



INFORMATION
HIGHWAY

Financial Statement 1999

- *Group operating profit before goodwill amortisation was SEK 20.3 m. This figure includes capital gains from the disposal of subsidiaries totalling SEK 16.0 m.*
- *The Consultancy operations generated sales of SEK 201.6 m—a 60.5% increase on 1998. Profit before goodwill amortisation emerged at SEK 27.8 m, (SEK 6.9 m) up 402 %. The profit margin was 13.8%.*
- *Concentration and acquisitions in 1999 marked Information Highway's first steps towards a position as Europe's leading Internet consultant.*
- *Growth was more pronounced than expected; headcount exceeded the previous target of 400, reaching 542 by year-end (including acquisitions), an increase of around 100% since 30 September 1999.*
- *Continued acquisitions and organic growth during 2000 create the right conditions for achieving the growth targets of a presence on eight markets plus a minimum of 1,000 employees by year-end.*
- *A strong quarter for the Consultancy operations. Including new acquisitions, sales amounted to SEK 71.4 m. Operating profit before goodwill amortisation was SEK 7.1 m.*
- *Group operating profit before goodwill amortisation for the fourth quarter amounted to SEK -6.3 m; in the same period, sales were SEK 73.7 m.*
- *Companies acquired in 1999 have been consolidated as follows:*

<i>Interaction Design AS</i>	<i>1 August 1999</i>
<i>Veritema</i>	<i>1 October 1999</i>
<i>Netmill</i>	<i>1 January 2000</i>
<i>BMR</i>	<i>3 January 2000</i>
<i>ELK</i>	<i>11 January 2000</i>
<i>Pyramid</i>	<i>2 January 2000</i>

Information Highway assists companies in exploiting the business opportunities presented by the new network economy. We consolidate our clients' competitiveness, making them successful in the digital arena by providing Internet-based solutions characterised by business expertise, creativity and leading-edge technology skills. Information Highway was founded in 1994 and currently employs over 500 people in its Business, Interactive and Technology Consulting business areas in ten locations in Sweden, as well as in Norway, Denmark, Finland and the UK. Our objective is to have 1,000 employees on eight geographical markets before the end of the year 2000.

Chief Executive Officer's statement

The 1999 financial year was an eventful and successful year for Information Highway. The decision to concentrate our operations on Internet consulting, and as a consequence, the disposal of the Systems operations, has proven extremely successful. The strategy adopted at the beginning of the year has been consistently implemented; its fundamental underlying idea is to develop the company to become one of the undisputed leaders in Europe in the Internet sphere.

We are convinced that all companies will need to revise their business models and base them on the Internet in order to remain competitive in future. Today, Information Highway is one of the leaders in all the crucial key areas, strategy, interactivity and technology, to able to assist companies successfully in establishing Internet-based business models. Acquisitions and recruitment have been pursued in a concerted manner in order to fill gaps in terms of expertise, and to advance Information Highway's geographical presence in Europe. All the objectives set at the beginning of 1999 have been exceeded, our growth and profitability targets emphatically so.

In percentage terms, profitability fell slightly in the final quarter of 1999 compared to the first nine months of the year. This is primarily due to the fact that growth targets were upgraded in the fourth quarter. In order to achieve our objectives, we increased the speed of recruitment and made more acquisitions than originally envisaged, which increased costs both in our Consultancy operations and in the parent company. Although this was instrumental to the fact that our headcount totalled 542 at the end of 1999 rather than the previous target of 400.

Our intention is to maintain this brisk pace of expansion, as we assess that we are now able to capitalise on our competitive advantages optimally and quickly move to position the company as one of the European leaders.

1999 was also an outstanding year in terms of the stock market's assessment of the company. The share price climbed by 2,300 per cent during the year—Information Highway was the Stockholm Stock Exchange's top performer in 1999. This has also implied substantial foreign interest in the company. By the end of 1999, more than 70% of our shareholders were international.

With the strong market trend we now foresee, and the great client demand for the competence of Information Highway, our objective is to continue to grow sharply; 2000 is set to become at least as eventful as 1999.

Göran Wågström
President and CEO

1999—a successful year for Information Highway

During 1999, Information Highway successfully implemented the strategies determined at the beginning of the year:

- Concentrating operations to Internet consulting by divesting the Systems business area
- Acquisition and recruitment-driven growth
- Internationalisation through company acquisitions and new establishments
- Clarifying our customer offering by creating the Business, Interactive and Technology business areas
- Organisational renewal and consolidation of our group management
- Increased awareness of the company on the capital markets and increased foreign ownership

As a result of these measures, Information Highway became one of the Nordic region's foremost Internet consultant in 1999. This has formed the foundation for the next phase of the company's development; resolute expansion in Europe in order to become a leading European partner for companies wishing to benefit from the business potential presented by the new economy.

Market

The shift in operational focus in 1999 occurred under favourable conditions. The Internet market is rapidly evolving towards extensive and far-reaching assignments demanding integrated solutions. Information Highway is one of a select few Internet consultants able to deliver a high level of expertise in all the key areas necessary to assist clients in achieving success in the new economy. The assignments the company won and the master agreements reached in 1999 add emphasis to this picture.

Acquisitions

The company's repositioning has been well received by the stock market. Information Highway was the Stockholm Stock Exchange's top share price performer in 1999 with gains of more than 2,300 per cent. The substantial share price rally has created favourable conditions for financing the company's continued acquisition-driven expansion, whether this takes place directly with payment in shares, or by means of liquid funds raised via cash issues.

During 1999, it became increasingly clear that the Internet is driving a fundamental change in the economy rather than merely being a market communication tool. The implication is that new business models are replacing traditional ones which, in turn, means companies and organisations must make consistent and comprehensive initiatives through all their business processes. Because the Internet impacts right across operations, the ability to assist customers to implement change at all levels will become a decisive competitive factor. This is a positive development for Information Highway, which acquired the requisite expertise through the following acquisitions in 1999, integrated in the Information Highway Practice areas Business, Interactive and Technology, (in chronological order):

- **Interaction Design, Norway**

Interaction Design provides critical business solutions based on advanced infrastructure and transaction managers focusing on user-friendly solutions. In order to make applications more user friendly, the company has developed a method, Vision Builder, that combines industrial design and systems development. Information Highway has refined this method, which is now the keystone of Information Highway's working methods.

- **Veritema, Sweden**

Veritema's operations are focused on change programmes that incorporate organisational, operational and IT development. Veritema brought Information Highway significant experience and expertise within strategic corporate advice and process development. The acquisition made Information Highway the Nordic region's leading and biggest strategic and management consultant within the Internet.

- **ELK, Denmark**

The company provides integrated solutions, encompassing the full range from direct client contacts to internal production systems and professionally designed business solutions. The company combines concept and design with business development and technologically sophisticated solutions.

- **Netmill, Finland**

Netmill delivers Linux-based business-critical, user-friendly solutions for the Internet. Netmill will comprise Information Highway's international centre of excellence for business solutions based on Linux/Open Source.

- **BMR - Bergsnov, Mellbye & Rosenbaum, Norway**

BMR is one of Norway's leading players within corporate identity, events and products. BMR has unique expertise within identity design and has been awarded numerous design prizes for its creative ability in both digital and traditional media. BMR makes Information Highway a full-range provider in Norway.

- **Pyramid Communication, Sweden**

Pyramid is one of Sweden's leading companies within strategic market communication and will form the basis of Information Highway's continued expansion in this sphere.

The combination of the knowledge the acquired companies represent and the technological expertise that has been characteristic of Information Highway traditionally, creates a solid platform for sustained expansion. As a result of its acquisition strategy, Information Highway has become more attractive to customers as well as to potential employees and companies seeking a skilled and aggressive industrial owner.

New establishments

In addition to the acquisitions, Information Highway were in 1999 established in Cambridge, Umeå and Copenhagen, where the acquired business of Danish ELK will be integrated as of January 1st. These branches employ around 20 people.

Customers

Information Highway enjoys enduring and close client relations. The strong base at the beginning of 1999 was consolidated by clients such as Telia, AGA, Perstorp, SKF, Höganäs, Vattenfall, NordPool, Sweden Post, OM Technology, Lufthansa, Nestlé, Shell Finland, Den Danske Bank, Den norske Bank, Codan, Falck, Scandlines, the Swedish Travel & Tourism Council and the KK Foundation during the course of the year.

In 1999, the five biggest customers provided approximately 30 per cent of sales, which is entirely consistent with Information Highway's strategy and market position. Information Highway seeks major integrated assignments on behalf of leading players, primarily within banking and insurance, commerce, telecom, travel, gaming and manufacturing.

Mission, business concept and vision

Information Highway's mission is to assist clients to capitalise on the business opportunities presented by the new network economy.

The company's business concept is to enhance client competitiveness and improve customer profitability by providing integrated solutions characterised by in-depth business and sector expertise, high-tech competencies and extensive knowledge of marketing and design. The company combines innovative solutions with quality-assured processes.

Information Highway's vision is to become recognised as a leading European partner by top clients, and to be equipped with the market's best human resources.

Information Highway's market position is based on an in-depth understanding and an ability to assist major corporates as well as new start-ups. We are able to deliver major integrated solutions, regardless of whether they relate to the business-to-business or business-to-consumer sphere.

Headcount growth

Including the acquired, but as yet unconsolidated companies Netmill, ELK, BMR and Pyramid, headcount was 542 as of 31 December. As of year-end, headcount in consolidated companies was 411, an increase of over 50 per cent on 30 September.

Information Highway's growth objective is to have 1,000 employees before the end of the year 2000, and the company intends to achieve this objective through acquisitions and organic growth.

The development of our human capital

The company launched a HR development programme in 1999 that includes a quality-assured recruitment process as well as a major training initiative intended to provide a further boost to the company's attractions on the labour market, to contribute to increased productivity and consolidate the corporate culture that is one of Information Highway's success factors.

During autumn 1999, the company undertook a major recruitment campaign that attracted more than 500 suitably qualified applicants.

The development of our structural capital

Significant decisions were reached during 1999 for safeguarding and developing the company's structural capital. Information Highway is continuing to develop working methods and quality assurance systems in order to combine its expertise into full-range undertakings to clients. The introduction of the Vision Builder methodology will link the company's three competency areas—Business, Interactive and Technology—in an integrated, interactive development process.

An advanced intranet, which includes utilising common methods, advanced information retrieval, and efficient knowledge management, has been brought on stream in order to facilitate internal communication in the group and to exploit the aggregate experience and abilities harboured in the organisation and its members.

Information Highway also became a member of the WAP Forum in 1999, an international congregation of companies active within WAP (Wireless Application Protocol—a standard for the wireless Internet).

Significant events after the end of the period

The Extraordinary General Meeting on 10 January resolved to complete a new (preferential rights) issue of a maximum of 1,063,385 shares, and to issue 549.986 new shares for the acquisition of Veritema and 91.803 shares for the acquisition of the business of ELK. The shareholders also authorised the board to issue up to a further 3,000,000 shares in connection with the acquisition of further companies and businesses. Out of these shares a total of 277.431 have been issued for the acquisitions of Netmill, Pyramid and BMR.

The Extraordinary General Meeting on 19 January resolved to effect a 10:1 share split.

Prospects

Information Highway's robust expansion during the fourth quarter 1999, underscores the assessment that its growth targets will be achieved.

Sales and earnings

In the following presentation of sales and earnings, Interaction Design AS has been included for 4.5 months and Veritema for 3 months. Other acquisitions are consolidated in 2000.

Sales

Sales were SEK 213.8 (130.5)* m for the full year 1999, an increase of 64% on 1998. Fourth quarter consultancy sales were SEK 71.4 (39.4) m, an increase of 81.2%.

Sales SEK m	1999 Jan-Dec	1998* Jan-Dec
Consultancy	201.6	125.6
Parent company	12.2	4.9
Group	213.8	130.5

* Full-year group sales reduced by sales generated by the Systems operation.

Profit—group

Group operating profit before goodwill amortisation amounted to SEK 20.3 m (-19.7)*. Goodwill amortisation was SEK 18.5 m.

Profit before goodwill amortisation SEK m	1999 Jan-Dec	1998* Jan-Dec
Consultancy	27.8	6.9
Parent company	-23.5	-26.6
Group	20.3	-19.7

* Full-year group profit reduced by profit generated by the Systems operation.

Profit—Consultancy

Consultancy's profit before goodwill amortisation amounted to SEK 27.8 (6.9) m, an upturn of 402% on the previous year. Consultancy's profit margin amounted to 13.8%, against 5.5% in the previous year.

Growth target upgrades in the fourth quarter have had an adverse impact on operating margin as a result of factors such as increased costs associated with acquisitions, recruitment and training. New recruitment and acquisition processes have also reduced the short-term billing rate, which has also influenced operating margins.

Profit—parent company

Parent company operating profit before goodwill amortisation amounted to SEK -23.5 (-26.6) m. The rate of acquisitions, which accelerated in the fourth quarter, has entailed a substantial increase in costs. (See Profit—Consultancy.) However, the parent company's total costs are not expected to exceed SEK 20 m in 2000.

Financing, liquidity and investments

Liquid funds were SEK 20.0 m at year-end. The group equity ratio was 69,0%, against 36,2% at the end of last year.

Group investments in equipment totalled SEK 31.7 m and for the parent company SEK 26.4 m, basically due to investments made in new facilities.

The company has entered into financial leasing contracts in the latter part of 1999. As the value of these contracts is not a significant amount, the reporting of these items has not followed the Swedish Financial Accounting Standards Council's recommendations.

Key figures

Earnings per share before dilution for the period amounted to SEK 0.1 compared to a negative amount in the previous year. Shareholders' equity per share before dilution was SEK 69.9 (26.1) at the end of the period.

Number of employees

The number of employees as of 31 December 1999 was 411, of which 82 are women. The Consultancy operations had 399 employees as of 31 December 1999, of which 74 are women.

Shares

Change in shareholders' equity	No. of shares	conversion/ subscription	conversion/ subscription price
OB 1/1/1999	3 411 750		
New issue coincident with acquisition	200 000		
New issue coincident with acquisition, non approved, non registered*	549.986		
CB 31/12/1999	4 161 736		
Convertible programme	170 000	31/5/00-31/5/02	105
Options programme	170 000	1/7/01-2/2/15	250
Options programme	170 000	1/10/01-2/2/15	106
TOTAL	4 671 736		

*Relates to the non-cash issue associated with Veritema, approved at an Extraordinary General Meeting held on 10 January 2000.

Share price and ownership structure

During the period, the share price has varied between a low of SEK 58 in January to a peak of SEK 1,410 in December.

As of 31 December, the company had 3,659 shareholders. During the period, interest from international investors has increased notably—the foreign ownership share was 72.5% as of 31 December.

Forthcoming reports

The Annual Report will be available at the group head offices from 30 March 2000.

The Annual General Meeting will be held on 30 March 2000.

The First-Quarter Report will be published on 27 April 2000.

The Second-Quarter Report will be published on 23 August 2000.

The Third-Quarter Report will be published on 26 October 2000.

The Financial Statement for 2000 will be published on 6 February 2001.

Sundbyberg, Sweden, 26 January 2000

Göran Wågström
President and CEO

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Income Statement

Total 1999 (SEK M)	1999 Jan-Dec	1998 Jan-Dec
Net sales	213.8	455.2
Operating costs	-209.5	-466.5
Capital gains from sale of subsidiary	16.0	-
<i>Operating profit before items affecting comparability</i>	20.3	-11.2
Items affecting comparability	-	-39.8
<i>Operating profit before goodwill amortisation</i>	20.3	-51.0
Goodwill amortisation	-18.5	-10.5
Goodwill write-down	-	-5.0
<i>Operating profit after goodwill amortisation</i>	1.8	-66.5
Net financial position	-0.2	-0.4
<i>Profit net of financial items</i>	1.6	-66.9
Tax	-1.2	13.8
<i>Net profit for the period</i>	0.4	-53.1

Balance Sheet

Total 1999 (SEK M)	1999 31 Dec	1998 31 Dec
<i>Intangible fixed assets</i>	198.0	38.3
<i>Tangible fixed assets</i>	36.5	24.7
Inventories	-	28.2
Customer receivables	65.3	90.5
Liquid funds	20.0	35.4
Other current assets	47.9	30.2
<i>Total current assets</i>	133.2	184.3
<i>Total assets</i>	367.7	247.3
<i>Shareholders' equity</i>	253.8*	89.2
Non-interest bearing long-term liabilities	0.3	1.6
Interest-bearing long-term liabilities	19.3	41.9
<i>Total long-term liabilities</i>	19.6	43.5
Accounts payable	20.3	73.6
Other liabilities	74.0	41.0
<i>Total current liabilities</i>	94.3	114.6
<i>Total liabilities and shareholders' equity</i>	367.7	247.3

*Shareholders' equity: 253.8, of which 132.8 relates to non-registered, non-approved new issues (Veritema) as of year-end. The resolution regarding the issue was reached at the 10 January 2000 EGM.

Key figures

Total (SEK M)	1999 31 Dec	1998 31 Dec
<i>Data per share, SEK</i>		
Average number of shares, millions	3.633	3.354
Number of shares, year end (before dilution), millions	4.162	3.412
Number of shares, year end (after dilution), millions	4.672	3.752
Earnings per share (before dilution)	0.10	neg.
Earnings per share (after dilution)	0.56	neg.
Shareholders' equity per share (before dilution)	69.9	26.1
Shareholders' equity per share (after dilution)	86.7	34.1
<i>Ratios, %</i>		
Operating margin before goodwill amortisation	9.5	neg.
Operating margin after goodwill amortisation	0.8	neg.
Return on capital employed	1.2	neg.
Return on equity	0.2	neg.
Equity ratio	69.0	36.2

Statement of Changes in Financial Position

(SEK M)	1999 31 Dec	1998 31 Dec
<i>Ongoing operations</i>		
Operating profit	1.8	-66.5
Adjustment for items not included in cash flow	13.7	23.8
<i>Cash flow from ongoing operations before change in working capital</i>	15.5	-42.7
<i>Change in working capital</i>	154.0	16.5
<i>Cash flow from ongoing operations</i>	170.0	-26.2
<i>Investment activity</i>		
<i>Cash flow from investment activity</i>	-189.8	42.7
<i>Financing activity</i>		
<i>Cash flow from financing activity</i>	4.7	39.9
Liquid funds, opening balance	35.4	64.4
<i>Change in liquid funds</i>	-15.4	-29.0
Liquid funds, closing balance	20.0	35.4