

January 1 – March 31, 2000

This document is essentially a translation of the Swedish language version. In the event of any discrepancies between this translation and the original Swedish document, the latter shall be deemed

**Mandator AB** (publ), Org.no: 556216-0357

## Controlled change with good profitability in the consultancy business

Mandator's service offer is developing for the economy of the future. The company is consolidating its offer within e-commerce, Internet-related services and content consultancy. The turnover for January-March 2000 increases by 19 per cent to SEK 270 million and profits before tax increases to SEK 25 million, corresponding to a margin of 9.2 per cent. The gross profit (EBITA) is SEK 35.2 million, which corresponds to a margin of 13.1 per cent. The number of employees has increased by 42 per cent, compared with the same period last year. At the time of this report the number of employees is 1,240, distributed among some 40 offices in Sweden, Norway, Denmark, Estonia, Singapore and the US.



MANDATOR AB (PUBL)  
KUNGSGATAN 60, 1 TR  
BOX 305  
101 26 STOCKHOLM  
TEL 08-402 31 00  
FAX 08-402 31 31  
EMAIL mandator@mandator.se  
ORG NR 556216-0357  
SÄTE STOCKHOLM

"The first quarter of the millennium has been very intense. Our business offer is subject of a consistent change process; internally as well as externally we have initiated the integration with Cell Networks and we have dealt with a number of extraordinary activities," says Niklas Flyborg, President and CEO of Mandator AB. He continues: "Mandator has considerable structural capital and we have proved that we can handle this in new situations. At the same time we have a margin in the consultancy business of close to 8 percent, which we intend to improve considerably. We are now focusing on our merger with Cell Networks and creating the platform for our international success."

### **Summary of the period** (January-March 1999 in brackets)

- Number of employees increases by 42 per cent to 1,186 (835).
- Turnover increases by a total of 19 per cent to SEK 269.7 (226.3) million
- Gross profit (EBITA), amounts to:
  - in **Mandator**, a total of SEK 35.2 (29.0) million, corresponding to a margin of 13.1% including refunding from SPP of SEK 32,2 million.
  - in **Mandator Internet & IT**, SEK 19.6 (29.2) million, corresponding to a margin of 7.8%.
  - in **Mandator ITS**, SEK -10.2 (3.3) million.
- Profit after financial items rises to SEK 24.9 (24.0) million, corresponding to a pretax margin of 9,2 % (10,6 %).
- Shareholders' equity rises to SEK 305.5 (227.0) million, yielding an equity/assets ratio of 47 (53) per cent.

## Operations

During the first quarter, operations have been characterised by change and flexibility. There has been a strong growth in the number of projects within e-commerce, Internet-related activities and content consultancy. Thus, the share of hourly-based IT-consulting has decreased.

The first quarter has been effected by the decision to merger the business of Cell Network and Mandator. Large financial and personnel resources have been allocated in

the work with the integration, which started directly after the announcement of the merger on February 8, 2000.

Capacity utilisation in the Group has also been affected by the change process being carried out in order to adapt the skills of the consultants to the demands in the market. Total capacity utilisation is approximately 5 per cent less than last year.

Within Mandator ITS, structural investments run parallel with a growth of activities. The business model within ITS spans over 12-18 months, where large variations between separate quarters can arise. The first quarter 2000 has been characterised by the completion of the products CATS and InterAct, postponed orders from customers and expenses in connection with the final deliveries of projects. This part of the company is expected to have a financial breakthrough at the end of this year.

The increase of the Group's number of employees is continuing organically as well as through acquisitions. The organic growth is planned to increase during the second part of the year as a consequence of the merger with Cell Network.

## The Market

The driving force in the new economy continues to create good opportunities in the market for Mandator's offerings. The demand for general IT services and pure web projects, without additional system integration, has not been as strong as before. The increase in the number of projects where customers ask for new kinds of business solutions, also increases the need for services such as project management, system integration and communication solutions. Mandator has successfully managed to take market share within this segment and thereby diminished the share of hourly-based IT-consulting, but the demand for qualified competence consultancy of an expert nature remains. Mandator will continue to offer this kind of service as a component of its service offer.

The demand for the services of Journalistgruppen, regarding content consultancy, is increasing strongly and today exceeds the capacity to deliver. A fast organic expansion is being planned, which could be combined with additional acquisitions.

## Merger with Cell Network

On 8 and 22 February 2000, share and option holders in Cell Network were notified of the Mandator offer. For every ten shares in Cell Network, seventeen newly issued shares in Mandator were offered. At the agreed end of the period for this offer, more than 90 per cent of the shareholders, counted in number of shares, at Cell Network had accepted this offer. Thus the board of Mandator declares the conditions for this offer to be met and thereby fulfilled. The period of the offer was prolonged until May 23<sup>rd</sup>.

The merger will create a prominent position in the Scandinavian market and establish prerequisites for a further fast expansion. Mandator and Cell Network complement each other well, in particular since strategic advice and technical services are in increasing demand and constitute high added-value for customers. The aim is to create a world-leading Internet consultancy in the new digital economy, with focus on e-commerce and business development.

The merger is going according to plan and is already showing market effects exceeding initial expectations. Today there are a number of projects being carried out in co-operation by consultants from Cell Network and Mandator.



MANDATOR AB (PUBL)  
KUNGSGATAN 60, 1 TR  
BOX 305  
101 26 STOCKHOLM  
TEL 08-402 31 00  
FAX 08-402 31 31  
EMAIL mandator@mandator.se  
ORG NR 556216-0357  
SÄTE STOCKHOLM

The companies are expected to act together already before the summer and to be one organisational unit after by autumn. Significant communication efforts, both internal and external, are being planned for the year.



MANDATOR AB (PUBL)

KUNGSGATAN 60, 1 TR

BOX 305

101 26 STOCKHOLM

TEL 08-402 31 00

FAX 08-402 31 31

EMAIL [mandator@mandator.se](mailto:mandator@mandator.se)

ORG NR 556216-0357

SÄTE STOCKHOLM

## Structural capital

Structural capital is the value added of Mandator, which does not appear in the balance sheet of the Group. Included in this value are investments in different solution concepts, market imaging, quality assurance and competence development (e.g. Mandator Academy). During the first quarter, investments rose to approximately SEK 11 million. Investments in the structural capital are crucial to the continued growth of Mandator. Of the total investments, SEK 6.2 million are in ITS, of which SEK 1.3 million has been allocated to product development of CATS and InterAct.

## Future prospects

The present is characterised by fast changes and customers changing their business approach increasingly quickly. This means new and higher demands on us as a supplier. To be successful we have to be able to offer services that cover large parts of the customer's value-chain. Together with Cell Network there will be good conditions for international success in a market, which will be substantially larger than the one we act in today. This enables fast and controlled growth,

The new company will offer everything from strategy consulting to the installation of effective web applications and communication solutions. Then we can accompany our customers in their global operations, swiftly offer services in the growing interactive media market, and have the critical mass and structural capital necessary for a credible supplier in the 21<sup>st</sup> century.

The aim is to offer a wide range of services and competence in the following areas:

- Strategic advice and business development
- E-commerce & Content Consultancy
- Wireless Applications & Telecom
- Embedded Systems & Technical Applications
- Interactive Training & Simulation
- New interactive platform, e.g. digital TV

## Forecast 2000

Mandator's information policy is to inform of the actual earnings trend through quarterly interim reports and press releases in connection with significant business events. Forecasts are not normally issued.

## Refunding from SPP

According to information from SPP, Mandator will receive a refund of pension premiums of SEK 32.2 million. The surplus has been entered in the Group's balance sheet at a value of SEK 30.6 million, of which SEK 6.5 million refers to a cash refund, which is shown as a short-term claim. The remaining amount, SEK 24.1 million, refers to the discounted value of future decreased premium payments for a period of 20 months and will be shown as a long-term claim. The discount rate used is the state-loan rate as per 30 March, 2000.



MANDATOR AB (PUBL)  
KUNGSGATAN 60, 1 TR  
BOX 305  
101 26 STOCKHOLM  
TEL 08-402 31 00  
FAX 08-402 31 31  
EMAIL [mandator@mandator.se](mailto:mandator@mandator.se)  
ORG NR 556216-0357  
SÄTE STOCKHOLM



MANDATOR AB (PUBL)  
KUNGSGATAN 60, 1 TR  
BOX 305  
101 26 STOCKHOLM  
TEL 08-402 31 00  
FAX 08-402 31 31  
EMAIL mandator@mandator.se  
ORG NR 556216-0357  
SÄTE STOCKHOLM

## Important events

- New business unit created for **Embedded Systems** at Mandator Telecom is created.
- Operations established in **Sundsvall** engage 10 consultants from the beginning.
- The acquisition of IT-consulting company **A-Tind** with 10 employees and operations within system development, specialised for product planning in the car industry.
- Letter of intent on the acquisition of 40 per cent of the Internet-company **Pragma** A/S in Norway.
- The Mandator AGM decides on a new issue of a maximum of 40,000,000 shares to the shareholders of Cell Network, where every **10 shares** entitles a shareholder to **17 new** shares in Mandator.
- The German Internet-consulting firm Pixelpark announces the intent to make an offer for the joint Cell/Mandator. This intent is later withdrawn.
- The Mandator AGM gives the board the mandate to decide on a new issue of shares with a maximum of 3,750,000 shares, to be used as payment in acquisitions.
- The board of Mandator decides to carry out the offer to the shareholders of Cell Network, and officially declared the intention to calls for forced sales of uncalled shares.
- The Mandator Academy offers all employees web-based competence development via **e-learning**.
- Several new joint assignments successfully combines the services of Mandator and Journalistgruppen. These include the development of a portal for **The Swedish Children Cancer Fund** (Barncancerfonden).
- Several new Kazoo assignments such as **CRM** systems for **The Car Guide** (Bilguiden), a web-based global competence development system for **Saab Automobile**, a web and voice based system for supervising electricity bills for **NTE**, one of the largest energy firms on Norway.
- Order for training simulator to **Brandskolan** in Warsaw, Poland.
- Mandator and MediTelligence co-operate around wireless total solutions for the health and medical industry.

## Investments (*January – March 1999 in brackets*)

Investments in tangible assets during the period amounted to SEK 4.2 million (3.4). Investments in corporate acquisitions (including unpaid supplementary purchase prices) amounted to SEK 11.1 million (2.5).

## Income statment in brief for the Group, SEK million

	Jan-March 2000	Jan-March 1999	Jan-Dec 1999
Net Sales	269,7	226,3	940,5
Operating expenses	-231,2	-195,4	-853,8
Depreciation of tangible assets	-3,3	-1,9	-9,3
<b>Gross profit (EBITA)</b>	<b>35,2</b>	<b>29,0</b>	<b>77,4</b>
Depreciation of intangible assets	-8,9	-5,4	-24,4
Profit from participation in associated companies	0,2	0,0	0,5
<b>Operating profit</b>	<b>26,5</b>	<b>23,6</b>	<b>53,5</b>
Profit from financial investments	-1,6	0,4	0,9
<b>Profit after financial items</b>	<b>24,9</b>	<b>24,0</b>	<b>54,4</b>
Tax *)	-10,5	-8,3	-22,8
Minority share in the profit for the period	0,7	0,6	2,7
<b>Profit for the period</b>	<b>15,1</b>	<b>16,3</b>	<b>34,3</b>

\*) beräknad verklig skatt



MANDATOR AB (PUBL)

KUNGSGATAN 60, 1 TR

BOX 305

101 26 STOCKHOLM

TEL 08-402 31 00

FAX 08-402 31 31

EMAIL [mandator@mandator.se](mailto:mandator@mandator.se)

ORG NR 556216-0357

SÄTE STOCKHOLM

## Balance sheet in brief for the Group, SEK million

	2000-03-31	1999-03-31	1999-12-31
<b>Assets</b>			
Intangible assets	245,4	122,7	242,4
Tangible assets	37,9	22,2	37,6
Financial assets	30,0	2,4	6,3
Minority interest	0,2	4,3	-
Current assets	304,9	216,5	276,8
Liquid funds	36,6	52,5	52,3
<b>Total assets</b>	<b>655,0</b>	<b>420,6</b>	<b>615,4</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	305,5	227,0	304,2
Minority interest	-	-	0,5
Provisions	80,9	39,1	90,4
Interest bearing liabilities	48,8	0,7	20,5
Other liabilities	219,8	153,8	199,8
<b>Total shareholders' equity and liabilities</b>	<b>655,0</b>	<b>420,6</b>	<b>615,4</b>

## Cash flow analysis in brief for the Group, SEK million

	Jan-March 2000	Jan-March 1999	Jan-Dec 1999
Cash flow before changes in working capital	-3,8	31,3	68,4
Changes in working capital	-1,2	-23,3	-22,3
<b>Cash flow from current operations</b>	<b>-5,0</b>	<b>8,0</b>	<b>46,1</b>
Cash flow from investment operations	-24,7	-52,8	-95,0
Cash flow from financial operations	15,3	-2,3	1,0
<b>Changes in liquid funds</b>	<b>-14,4</b>	<b>-47,1</b>	<b>-47,9</b>
Liquid funds opening balance	52,3	99,8	99,8
Exchange rate difference in liquid funds	-1,3	-0,2	0,4
<b>Liquid funds at closing balance</b>	<b>36,6</b>	<b>52,5</b>	<b>52,3</b>



MANDATOR AB (PUBL)  
KUNGSGATAN 60, 1 TR  
BOX 305  
101 26 STOCKHOLM  
TEL 08-402 31 00  
FAX 08-402 31 31  
EMAIL mandator@mandator.se  
ORG NR 556216-0357  
SÄTE STOCKHOLM

## Key ratios

	Jan-March 2000	Jan-March 1999	Jan-Dec 1999
EBITDA, SEK M	38,6	30,9	86,7
EBITDA, %	14,3	13,7	9,2
EBITA, SEK M	35,2	29,0	77,4
EBITA, %	13,1	12,8	8,2
Pretax margin, %	9,2	10,6	5,8
Equity/assets ratio, %	46,6	53,0	49,5
Value added per employee, SEK 000s	165	192	594

## Share data

No. Of shareholders	12 434	7 769	9 902
Before conversion	No. Of shares 000s	39 201	38 241
	EBITA per share, SEK	0,90	0,76
	Profit per share, SEK	0,38	0,43
	Equity per share, SEK	7,79	5,94
After full conversion	No. Of shares, 000s	42 708	40 741
	EBITA per share, SEK	0,82	0,71
	Profit per share, SEK	0,35	0,40
	Equity per share, SEK	13,24	8,42

## *Net sales and operating income per unit*

	Jan-March 2000	Jan-March 1999	Jan-Dec 1999
<b>Net sales:</b>			
Mandator ITS	22,4	20,2	97,9
Mandator Internet & IT	251,6	207,4	846,1
Parent company business	9,3	7,5	30,6
Inter company sales	-13,6	-8,8	-34,1
<b>Total net sales</b>	<b>269,7</b>	<b>226,3</b>	<b>940,5</b>
<b>Operating income:</b>			
Mandator ITS	-10,2	3,3	1,7
Mandator Internet & IT	19,6	29,2	99,1
Refund SPP	32,2	-	-
Parent company business	-6,2	-3,4	-22,9
Depreciation of intangible assets	-8,9	-5,5	-24,4
<b>Total operating income</b>	<b>26,5</b>	<b>23,6</b>	<b>53,5</b>



MANDATOR AB (PUBL)  
KUNGSGATAN 60, 1 TR  
BOX 305  
101 26 STOCKHOLM  
TEL 08-402 31 00  
FAX 08-402 31 31  
EMAIL [mandator@mandator.se](mailto:mandator@mandator.se)  
ORG NR 556216-0357  
SÄTE STOCKHOLM

## *Forthcoming reports*

- The quarterly report for the period of January- June 2000 will be released on 23<sup>rd</sup> August 2000
- The quarterly report for the period of January-September 2000 will be released on 25<sup>th</sup> October 2000

Stockholm, April 26<sup>th</sup>, 2000

Niklas Flyborg  
President/CEO

This report has not been audited by the auditors of Mandator AB

## *Invitation – Joint information meeting, Cell Network/Mandator*

An information meeting for press and analysts will be held on April 27 at 7.45 a.m.

Location: Operaterassen in Stockholm. For applications contact David Hammarström at the news-paper Finanstidningen, telephone: 08-506 245 82, telefax: 08-506 245 81 or via e-mail: [traffar@fti.se](mailto:traffar@fti.se)

For further information, please contact:

**Niklas Flyborg**, President/CEO, tel: 08-402 31 09, mobile: 070-594 96 78

**Jerker Käll**, Vice President, tel: 08-402 31 05, mobile: 070-580 84 00

**Gunilla Rudebjer**, Chief Financial Officer, tel: 08-402 31 83, mobile: 0709-84 38 36