

M2S in brief

M2S is Europe's leading e-learning company in IT-training. The software programs, which are marketed under the brand names Wit and TutorWIN, can be delivered in 11 languages. M2S has about 430 employees, with its own operations in Denmark, Finland, France, Ireland, Norway, Switzerland, Spain, UK, Sweden and Germany. M2S is listed on the Attract 40 list of the OM Stockholm Exchange.

M2S Sverige AB

Interim Report, 1 January – 31 March 2001

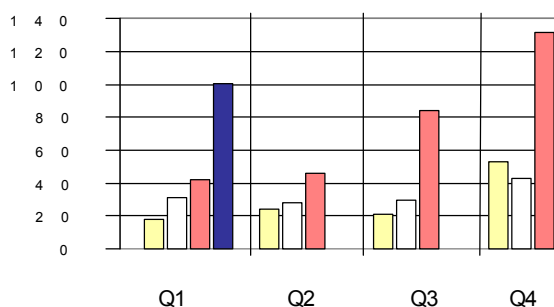
Continued strong sales increase

- Sales rose during 1 January – 31 March by 138 percent to 100.4 (42.1) MSEK.
- Operating profit before goodwill amortisation amounted to 14.6 (0.4) MSEK and to 4.5 (0.3) MSEK after goodwill amortisation.
- Earnings per share was 0.19 (0.02) SEK.
- Sales in M2S's foreign markets rose 172 percent and amounted to 77.8 (28.6) MSEK, corresponding to 83 percent (68) of total Group sales.
- Sales in Sweden increased for the second consecutive quarter and amounted to 15.4 (13.3) MSEK.
- During the quarter, the previously announced action program involving costs and personnel reductions was implemented, with the aim of increasing the profitability of the Group.
- A new issue was effected in March that generated proceeds to the company of 13.2 MSEK before issue expenses.

First quarter 2001

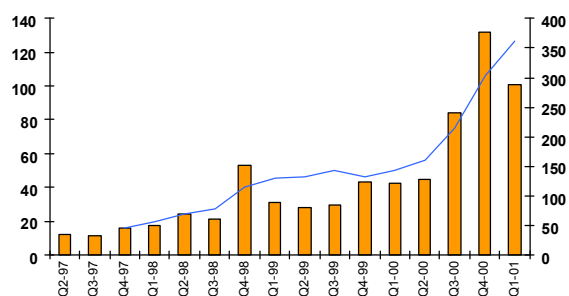
Sales in the first quarter increased by 138 percent and amounted to 100.4 (42.1) MSEK. Sales in Sweden rose for the second consecutive quarter and amounted to 15.4 (13.3) MSEK. Sales in foreign market increased 172 percent to 77.8 (28.6) MSEK. Foreign sales accounted for 83 percent (68) of total Group sales. Total revenues included exchange gains of 7.2 (0.2) MSEK.

Sales per quarter 1998-2001, MSEK



Operating profit amounted to 14.6 (0.4) MSEK before goodwill amortisation and to 4.5 (0.3) MSEK after goodwill amortisation. Profit after financial items was 3.6 (0.4) MSEK.

Sales per quarter and rolling 12 months, MSEK



Operations

After a weak start, the quarter finished strongly. Many of the foreign operations continued to develop well. Product sales were particularly favourable in France, Spain, the UK and Germany.

In Germany, a number of large orders were received, from Bankgesellschaft Berlin, Volkswagen and Siemens, among others, plus an extension of the earlier major order received from Deutsche Post. In Spain, large orders included one received from the Basque Provincial Government, and in the UK an upgrade order was received from Ufi, University for Industry. M2S's French subsidiary received an important Custom order from Adecco.

After the change last autumn in the tax rules for home-PCs, Danish sales continued to develop weakly and the shift to a greater portion of Standard and Custom sales is expected to initially yield effects this summer. Sales in Finland continued to develop weakly and operations began at the end of the period to be successively transferred to a local general agent.

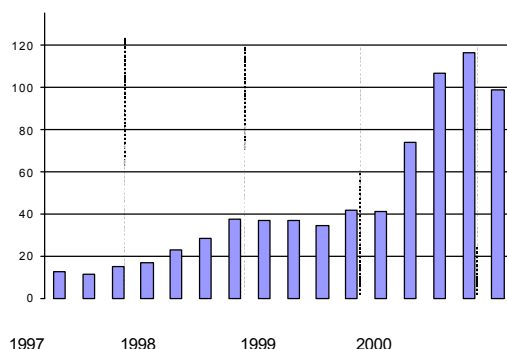
After weakening sales during the past year, a sales increase was noted in Sweden for the second consecutive quarter.

| | Sales, MSEK | | No. of employees | |
|-----------------------------|-------------|---------|------------------|------|
| | Q1 2001 | Q1 2000 | 0103 | 0003 |
| Germany ⁽¹⁾ | 55.7 | 1.1 | 239 | 19 |
| Sweden ⁽²⁾ | 22.6 | 13.5 | 82 | 81 |
| Norway | 2.3 | 4.8 | 13 | 14 |
| Denmark | 1.5 | 8.7 | 19 | 14 |
| Spain | 6.9 | 4.7 | 25 | 25 |
| UK | 6.5 | 8.9 | 11 | 5 |
| Switzerland ⁽¹⁾ | 1.4 | - | 5 | - |
| France | 2.9 | - | 13 | 1 |
| Finland | 0.4 | 0.4 | 5 | 6 |
| Ireland, production company | 0.2 | - | 15 | - |
| Total | 100.4 | 42.1 | 427 | 165 |

- (1) As of 1 June 2000, Prokoda Germany and Switzerland are consolidated.
- (2) Including personnel active in Group-wide functions for business development, product development and production. The number of employees in these functions amounted to 35 (40) as of 31 March 2001 and the number in the Swedish operations were 47 (41). Sales amounted to 22.6 (13.5) MSEK, including exchange-rate gains of 7.2 (0.2) MSEK.

Action program

During the quarter, the previously announced action programs was implemented, with the aim of increasing the profitability of the Group. In this respect, costs were reduced, through a personnel reduction of 50 persons and through co-ordination gains after the acquisition of Prokoda.



Operating expenses per quarter, before goodwill amortisation and product capitalisation, MSEK

In total, the action program is assessed to result in cost savings of 15-20 percent annually. The program is expected to gain full effect from the second quarter.

Investments

The Group's investments in fixed assets, including financial leasing commitments and goodwill, amounted during the period to 17.3 (1.1) MSEK. This includes 12.9 (--) MSEK in investments in product development and new titles that were capitalised in accordance with new accounting recommendations.

Liquidity and financial position

Net disposable funds for the Group, including overdraft facilities of 34.7 MSEK, amounted at 31 March 2001 to 47.1 (78.7) MSEK. The equity ratio at 31 March 2001 was 85 percent (74). The company's interest-bearing liabilities at the end of the period amounted to 27.6 (27.1) MSEK. The Group's accounts receivable amounted to 112.3 (52.5) MSEK at 31 March 2001.

Changed accounting principles as of 2001

Beginning in fiscal year 2001 and in compliance with the recommendation of the Swedish Financial Accounting Standard Council's recommendations as of 1 January 2001 regarding capitalisation of development costs of software, among other items, the company will capitalise certain development costs, which will be depreciated over three to five years. If the new accounting principles would have been applied for the corresponding quarter 2000, the operating profit would have amounted to 6.5 MSEK compared to reported 0.3 MSEK.

New share issues

A share issue was effected in March of 330,000 Series B shares that generated proceeds to the company of 13.2 MSEK before issue expenses. In addition 216,000 M2S class B shares have been subscribed for under the previous employee stock option program. The subscription generated proceeds to the company of 5.9 MSEK. The total number of shares in the company at 31 March 2001 was 19,041,390, of which 708,717 Series A shares and 18,332,673 Series B. The total number of Series B outstanding stock options was 550,000.

Future information dates

Interim Report Jan – June 2001 17 July 2001
Interim Report Jan – Sept 2001 October 2001
Interim Report Jan – Dec 2001 January 2002

Stockholm, 19 April 2001

M2S Sverige AB (publ) corp. reg. no. 556375-7011
Board of Directors

This interim report is unaudited.

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| Definitions key ratios | |
|--|---|
| Operating margin | Operating profit/loss as a percentage of net sales |
| Profit margin | Net profit/loss as a percentage of net sales |
| Return on equity | Profit/loss after tax divided by average equity |
| Return on capital employed | Operating profit/loss plus fin. income as a percentage of average capital employed. |
| Capital employed | Balance sheet total less non-interest bearing liabilities. Average capital employed has been calculated as opening plus closing capital employed divided by two. |
| Shareholders' equity | Shareholders' equity at year-end. Average equity has been calculated as the average of opening plus closing equity. In the event of new share issues, a weighted average has been used. |
| Equity/assets ratio | Equity as a percentage of balance sheet total |
| Investments | Net investment during the year including financial leasing obligations and goodwill |
| Sales per employee | Net sales during the year divided by the average number of employees |
| No of shares at year-end | Number of shares at year-end adjusted for bonus issues and split |
| Earnings per share | Profit/loss after tax divided by average number of shares |
| Earnings per share after full dilution | Profit/loss after tax divided by average number of shares plus a supplement for the effect of full redemption of all outstanding warrants. |
| Equity per share | Equity at year end divided by number of shares at year end |

Consolidated income statement, KSEK

| | <u>2001</u> <u>Jan-March</u> | <u>2000</u> <u>Jan-March</u> | <u>2000</u> <u>full year</u> | <u>2000/2001</u> <u>Rolling 12</u> <u>months</u> |
|--|---------------------------------|---------------------------------|---------------------------------|--|
| Net sales | 100 397 | 42 110 | 302 452 | 360 739 |
| Capitalised work on own account | 13 125 | | | 13 125 |
| Operating expenses | | | | |
| Goods for resale | -497 | -819 | -6 525 | -6 203 |
| Personnel costs | -47 450 | -23 163 | -182 637 | -206 924 |
| Other external costs | -44 514 | -15 842 | -130 072 | -158 744 |
| Depreciation of fixed assets | -6 433 | -1 857 | -19 409 | -23 985 |
| Goodwill amortisation | -10 133 | -148 | -11 204 | -21 189 |
| Total operating expenses | -109 027 | -41 829 | -349 847 | -417 045 |
| Operating profit/loss | 4 495 | 281 | -47 395 | -43 181 |
| Interest income and similar entries | 78 | 578 | 3 892 | 3 392 |
| Interest expenses and similar entries | -925 | -440 | -2 384 | -2 869 |
| Profit/loss after financial items | 3 648 | 419 | -45 887 | -42 658 |
| Tax on earnings in period | -7 | -577 | -312 | 258 |
| Net/profit/loss | 3 641 | -158 | -46 199 | -42 400 |

Consolidated balance sheet, KSEK

| | <u>01-03-31</u> | <u>00-12-31</u> | <u>00-03-31</u> |
|-------------------------------------|-----------------|-----------------|-----------------|
| Assets | | | |
| Intangible fixed assets | 562 029 | 559 203 | 2 406 |
| Tangible fixed assets | 44 601 | 46 668 | 14 180 |
| Financial fixed assets | 11 251 | 12 767 | 10 260 |
| Inventories | 4 325 | 9 299 | 2 810 |
| Accounts receivable - trade | 112 295 | 123 299 | 52 548 |
| Current receivables | 48 130 | 29 022 | 26 525 |
| Short-term investments | - | - | 55 163 |
| Cash and bank balances | 12 967 | 22 417 | 8 579 |
| Total assets | 795 598 | 802 675 | 172 471 |
| Liabilities and equity | | | |
| Shareholders' equity ¹ | 679 744 | 660 036 | 126 792 |
| Provisions ² | 5 238 | 26 970 | 1 059 |
| Long-term liabilities | 27 618 | 27 142 | 12 652 |
| Current liabilities | 82 998 | 88 527 | 31 968 |
| Total liabilities and equity | 795 598 | 802 675 | 172 471 |

- 1) Equity, 1 January 660 036 KSEK
New issue and issue expenses 16 225 KSEK
Translation differences - 158 KSEK
Period's earnings 3 641 KSEK
Equity, 31 March 679 744 KSEK

- 2) of which 4.2 MSEK is restructuring reserve

Consolidated sales and earnings by quarter, Q1 1998 to Q1 2001

| <u>Period</u> | <u>Net sales, KSEK</u> | <u>Operating result, KSEK</u> | <u>Operating margin %</u> |
|---------------|------------------------|-------------------------------|---------------------------|
| Q1 1998 | 17 680 | 667 | 3.8 |
| Q2 1998 | 24 387 | 1 349 | 5.5 |
| Q3 1998 | 21 881 | - 6 396 | Neg |
| Q4 1998 | 51 876 | 14 787 | 28.5 |
| Q1 1999 | 31 284 | - 5 695 | Neg |
| Q2 1999 | 27 794 | - 9 215 | Neg |
| Q3 1999 | 29 955 | -4 260 | Neg |
| Q4 1999 | 43 202 | 1 744 | 4.0 |
| Q1 2000 | 42 110 | 281 | 0.7 |
| Q2 2000 | 44 593 | -30 544 | Neg |
| Q3 2000 | 84 079 | -26 724 | Neg |
| Q4 2000 | 131 670 | 9 592 | 7.3 |
| Q1 2001 | 100 397 | 4 495 | 4.4 |

Consolidated cash flow statement, KSEK

| | <u>2001</u> <u>Jan-March</u> | <u>2000/2001</u> <u>Rolling 12 months</u> |
|--|---------------------------------|--|
| Current operations | | |
| Payments from customers | 111 401 | 334 301 |
| Payments to suppliers and employees | -118 094 | -372 964 |
| Cash flow from current operations before paid interest and income tax | -6 693 | -38 663 |
| Interest received | 78 | 3 392 |
| Interest paid | -925 | -2 869 |
| Paid income tax | -2 576 | -2 813 |
| Cash flow from current operations | -10 116 | -40 953 |
| Investment operations | | |
| Acquisition of subsidiaries | | -129 004 |
| Acquisition of fixed assets | -17 315 | -116 389 |
| Cash flow from investment operations | -17 315 | -245 393 |
| Financing operations | | |
| New share issue | 16 225 | 276 319 |
| Net change in loans | 1 626 | -40 987 |
| Cash flow from financing operations | 17 851 | 235 332 |
| Change in liquid assets | -9 580 | -51 014 |
| Liquid assets at the beginning of the year | 22 417 | 63 741 |
| Exchange-rate difference in liquid assets | 130 | 240 |
| Liquid assets at end of period | 12 967 | 12 967 |

Group key figures

| | <u>Jan-March</u> <u>2001</u> | <u>Jan-March</u> <u>2000</u> | <u>Full year</u> <u>2000</u> | <u>Rolling 12</u> <u>months</u> |
|---|---------------------------------|---------------------------------|---------------------------------|------------------------------------|
| Operating margin, % | 4 | 1 | -16 | -12 |
| Profit margin, % | 4 | 1 | -15 | -12 |
| Return on equity, % | 1 | 0 | -12 | -7 |
| Return on capital employed, % | 1 | 1 | -10 | -7 |
| Equity ratio, % | 85 | 74 | 82 | 85 |
| Investments, KSEK | 17 315 | 1 138 | 82 814 | 116 389 |
| Average number of employees | 456 | 154 | 319 | 382 |
| Number of employees at period end | 427 | 165 | 477 | 427 |
| Sales per employee, 12-month basis KSEK | 881 | 1 094 | 948 | 944 |
| Number of shares at period end ¹ | 19 041 390 | 13 784 000 | 18 087 418 | 19 041 390 |
| Earnings per share, SEK | 0.19 | 0.02 | -2.92 | -2.23 |
| Earnings per share after full dilution, SEK | 0.19 | 0.02 | -2.79 | -2.16 |
| Equity per share, SEK | 34.70 | 9.20 | 36.49 | 34.70 |

¹ adjusted for bonus issue and split.