerum was extended for another three years, and with the Swedish Postal Giro Service for a further two years. Agreements for responsibility for operation, help-desk, commu-

nications solutions and consultancy services for operationally-critical applications and systems for both the South Stockholm Production Area and the Södersjukhuset Hospital were extended. In total, the three agreements cover around 4,500 work stations. Careda has operations in Östersund, Sundsvall, Örebro, Västerås, Norrköping, Stockholm, Göteborg and Malmö. The head office is located in Danderyd, near Stockholm. The company has around 160 employees.

Merger with Bravida

In June, TurnIT acquired Telenor's former Swedish IT operation, Bravida. In October, the operation was integrated with ID Network, forming one of Sweden's largest operating companies. The acquisition represented a considerable increase in the then ID Network's geographical coverage and customer base. Bravida's principal clients included customers in the private and county council sector, while ID Network focused mainly on municipalities and government departments.

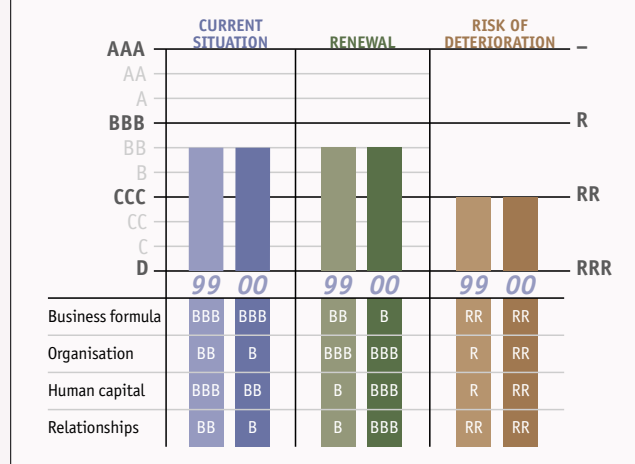
The acquisition also added an organisation which offered hardware maintenance, a service which ID Network previously had purchased from external suppliers. In locations where offices overlap, these will be amalgamated into a single unit.

The acquisition has not lived up to expectations. Remedial action has been taken through a more thoroughgoing restructuring than had originally been planned, including a reduction in staff of about 40 people.

Intellectual Capital - IC Rating™

Careda has an average level of efficiency and is making average efforts to improve its Intellectual Capital. The risk of deterioration in the current level of efficiency is assessed as high. The level of efficiency, renewal efforts and risk are unchanged from the previous rating. Just as at the time of the last rating, the business formula represents the strongest component, while organisation-owned and relationship-based structural capital are the weakest areas in Careda's Intellectual Capital.

There has been a slight change for the worse in human capital, and in organisation-owned and relationship-based structural capital. There are, however, no major changes in the business formula, and this means that the overall result remains the same as in the last rating.

**Sales and results**

Telenor's former Swedish IT operation, Bravida, is included in sales and results as of June.

Demand during the first half-year was weak. Many clients chose to hold back on decisions on new investments.

During the second half of the year, market activity increased considerably, with a large number of customer enquiries.

Sales increased to SEK 116.2 million (109.3), and the operating loss was SEK -25.0 million (7.0).

Continued market growth

Demand for operational services in the private sector is fuelled by the fact that customers increasingly see an operationally-customised IT environment as an essential competitive tool for their business. They demand solutions and concepts which ensure reliable operation, service and a flexible development of their IT environments. Demand is also increasing as a result of a growing requirement for 24-hour operation for e-commerce and web hotels. In the public sector, the most significant driving force is cost savings. However, a shortage of skilled staff among clients is also driving the outsourcing market forward.

External forecasts indicate a growth over the next few years of around 15 percent per year. The expansion will be greatest in public operations, the area in which Careda is strongest.

Development of new concepts

Over the past few years, Careda has focused on operations. Hardware and software sales, which as recently as 1998 represented 30 percent of the company's sales, are today responsible for a smaller part of sales and are, together with other product supplies, regarded as a service which complements the core business.

Careda develops customised ASP solutions, which involves the programmes being supplied via the Internet. The company has developed a package solution, including operation and IT services, for clients in county councils. ASP solutions aimed at the company's other customer categories are under development.

Careda's product, ESI (Entreprenadstyrningsinformation - contract control information) is used by several clients. ESI provides clients with access to Careda's operations system via a web interface. All information on variable operation relating to the client is accessible. The system provides clients with better control over their IT environments, and represents an important form of operational support. Careda is the only company in the industry which offers this type of service.



Svenska PA, Palett and the Norwegian company, Time Recorder Data, form their own group within TurnIT Outsourcing. The aim is for the group to become Scandinavia's leading Human Resources Management (HRM) operation. The group plans to expand in Norway and Denmark, as well as, in the long term, in Finland.

Key data	00	99	98	97	96
Net sales, SEK million	119.3	94.2	75.0	48.4	36.1
Operating margin, %	28.2	26.0	9.8	neg	neg
Average number of staff	65	61	48	46	28
Part of the Group since 1998					

Svenska PA's
President,
Ulf Ericsson



Svenska PA is a company specialising solely in the expanding HRM sector. The company offers businesses and organisations, primarily in the private sector, total solutions including services, products and production in the salary and staff administration area. The company develops, maintains and markets the POL personnel system, a fully integrated system based on a common database. The concept framework includes the company's salary systems, POL/BAS and Svensk Lön.

Clients include a large number of major Swedish companies, representing a broad spectrum of industries. The company is not dependent on a single individual client, since none of its customers represent more than around 5 per cent of sales.

The company's head office is located in Kista, outside Stockholm, and it has local offices in Eskilstuna and Göteborg.

Acquisition of IBM Palett

In December, an agreement was signed on the acquisition of IBM Palett, which has a leading position in the market for salary and staff administration for county councils and municipalities in Sweden. Palett's system, which handles 200,000 county council and municipal employees, includes a large number of applications for salary management, staffing planning and staff budgeting.

From a market point of view, Palett and Svenska PA complement each other extremely well, and together they form one of the largest suppliers of HRM systems in the Swedish market.

There are areas in the two companies which can, with advantage, be co-ordinated almost immediately, such as finance and administration. In the longer term, the same applies to product development and consultancy services.

Palett has so far only been sold in Sweden, but some preparations have been made for launches in Denmark and Norway. During 2001, Palett will be installed in another two of the eight largest municipalities in Sweden.

Time Recorder Data the leader in Norway

The Norwegian company, Time Recorder Data (TRD), is Norway's leading supplier of time management systems. The company's in-house system, WinTid, is modern and flexible, and suitable for both small and large companies. TRD is also represented in Denmark, and has installed more than 1,000 systems in both countries. During 2000, the company attracted more than 100 new clients. The first installations of the system in Sweden were carried out during the year. Access to established platforms in various countries will facilitate Svenska PA's future expansion.

Considerable size and growth

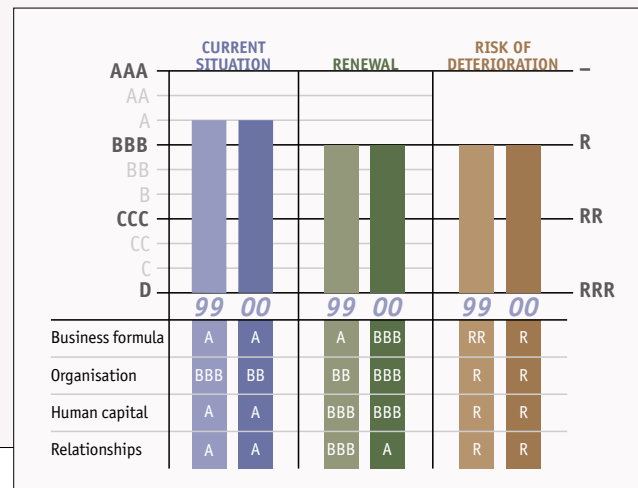
After the acquisition of Palett, the HRM operation has a total of around 125 salary and staff administration specialists. The HRM operation has a total of more than 200 clients in the business, state-owned company and public sectors, with a total of around 500,000 employees. The operation's forecast sales for 2001 are approximately SEK 200 million, with an operating margin in excess of 25 per cent. Growth is extremely good.

Intellectual Capital – IC Rating™

Svenska PA has a high level of efficiency and is making relatively good efforts to improve its Intellectual Capital. The risk of a deterioration of the current level of efficiency is assessed as moderate. The efficiency level, renewal efforts and risk have remained unchanged since the last IC Rating™. Just as at the time of the previous rating, the business formula, human capital and relationship-based structural capital represent the strongest elements in the operation. The organisation-owned structural capital is the weakest area in the Group's Intellectual Capital, as it was in the previous rating.

A slight deterioration of the organisation-owned structural capital has been noticed, while no major changes have taken place with reference to the business formula, human capital

and relationship-based structural capital. This means that the overall result remains generally unchanged.



Continued increase in sales

In 2000, Svenska PA's sales increased by 26.6 percent to SEK 119.3 million (94.2). The increase in sales is explained by a continued high demand for products and services from both Svenska PA and Time Recorder Data, and by the fact that Time Recorder Data was part of the group throughout 2000, compared with 1999 when it only was part of the group for the last quarter of the year. The Production, maintenance, licensing and consultancy operations have all grown.

Operating profit was SEK 33.7 million (24.6), an increase of 37.0 percent compared with 1999. The profit improvement is the result of the rise in sales and the fact that all types of income, services, products and production, grew more than the costs in each area. The operating margin rose to 28.2 percent (26.0). The average number of employees was 65 (61).

High level of specialisation and expertise

Growth in the outsourcing market is due to an increasing number of companies concentrating on their core businesses. As a result, they are looking more and more to external suppliers to handle any assignments they believe fall outside this area. This may involve functions such as IT support, salary management, reception and security services. According to external analysts, the market is expanding by more than 10 percent per year.

Developments in the Internet are creating opportunities for Svenska PA to offer smaller companies systems, consultancy services and support via a web interface, or ASP. The opportunity for the company to take over companies' salary administration, known as Business Process Outsourcing, is being investigated.

Establishing a company in new markets generally requires acquisitions. The explanation for this is that salary and staff administration systems are often local, since they are areas regulated by local legislation and agreements. Svenska PA's systems are adapted to all industries in Sweden. Svenska PA's strengths include the company's high level of specialisation and expertise in the HR area. The concept is believed to be positioned correctly, both from a technology and product point of view. Svenska PA's customer relations have been cultivated over a long period of time, and the company has the capacity to deal with new clients.

Growth with continued high profitability

Svenska PA's strategy is based on organic growth in combination with selective acquisitions and maintained profitability. Organic growth is estimated at 12-15 percent per year, i.e. at least the same rate as the market, and this will be underpinned by future acquisitions in Scandinavia. In addition, the operation will focus particularly on intensified canvassing of the market during 2001.

TurnIT Development

TurnIT Development's President,
Bertil Sahlberg



TurnIT Development's business idea is to invest in IT companies at an early stage of development. Through active ownership, TurnIT Development helps

create growth in value in the companies. With a well-defined portfolio and limited financial commitment, the risk profile is low.



The companies in which TurnIT Development invests must have an existing market and must supply well-defined customer benefit. The

holding should not exceed 30 percent in the long term, and every investment should be in the region of SEK 3-10 million. Individual larger investments may be considered.

The aim is to develop a company over a three year period, and then sell the holding.

The return requirement for TurnIT Development's investments is that the value of the holdings should at least double over a three-year period. Six out of ten investments should achieve this target.

Development during the year

The year has been characterised by a strong rate of investment. In parallel with this, the organisation has expanded to include three people – President, Contoller and Investment Manager. The main part of the company's operating expenses of SEK 1.2 million relates to staff and administration costs. Investments during the year have been partly financed externally, resulting in financial expenses of SEK 1.8 million.

As a consequence of current accountancy principles, a result participation in associated companies of SEK -1.8 million is shown, attributable to holdings in excess of 20 percent. The companies in question are start-ups and are,

therefore, in a development phase. There is not considered to be any real need for write-downs. The item must be reported, even though the company feels that current legislation does not provide a fair picture of the situation. The aim of TurnIT Development's operation is to sell all positions after holding for a few years, and this means that the common configuration of associated companies should not be applied to this type of operation.

Towards the end of the year, the venture capital market suffered from uncertainty, and TurnIT Development has adjusted its level of investment to the conditions in the market. Those companies in which TurnIT Development has invested currently have a limited requirement for further infusion of capital.

The future

In 2001, the focus will mainly be on ensuring that existing investments develop in the right direction. It is possible that a small number of additional investments will be made, since the company has a continuous flow of interesting potential investments.

TurnIT Development provides TurnIT with a valuable insight into what is happening in the IT sector in terms of new technology and business ideas. It was the intention to list TurnIT Development on the Stockholm Stock Exchange, in view of current market conditions, TurnIT has decided to wait with listing.

Twelve investments during the year

Twelve investments were made during 2000: Allt om bostad in Scandinavia, BuyOne, Coomtool, DCM, Decam, EEL Corporate e-learning, Gear Management, Mitt-liv.nu, Rabattkupong.com, ReuseIT, Stockticket and X-OBI. Investment in these companies totalled SEK 55 million. There were already existing holdings in MiniMax Data.

Well-diversified investments

Allt om bostad in Scandinavia is a vertical Internet portal for everything to do with homes. The portal includes links to national and local suppliers of goods and services. During February 2001, the company has signed an agreement with TV4, which gives Allt om Bostad a strategic position on the Internet at TV4.se/Äntligen hemma.

BuyOne creates organisation-specific B2B purchasing market places. BuyOne will reduce the cost of purchasing, as well as the price of products, by creating competition in the market place. The technology is based on a solution from Ariba, the world-leading supplier of software for electronic market places.

Coomtool is a multimedia company focusing on films for children. The company allows customers to purchase film via the Internet and broadband, and already has the rights for more than 1,000 hours of children's films. Entertainment, and not least films for children, will be one of the most important sources of income once the development of broadband picks up. The company already has a positive cash flow, since it generates royalties on the sale of video cassettes and DVDs.

DCM is the leading company in Europe in the area of digital storage technology. DCM organises, digitises, compacts, packages and distributes digital information. The company has been operating for more than ten years, and currently has annual sales of just under SEK 300 million, with a good level of profitability.

Decam is a media communications company with cutting-edge expertise in advertising, film, TV and Internet-based communication. The company develops and produces complete marketing concepts for companies in Europe.

Gear Management is an international consultancy company in the areas of management, e-education and IT development. The company uses Internet technology to increase the capacity and competitiveness of organisations. Using a combination of strategic consultants, content and an open platform, the company has been extremely successful in the area of e-education, and has several of the best references on the market.

MiniMax Data is principally a software company operating within the business area, prioritising industry, retail and energy.

Mitt-liv.nu provides Sweden's most comprehensive service in the area of preventive, health and medical care on the Internet. The company supplies Internet systems to companies in the healthcare industry. It offers both a technical platform and complete content in the form of, for example, corporate healthcare packages. The virtual trading site, www.mitt-liv.nu, also offers appointment bookings with connected partners via the Internet. Clients include Cityvården and Riksakuten.

Rabattkupong.com is a service which helps consumers to find and reserve goods and services via the Internet. What makes it unique is that the customer, just as in traditional shopping, collects the goods at the shop.

ReuseIT, with its strong environmental focus, shall create an Internet trading place for the effective recycling of building materials, without a requirement for intermediate storage. The company deals with a long-standing, well-known environmental problem and uses new technology to solve it.

Stockticket operates in the area of Internet-based Corporate Finance. Its target group is small and expanding companies. Stockticket offers interesting investment opportunities and contractors benefit from fast and cost-effective completion.

X-OBI is a newly-started technology company which supplies components and services for e-commerce. The company works in the B2B segment, and its services and components will ensure major savings and improved security for buyers. During the autumn, the company developed its first prototype, and this will be test-launched in the near future.



Search & Select

Search & Select is a recruitment company with vast knowledge and considerable experience of the IT industry.

The company became a TurnIT subsidiary in connection with the acquisition of Arete, but now acts as part of the Group support functions. Search & Select handles a large number of assignments outside the Group.

Most assignments come from service companies in the IT sector. Around 90 percent of assignments involve executive searches for middle management, specialists and presidents. The remaining assignments involve the select function, where the company assists in the work of carrying out a selection among approved candidates. Search & Select has a well-developed method which it adheres to carefully, and the company is known for the high quality of its recruitment work.

Clients include large companies, such as IBM Svenska AB, KF and Computer Sciences Corporation. Search &

Select is one of two companies in Sweden which have signed master agreements for recruitment on behalf of IBM. Other clients are Adcore, Contempus, Telenordia and Taxi Stockholm.

Continued high profit margin

In the last 12 month period, Search & Select had sales of SEK 5.6 million, and an operating profit of SEK 0.6 million. Demand was very good throughout the year. The average number of employees in 2000 was 7. Search & Select believes that the excellent market for advanced IT companies will continue in 2001, and that, as a result of this, there will be continued demand for the services offered by Search & Select.

Administration Report

The Board of Directors and the President of TurnIT AB (publ), corporate identity number 556116-4384, with registered office in Stockholm, herewith submit their report on the operations of the Group and the Parent Company for the financial year 2000.

Operations

The company's business idea is to acquire and develop primarily unlisted IT companies. During 2000, the subsidiaries were concentrated into larger units, and now TurnIT has 12 larger subsidiaries in the five business areas: TurnIT Supplies, TurnIT Software, TurnIT Communication, TurnIT Consulting and TurnIT Outsourcing. It also includes TurnIT Development, which invests in IT companies at an early stage of development, and the recruitment company, Search & Select. The business under the secondary name, Transnordic, was wound up during 2000.

Demand for both IT services and products was weak for much of 2000, but increased perceptibly towards the end of the year, and is continuing to increase in the current year. The improvement has been particularly noticeable in business areas Consulting and Communication.

The conditions for TurnIT's growth strategy, which includes financing acquisitions through realising development gains, deteriorated during the second half of the year, with the change in sentiment in the stock market. The downturn does, however, mean that new acquisition opportunities have arisen.

Significant acquisitions

On 13 September, a public offer was made to the shareholders in the listed consultancy company, Arete. Shareholders with 98.3 percent of the shares and votes have accepted the offer. In payment for shares and options, 2,032,197 shares of series B have been issued. In addition, a cash element was paid to option holders. Compulsory purchase orders have been issued to the remaining shareholders, and the purchase price during 2000 was SEK 256 million.

In addition during 2000, the subsidiary LAC Elektronik and the Telenor IT and Palett operations were incorporated in the Group. In addition, the holding in the formerly partly-owned subsidiary, Catwalk, was increased to 78.4 percent. Subsidiary companies have also made a number of acquisitions. Fiberdata, for example, has been complemented by several small acquisitions, and IAR acquired Nuvation Labs. All acquisitions have been successfully integrated into the operation.

Disposals

At the beginning of the year, TriData was disposed of through a share swap in which TurnIT received seven percent of the shares in DCM, Digital Communication Media AB. This means that any gain or loss from the disposal will not be reported until the DCM holding has been sold.

In addition, the share participation in IAR was reduced by 20.3 percent to 79.7 percent, partly through the issue made in connection with IAR's flotation on the OM Stockholm Stock exchange O list, as well as through the sale of an additional 0.4 percent.

Widening of ownership and flotation of IAR

During the second quarter, ownership in IAR was widened through a directed share issue to TurnIT's shareholders. Every TurnIT shareholder received one subscription right per TurnIT share, and four subscription rights entitled the shareholder to subscribe for one share in IAR at

an issue price of SEK 28. The minimum subscription block was 200 shares in IAR, and the offer was fully subscribed, whereupon the company was floated on the OM Stockholm Stock Exchange on 11 July. Before issue expenses, the issue realised about SEK 120 million for IAR. For TurnIT, a development gain of SEK 96.5 million arose during 2000.

Sales and results

Sales growth continued during 2000, with turnover rising to SEK 1,581 million from SEK 1,210 million in 1999, an increase of 31 percent. Operating profit before depreciation on Intellectual Capital/Goodwill amounted to SEK 155.2 million (133.7). Operating margin was 9.8 (11.0) percent. The result includes the above-mentioned development gain on IAR of SEK 96.5 million, and the repaid pension funds from Alecta (SPP) of SEK 10.7 million.

Operating profit has been charged with restructuring costs and losses in three subsidiaries: Careda, Innovative-IT and Catwalk. In total, these companies are responsible for a charge against operating profit of SEK 59 million for the full year. These companies, which together represent 12 percent of Group sales, have been the subject of a range of measures during the year. These have now been implemented in all three companies. The results from IAR systems, in which TurnIT owns just under 80 percent, have had a negative effect on results of SEK -3.4 million, partly due to the substantial expenses incurred in the international expansion during the past year.

Depreciation on Intellectual Capital¹⁾ totalled SEK 60.7 million (36.4). Net financial income/expense was SEK -24.5 million (-5.1). Profit after net financial income/expense was SEK 70.0 million (92.3).

The forecast of an operating profit of at least SEK 155 million was fulfilled, and the Group's target of an operating margin of 10 percent was almost achieved. The distribution of sales among the various business areas is relatively even, with Supplies being the largest business area with respect to sales. The Group's average annual sales growth since 1996 has been 99 percent.

The financial position of the Group

The acid-test ratio was 127 (122) percent. At the end of the report period, liquid funds amounted to SEK 167.2 million (149.2), and utilised bank overdraft facilities to SEK 57.2 million (58.4). During the year, the Group entered into a central account agreement with approved credit of SEK 60 million. Of this amount, SEK 51 million had been utilised as at 31 December 2000. In addition to this, credit granted but not utilised at the end of the year amounted to SEK 29 million. Of the acquisition credit granted of SEK 200 million, an additional SEK 30 million was utilised during the year. With this, the scope for acquisitions has been fully utilised.

During 2000, further acquisition credits of SEK 350 million were obtained, of which SEK 100 million was redeemed during the year. At the end of the period, solidity amounted to 58.4 (57.5) percent. During the period, equity increased from SEK 777 million to SEK 1,317 million. Of the total increase in equity of SEK 540 million, SEK 452 million is attributable to new issues in connection with corporate acquisitions, and of this, SEK 142 million relates to cash issues, and SEK 310 million to non-cash issues.

1) The term Intellectual Capital means the positive difference which arises between the acquisition value of purchased shares, and what remains after the identifiable assets and liabilities which have been taken over in the acquisition are valued at actual value. In the Swedish Financial Accounting Standards Council's recommendation no. 1, this is designated "goodwill". The value of intellectual capital is made up of several factors. The most important are the size of the human capital and the structural capital, and the value of the future yield on this capital. The human capital comprises the people in the company. The structural capital consists of such elements as databases, agencies, strategic alliances, technology and methods etc.

Administration Report (cont.)

Data per share

Cash flow per share amounted to SEK 6.32 (6.27). Earnings in relation to the average number of shares during the period were SEK 2.97 (3.69). Equity per share was SEK 64.54 (47.23). As at 31 December 2000, the registered number of shares was 20,411,990. At the end of the report period, there were outstanding options entitling the holders to subscribe for 93,449 B shares.

Investments

Investments for the year in corporate acquisitions amounted to SEK 702 million. SEK 38 million was also paid in additional purchase sums for acquisitions made previously. In addition, TurnIT Development made minority investments of a further SEK 55 million during the report period.

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

Intellectual Capital

Intellectual Capital/Goodwill is a decisive factor for TurnIT's earnings, and it is through nurturing and developing this capital that the company's rapid growth has been achieved. All TurnIT's companies have again been graded using the IC Rating measurement tool. The aim is both to give shareholders and other interested parties a more effective means of evaluating TurnIT's investments from a longer-term perspective, and to use this data in the Group's internal development work.

The book value of the Group's Intellectual Capital/Goodwill amounted to SEK 1,337 million at the end of the period. Compared with 31 December 1999, this is an increase of SEK 576 million (76 percent). During the second quarter, profits were charged with a write-down of Intellectual Capital of SEK 10 million, relating to the Transnordic operation, due to the gradual winding up of the business.

The value of Intellectual Capital/Goodwill has been assessed using impairment tests, in accordance with the Swedish Financial Accounting Standards Council's recommendation number 17, Write-downs. A quality evaluation has also been carried out with the help of IC Rating AB.

TurnIT focuses on growth in operating profit, and measures profit at the level before depreciation of Intellectual Capital. Depreciation on Intellectual Capital amounted to SEK 60.7 million for the period. The depreciation period is 20 years.

The Parent Company

The Parent Company consists of the Group-wide functions of finance, law, information/IR, personnel and corporate evaluations. As the company has developed, the Group management and Group-wide functions have been strengthened.

Sales during 2000 amounted to SEK 25.2 million (43.0), and loss before tax to SEK -13.3 million (7.3). The result includes dividends from subsidiary companies of SEK 32.0 million (12.2), and write-downs on subsidiaries' shares of SEK 31.4 million. Investments amounted to SEK 2.2 million. Equity increased by SEK 496 million.

Board authorisation

The Annual General Meeting held on 4 April 2000 authorised the Board to issue, at its discretion, up to 1,500,000 series B shares in connection with corporate acquisitions. As at 31/12 2000, 1,182,000 of these shares had been issued.

Incentive programme

In accordance with a resolution of the annual general meeting, an incentive programme has been introduced, relating to staff options. A total of 273,775 staff options had been issued as at 30 June, and thereafter 2,650 options were issued. The programme will run for five years, with the right to exercise the options after three years at an exercise price equivalent to SEK 209.40 per share. After the acquisition of Arete, the programme was expanded by a total of 57,600 staff options, issued with a corresponding duration and other terms, but at an exercise price equivalent to SEK 110.05.

TurnIT's staff option programme has been hedged through an equity swap, see the Accounting Principles section, as well as note 33, Contingent liabilities.

A subscription option programme for the staff in IAR, which was not covered by the above-mentioned staff option programme, has been introduced. In addition, 30,000 call options relating to IAR have been issued to two members of the Board of IAR. The subscription price is SEK 45.

Work of the Board

The Board of Directors of TurnIT AB consists of six directors. The company's President is one of the members of the Board. Other executives in the Group take part in Board meetings in a reporting capacity when this is judged necessary. During the financial year 2000, the Board of TurnIT AB held 22 minuted meetings. Matters dealt with have included corporate acquisitions, quarterly reports and press releases, financing, budgets, the programme of the Board, and instructions for the President, as well as customary monitoring of the activities of the Group. Each year, the company's auditors present a report in person to the Board. This includes observations on internal controls and accounting.

Events after the end of the year

The conditions for a flotation of TurnIT Development on the stock market have steadily deteriorated, and the Board has, therefore, decided to postpone the flotation of the company.

The Future

Market growth will be lower than in previous years. Two firms of analysts, IDC and Gartner, in their 5-year forecasts, estimate that the IT market in Scandinavia as a whole will have an average growth of 13-16 percent. These figures are lower than previous forecasts, which should mean increased competition. It is, therefore, essential to be well-established, have excellent customer relations and sound finances, if a growth in profits of at least 25 percent is to be achieved.

Development gains will be realised if market conditions allow. The gains will be used to amortise interest-bearing loans and to finance growth.

For 2001, it is expected that, overall, there will be a significant improvement in operating profit excluding development gains.

Profits, position and financing

For information on profits, position and financing in general, please refer to the following income statements, balance sheets, cash flow statements and notes.

Proposed appropriation of profits

The Group's non-restricted funds amount to SEK 65.5 million. In subsidiary companies, it is proposed to transfer a total of SEK 43 thousand to restricted funds. The Board of Directors and the President propose that the available funds in the Parent Company of SEK 60,635,892 be carried forward.

Income statement

<i>Amounts in SEK thousands</i>	<i>Note</i>	<i>The Group 2000</i>	<i>1999</i>	<i>The Parent Company 2000</i>	<i>1999</i>
Net sales	2,3,4	1,580,772	1,210,198	25,212	42,962
Cost of goods sold		- 1,142,463	- 851,745	- 6,386	- 14,180
Gross profit	5	438,309	358,453	18,826	28,782
Selling expenses		- 254,500	- 140,728	- 409	- 1,998
Administrative expenses		- 139,640	- 103,181	- 33,995	- 27,319
Other operating income	7	116,126	20,330	1,419	253
Other operating expenses	8	- 5,053	- 1,156	—	- 219
Operating profit before depreciation on Intellectual Capital/Goodwill	2,3,6,9	155,242	133,718	- 14,159	- 501
Depreciation and write-downs on Intellectual Capital/Goodwill	17	- 60,750	- 36,396	- 10,498	- 819
Operating profit after depreciation on Intellectual Capital/Goodwill		94,492	97,322	- 24,657	- 1,320
<i>Result from financial items</i>					
Result from participation in Group companies	10	—	—	13,855	12,159
Result from participation in associated companies	11	- 2,017	—	—	—
Other interest income and similar profit/loss items	12	9,261	6,732	15,605	3,823
Interest expense and similar profit/loss items	13	- 31,768	- 11,788	- 18,130	- 7,374
Profit before tax		69,968	92,266	- 13,327	7,288
Tax on profit for the year	14	- 18,609	- 35,483	7,468	4,528
Minority participation in profits for the year		2,201	604	—	—
Result from Group companies during that part of the year in which they did not form part of the Group	15	- 1,438	—	—	—
Net profit for the year		52,122	57,387	- 5,859	11,816

Balance sheet

Amounts in SEK thousands	Note	The Group 31-12-00	The Group 31-12-99	The Parent Company 31-12-00	The Parent Company 31-12-99
Assets					
Fixed assets					
<i>Intangible assets</i>					
Capitalized expenditure etc.	16	16,011	1,226	—	—
Intellectual Capital/Goodwill	17	1,336,676	760,974	3,357	13,856
		1,352,687	762,200	3,357	13,856
<i>Tangible assets</i>					
Land and buildings	18	31,284	2,448	—	—
Land improvements	19	127	—	—	—
Equipment	20	95,104	58,032	5,781	5,110
		126,515	60,480	5,781	5,110
<i>Financial assets</i>					
Participations in Group companies	21	—	—	1,114,212	729,646
Participations in associated companies	22	25,035	—	—	—
Other securities held as fixed assets	23	65,113	6,001	13,715	80
Other long-term receivables		9,725	5,550	—	—
		99,873	11,551	1,127,927	729,726
Total fixed assets		1,579,075	834,231	1,137,065	748,692
Current assets					
<i>Inventories etc.</i>		92,696	84,852	1,688	4,488
<i>Current receivables</i>					
Accounts receivable - trade		335,339	221,871	689	9,163
Receivables from Group companies		—	—	361,039	197,356
Income taxes recoverable		22,130	4,319	336	163
Other receivables		43,270	7,811	6,045	1,519
Prepaid expenses and accrued income	24	83,987	65,974	1,182	1,999
		484,726	299,975	369,291	210,200
Short-term investments	25	22,768	4,259	—	—
Cash and bank balances		144,408	144,954	50,082	21,641
Total current assets		744,598	534,040	421,061	236,329
Total assets		2,323,673	1,368,271	1,558,126	985,021

Amounts in SEK thousands	Note	The Group 31-12-00	The Group 31-12-99	The Parent Company 31-12-00	The Parent Company 31-12-99
Equity and liabilities					
Equity	26				
<i>Restricted equity</i>					
Share capital		102,060	81,676	102,060	81,676
New issue in process of registration		—	19,344	—	19,344
Share premium reserve		—	—	1,053,975	568,317
Restricted reserves		1,149,840	568,335	—	—
Total restricted equity		1,251,900	669,355	1,156,035	669,337
<i>Non-restricted equity</i>					
Non-restricted reserves		13,380	50,712	66,495	39,110
Profit for the year		52,122	57,387	– 5,859	11,816
Total non-restricted equity		65,502	108,099	60,636	50,926
Total equity		1,317,402	777,454	1,216,671	720,263
Minority shareholding		39,257	8,705	—	—
Provisions					
Provisions for pensions	27	575	595	575	595
Provisions for deferred tax	14	17,309	9,544	—	—
		17,884	10,139	575	595
Long-term liabilities					
Bank overdraft	28	—	2,709	—	—
Other liabilities to credit institutions	29	386,430	170,278	200,000	170,000
Other liabilities	30	15,208	13,520	—	—
		401,638	186,507	200,000	170,000
Current liabilities					
Bank overdraft	28	57,180	55,688	50,874	44,636
Other liabilities to credit institutions	29	40,033	6,160	—	—
Advance payments from customers		18,567	13,578	—	1,014
Accounts payable - trade		129,477	94,064	5,005	10,954
Liabilities to Group companies		—	—	65,934	6,501
Income tax liabilities		17,364	24,324	—	—
Other liabilities	30	141,856	87,787	9,916	19,847
Accrued expenses and deferred income	31	143,015	103,865	9,151	11,211
		547,492	385,466	140,880	94,163
Total equity and liabilities		2,323,673	1,368,271	1,558,126	985,021
Pledged assets and contingent liabilities					
Pledged assets	32	311,770	51,141	241,649	5,000
Contingent liabilities	33	60,638	4,378	271,731	23,129

Cashflow statement

<i>Amounts in SEK thousands</i>	<i>The Group</i>		<i>The Parent Company</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Day-to-day operations				
Profit before tax	69,968	92,267	- 13,327	7,288
Adjustment for items not included in cash flow etc.	- 17,502	39,342	29,227	1,256
	52,466	131,609	15,900	8,544
Tax paid	- 42,324	- 27,040	- 479	- 142
<i>Cash flow from day-to-day operations before changes in working capital</i>	10,142	104,569	15,421	8,402
<i>Cash flow from changes in working capital</i>				
Changes in inventories	- 4,780	- 26,261	2,800	- 923
Changes in operating receivables	- 94,542	9,528	- 208,554	- 127,201
Changes in operating liabilities	40,989	- 15,968	79,905	3,316
Cash flow from day-to-day operations	- 48,191	71,868	- 110,428	- 116,406
Investment operations				
Acquisition of subsidiaries	- 334,129	- 266,833	- 74,985	- 157,276
Acquisition of associated companies	- 27,052	—	—	—
Acquisition of tangible assets	- 67,145	- 22,818	- 2,065	- 4,527
Acquisition of intangible assets	- 16,260	—	—	—
Sale of tangible assets	—	9,900	—	9,900
Sale of subsidiaries	124,943	—	13,282	—
Changes in long-term receivables and securities held as fixed assets	- 41,593	13,819	—	- 2
Cash flow from investment operations	- 361,236	- 265,932	- 63,768	- 151,905
Financing operations				
New issue and option bonuses	180,288	273,947	176,270	273,947
Expenses of equity swap	- 3,633	—	- 3,633	—
Change in loan from credit institution	250,025	- 6,387	30,000	- 2,039
Cash flow from financing operations	426,680	267,560	202,637	271,908
Cash flow for the year	17,253	73,496	28,441	3,597
Liquid resources at the start of the year	149,213	76,016	21,641	18,044
Exchange rate difference in liquid resources	710	- 299	—	—
Liquid resources at the year-end	167,176	149,213	50,082	21,641

Information relating to the cash flow analyses

Liquid resources in the cash flow statement includes the items cash and bank balances and short-term investments

The items have been classified as liquid resources on the basis that:

- They have an insignificant risk of fluctuations in value
- They can easily be converted into cash funds

Amounts in SEK thousands	2000	The Group 1999	The Parent Company 2000	The Parent Company 1999
Interest payments are included in their entirety in day-to-day operations				
Interest payments received amount to	6,116	4,060	12,839	3,765
Interest payments made amount to	25,404	7,499	18,479	5,353
Acquisition of subsidiaries				
Purchase sum, cash	391,415	315,611	74,985	157,276
Purchase sum, share issue	310,427	28,149	310,427	8,800
Shareholders' contribution made	—	—	77,750	—
Purchase sum, entered as liability	- 277	37,903	9,515	16,786
	701,565	381,663	472,677	182,862
Acquired items:				
Inventories	3,064	10,765		
Current receivables	66,990	81,900		
Other assets	11,022	9,506		
Long-term receivables	17,739	1,839		
Liquid resources	57,286	48,778		
Current liabilities	- 68,391	- 88,427		
Long-term liabilities	- 14,411	- 107		
Deferred tax	- 5,532	4,679		
Minority liabilities	- 371	- 2,977		
Intellectual Capital	634,169	315,707		
	701,565	381,663		
Effect on the Group's liquid resources				
Purchase sum cash	391,415	315,611		
Liquid resources in acquired companies	- 57,286	- 48,778		
	334,129	266,833		

Accounting principles

General accounting principles

The company follows the recommendations of the Swedish Financial Accounting Standards Council, which came into force before the end of 2000, with the exception that the term "Intellectual Capital" is used for that item in the consolidated balance sheet which the Swedish Financial Accounting Standards Council in its recommendation RR1:96 designates "Goodwill".

Given TurnIT's business idea, depreciation and write-downs on Intellectual Capital are an item in their own right in the income statement.

For the same reason, capital gains on the sale of shares of minority holdings are recorded as other operating income.

Assets, provisions and liabilities have been valued at acquisition value unless otherwise stated below.

Revenue

The sale of the right of use to software is recognized in revenue on delivery.

Income attributable to outsourcing is recognized in revenue in instalments. Connection and user fees, relating to salary and personnel administration solutions, are taken up as income on the date of the contract. For larger projects of longer duration, the previously mentioned fees are apportioned over the installation period and related to the delivery plan agreed with the client.

Income relating to maintenance and support contracts is apportioned over the period of the agreement.

Remuneration for services carried out is taken up as income over time. The part of total estimated remuneration for a job taken up as income during each period corresponds to the share of the total estimated cost represented by the expense accrued at the end of the period. Changes in the estimated total income and expense per job are recorded in the period in which they arise. Sums taken up as income which have not yet been invoiced are recorded under the item Accrued income and prepaid expenses.

Software development

Expenditure on developing software for sale is written off continuously.

Expenditure on business systems utilised for the Group's business needs with acquisition values in excess of SEK 1 million, are capitalised and written off over three years. Systems acquired for monitoring clients' operations are written off on a linear basis over the term of the individual client agreement.

Receivables and liabilities

After individual valuation, receivables are recorded at the amount which it is estimated will be paid. Receivables and liabilities in foreign currencies have been translated at the closing day rate.

Depreciation principles for fixed assets

Depreciation according to plan is based on the original acquisition value and the estimated economic life of the asset. Write-downs are carried out in the event of a decrease in permanent value.

The following depreciation periods have been adopted:

Intangible assets

Capitalized expenditure, leased premises	5 years
Capitalized expenditure, software	3 years or over the length of the client agreement
Intellectual Capital	20 years

Intellectual Capital is divided into structural capital, i.e. databases, agencies, strategic alliances, technology and methods etc., as well as human capital, i.e. the people in the operation. When operations are acquired, and in any subsequent follow-up of these acquisitions, the Intellectual Capital in these operations is considered to contain the following elements: the strength of the business idea and strategy in relation to the sector's potential and risks, human capital, and internal and external structural capital. An overall assessment of these factors gives the depreciation period for the acquired operation. The overall required depreciation period is estimated at in excess of 20 years. For practical reasons, it has been decided to apply a 20-year depreciation period to all acquisitions.

Leasing

Leasing is classified in the consolidated accounts as either financial or operational. Financial leasing exists when the financial risks and benefits associated with ownership are in all essentials transferred to the lessee. If this is not the case, then it is operational leasing that is involved. In brief, financial leasing means that the relevant asset is shown as an asset item in the balance sheet, with a corresponding liability recorded on the liabilities side of the balance sheet. In the income statement, leasing expenses are divided between depreciation and interest expense. Operational leasing means, in brief, that an asset or its corresponding liability is not recorded in the balance sheet.

Staff options programme and equity swap

In order to hedge TurnIT's obligations under the staff options programme, including the liability to pay social security contributions on the benefits which the employees receive – if the occasion should arise – TurnIT has entered an equity swap agreement.

The equity swap means that TurnIT will pay a flexible rate of interest and a continuous fee, and in exchange will receive the yield, dividend and growth in value of the TurnIT shares. In the event of a falling share price, TurnIT will pay an amount equivalent to the negative change in value. The positive or negative yield will be measured and settled when the options expire or are exercised. In accordance with deferral hedge accounting principles, TurnIT's operating results will be charged with a reserve/provision for social security contributions only in the event that the options are exercised.

All payments resulting from the swap are entered directly against non-restricted equity. The reason for this is that the financial implications of the payments are on a par with the repurchase of the company's own shares.

In the event of a negative change in value of TurnIT's shares during the life of the options programme, an amount will be recorded under Contingent Liabilities which, in the event that hedge accounting had not been applied, would have been charged against equity. In the event of a positive change in value during the life of the options programme, the amount recorded under Contingent Liabilities will be equivalent to the reserve/provision related to social security contributions which would have been charged against equity in the event that hedge accounting had not been applied.

Tangible fixed assets

Buildings.....	25 or 50 years
Computers.....	3 years
Other equipment	5 years

Tax

Deferred tax in untaxed reserves is recorded as Provisions in the balance sheet. A tax rate of 28 percent applies in Sweden, for subsidiaries abroad, the applicable tax rate for the country concerned is used. Deferred tax effects amounting to the loss carry-forward have not been taken into consideration, i.e. they have not been taken up as receivables in the consolidated accounts, given the restrictions stemming from the blocking rules in connection with changes of ownership.

Consolidated accounts

The consolidated accounts have, with the exception of the comments in the General Accounting Principles section above, been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 1:96. The consolidated accounts cover those companies in which the Parent Company directly or through subsidiary companies holds more than 50 percent of the number of votes, or in some other way has a controlling influence. The item Goodwill has been replaced by the concept of Intellectual Capital, which is divided into structural capital and human capital in accordance with the above.

Associated companies

Shareholdings in associated companies, in which the Group has a minimum of 20 percent and a maximum of 50 percent of the votes, or, in some other way has a significant influence, are normally reported in accordance with the equity method.

The equity method means that, in the Group, the book value of the shares in associated companies is balanced by the Group's participation in the equity of the associated companies, as well as any residual value in the Group's surplus value or undervalue. The consolidated income statement shows under "Results from participations in associated companies" the Group's participations in associated companies' results after financial income and expense adjusted for any depreciation or liquidation of the acquired surplus value or undervalue. The group's participation in associated companies' recorded taxes is included in the consolidated tax expenses. Profit shares calculated after the acquisition of associated companies which have not yet been realised through dividends, are transferred to equity method reserves which constitute part of the Group's restricted equity.

Group contributions and shareholders' contributions

The Company reports Group contributions and shareholders' contributions in accordance with the views of the Swedish Financial Accounting Standards Council's Urgent Issues Committee.

Translation of foreign subsidiaries

Foreign subsidiaries are classified as independent units. The accounts of foreign subsidiaries have been translated using the current method. The current method means that all assets, provisions and other liabilities are translated at the closing day rate, and all items in the income statement are translated at the average exchange rate for the year. Intellectual Capital attributable to foreign subsidiaries has been translated at the closing day rate. Any translation differences arising are entered directly against equity.

Acquired operations are included in the consolidated results with effect from the following dates:

Acquisitions 1997

1 Jan 1997.....	AVA System, IAR Systems, Libro Datakonsult, Pargon, TriData, SweDeltaco
1 May 1997.....	Denix Finans (incl the subsidiary Enskede Teleteknik (ETAB))
31 Dec 1997.....	Network Innovation

Acquisitions 1998

1 Jan 1998.....	ID Network (Careda), Computas, Libro Time
1 July 1998.....	Ambrosia Data
1 Oct 1998.....	GCS Genius Scandinavia
14 Dec 1998.....	Svenska PA

Acquisitions 1999

1 Jan 1999.....	AU-Gruppen, DEL Datatarvike, Elservice i Trelleborg, ITAB, Innovative IT, Neon, Q-bit, Stenkil, Systemering, Retea
1 July 1999.....	Catwalk
30 Sept 1999.....	Time Recorder, Visual State
1 Nov 1999.....	Insert

Acquisitions 2000

1 Jan 2000.....	LAC Elektronik, Informationsteknologi Rådgivning A/S (ITR A/S)
8 June 2000.....	Telenor IT
1 Nov 2000.....	Arete
31 Dec 2000.....	Palett, Nuvation Labs

In addition to the above, a number of smaller complementary acquisitions were made by Fiberdata and Ambrosia.

Provisions for restructuring measures of SEK 6.3 million have been made relating to the acquisition of Telenor's IT operations. The measures were implemented during 2000, and the reserve was reversed at the end of 2000.

Notes

1 Employees and personnel costs

Average number of employees	2000	of whom men, %	1999	of whom men, %
<i>The Parent Company</i>				
Sweden	8	62	14	71
Total in the Parent Company	8	62	14	71
<i>Subsidiaries</i>				
Sweden	978	77	620	76
Norway	192	71	151	76
USA	37	81	7	75
UK	3	67	3	67
Germany	8	100	4	100
Denmark	16	69	6	67
Finland	11	73	6	81
Total in subsidiaries	1,245	76	797	76
The Group total	1,253	76	811	76

The number of employees in the Group at the year-end amounted to 1,362 (906).

Salaries, other remuneration and social security contributions

	2000		1999	
	Salaries and remuneration	Social Security- contributions	Salaries and remuneration	Social Security- contributions
The Parent Company	7,090	4,136	11,942	4,090
(of which pension costs) ¹⁾		(1,785)		(1,318)
Subsidiaries	477,264	168,883	312,362	119,116
(of which pension costs)		(44,370)		(24,834)
The Group total	484,354	173,019	324,304	123,206
(of which pension costs) ²⁾		(46,155)		(26,152)

¹⁾ Of the Parent Company's pension costs SEK 973 thousand (452) relate to the Group's Board of Directors and President. The company's outstanding pension obligations to the former President amount to SEK 575 thousand (595).

²⁾ Of the Group's pension costs SEK 5,381 thousand (4,095) relate to the Group's Board of Directors and President. The Group's outstanding pension obligations to the former President amount to SEK 575 thousand (595).

Salaries and other remuneration apportioned by country and between members of the Board and other employees

	2000		1999	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
<i>The Parent Company</i>				
Sweden	3,135	3,955	6,967	4,975
(of which profit share and bonus to CEO and Board)	(1,000)		(4,000)	
<i>Subsidiaries in Sweden</i>	25,241	311,147	21,834	207,781
(of which profit share and bonus to President and Board)	(3,804)		(3,023)	
<i>Subsidiaries abroad</i>				
Norway	3,599	101,298	1,180	69,748
USA	—	20,961	—	3,577
UK	—	1,128	—	1,242
Germany	—	4,786	—	3,279
Denmark	427	6,915	542	1,565
(of which emoluments and bonus to President and Board)	—		(45)	
Finland	815	947	617	997
Subsidiaries total	30,082	447,182	24,173	288,189
(of which emoluments and bonus to President and Board)	(3,804)		(3,068)	
The Group total	33,217	451,137	31,140	293,164
(of which emoluments and bonus to President and Board)	(4,804)		(7,068)	

The Chairman of the Board has the right to a remuneration of SEK 200 thousand during his term of office. There are no agreements on pension, severance pay or other benefits. Directors are not entitled to severance pay.

The annual cost of the President amounts to SEK 2,493 thousand, excluding profit-related bonus but including social security

contributions and retirement benefits. The profit-related bonus for 2000 is estimated at SEK 1,000 thousand (exc. social security contributions). Retirement benefits for the President during 2000 amounted to SEK 453 thousand (including payroll tax). The President's contract of employment has a 24 month period of notice from the company's side, during which period salary and other benefits continue to be paid at an unchanged level. There are future obligations relating to pensions for the former President. The liability as at 31 December 2000 was SEK 575 thousand. The retirement benefits for the Presidents of subsidiaries are payable essentially at the level of the corresponding Supplementary Pensions for Salaried Employees plan. If notice of termination is given by the company, normal severance pay is payable equivalent to a maximum of eighteen months' salary.

2 Intra-Group income and expense

Of the total income and expense for the year in the Parent Company, 82.6% (52.1%) of income and 8.8% (6.3%) of expenses came from companies within the Group.

3 Net sales and operating profit before depreciation on Intellectual Capital/Goodwill apportioned by business area

	The Group	
	2000	1999
<i>Net sales by business area</i>		
Supplies	404,990	303,147
Software	270,522	205,580
Communication	306,674	205,508
Consulting	368,630	293,261
Outsourcing	229,956	202,702
	1,580,772	1,210,198
<i>Operating profit before depreciation on Intellectual Capital/Goodwill by business area</i>		
Supplies	57,364	46,033
Software ¹⁾	77,229	20,870
Communication	18,130	19,820
Consulting	18,778	19,736
Outsourcing	8,137	32,804
Joint Group ²⁾	- 24,396	- 5,545
	155,242	133,718

¹⁾ 2000 includes development gains relating to IAR of SEK 96,522 thousand

²⁾ 1999 includes profit on the sale of shares in Jeeves of SEK 16,009 thousand

4 Geographical distribution

The geographical distribution of net sales is shown in the following table:

	The Group	
	2000	1999
Sweden	1,201,082	995 266
Norway	197,063	118,227
Finland	36,833	22,649
Denmark	4,378	1,028
Rest of Europe	54,481	43,073
Asia	18,178	11,102
USA	68,757	18,853
	1,580,772	1,210,198

5 Currency exposure

The Group's sales in foreign currency constitute about 15 percent (15 percent) of total sales. Sales in other currencies are made up primarily of USD, FIM, NOK and DEM. Of the cost of sold goods in the Group, approximately 32 percent (41 percent) relates to purchases in foreign currencies, particularly USD and euro. Only a limited amount of currency hedging is carried out at present.

6 Audit fees

Fees for auditing work for 2000 for the auditors of TurnIT AB appointed by the General Meeting, KPMG, amounted to SEK 0.3 million. The corresponding remuneration payable to KPMG at Group level was SEK 1.2 million. Fees for auditing work for 2000 to other auditors for subsidiaries amounted to SEK 0.5 million. Fees for other assignments carried out by auditors at Group level amounted to SEK 0.8 million.

Fees for work carried out by auditors in connection with prospectuses are included in issue expenses as reduced equity.

Notes

7 Other operating income

	<i>The Group</i>		<i>The Parent Company</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Development gains	96,522	—	—	—
Exchange gain on operating receivables/liabilities	3,768	650	—	—
Property income etc	—	407	—	253
Capital gain on the sale of shares	—	16,110	—	—
Guarantees to cover losses *)	3,993	3,129	—	—
Income from options	324	—	—	—
SPP repayment etc.	10,737	—	1,137	—
Other	782	34	282	—
	116,126	20,330	1,419	253

* Guarantees to cover losses refer to the accrued share of total loss cover undertaken on behalf of subsidiaries.

8 Other operating expenses

	<i>The Group</i>		<i>The Parent Company</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Exchange loss on operating receivables/liabilities	- 4,661	- 601	—	—
Other	- 392	- 555	—	- 219
	- 5,053	- 1,156	—	- 219

9 Depreciation

Depreciation, exc. depreciation on Intellectual Capital, is apportioned to the following functions:

	<i>The Group</i>		<i>The Parent Company</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Cost of goods sold	- 15,920	- 13,010	—	- 87
Selling expenses	- 6,403	- 3,245	—	- 29
Administration	- 4,016	- 2,484	- 1,394	- 322
Other operating expense	- 457	- 217	—	—
	- 26,796	- 18,956	- 1,394	- 438

10 Results from participations in Group companies

	<i>The Parent Company</i>	
	<i>2000</i>	<i>1999</i>
Gains on sale of shares in subsidiaries	12,895	—
Income from options	324	—
Write-down of shares in subsidiaries	- 31,366	—
Dividends received	32,002	12,159
	13,855	12,159

11 Results from participations in associated companies

	<i>The Group</i>	
	<i>2000</i>	<i>1999</i>
Participation in %		
Allt om Bostad i Skandinavien AB	25	- 877
X-Obi Bergman Consulting AB	25	- 176
Stockticket AB	37	- 763
Innovative-IT Development AB	35	- 781
Bj El & Datateknik AB	49	580
	- 2,017	—

12 Other interest income and similar profit/loss items

	The Group		The Parent Company	
	2000	1999	2000	1999
Interest income, Group companies	—	—	14,886	2,607
Interest income, other	5,995	4,114	719	1,212
Exchange rate gains	1,710	964	—	4
Income from options	—	163	—	—
Dividends	749	—	—	—
Capital gains.....	721	1,419	—	—
Other	86	72	—	—
	9,261	6,732	15,605	3,823

13 Interest expense and similar profit/loss items

	The Group		The Parent Company	
	2000	1999	2000	1999
Component of interest for the year in				
financial leasing agreements	- 1,819	- 1,276	—	—
Interest expense, Group companies	—	—	- 578	- 537
Interest expense.....	- 23,479	- 8,240	- 17,552	- 6,833
Exchange rate losses	- 1,715	- 1,303	—	- 4
Write-downs on securities.....	- 3,489	—	—	—
Capital losses.....	- 695	—	—	—
Other financial expense.....	- 571	- 969	—	—
	- 31,768	- 11,788	- 18,130	- 7,374

14 Tax on profit for the year

	The Group		The Parent Company	
	2000	1999	2000	1999
Tax paid	- 18,207	- 31,168	7,468	4,528
Deferred tax	- 402	- 4,315	—	—
	- 18,609	- 35,483	7,468	4,528

The estimated loss carry-forward in the Parent Company amounted to SEK 27 million, and in the Group to SEK 50 million. The future utilisation of the Parent Company's loss is limited in substance by the freeze on Group contributions. There is deferred tax at company level, but it is not expected that this will be realised in the foreseeable future. The present value of this is regarded as negligible.

15 Results for Group companies during that part of the year in which they did not form part of the Group

Profit for the Group company Nuvation Labs Inc during that part of the year in which it did not form part of the Group

The results from this company affected the income statement as follows:

Sales	30,704
Operating profit before depreciation	
on Intellectual Capital	2,817
Profit before tax	2,684
Tax	- 1,246
Profit for the Group company Nuvation Labs Inc during that part of the	
financial year in which it did not form part of the Group	- 1,438
Profit for the year	0

Notes

16 Capitalized expenditure etc.

	<i>The Group</i>		<i>The Parent Company</i>	
	2000	1999	2000	1999
<i>Development projects</i>				
<i>Accumulated acquisition value</i>				
At start of year	—	847	—	—
Scrapped	—	- 847	—	—
	—	—	—	—
<i>Accumulated depreciation according to plan</i>				
At start of year	—	- 679	—	—
Scrapped	—	679	—	—
	—	—	—	—
<i>Accumulated write-downs</i>				
At start of year	—	- 168	—	—
Scrapped	—	168	—	—
	—	—	—	—
Book value at the year-end, development projects	—	—	—	—
<i>Rented premises</i>				
<i>Accumulated acquisition value</i>				
At start of year	14	—	—	—
Acquired via subsidiaries.....	—	14	—	—
	14	14	—	—
<i>Accumulated depreciation according to plan</i>				
At start of year	- 1	—	—	—
Depreciation for the year	- 3	- 1	—	—
	- 4	- 1	—	—
Book value at the year-end, rented premises	10	13	—	—
<i>Software</i>				
<i>Accumulated acquisition value</i>				
At start of year	1,213	—	—	—
New acquisitions	16,260	1,213	—	—
	17,473	1,213	—	—
<i>Accumulated depreciation according to plan</i>				
Depreciation for the year	- 1,472	—	—	—
	- 1,472	—	—	—
Book value at the year-end, software	16,001	1,213	—	—
Book value, capitalized expenditure etc.	16,011	1,226	—	—

17 Intellectual Capital/Goodwill

	<i>The Group</i>		<i>The Parent Company</i>	
	2000	1999	2000	1999
<i>Accumulated acquisition value</i>				
Intellectual Capital brought forward 1/1 in accordance with the balance sheet adopted for the preceding year	835,154	517,578	17,042	17,042
Effect of change in accounting principlesp	—	1,488	—	—
Intellectual Capital brought forward 1/1 adjusted in accordance with the new accounting principles	835,154	519,066	17,042	17,042
New acquisitions	584,045	314,890	—	—
Acquired via subsidiaries	67,156	2,272	—	—
Disposals	- 14,475	—	—	—
Translation difference	779	- 1,074	—	—
	1,472,659	835,154	17,042	17,042

17 Intellectual Capital/Goodwill (cont.)

	<i>The Group</i>		<i>The Parent Company</i>	
	2000	1999	2000	1999
<i>Accumulated depreciation according to plan</i>				
Intellectual Capital brought forward 1/1 in accordance with the balance sheet adopted for the preceding year	- 74,180	- 36,902	- 3,186	- 2,367
Effect of change in accounting principles	—	- 72	—	—
Intellectual Capital brought forward 1/1 adjusted in accordance with the new accounting principles	- 74,180	- 36,974	- 3,186	- 2,367
Acquired via subsidiaries.....	- 4,919	- 871	—	—
Disposals.....	2,364	—	—	—
Translation difference.....	1,502	61	—	—
Depreciation for the year.....	- 50,750	- 36,396	- 499	- 819
	- 125,983	- 74,180	- 3,685	- 3,186
<i>Accumulated write-downs</i>				
Write-down for the year.....	- 10,000	—	- 10,000	—
Book value at the year-end	1,336,676	760,974	3,357	13,856

SEK 284,931 thousand (17,723) of the book value of Intellectual Capital is tax deductible.

18 Land and buildings

	<i>The Group</i>		<i>The Parent Company</i>	
	2000	1999	2000	1999
<i>Accumulated acquisition value</i>				
At start of year	2,697	1,446	—	—
New acquisitions	29,077	770	—	—
Acquired via subsidiaries.....	—	481	—	—
	31,774	2,697	—	—
<i>Accumulated depreciation according to plan</i>				
At start of year	- 249	- 83	—	—
Acquired via subsidiaries	—	- 94	—	—
Depreciation for the year according to plan on acquisition value	- 241	- 72	—	—
	- 490	- 249	—	—
Book value at the year-end	31,284	2,448	—	—
Value assessed for tax purposes, buildings	8,708	484	—	—
Value assessed for tax purposes, land	3,421	227	—	—

No properties are held under operational or financial leasing.

19 Land improvements

	<i>The Group</i>		<i>The Parent Company</i>	
	2000	1999	2000	1999
<i>Accumulated acquisition value</i>				
New acquisitions	129	—	—	—
	129	—	—	—
<i>Accumulated depreciation according to plan</i>				
Depreciation for the year according to plan on acquisition value	- 2	—	—	—
	- 2	—	—	—
Book value at the year-end	127	—	—	—

Notes

20 Equipment

	<i>The Group</i>		<i>The Parent Company</i>	
	2000	1999	2000	1999
<i>Accumulated acquisition value</i>				
At start of year	101,993	72,246	5,937	1,593
New acquisitions	56,125	23,610	2,229	4,840
Acquired via subsidiaries	8,028	15,677	—	—
Disposals and scrapped	- 20,611	- 9,327	- 494	- 496
Exchange rate difference	517	- 213	—	—
	146,052	101,993	7,672	5,937
<i>Accumulated depreciation according to plan</i>				
At start of year	- 63,105	- 48,002	- 827	- 573
Acquired via subsidiaries	- 7,608	- 6,666	—	—
Disposals and scrapped	13,025	6,742	330	155
Exchange rate difference	- 515	148	—	—
Depreciation for the year according to plan on acquisition value	- 22,467	- 15,327	- 1,394	- 409
	- 80,670	- 63,105	- 1,891	- 827
Book value at the year-end exc. financial leasing	65,382	38,888	5,781	5,110
Equipment held under financial leasing agreements included at the following amounts:			None	None
Acquisition value	38,389	26,450	—	—
Accumulated depreciation	- 8,667	- 7,306	—	—
	29,722	19,144	—	—
Book value at the year-end	95,104	58,032	5,781	5,110
Assets held through operational leasing agreements				
Leasing charges paid for the financial year	44,799	31,285	858	860
Agreed future leasing charges				
Year 2001	54,930		1,174	
Year 2002	43,997		1,174	
Year 2003	34,969		1,174	

Information has only been included if significant values are found in the appropriate Group companies. Leases relating to premises which have a term in excess of 12 months have been included in the above amounts.

Future payments relating to financial leasing have been taken into account under other current or long-term liabilities in the Group as appropriate.

21 Participations in Group companies

	<i>The Parent Company</i>	
	2000	1999
<i>Accumulated acquisition value</i>		
At start of year	730,165	547,303
Acquired	357,001	183,362
Shareholders' contribution	77,750	—
Disposal ¹⁾	- 18,819	- 500
	1,146,097	730,165
<i>Accumulated write-downs</i>		
At start of year	- 519	- 519
Write-downs for the year	- 31,366	—
	- 31,885	- 519
Book value at the year-end	1,114,212	729,646

¹⁾ SEK 4,800 thousand of disposals during the year refer to sales within the Group.

21 Participations in Group companies (cont.)

Specification of the Parent Company's and the Group's shareholdings and participations in Group companies

<i>Subsidiary/Corporate ID no. /Registered office</i>	<i>Number of shares</i>	<i>Holding in % ¹⁾</i>	<i>Book value 2000</i>	<i>Book value 1999</i>
Ambrosia Data AB, 556490-1279, Stockholm	3,100	100.0	33,208	33,208
Axiell Administrator AB, 556222-5127, Stockholm		100.0		
Arete AB, 556287-6770, Stockholm	2,344,256	98.3	256,320	—
Arete IT-kompetens AB, 556574-1997, Stockholm		100.0		
Arete Affärssystem AB, 556569-6860, Stockholm		100.0		
Arete Datastöd AB, 556486-8023, Stockholm		100.0		
Search & Select Scandinavia AB, 556517-4611, Stockholm		100.0		
Arete Internet AB, 556564-6196, Stockholm		100.0		
Arete Websystem AB, 556577-3073, Stockholm		100.0		
Arete Re:active AB, 556520-7676, Stockholm		100.0		
Rabalder Annonssbyrå AB, 556472-9415, Stockholm		100.0		
Rabalder Worldwide Partners KB, 969633-9978, Stockholm		100.0		
Rabalder Reactive KB, 969634-0257, Stockholm		100.0		
AU Gruppen AB, 556203-7647, Stockholm	7,337	100.0	27,078	18,843
Careda AB, 556255-9681, Stockholm ²⁾	100,000	100.0	116,332	91,887
Catwalk Interactive AB, 556518-6102, Stockholm ³⁾	55,144	78.4	0	25,599
Catwalk Interactive Finans AB, 556560-4591, Stockholm		100.0		
Hans Engström CityData AB, 556439-0036, Stockholm	1,000	100.0	13,545	13,545
GCS Scandinavia AB, 556479-8956, Stockholm ⁴⁾		91.0		
GCS Scandinavia AB, 556479-8956, Stockholm ⁴⁾	180	9.0	—	—
Computas AS, Sandvika, Norge	132,201	60.0	60,501	60,501
Konsultgruppen Connotum AB, 556147-1383, Stockholm	100,000	100.0	34,048	34,032
Systemering AB, 556144-4075, Stockholm		100.0		
Fiberdata AB, 556216-8491, Stockholm	10,205	100.0	49,710	31,710
Broadway Sweden AB, 556510-0798, Enköping		100.0		
Entreprenörerna i Enköping KB, 969635-6683		100.0		
Fiberdata Nord AB, 556318-5833, Avesta ⁵⁾		100.0		
AB Denix Finans, 556535-9881, Stockholm		100.0		
Enskede Teleteknik AB, 556195-9676, Stockholm		100.0		
Integerad Telecom AB, 556535-9881, Stockholm		100.0		
ITeCORE Affärskommunikation AB, 556207-2198, Stockholm		100.0		
ITR A/S, Norge		100.0		
Elservice i Trelleborg AB, 556008-7142, Trelleborg		100.0		
Fiberdata Telecom AB, 556598-6742, Stockholm		100.0		
I.A.R. Systems AB, 556230-7107, Uppsala	17,776,400	79.7	42,958	30,104
I.A.R. Systems Software Inc., San Fransisco, USA		100.0		
I.A.R. Systems AG, München, Tyskland		100.0		
I.A.R. Systems Ltd, London, England		100.0		
I.A.R. Systems Jonkoping AB, 556456-7690		100.0		
I.A.R. Systems A/S, Århus, Danmark		100.0		
Nuvation Labs Inc, San Jose, USA		100.0		
Innovative-IT Europe AB, 556397-3717, Stockholm	999	99.9	49,384	49,384
Neon Computer Systems AB, 556442-0940, Stockholm		100.0		
MCS Göran Rynger AB, 556519-7612, Stockholm		100.0		
Innovative Software (Europe) AB, 556542-5237, Stockholm		100.0		
Retea AB, 556536-7918, Stockholm ⁶⁾	402	100.0	30,000	30,000
Karlsson, Lundgren & Martinsson AB, 556289-0086, Stockholm ⁷⁾		100.0		
Retea KB, 969618-3285, Stockholm		100.0		
LAC Elektronik AB, 556198-2801, Stockholm	2,000	100.0	75,980	
Libro Datakonsult AB, 556215-8799, Uppsala	2,000	100.0	10,933	10,933
Libro ITarkitekt AB, 556256-2487, Uppsala		100.0		
Libro Time AB, 556388-2199, Uppsala		100.0		
Network Innovation NI AB, 556465-9497, Stockholm ⁸⁾	2,000	100.0	—	4,800
Open Networks AB, 556515-2336, Stockholm	1,000	100.0	3,500	3,500

Notes

21 Participations in Group companies (cont.)

	Number of shares	Holding in % ¹⁾	Book value 2000	Book value 1999
Pargon AB, 556050-1503, Uppsala	678,520	100.0	11,196	11,196
Svenska PA System AB, 556346-2646, Stockholm	20,000	100.0	185,320	165,320
Time Recorder Data AS, Norge		100.0		
Foresco AB, 556201-4810, Stockholm		100.0		
Swedeltaco AB, 556509-3951, Stockholm	1,000	100.0	111,862	100,862
Oy D.E.L. Datatarvike, 679.879, Finland		100.0		
DanDeltaco A/S, 21729183		100.0		
Deltaco HB, 916941-3474, Ludvika		99.5		
Network Innovation NI AB, 556465-9497, Stockholm ⁸⁾		100.0		
Qbit Data AB, 556478-1879, Stockholm		100.0		
Tridata i Sverige AB, 556267-9752, Lund ⁹⁾	1,000	100.0	—	13,635
TurnIT Development AB, 556216-6776, Stockholm	1,666	100.0	1,906	156
Insert AB, 556320-7058, Stockholm		100.0		
OY Insert Finland, Helsingfors		51.0		
KällData Extra AB, 556241-1784, Stockholm	1,000	100.0	100	100
TurnIT Fastigheter AB, 556161-5864, Stockholm ¹⁰⁾	5,000	100.0	331	331
			1,114,212	729,646

¹⁾ This refers to participating interest in capital, which also corresponds with the share of the votes for the total number of shares.

²⁾ During the year, International Data Network Sweden AB was renamed Careda AB.

³⁾ During the year, the participating interest in Catwalk Interactive AB was increased from 56.7% to 78.4%. The shares have been written down in their entirety along with a capital contribution to cover losses.

⁴⁾ TurnIT AB directly owns 9% of GCS, while the remaining 91% is owned by the subsidiary, CityData AB.

⁵⁾ During the year, AVA System AB was renamed Fiberdata Nord AB.

⁶⁾ During the year, Karlsson, Lundgren & Martinsson AB was renamed Retea AB.

⁷⁾ During the year, Retea AB was renamed Karlsson, Lundgren & Martinsson AB.

⁸⁾ During the year, the Parent Company sold Network Innovation AB to Swedeltaco AB.

⁹⁾ Tridata was sold at the beginning of 2000, through a share exchange against a minority stake in DCM shares.

¹⁰⁾ During the year, KällData Konsult Syd AB was renamed TurnIT Fastigheter AB.

22 Participations in associated companies

	The Group		The Parent Company	
	2000	1999	2000	1999
New acquisitions	27,052			
Results from participations in associated companies	- 2,017	—	—	—
Book value at the year-end	25,035	—	—	—

Specification of Group holdings of participations in associated companies

Subsidiary/Corporate ID no. /Registered office	Number of shares	Holding in %	Book value 2000	Book value 1999
Allt om Bostad i Skandinavien AB, 556480-2717, Linköping	333	25	4,123	—
X-Obi Bergman Consulting AB, 556574-7333, Stockholm	333	25	4,825	—
Stockticket AB, 556587-0655, Stockholm	6,538,500	37	2,736	—
Innovative-IT Development Europe AB, 556570-1355, Stockholm	35	35	4,245	—
BJ EL & Datateknik AB, 556261-3967, Norrköping	490	49	9,106	—
			25,035	—

The Parent Company holds no participations in associated companies

23 Other securities held as fixed assets

	<i>The Group</i>		<i>The Parent Company</i>	
	2000	1999	2000	1999
At start of year	6,001	6,103	80	78
New acquisitions	59,130	4,602	13,635	2
Acquired via subsidiaries	—	18	—	—
Disposal	- 18	- 4,722	—	—
Book value at the year-end	65,113	6,001	13,715	80
Jeeves Information Systems AB	303	303	—	—
Minimax Data AB, shares	5,400	5,400	—	—
Minimax Data AB, options	100	100	—	—
Buy One AB	3,025	—	—	—
mitt-liv.nu AB	8,501	—	—	—
Gear Management/Digital Media AB	2,768	—	—	—
DCM AB	23,371	—	13,635	—
Rabattkupong Sverige AB	3,000	—	—	—
Decam AB	5,410	—	—	—
Återbruket Reuseit AB	4,013	—	—	—
Comtool Svenska AB	4,000	—	—	—
EEL Corporate e-learning Scandinavia AB	5,042	—	—	—
Fastighets AB Inedal	80	80	80	80
Endowment insurance	100	100	—	—
Other	—	18	—	—
	65,113	6,001	13,715	80

24 Prepaid expenses and accrued income

The item consists partly of prepaid leasing expenses, as well as goods and services supplied by not invoiced.

25 Short-term investments

The Group owns short-term investments in the form of shares and fund units. The book value of the holding amounts to SEK 22,768 thousand (4,259), and the market value at the year-end amounted to SEK 22,813 thousand (4,380).

26 Equity

<i>The Group</i>	<i>Share capital</i>	<i>New issue in process of registration</i>	<i>Restricted reserves</i>	<i>Non-restricted reserves</i>	<i>Profit for the year</i>
Equity brought forward 1/1 2000 in accordance with the balance sheet adopted for the preceding year.....	81,676	19,344	568,335	50,712	57,387
Registration of new issue brought forward	634	- 19,344	18,710	—	—
Appropriation of profits	—	—	—	57,387	- 57,387
New issue	19,750	—	466,948	—	—
Option premiums	—	—	854	—	—
Transfers between restricted and non-restricted equity	—	—	94,455	- 94,455	—
Translation difference	—	—	538	3,369	—
Expense of equity swap	—	—	—	- 3,633	—
Profit for the year	—	—	—	—	52,122
	102,060	0	1,149,840	13,380	52,122

Notes

26 Equity (cont.)

<i>The Parent Company</i>	<i>Share capital</i>	<i>New issue in process of registration</i>	<i>Restricted reserves</i>	<i>Non-restricted reserves</i>	<i>Profit for the year</i>
At start of year	81,676	19,344	568,317	39,110	11,816
Registration of new issue brought forward	634	- 19,344	18,710	—	—
Appropriation of profits	—	—	—	11,816	- 11,816
New issue	19,750	—	466,948	—	—
Group contribution received	—	—	—	64,805	—
Group contribution made	—	—	—	- 45,603	—
Expense of equity swap	—	—	—	- 3,633	—
Profit for the year	—	—	—	—	- 5,859
At the year-end	102,060	0	1,053,975	66,495	- 5,859

The figure for the new issue, restricted equity, includes a deduction for issue expenses of SEK 8,725 thousand.

The number of registered shares in the Parent Company as at 31 December 2000 was 20,411,990, of which 192,000 were shares of series A and 20,219,990 shares of series B. The nominal value of each share is SEK 5.

27 Provisions for pensions

	<i>The Group</i>		<i>The Parent Company</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Former President	575	595	575	595

28 Bank overdraft facilities

	<i>The Group</i>		<i>The Parent Company</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Credit limit granted	95,450	81,065	60,000	45,000
Unutilised portion	- 38,270	- 22,668	- 9,126	- 364
Utilised credit amount	57,180	58,397	50,874	44,636
of which long-term	—	2,709	—	—
of which short-term	57,180	55,688	50,874	44,636

The short-term portion of the bank overdraft refers to credit which is expected to be repaid during 2001. Security is recorded in Note 32, Pledged assets.

29 Other liabilities to credit institutions

Other liabilities to credit institutions refers to loans in connection with financing acquisitions of companies, and factoring liabilities. Security is recorded in Note 32, Pledged assets.

30 Other liabilities, long-term and current

Other liabilities consist largely of Value Added Tax liabilities, liabilities attributable to personnel, liabilities in connection with companies acquired and liabilities relating to financial leasing. No liabilities fall due later than 5 years from the balance sheet date.

Future payments for financial leasing agreements fall due per year as follows:

2001 (recorded under other current liabilities)	11,500
2002	8,635
2003	9,139
2004	448
Total	29,722

31 Accrued expenses and deferred income

The item consists essentially of accrued personnel costs.

Notes

32 Pledged assets

Pledged assets refer in their entirety to security for liabilities towards credit institutions and bank overdraft facilities

	The Group		The Parent Company	
	2000	1999	2000	1999
Property mortgages	17,400	400	—	—
Floating charges	24,600	32,150	5,000	5,000
Shares in subsidiaries	199,733	—	186,649	—
Pledged accounts receivable	20,037	18,546	—	—
Blocked bank funds	50,000	—	50,000	—
Guarantees	—	45	—	—
	311,770	51,141	241,649	5,000

33 Contingent liabilities

	The Group		The Parent Company	
	2000	1999	2000	1999
Guarantees on behalf of Group companies	—	—	222,000	20,000
Guarantees	6,000	—	—	—
Obligations under Guarantees	4,081	4,028	—	3,129
Equity swap	49,731	—	49,731	—
Other	826	350	—	—
	60,638	4,378	271,731	23,129

In addition to the above contingent liabilities, there are Parent Company sureties for the performance of subsidiaries towards suppliers, as well as the customary guarantees on work completed by subsidiaries. There is an obligation to acquire the remaining shares in an associated company. Furthermore, there is a delivery obligation in the event of a fine.

There are obligations to pay purchase sums as follows:

<i>Systemering:</i>	<i>There is an agreement on additional purchase sums based on total profits during the period 1 June 1999 to 31 May 2002.</i>
<i>Time Recorder:</i>	<i>There is an agreement on additional purchase sums based on total profits during 2000 and 2001.</i>
<i>Retea:</i>	<i>There is an agreement on additional purchase sums based on total profits during 1999–2001.</i>
<i>Elserve i Trelleborg:</i>	<i>There is an agreement on additional purchase sums based on total profits during 2000 and 2001.</i>
<i>Insert:</i>	<i>There is an agreement on additional purchase sums based on total profits during the period 1 November 1999 to 31 October 2001.</i>
<i>Axiell:</i>	<i>There is an agreement on additional purchase sums based on total invoicing during the period 7 September 2000 to 6 September 2002 inclusive.</i>
<i>LAC:</i>	<i>There is an agreement on additional purchase sums based on profits during 2000 and 2001.</i>
<i>BJ El & Datateknik:</i>	<i>There is an agreement on additional purchase sums based on total profits during 2000, 2001 and 2002.</i>
<i>Kompetens 2000:</i>	<i>There is an agreement on additional purchase sums based on total profits during the period 10 November 2000 to 9 May 2003 inclusive.</i>
<i>Nuvation Labs, USA:</i>	<i>There is an agreement on additional purchase sums based on the results for 2001.</i>

TurnIT's share price has fallen since the staff option programme was launched, which means that, as at 31 December 2000, TurnIT had no obligation to pay social security contributions. The negative change in value means that if it is necessary to exercise the equity swap used for hedging on 31 December 2000, a charge against equity would take place in accordance with the table above.

A compulsory purchase process has been brought against shareholders in Arete who did not accept the offer in autumn 2000. In December 2000, TurnIT made a private offer to these shareholders, which means that there is an obligation to acquire outstanding shares in Arete at SEK 113.30, for a total of about SEK 4.5 million.

Notes

34 Disputes and conflicts

A potential dispute exists, relating to the "GAS deduction" made by the former subsidiary Facit Service during 1995 for newly-employed staff. The claim on TurnIT could amount to SEK 3 million. No claim has yet been made.

There is a potential dispute relating to obligations in connection with an acquisition. The claim is regarded as unjustified.

There are disputes between subsidiaries and counterparties. The claims are regarded as unjustified.

STOCKHOLM 28 FEBRUARY 2001

CHRISTER ZETTERBERG
Chairman of the Board

MARIANA BURENSTAM LINDER

LEIF NOBEL

MATS OLSSON

PETER WESTRING

PETER ENSTRÖM
CEO

Report of the Auditors

To the Annual General Meeting of TurnIT AB (publ)

Corporate Identity Number 556116-4384

We have examined the Annual Report, the consolidated financial statements, the accounting records, and the administration by the Board of Directors and the President of TurnIT AB for the trading year 2000. The Board of Directors and the President are responsible for the accounting records and the administration. Our responsibility is to express a view on the Annual Report, the consolidated accounts and the administration on the basis of our audit.

The audit was carried out in accordance with generally accepted auditing standards in Sweden. This means that we have planned and carried out the audit with the intention of ensuring, as far as is reasonably possible, that the Annual Report and consolidated accounts do not contain significant errors. An audit involves the examination of a selection of the supporting documents for sums and other information in the accounting records. An audit also involves checking the accounting principles and the Board of Directors' and the President's application of them, and to assess the collected information in the Annual Report and the consolidated

accounts. We have examined important decisions, actions and conditions in the company with the aim of assessing whether any member of the Board or the President are liable for damages towards the company, or in any other way have infringed the Companies Act, the Annual Accounts Act or the Articles of Association. We consider that our audit gives us reasonable grounds for our opinion below.

The Annual Report has been prepared in accordance with the Annual Accounts Act and, accordingly, gives a true and fair view of the results and position of the company and the Group in accordance with generally accepted auditing standards in Sweden.

We recommend

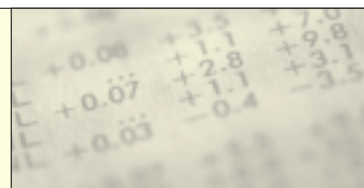
- that the Income Statement and the Balance Sheet for the Parent Company and the Group be adopted
- that profits of the Parent Company be appropriated in accordance with the proposal in the Administration Report
- that the Board of Directors and the President be discharged from liability for the financial year

STOCKHOLM 28 FEBRUARY 2001

ANDERS MALMEBY
Authorized Public Accountant, KPMG

CARL LINDGREN
Authorized Public Accountant, KPMG

TurnIT Shares



Shareholder	Number of A shares	Number of B shares	% of share capital	% of voting rights
Nordico Invest fond	95,764	1,454,796	7.6	10.9
Länsförsäkringar fonder	0	566,401	2.8	2.6
Svolder	0	554,550	2.7	2.5
MeritaNordbanken	0	458,895	2.2	2.1
Länsförsäkringar	0	401,021	2.0	1.8
Alian Siamak	0	323,000	1.6	1.5
Kihlberg Jan and company	0	294,337	1.4	1.3
Skandia	0	253,000	1.2	1.1
Karlsson Kent	0	250,024	1.2	1.1
Enström Peter and company	0	246,250	1.2	1.1
Total 10 shareholders	95,764	4,802,274	24.0	26.0
Others	96,236	15,417,716	76.0	74.0
Total	192,000	20,219,990	100.0	100.0
Votes per share	1	0.1		

Shareholdings in number of shares

from-to	% of number of shareholders	% of share capital
1-500,	81.8	14.2
501-1,000	9.5	9.1
1,001-2,000	4.5	8.1
2,001-5,000	2.6	9.8
5,001-10,000	0.8	6.4
10,001-20,000	0.4	7.0
20,001-50,000	0.3	9.5
50,001-100,000	<0.1	6.3
100 001-500 000	<0.1	22.8
500,001-1,000,000	<0.1	7.5
Total	100	100

Outstanding share options

In connection with the acquisitions carried out and the partner program, share options have been issued. The total number of outstanding options is 93,449 options resulting from the 1998 partner program. The idea of the partner program was to offer TurnIT's staff the opportunity to become partners in the company in the long term.

The total dilution effect of these option programs amounts to about 0.7 % of the capital and about 0.4% of the votes.

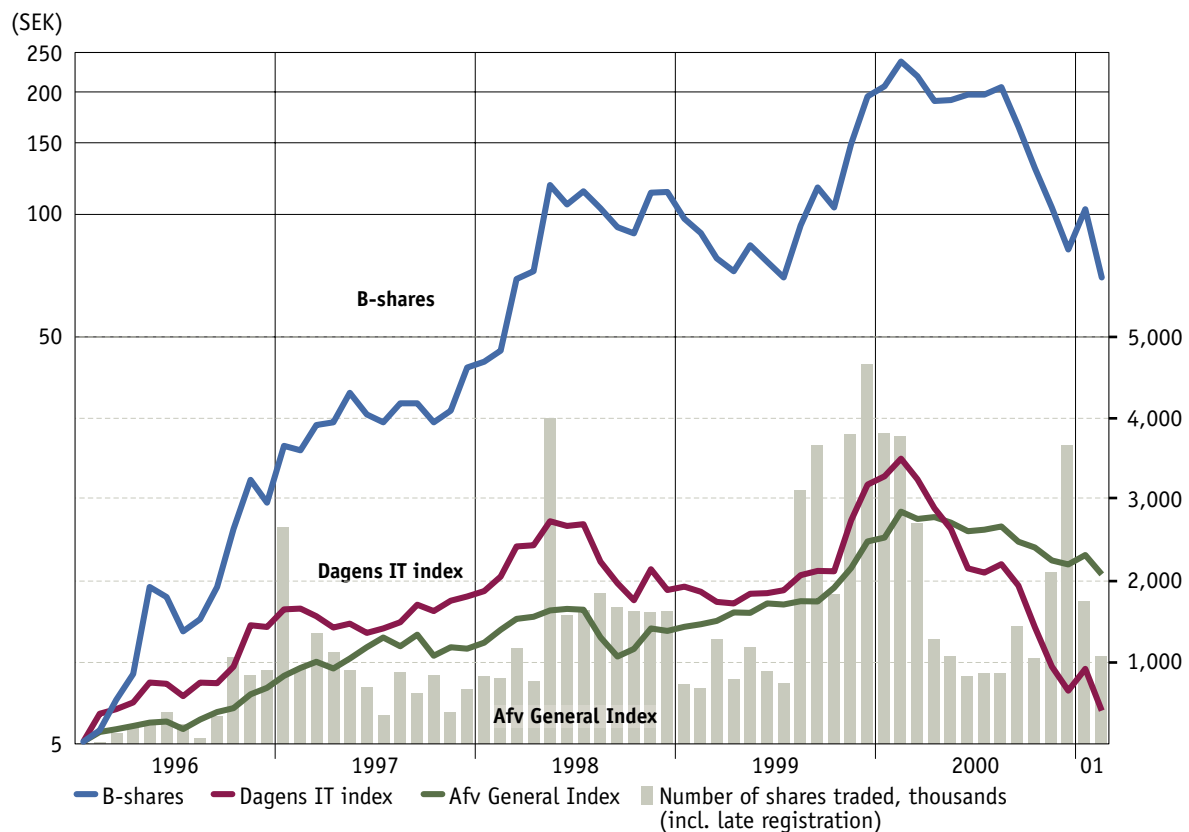
The terms of the outstanding share options and the effect on share capital and the number of shares are outlined in the following table:

	Number of options	Duration	Adjusted exer- cise price	Number of shares	Share capital	Capital sum, SEK thousands
At the end of 2000				20,411,990	102,059,950	
Share options in connection with partner program.....	87,333	01-03-31	93.20	93,449	467,245	8,709
Total	87,333			20,505,439	102,527,195	8,709

Staff Options

In accordance with a resolution of the annual general meeting, an incentive programme has been introduced. A total of 273,775 staff options had been issued as at 30 June, and thereafter 2,650 options were issued. The programme will run for five year, with the right to exercise the options after three years at an exercise price equivalent

to SEK 209.40 per share. After the acquisition of Arete, the programme was expanded by a total of 57,600 staff options, issued with a corresponding duration and other terms, but at an exercise price equivalent to SEK 110.05. The programme has been hedged through an equity swap.

Share price development

Since April 1998, TurnIT's B-shares have been listed on the O list of the OM Stockholm Stock Exchange. Before that date the shares were listed on the SBI list.

The diagram shows price trends since 15 January 1996.

Data per share

	2000	1999	1998	1997	1996	1995
Share price as at 31 December, SEK	82	194	114	43	19	4
Earnings per share, SEK	2.97	3.69	2.61	1.58	0.68	neg
Earnings per share (after dilution), SEK	2.95	3.56	2.48	1.51	0.68	neg
Cashflow per share, SEK	6.32	6.27	5.01	3.38	0.91	neg
Dividend per share, SEK	–	–	–	–	–	–
Dividend yield, %	–	–	–	–	–	–
Equity per share, SEK	64.54	47.23	31.32	16.38	8.28	3.73
P/E ratio	28	45	35	22	32	neg
P/Cashflow ratio	13	31	23	13	21	neg

See definitions in jacket flap at the end of the report.

Market value and data per share have been adjusted with respect to the cash issues completed.

Board of Directors

Christer Zetterberg

Director. Born 1941. Director since 1998. Chairman of the Board of TurnIT. Other appointments: Chairman of the Board of Segerström & Svensson and Micronic Laser Systems. Member of the Board of Lundbergföretagen. Vice Chairman of Kungliga Ingenjörsvetenskapsakademien 'IVA'. Shareholding: 35 000 B-shares.

Peter Enström

Director. Born 1944. CEO of TurnIT, Chairman of the Board of all subsidiaries. Other appointments: Chairman of the Board of TK Abstracta etc. Shareholding: 250,084 B-shares, 10,000 options, 3,750 staff options.

Mariana Burenstam Linder

Vice President SEB. Born 1957. Director of TurnIT since 2000. Shareholding: 800 B-shares, 2,500 staff options.



Leif Nobel

Director. Born 1940. Director of TurnIT since 1996, Director of Arete, Fiberdata, Libro, Ambrosia Data, AU-Gruppen, Retea, Computas, Sv PA, Systemering. Other appointments: Chairman of the Board of Adera. Member of the Board of Jeeves and of over ten smaller IT companies. Shareholding: 68,468 shares.

Mats Olsson

Director. Born 1948. Director of TurnIT since 1996, Director of Catwalk, CityData, IAR Systems. Other appointments: Chairman of the Board of Traction. Member of the Board of Fjällräven, KnowIT, Kipling Holding, Moding Machine Tool etc. Shareholding: 21,000 B-shares

Peter Westring

Director. Born 1942. Director of TurnIT since 1999, Director of Innovative-IT. Chairman of the Board of Sven-Axel Svensson Holding. Member of the Board of Spira, Swegro, Pantherex/Scandecor, Totallogistik. etc. Shareholding: 8,000 B-shares.

Auditors

Anders Malmby, born 1955.
Authorized Public Accountant, KPMG.
Auditor for TurnIT AB since 1995.

Carl Lindgren, born 1958
Authorized Public Accountant, KPMG.
Auditor for TurnIT AB since 1998.

Senior executives

Peter Enström

Born 1944.

CEO of TurnIT, Chairman of the Board of all subsidiaries. Other appointments: Chairman of the Board of TK Abstracta etc. Shareholding: 250,084 B-shares, 10,000 options, 3,750 staff options.

Ewa Ekberg

Born 1950.

Personnel Director. Member of the Board of PaLaKom. Shareholding: 7,293 B-shares, 1,000 staff options.

Henrik Holmdahl

Born 1954.

Group Controller, appointed 2000. Shareholding: 2,500 staff options.



Claes Håkanson

Born 1965.

Company Secretary, appointed 1999. Shareholding: 2,500 staff options.

President of TurnIT fastigheter. Member of the Board of Insert, Palett HR AB, SweDeltaco and Time Recorder.

Elisabeth Koch

Born 1959.

Finance Director of the TurnIT Group, appointed 1997. shareholding: 1,610 B-shares, 10 000 options, 2,500 staff options. 4.

Rickard Linderöth

Born 1962.

Information Director, appointed 2000. Shareholding: 381 B-shares, 2,500 staff options.

Addresses

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Other

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President: Bertil Sahlberg

Search & Select

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President: Mikael Berg



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Internet: www.deltaco.se
President: Mohammad Motazed

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President: Peter Ståhl

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e-mail: lac@lac.nu
Internet: www.lac.nu
President: Torbjörn Heidergren



TurnIT Software

CityData

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Internet: www.iar.se
President: Tomas Wolf

Innovative-IT

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Internet: www.innovative-it.com
Acting President: Jan Lundberg



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e-mail: communicate@fiberdata.se
Internet: www.fiberdata.se
President: Torbjörn Eriksen

Retea

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Fax: +46 (0)8-503 048 01
e-mail: info@retease.se
Internet: www.retease.se
President: Bengt Lundgren



TurnIT Consulting

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Internet: www.arete.se
President: Anders Hägg

Computas

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Fax: +47 67 83 10 01
e-mail: info@computas.com
Internet: www.computas.com
President: Lasse Fjell



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Fax: +46 (0)8-563 077 29
e-mail: info@careda.com
Internet: www.careda.com
President: Stefan Bohman

Svenska PA System

Box 1264
Visiting address: Torshamnsgatan 35
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Telephone: +46 (0)8-703 47 00
Fax: +46 (0)8-703 91 95
e-mail: svenska-pa@svenska-pa.se
Internet: www.svenska-pa.se
President: Ulf Ericsson

Financial definitions

Return on equity

Net profit for the year as a percentage of the average of equity brought forward and carried forward.

Return on capital employed

Profit after financial items with the addition of financial expense as a percentage of average capital employed.

Yield

Dividend per share in relation to the share price at the year-end.

Equity per share

Equity carried forward in relation to the number of outstanding shares at the year-end. Where appropriate with an addition for new issue in progress.

Cash flow

Net profit for the year with minority share of the profit for the year, deferred tax and depreciation on Intellectual Capital added back.

Cash flow per share

Cash flow in relation to the average number of shares.

Acid-test ratio

Current assets excluding stocks but including bank overdraft facilities granted but not utilised, divided by current liabilities.

P/E-ratio

The share price at the year-end divided by earnings per share, after standard rate tax.

P/Cash flow ratio

The share price at the year-end divided by cash flow per share.

Interest coverage ratio

Profit after financial items with the addition of financial expense divided by financial expense.

Operating margin

Operating profit before depreciation on Intellectual Capital as a percentage of net sales.

Operating margin, subsidiaries

Operating profit before depreciation on Intellectual Capital with Parent Company expenses added back, as a percentage of net sales.

Debt/equity ratio

Interest-bearing liabilities divided by equity including minority shareholdings.

Solidity

Equity including minority shareholdings as a percentage of capital employed.

Dividend per share

The adopted dividend for the year in relation to the number of shares at the year-end.

Earnings per share

Net profit for the year divided by the average number of shares.

Earnings per share (after dilution)

Net profit for the year divided by the average number of shares with the addition of outstanding option commitments during the year.

Glossary and abbreviations

ASP

(Application Service Provider) Software leasing company which gives customers access to programs via the web.

ATM

Asynchronous Transfer Mode. Unsynchronised with a normal signal with time delay. With asynchronous transfer, every character can be transferred independent of time, distinguished by a start bit and a stop bit. With synchronous transfer, however, there is no requirement for start and stop bits, since there is a regular time interval between transfers. If asynchronous terminals are used, a transfer can be initiated by either terminal.

BPO

Business Process Outsourcing. BPO involves the outsourcing of services which are not within the core competence of the company, such as finance systems, etc.

CAD

Computer Aided Design is used in a range of technologies and in architecture. With the assistance of computer graphics, it is possible to carry out tasks which, in the past, would have needed pencil and paper. CAD requires a high-resolution screen and special software.

CTI

Computer Telephone Integration. This is a rapidly developing technology which aims to integrate the two most widely-used business tools – the telephone and the computer.

DTM

Dynamic Transfer Mode. Dynamic synchronised transfer is a technology designed to improve the routing capacity of IP networks. DTM transfer between routers is accomplished via channels. A channel has a specified bandwidth and constitutes a dynamic path between the sender and the receiver when it passes through all routers along the path.

Ethernet

The Ethernet is the most popular type of local network. The communication is transmitted using radio frequency signals through coaxial cable. The computer checks whether any other computer is in process of transmitting information and, in that case, it waits its turn. If, by mistake, two computers transfer messages simultaneously, and the messages collide, the computers pause for a moment and then transmit their messages in order of priority. The software protocols used with the Ethernet systems vary, but they include Novell Netware and TCP/IP.

GPRS

General Packet Radio Services. A proposed technology for high capacity data transfer using mobile phones. The technology uses packet switching and has a theoretical capacity of 270 kbit/second.

IP-telephony

Telephony based on Internet Protocol. The protocol is used to direct a packet on the Internet from source to destination.

Internet

The Internet is a number of networks of different sizes, speeds and underlying network technologies. IP – Internet Protocol – is a standard which allows these networks to communicate. All data transmitted using IP is divided into packets. Packets are small quantities of data with address information identifying where they come from and where they are going.

LAN

Local Area Network. A LAN is a network of computers linked by a cable. The computers are located in close proximity to each other, and are normally in the same building.

SDH

Synchronous digital hierarchy. SDH is a transfer hierarchy which was drawn up by the International Telegraph and Telephone Consultative Committee (CCITT).

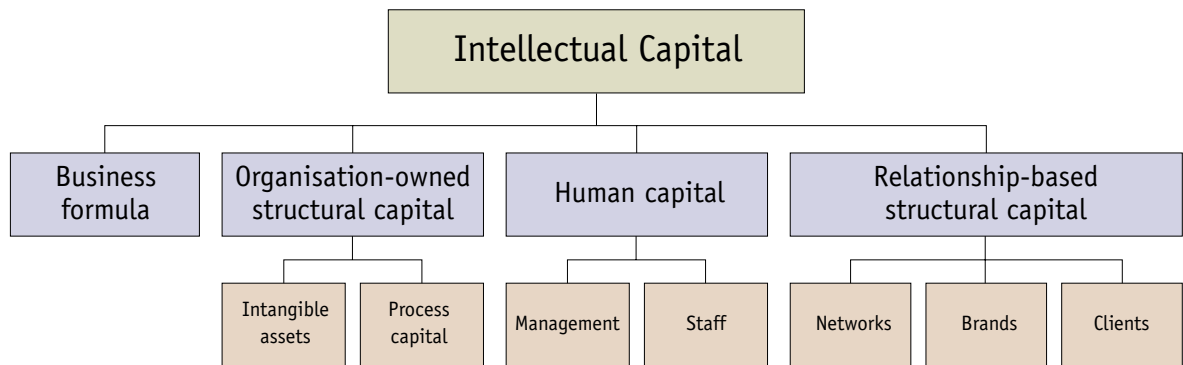
UMTS

Universal Mobile Telecommunications System - a technology for third generation mobile phones, which can handle text, pictures and video. UMTS has been adopted by most providers, and is expected to be in operation in 2002. It is based on GSM technology, but uses frequencies around 2000 MHz. UMTS involves packet switching on broadband at two megabits per second.

WAN

Wide Area Network. A network with a wide geographical distribution, in which the computers are connected to each other using telephone lines and satellite communication. See also local networks (LAN).

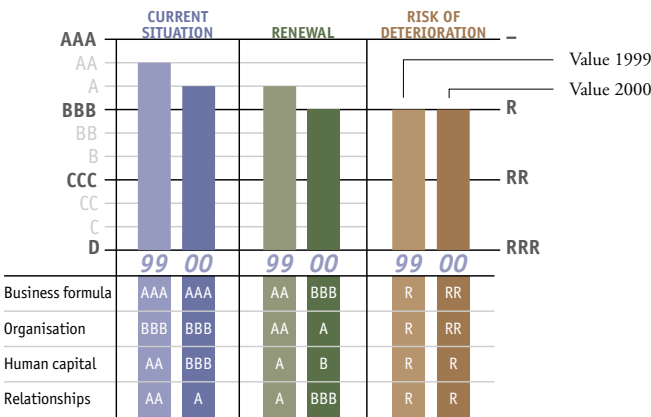
Explanation of the rating of TurnIT's Intellectual Capital



For each subsidiary, the rating means that the Intellectual Capital — as illustrated in the boxes in the diagram on the previous page - is graded in the following respects:

- The value of the efficiency of Intellectual Capital at present
- The company's efforts to renew and develop it
- The risk of a deterioration

The rating is given in the form of letters. The diagram below shows the rating. For the highest levels a bar chart is used, to be read against the scales to the left (current position and renewal) and the right (risk of deterioration). For the intermediate levels - business formula, organisation-owned structural capital, human capital and relationship-based structural capital, the rating is provided solely in the form of letters. The bars above show the aggregate value of the four sub-categories.



1

The value placed on Intellectual Capital at present gives the company:

- AAA** Extremely high efficiency
- AA** Very high efficiency
- A** High efficiency
- BBB** Relatively high efficiency
- BB** Average efficiency
- B** Relatively low efficiency
- CCC** Low efficiency
- CC** Very low efficiency
- C** Extremely low efficiency
- D** Absence of efficiency

2

The company's efforts to renew its Intellectual Capital:

- AAA** Extremely good efforts
- AA** Very good efforts
- A** Good efforts
- BBB** Relatively good efforts
- BB** Average efforts
- B** Relatively weak efforts
- CCC** Weak efforts
- CC** Very weak efforts
- C** Extremely weak efforts
- D** Absence of efficiency

3

The risk that the present value of the company's Intellectual Capital will fall is:

- Negligible risk that efficiency will fall
- R** Moderate risk that efficiency will fall
- RR** High risk that efficiency will fall
- RRR** Very high risk that efficiency will fall



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