



PROACT IT GROUP AB (publ)

INTERIM REPORT FOR THE PERIOD JANUARY–MARCH 2001

Increased profitability and continued strong growth

Summary of the period

- Revenue amounted to SEK 168.2 million (112.6), an increase of 49 per cent compared to the first quarter of the previous financial year. Sales of services have doubled.
- Operating profits before the amortization of goodwill (EBITA) amounted to SEK 4.4 million (-5.1), and net operating profits totalled SEK 0.9 million (-7.5).
- The average number of employees during the period was 240 (184).

Important events during the period

- Considerable business with regard to secure infrastructure for Ericsson Radio Systems, com hem and Statoil.
- Nordic partnership agreement with Hitachi Data Systems strengthens ProAct's position on the rapidly developing Nordic SAN market.
- Acquisition of the company Combinator IT AB, a pure consultancy company with good profits and a staff of around 20.
- Per-Arne Lundberg becomes new President and Group CEO of ProAct IT Group AB. Henrik Holm appointed Chairman of the Board.

Significant events after the end of the period

- Sale of the activities in ProAct Medical AB, generating profits of around SEK 20 million before tax.
- Decision by the Board concerning a new stock issue with preferential rights for existing shareholders to be completed during the second quarter.
- Establishment of a sales office in the IT and telecommunication-intensive Karlskrona area.

ProAct is a specialist and independent integrator with know-how, methods and products in the field of data warehousing and infrastructure for securing mission-critical information. The company, which is active in Denmark, Finland, Norway and Sweden, focuses on medium-sized and large companies and organisations in need of secure and efficient handling of mission-critical information. Business is conducted in Copenhagen, Aarhus, Helsinki, Uleåborg, Oslo, Bergen, Stavanger, Trondheim, Stockholm, Gothenburg, Linköping, Sundsvall and Lund, with a staff more than 250, most of whom are technically oriented. What sets ProAct apart is the technical expertise and competence of its personnel.

ProAct IT Group AB is listed on the O-list of the Stockholm Stock Exchange, Attract 40.

The Market and ProAct's role

ProAct is a specialist and independent integrator with know-how, methods and products in the field of infrastructure for securing mission-critical information. The company, which employs around 250 people, conducts business in Denmark, Finland, Norway and Sweden. ProAct primarily works for large and medium-sized businesses and organisations.

The expansion of the Internet and increased business activity on the Net makes increasing demands for high levels of security, access to data, short response times, and high accessibility – 24 hours a day, all year round. Demand is increasing for ProAct's skills and system solutions, from both traditional customers and customer groups from what is known as the new economy. A secure infrastructure consists of aspects such as data storage, security, and a network with associated functions for improved performance and accessibility. Infrastructure is the foundation of mission-critical applications. The market for secure infrastructure is increasing very rapidly, with an estimated annual growth rate of 30–40 per cent.

Financial development during the period

ProAct's net revenue for the first three months of the year amounted to SEK 168.2 million (112.6), an increase of 49 per cent compared to the same period of the previous financial year. This growth is divided between organic growth (44.5 per cent) and acquired growth (4.5 per cent). At 1 April, the order book totalled SEK 54 million.

In the same way as in previous years, sales show appreciable seasonal variations, as our customers are still largely subject to the limitations of their respective budgets. The first and third quarters of the year therefore generate relatively lower income than the second and fourth.

Of the total revenue for the period, service income amounted to SEK 57.6 million (28.6), an increase of SEK 29.0 million or 101 per cent compared to the same period of the previous financial year. The contribution made by services to turnover has increased considerably, totalling 34 per cent for the first quarter of the current year. This is in line with a conscious commitment to increase the proportion of services in the range of products offered to customers.

Operating profits before the amortization of goodwill (EBITA) amounted to SEK 4.4 million (8.7), and net operating profits totalled SEK 0.9 million (-7.5). This involved a positive break with tradition, as the first quarter of the year has conventionally returned a negative result.

The company's fixed costs are generally evenly distributed over the year. Historically, the seasonal variation in sales has thus resulted in the company returning better results in the second and fourth quarters than in the first and third.

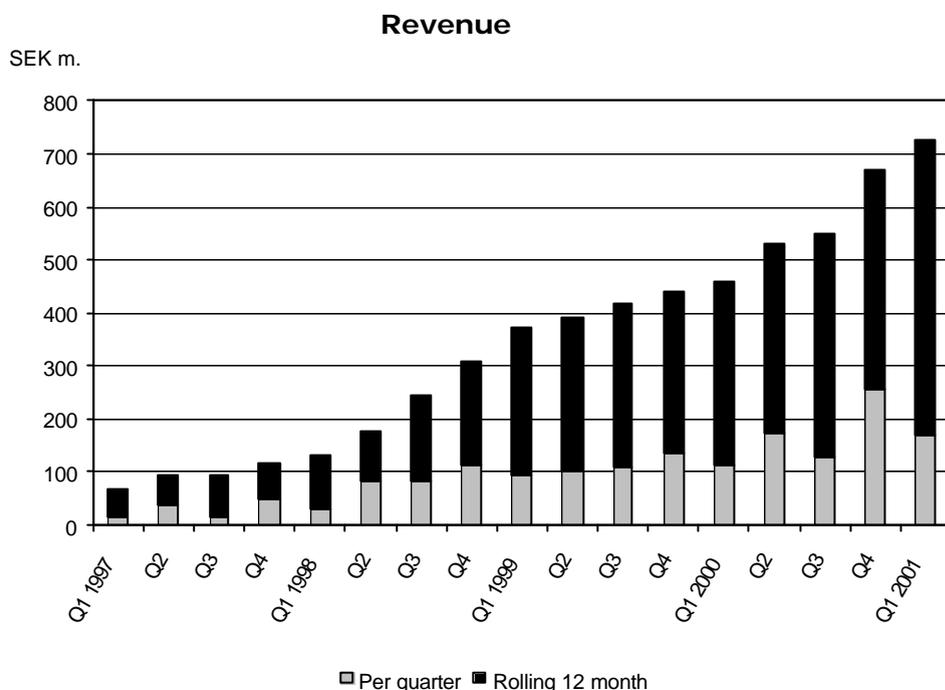
Revenue per quarter:

	Q1	Q2	Q3	Q4	Full year	Rolling 12 months, Q1
1998, SEK m.	29.5	82.8	81.4	113.3	307.0	132.1
Percentage	10%	27%	26%	37%		
Growth in revenue	+15%					
1999, SEK m.	93.7	102.9	108.4	133.9	438.9	371.2
Percentage	21%	23%	25%	31%		
Growth in revenue	+218%					
2000, SEK m.	112.6	173.5	127.4	257.2	670.7	457.8
Percentage	17%	26%	19%	38%		
Growth in revenue	+20%					
2001, SEK m.	168.2					726.3
Growth in revenue	+49%					

Financial development – rolling 12 months

Revenue for the most recent rolling 12-month period totalled SEK 726.3 million, compared to SEK 457.8 million for the corresponding period last year. This represents growth of 59 per cent.

Operating profits before the amortization of goodwill for the most recent rolling 12-month period amounted to SEK 29.8 million (1.4), which is equivalent to EBITA of 4.1 per cent (0.3%).



The average annual growth in revenue has exceeded 80 per cent over the past five years.

Business activity

ProAct's operations are conducted in two business units: Infrastructure and Applications. The *Infrastructure* unit constitutes the basis of ProAct's activities, and revenue from this unit accounts for more than 95 per cent of the total revenue of the Group. Within the *Applications* business unit, the Group offers special skills in the fields of information processing within the media and hospital sectors.

As a result of the sale of the activities in ProAct Medical AB in April 2001, the activities of the *Applications* business unit will account for a smaller part of the Group's operations. For this reason, the activities of the two business units will no longer be detailed separately.

ProAct's core business is stable and profitable, with increases in both income from contracts and the size of the customer base. Business in all countries has developed positively as compared to the same period in previous years. The demand for ProAct's systems and services remains high. We have, however, observed a degree of caution with regard to new investments in systems among some of our customers.

New major customers and assignments during the period include:

Ericsson Radio Systems – delivery of a storage solution based on Storage Area Network (SAN) to the department for total verification of the 3G system (UMTS).

com hem – delivery of complete infrastructure with servers for a high accessibility (cluster) storage network, including backup and security solutions. The infrastructure is to be used to introduce new services for cable TV customers.

Statoil – replacing traditional storage solutions in Statoil's offices with a solution comprising a storage network based on Network Attached Storage (NAS). The agreement is global, and the first delivery covers the Nordic region.

A Norwegian bank – an extensive system for storage in line with the SAN principle has been supplied to a Norwegian bank which has chosen to avoid publicity on the grounds of security considerations.

Security – services and solutions in the fields of security and advanced network solutions have developed very positively in the banking, finance and telecommunications sectors.

ProAct is increasing its involvement in the rapidly growing market for SANs (Storage Area Networks) by entering into a Nordic partnership agreement with Hitachi Data Systems. Hitachi complements ProAct's other suppliers, and has primarily established its name with large customers with highly detailed requirements.

An increasingly large proportion of SAN projects is being carried out by independent engineers, which benefits ProAct.

The consultancy company Combinator IT AB was acquired with effect from 1 February 2001. This acquisition provided ProAct with resources and skills in the consultancy areas in which Combinator has been active. In addition, the acquisition provides further advantages in that it reduces the need for costly and time-consuming recruiting.

Liquidity and capital expenditure

At the end of the period, the Group's liquid funds totalled SEK 73.3 million. The group's approved credit limit was SEK 38.5 million, of which SEK 4.6 million has been utilised. Group solvency amounted to 43 per cent, as compared to 37 per cent at the start of the period.

Group capital expenditure during the period amounted to SEK 14.5 million, of which SEK 10.3 million refers to investments in shares and shareholders' contributions in subsidiaries, and SEK 4.2 million to investments in equipment.

During the period, a new stock issue to the value of SEK 18.5 million and targeted at Swedish institutions was completed. This placement was carried out in connection with the acquisition of the company Combinator IT AB, and to cover supplementary payments for previous acquisitions.

The Parent Company

The net revenue of the parent company for the period totalled SEK 4.2 million (3.6). Profits after net financial items totalled SEK 2.3 million (0.3). The parent company's liquid funds amounted to SEK 61.6 million (26.3) including the liquid funds of the Swedish subsidiary in the central account. Of the total liquid funds of the parent company, SEK 19.9 million (14.9) is placed in short-term interest-bearing securities.

The investments made by the parent company during the period totalled SEK 0.1 million.

Staff and management

At the end of March, Per-Arne Lundberg was appointed the new President of the company and Group CEO of ProAct IT. Mr. Lundberg has held the position of Vice President of the company since summer 1999 and has approximately 15 years of experience in senior executive positions in the Nordic and European IT markets. Mr. Lundberg has a great deal of skill and experience in services development and business orientation, which are sure to prove very useful to the company. Henrik Holm, founder and former President, will remain in close contact with the company in his new role as Chairman of the Board. In addition to leading the work of the Board, Henrik Holm will be playing an active role in business development, acquisitions and the company's contacts with the financial market. Dag Sehlin, the former Chairman of the Board, will retain his seat on the Board as an ordinary member.

At the end of the period, the Group employed 248 people. During the first quarter, 31 new employees joined the company. Staff turnover is low. The average number of employees during the period was 240 (184), an increase of 30 per cent.

Annual General Meeting

At the Annual General Meeting held on 18 April, Göran Atterwall, Franco Fedeli, Tomas Franzén, Henrik Holm and Dag Sehlin were all re-elected to the Board. Kåre Gilstring declined re-election.

The general meeting approved the suggestion from the Board that no dividend be paid.

The general meeting also approved the proposal to authorise the Board, in the period up to the next Annual General Meeting, to take decisions with regard to a preferential stock issue to the maximum value of SEK 100 million. Moreover, the Board was authorised to take decisions concerning the issuing of up to 400,000 new shares for cash purchase, setting off or non-cash payment.

In addition, the general meeting also took a decision concerning a share options programme for employees who did not already own share options in ProAct and for certain members of senior management. Full utilisation of these options will result in an increase of the share capital of up to SEK 150,000.

Significant events after the end of the period

After the end of the period, the activities in ProAct Medical AB were sold to GE Medical. The deal also includes a partnership agreement, which involves ProAct taking handling infrastructure and services for GE Medical with regard to the digital image archive (PACS) for the hospital sector. This will result in an expansion of ProAct's business opportunities within the health care sector throughout the Nordic region. During the second quarter, ProAct will show pre-tax profits from the sale of around SEK 20 million.

ProAct established a sales office in the IT and telecommunication-intensive Karlskrona area.

The Board of ProAct has decided to carry out a new stock issue with preferential rights for existing shareholders, in accordance with the authority granted to it by the Annual General Meeting held on 18 April 2001. The issue will be completed during the second quarter and will provide the company with a cash injection of SEK 82.8 million before the deduction of issue costs. This sum will be divided between 1,506,218 new shares on condition that all warrants from the 1998/2001 series – 75,000 in all – be redeemed and that the new issue be fully subscribed.

The motive behind this new issue is that ProAct wishes to be financially well-prepared to act with regard to the planned continuation of expansion – both organic and via acquisitions. It is to be expected that ProAct will continue to make complementary acquisitions of companies operating within interesting areas, which can strengthen the company's position and facilitate the development of advanced services. Continued rapid growth requires both investment and increased operating capital.

The shares in the new issue, which will be run by Handelsbanken Investment Banking, will involve preferential rights for existing shareholders who will be allocated the right to subscribe for one (1) new share for every five (5) old shares they own. The subscription period will run from 28 May to 19 June 2001, and the subscription price has been set at SEK 55 per share. The record day for participation in the new stock issue is 21 May 2001. The final date for trading in shares including subscription rights is 14 June 2001. Following the new issue, the total number of shares in the company – on condition that the new issue be fully subscribed – will be 9,037,312.

Future prospects

ProAct is active in one of the IT market's fastest growing segments with a growth of 30–40 per cent per year. The aim of the company is further to consolidate its position as the leading specialist and independent integrator in the Nordic region. The financial goal for 2001 is an increase in revenue which exceeds that of the market in general, with considerable improvements in profits.

Future information dates

Interim Report, January–June 2001
Interim report, July–September 2001
Year-end report 2001

21 August 2001
25 October 2001
15 February 2002

Sollentuna, 27 April 2001

ProAct IT Group AB (publ)

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Financial position (SEK million)

	2001 Jan–March	2000 Jan–March	Rolling 12 months	2000 Jan–Dec
Income statement for the group, summary				
Operating revenue	168.2	112.6	726.3	670.7
Operating expenses, excluding amortization	-160.8	-115.6	-686.0	-640.7
Amortization of tangible fixed assets	-3.0	-2.1	-10.5	-9.7
Operating profit before amortization of goodwill	4.4	-5.1	29.8	20.3
Amortization of intangible fixed assets	-3.5	-2.4	-11.1	-10.0
Operating profit/loss	0.9	-7.5	18.7	10.3
Financial items	0.6	0.0	2.0	1.4
Result after financial items	1.5	-7.5	20.7	11.7
Tax ¹⁾	-1.0	-0.7	-8.7	-8.4
Minority interest	0.0	0.0	-0.1	-0.1
Net profit	0.5	-8.2	11.9	3.2

	2001 31 March	2000 31 March	2000 31 Dec
Balance sheet for the group, summary			
ASSETS			
Intangible fixed assets	54.6	45.3	46.7
Fixed assets	23.7	20.0	23.3
Financial fixed assets	0.7	0.2	0.7
Inventories	75.7	39.9	46.3
Receivables	176.0	123.3	247.1
Short-term investments	19.9	14.9	14.0
Cash in hand and bank deposits	53.4	19.1	34.7
Total assets	404.0	262.7	412.8
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	174.6	131.5	154.1
Minority interest	0.6	0.3	0.3
Provisions	3.3	0.3	2.3
Long-term liabilities	4.9	0.8	4.1
Current liabilities	220.6	129.8	252.0
Total shareholders' equity and liabilities	404.0	262.7	412.8

	2001 Jan–March	2000 Jan–March	Rolling 12 months	2000 Jan–Dec
Data per share ²⁾				
Earnings per share before dilution, SEK	0.07	-1.15	1.65	0.45
Earnings per share, fully diluted basis, SEK	0.07	-1.10	1.62	0.43
Shareholders' equity per share before dilution, SEK	23.64	18.45	24.14	21.50
Shareholders' equity per share, fully diluted basis, SEK	23.14	17.70	23.62	20.81
Number of shares outstanding at end of period	7 456 094	7 113 694	7 456 094	7 277 094
Weighted average number of shares before dilution	7 388 094	7 127 094	7 234 010	7 168 760
Weighted average number of shares after dilution ³⁾	7 548 588	7 429 322	7 392 937	7 405 303

¹⁾ Refers to the sum of company tax and deferred tax.

²⁾ Calculation in accordance with recommendation RR18 "Earnings per Share" of the Swedish Financial Accounting Standards Council in reference to which adjustments have been made to the comparison periods.

³⁾ Non-completed issues at 31 March 2001, which affect dilution: Options issued to members of Senior Management, 75,000 (1998) and to the staff, 250,000 (1999). Options issued to new employees and members of Senior Management, 250,000 (2000) do not result in dilution.

	2001	2000	2000
Statement of cash flow for the group, summary	Jan–March	Jan–March	Jan–Dec
Cash flow before change in working capital	7.7	-3.7	29.7
Change in working capital	11.8	-8.6	-20.9
Cash flow from current operations	19.5	-12.3	8.8
Cash flow from investment activities	-14.6	-6.4	-26.2
Cash flow from financing operations	19.7	-2.3	11.1
Change in liquid funds	24.6	-21.0	-6.3
Liquid funds, opening balance	48.7	55.0	55.0
Liquid funds, closing balance	73.3	34.0	48.7

	2001	2000	Rolling	2000
Key ratios	Jan–March	Jan–March	12 months	Jan–Dec
Operating profit before amortization of goodwill (EBITA), %	2.6	-4.5	4.1	3.0
Operating margin (EBIT), %	0.5	-6.7	2.6	1.5
Return on equity, %	0.3	-6.3	7.8	2.3
Return on operating capital, %	1.0	-5.4	13.9	9.0
Return on total capital, %	0.4	-2.6	6.6	3.8
Equity ratio, %	43.4	50.2	43.4	37.4
Capital expenditure, SEK million	14.5	12.5		32.0
Average number of full-time equivalent employees	240	184		201

Operating revenue by country:	Jan–March 2001
Sweden	106.8
Norway	36.6
Finland	12.1
Denmark	12.7
	168.2

Shareholders' equity 2001	Share capital	Bound reserves	Free reserves	Total shareholders' equity
Opening balance	7.3	134.7	12.1	154.1
Transfer between restricted and unrestricted equity	-	-0.6	0.6	0.0
New stock issue (after deduction of issuing costs SEK 0.7 million)	0.1	18.8	-	18.9
Translation differences	-	-	1.0	1.0
Net profit/loss for the period	-	-	0.6	0.6
Shareholders' equity, year end	7.4	152.9	14.3	174.6

Pledged assets and contingent liabilities	Group 31 March 2001	Group 31 Dec 2000	The Parent Company 31 March 2001	The Parent Company 31 Dec 2000
Corporate mortgages	32.0	29.8	3.0	3.0
Pledged trade accounts receivable	12.2	6.2	-	-
Pledged receivables on subsidiaries	-	-	17.0	17.0
Total pledged assets	44.2	36.0	20.0	20.0
Security for subsidiaries' measures	-	-	8.7	9.1
Guaranty for committed credit facilities to subsidiaries	4.9	0.9	12.0	4.5
Total contingent liabilities	4.9	0.9	20.7	13.6

Accounting principles

This interim report has been drawn up in accordance with the new recommendation of the Swedish Financial Accounting Standards Council (RR 20) concerning interim reports. As from and including this interim, the company will be following the new recommendation of the Swedish Financial Accounting Standards Council (RR 9) concerning income tax. This recommendation has previously been followed at Group level. In all other cases, this report follows the same accounting principles and calculation methods as used in the most recent annual accounts.

Auditors' review

This report has not been reviewed by the company's auditors.

Translation

This is a translation of the original report, which is written in Swedish. In the event of any differences, the content of the Swedish report is to take precedence.