

# Interim Report

## January – March 2000

- *Total group sales were SEK 121.7 (45.3) m, an increase of 268.6% on the corresponding period of 1999.*
- *Group operating profit before goodwill amortisation amounted to SEK 11.9 (2.8) m, an increase of 425.0%.*
- *Consultancy sales were SEK 120.8 (39.4) m, up 306,6% compared to the corresponding period of 1999.*
- *Profit before goodwill amortisation in the Consultancy operations was SEK 15.0 (6.1) m, an increase of 245.9%. Operating margin was 12.4%.*
- *The planned merger with Connecta AB is set to create Europe's leading strategic business-to-business Internet consulting practice.*
- *Pro forma for Information Highway/Connecta: Sales were SEK 254.2 (119.8) m in the first quarter. Profit before goodwill amortisation amounted to SEK 35.2 (16.8) m.*
- *Sustained international expansion with acquisition of berens/partner in Germany and Implement A/S in Denmark (after the end of the period).*
- *Continued expansion in Sweden with robust organic growth plus acquisition of Netgain AB in Karlstad (after the end of the period).*

Information Highway assists enterprises in exploiting the business opportunities presented by the new network economy.

Information Highway consolidates its clients' competitiveness, making them successful in the digital arena by providing Internet-based solutions characterised by business expertise, creativity and leading-edge technology skills, essentially offering "a safe ride to The New Economy".

Information Highway was founded in 1994 and currently employs 600 people in its Business, Interactive and Technology Consulting practice areas at ten locations in Sweden, and in Norway, Denmark, Finland and the UK. The share is quoted on OM Stockholm Exchange's O-list (symbol: IHWY). Göran Wågström is Information Highway's President. Information Highway provides solutions for ABB, Ericsson, Telia, SAS, Vattenfall, Lufthansa, Codan, Telenor and Swiss Valore.

Information Highway is planning a merger with Connecta. This would create one of Europe's leading Internet consulting practices focusing on strategic Internet solutions. The new group will have access to an extremely solid platform for sustained brisk international expansion. Together the two companies currently have around 1,220 employees (1,350 including the planned acquisition in Germany). The target is to reach a minimum headcount of 2,000 by the end of the year.

## Market

Market growth for Internet-related services is expected to accentuate further over the coming years, with business-to-business ("B2B") the segment exhibiting the highest growth, according to several independent research institutes. Gartner Group expects B2B e-commerce worldwide to amount to USD 7,290 bn, corresponding to some 7% of total global trade in 2004. The B2B e-commerce markets in 2004 are distributed evenly between Europe, the US and the rest of the world, while trading between corporations and consumers (business-to-consumer, "B2C") is expected to be far less extensive. Gartner Group estimates B2C e-commerce in 2003 at USD 380 bn.

The following factors are regarded as the drivers for this expansive market growth.

### *Internet maturity and penetration increase robustly in the future*

Progress is being driven by the development of an increasing number of technological interfaces in the form of the mobile Internet (WAP, etc.), interactive TV and the extensive build-out of communication infrastructure. International Data Corporation ("IDC") forecasts the number of Internet users worldwide expanding from 98 million in 1998 to 320 million in 2002. The Nordic countries, which have higher Internet maturity than the rest of Europe, are spearheading progress in this region. Research conducted by IDC in 1999 indicated that 60% of the Finnish, Swedish, Norwegian and Danish populations had either recently used, or were interested in using, the Internet.

### *Impact of the Internet gradually increasing*

All sectors and value chains are being restructured to varying extents dependent on the Internet creating new marketplaces on entirely novel terms. As Internet penetration increases, so too does the e-commerce of goods and services. Corporations are rapidly realising the significant efficiency gains, and associated competitive advantages, available by exploiting the Internet as an integrated element of business models. Cisco, Dell and Amazon.com are early examples in this respect. IDC forecasts US e-commerce expanding from USD 32 bn in 1998 to USD 426 bn in 2002.

The resolute expansion of the digital economy is creating extremely high growth for Internet-related consulting services. The following trends are regarded as significant to assessments of future market growth facing Internet consulting practices.

- Accentuating demands on cost-efficiency imply globalisation
- B2B harbours the highest growth
- Internet solutions are becoming increasingly business critical
- The emergence of more electronic channels.

## **Merger between Information Highway and Connecta**

**Information Highway and Connecta intend to merge to form one of Europe's leading Internet consulting practices.**

The Boards of Connecta and Information Highway have decided to recommend that their shareholders approve a merger between the companies on equal terms. The decision regarding this merger was reached at Information Highway's Annual General Meeting of 5 April 2000. The result is the creation of one of Europe's leading consulting practices focused on strategic Internet solutions. The new group will have an extremely secure platform to effect sustained brisk international expansion. At present, the two companies have a combined headcount of some 1,200 employees—the objective is to have a headcount of at least 2,000 by the end of the year.

The new group will be a full-service corporation well equipped to meet the demands of major corporations and non-profit organisations. Together, the new grouping will be able to offer the complete portfolio of Internet services from strategy and design to technological implementation.

The merger will be effected through Information Highway making a public offering to Connecta's shareholders, with 3.37 Information Highway shares offered for each Connecta share. Connecta's warrant holders will receive 10 new Information Highway shares for every three warrants. Connecta convertible holders will be offered 10 new Information Highway shares for each convertible of a nominal SEK 61.23.

When the merger has been consummated, Information Highway's shareholders and Connecta's shareholders will control 49% and 51% respectively of the new group after full dilution.

### **Motive for the merger in brief**

The corporate managements of Connecta and Information Highway share the same vision and objective of assisting their customers in developing competitive strategic solutions for the new digital economy.

The organisational structure and corporate culture of the two constituent enterprises have many similarities, which bodes well for a fast and smooth integration process.

The two corporate management teams are also closely complementary; Information Highway's executives have exhibited rigorous abilities within international industrial business operations and the integration of acquisitions, while Connecta's management harbours substantial competencies in strategic Internet consulting activities.

Both Connecta and Information Highway are sharply focused on profitability, high growth and quality.

Information Highway's top-flight technology competencies in spheres such as wireless communication and Linux complement Connecta's skills in strategic Internet and e-commerce business development. The merger will mean the new group being able to provide its customers with a full-range services offering encompassing everything from strategic Internet consulting services and design to technological implementation.

The group will have a pronounced Internet strategy focus with over 250 experienced consultants able to offer guidance to clients regarding how the Internet and e-commerce will influence their overall business strategies.

The two companies' customer bases complement each other well.

The strength and size of the merged corporation create the right conditions for faster international expansion. Moreover, the new company gains enhanced prospects for offering multinational corporations large, internationalised project solutions. At present, Connecta is active in Sweden and has signed a letter of intent to acquire Albatros Network A/S of Denmark. Information Highway, meanwhile, has operations in Sweden, Norway, Denmark, Finland and the UK.

Within Sweden, Connecta and Information Highway are favourable geographical complements; where at present, Connecta has a strong presence in Stockholm, Information Highway is established in the majority of Sweden's larger cities from Umeå in the north to Malmö and the Öresund region in the south.

### **Board and management**

The composition of the Board will reflect the new group's ownership structure, with a new Board proposed at an Information Highway Extraordinary General Meeting after implementation of the offer.

Connecta's current CEO Christer Jacobsson will be proposed as new Chairman, with Göran Wågström, Information Highway's present CEO proposed as CEO and Board member of the new group. Anders G. Carlberg, now Connecta's chairman and Lars Irstad, Information Highway's present

Chairman, will be proposed as Board members in the new group. Further Board members will be proposed with the intention of maintaining a balance between the ownership groupings.

### **The offer in brief**

- 3.37 Information Highway shares will be offered for each Connecta share.
- 10 Information Highway shares will be offered for every 3 Connecta warrants.
- 10 Information Highway shares will be received for each convertible of a nominal SEK 61.23.

The offer is identical for Connecta class A and B shares; the new Information Highway shares confer the right to dividends for the financial year 2000.

Excess share portions that do not comprise whole Information Highway shares will be sold by E. Öhman J:or Fondkommission AB.

No Commission will be levied.

If all Connecta shareholders accept the offer, Information Highway will issue 57.0 million shares. If all holders of warrants and convertibles accept the offer, they will receive 7.2 million Information Highway shares.

Subsequent to the merger, Information Highway shareholders will control 49% of the new group after full dilution, with Connecta shareholders controlling the remaining 51%.

The biggest single shareholder of the new company will be Christer Jacobsson with a shareholding amounting to some 12.1% after full dilution.

Based on closing prices on 22 February 2000, the day before shares in the two companies were suspended, their aggregate market capitalisation was SEK 13.5 bn after full dilution.

### **Conditions for completion of the offer**

Information Highway's offer is subject to the following conditions

- That the offer is accepted by Connecta shareholders representing over 90% of the votes and capital calculated after utilisation of all outstanding warrants and convertibles. However, Information Highway retains the right to consummate the offer without this condition being satisfied,
- That Information Highway shareholders' meeting resolves to implement a new issue according to the terms of the merger.
- That before consummation, the offer is not wholly or partially precluded or obstructed by legislation, legal action, decisions by public authorities or similar circumstances in Sweden or other countries, or other circumstances beyond the control of both companies.

The prospectus published attendant to the offer includes additional information regarding the terms of the offer and can be ordered from the group's head offices. The prospectus is also available at the company's Website: <http://www.infohwy.se>

At present, Information Highway does not own any shares, warrants or convertibles in Connecta; the corresponding relationship for Connecta, regarding Information Highway, also applies.

### **Group summary**

The merger between Information Highway and Connecta is an aggressive transaction that unites two high-growth Internet consulting practices with similar visions and corporate cultures. Both enterprises have a strategic focus on high growth with retained profitability and quality in everything they provide.

The critical factors for achieving the intended market position as the leading European B2B Internet consulting practice are:

- A comprehensive customer offering
- An international presence
- Fast integration utilising best practices

### **Focus of the new group**

The Boards and corporate managements of Information Highway and Connecta have jointly undertaken an overall discussion of the new group's mission, vision, strategy and objectives. Information in the associated sections reflects their shared view of these issues. The new Board, expected to be appointed after completion of the merger, will take its view, and determine the overall direction of the new group, as soon as it takes up its position.

### **Mission**

To confer our customers with the greatest possible business benefit in the digital economy.

### **Vision**

To be recognised as Europe's pre-eminent value-creating consulting practice that develops enterprises and business innovatively to a state of digital competitiveness.

### **Strategy**

The new group will control and develop operations based on the following strategic perspectives: Financial, Customer, Process, Innovation and Employee. Future strategic objectives and target positions have been identified for each perspective, which enable the realisation of the new group's vision. Critical success factors for achieving these target positions have also been identified, with a number of concrete and measurable goals established for each success factor.

### **Objectives**

A selection of overall objectives for the new group, and specific objectives for 2000, are indicated below.

- Profitable growth.
- High customer satisfaction
- The new group will have a high number of global clients as collaboration partners.
- The new group will have at least 2,000 employees by the end of 2000.
- Based on leadership in the Nordic region, the new group will establish itself as the pre-eminent provider of B2B solutions.
- The new group will establish significant operations in Germany, the UK and another 2-3 new markets. A letter of intent regarding the acquisition of berens/partner has already been signed on the prioritised German market.
- Acquisitions implemented will be integrated quickly and with retained high quality.

### **Customer offering**

The new group's customer offering will be strong and competitive with a very considerable capacity for implementing total concept solutions regarding the formulation of digital strategies, digital offerings, plus implementation and integration with existing critical business systems. The group's size, combined with the breadth and depth of its competencies, implies that it can offer clients considerable delivery capacity with retained high quality.

The customer offering encompasses the following three practice areas.

### **Business Positioning**

The digital economy will palpably transform the conditions facing all sectors and the enterprises within them. The activities of Business Positioning are intended to analyse clients' existing business and competencies, creating a competitive position in the assessed future digital business environment on this basis. The analysis results in strategic mapping, from which the client can pursue a business strategy for the digital economy. The analysis can be adapted to all or parts of an enterprise's

operations. Of a total of 1,350 employees, some 250 strategic consultants are active in Business Positioning.

### **Business Launch**

Business Launch constitutes a comprehensive services offering for formulating clients' digital offerings. Such offerings are built on an entirely novel view of managing and effecting the development and change of large organisations, where a sizeable array of differing competencies must be combined in the assignment in a co-ordinated manner; the processes of Business Positioning form the foundation for these efforts. In many cases, digital offerings are produced as an alternative to clients' traditional business models, and usually, the digital business model is more demanding of the client's entrepreneurial environment than its traditional business. One means of creating these conditions is for the digital initiative to be effected in a discrete environment with a dedicated budget and objectives not linked to traditional operations. Business Launch's employees assist clients in defining the concept for, and leading the development of, the digital initiative. The strategic consultants responsible for producing the Business Positioning analysis are also responsible for ensuring that the strategic direction of the project is maintained.

Of a total 1,350 employees, some 450 development and change consultants work in the Business Launch area, comprising a varied spectrum of competencies including management consultants, technologists, project managers, Web developers and market communication professionals.

### **Digital Platforms**

Digital business platforms are constructed in the Digital Platforms practice area, which also harbours all the requisite competencies and experience to integrate such platforms with clients' existing critical business systems. Now, the choice and structure of business technology platforms is more centrally strategic and business-critical than ever, since it determines the flexibility—or the limitations—of clients' future business. While technology solutions must be stable, they must also be scalable and easily integrated with various business partners. Digital platforms' consultants harbour considerable technology competencies in new interface platforms such as the mobile Internet (WAP etc.) and interactive TV, as well as in the majority of older technologies. These consultants have extensive work experience in development and integration projects. Of a total 1,350 employees, some 650 technologically expert consultants are active in this practice area.

### **Customers**

Information Highway and Connecta have complementary customer bases, with only a few shared customers. The clients comprise a considerable number of major Swedish corporations and institutions and many multinationals. In 1999, the sales share to existing clients was some 80%, suggesting that both Information Highway and Connecta provide high-quality services, and that in general, customers are satisfied. In 1999, sales to the 20 largest customers amounted to some 70% of total sales.

### **Human resources**

The new group is a distinctly knowledge-oriented corporation whose central resource is its employees' aggregate competencies and efforts. The new group's future competitiveness is dependent on its ability to retain and recruit professional people. The merger is expected to enhance opportunities to utilise existing skills by means including those methods and structures the companies have developed such as the Vision Builder methodology, plus the intranets Highway One and Soul.

Including berens/partner, the new group currently has about 1,350 employees. Historically, both Information Highway and Connecta have enjoyed low personnel turnover, the former registering a figure of 3%, and the latter 9% in 1999—below the market average. The Board considers that the two companies' similar corporate cultures and values bode well for sustained low personnel turnover.

### **Outlook**

The new group is active on markets expected to enjoy very high growth over the coming years, with the new group assessed as well positioned for reasons including the extremely high aggregate competency level, sharp focus as a full-range provider, primarily to the B2B segment, the group's activities in Germany (Europe's biggest market) and its strengths in new interfaces. Additionally, a

secure position in the Nordic market is regarded as an advantage when the group establishes operations on the major European markets. Against this background, the new group is considered to face bright prospects.

### **Integration of Information Highway and Connecta**

In order to realise positive effects of the merger, the integration of the companies' operations should be effected as soon as possible. It is vital that both companies' employees perceive the merger positively, and they consider that looking ahead, the new group comprises an attractive employer. Moreover, it is central that the new group's management team has a shared view on managing and developing the new group. No guarantee can be made regarding the actual timing of the completed integration, although both companies' management teams have pursued in-depth discussions regarding the new group's strategic focus and how operations should be developed, which have resulted in consensus.

### **Ability to control high growth**

Since the companies were incorporated, both Information Highway and Connecta have exhibited robust growth; the objective is for their brisk expansion to continue. High growth rates, though, can set a strain on ongoing operations, placing stern demands on managers, employees, plus administrative systems and routines. In order to manage high growth, the new group intends to create a suitable organisational structure, which has implications including concentrating on in-house support systems, the development of working methods and concepts, plus training. The objective is for the new group to enjoy a secure the platform from which it can proceed on an ongoing basis to be able to disseminate its accumulated competencies and experience efficiently between employees, while quickly enabling new employees to contribute to generating revenues. Corporate culture also comprises a vital precondition for successful high-paced growth, since it will convey the new group's fundamental values.

### **PRO FORMA ACCOUNTS—Information Highway/Connecta**

| Sales | 2000    | 1999    |
|-------|---------|---------|
| SEK m | Jan-Mar | Jan-Mar |
| Group | 254.2   | 119.8   |

| Profit before goodwill amortisation | 2000    | 1999    |
|-------------------------------------|---------|---------|
| SEK m                               | Jan-Mar | Jan-Mar |
| Group                               | 35.2    | 16.8    |

The relevant company's parent company has been included in the above sales and profit figures. In order to avoid confusion, Consulting and the parent company will henceforth be posted separately. Recently acquired companies Implement, berens/partner and Netgain have not been included in the above figures.

### **Comment on Information Highway/Connecta's first-quarter pro forma figures**

Despite a relatively weak January, Information Highway/Connecta's sales and operating profit exhibited very strong performance during the first quarter. First-quarter sales for the merged company amounted to SEK 254.2 (119.8) m, an increase of 212.2% on the corresponding period of the previous year. Operating profit before goodwill amortisation amounted to SEK 35.2 (16.8) m, while the operating margin was 13.8% (14.0). The above figures do not include the acquisitions of Implement of Denmark, berens/partner of Germany or NetGain, Karlstad, Sweden.

The above further underscores our conviction that the new group's market positioning is entirely correct and that the competencies the company offers are in acute demand on the market. The management takes a positive view of ongoing progress; its conviction that it will achieve its objectives for the current operational year has been consolidated.

### **Headcount growth Information Highway/Connecta**

At the end of the period, the company had 1350 (498) employees, including berens/partner, Implement and Albatros, an increase of 271% since the same period last year. Information Highway/Connecta has

a growth objective of 2,000 employees before the end of 2000, and intends to reach this objective through acquisitions and organic growth.

## **Significant events after the end of the reporting period**

### **Implement**

On 25 March, Information Highway signed an agreement with the owners of Implement A/S of Denmark regarding an acquisition of this company. Implement is a management consulting practice with 45 employees, currently with annual sales of some DKK 45 m. The acquisition of Implement consolidates the new group's market leadership in the Öresund region, where subsequent to the acquisition, the new group will have over 210 employees. The purchase price is DKK 120 m, partly paid in newly issued Information Highway shares, and partly in cash.

### **berens/partner**

On 21 March 2000, the new group announced that Information Highway had signed a letter of intent, potentially to acquire the operations of German Internet consulting practice berens/partner, one of the country's leading concentrated Internet consulting practices with 130 employees, bringing a sizeable array of attractive customers such as Deutsche Bank, Mannesmann, Deutsche Renault, Deutscher Sparkassen- und Giroverband, Henkel and Verlagsgruppe Handelsblatt (DM Online)

The Board regards berens/partner as the most attractive acquisition target on the German market from an operational perspective, and the acquisition will comprise a key element of the new group's international expansion strategy and express ambition to establish operations in Germany and elsewhere during 2000. The take-over confers the new group with a strong position on Europe's biggest market—Germany comprises some 25% of the total European market. berens/partner is a leading full-service provider focusing on B2B, thereby constituting a very solid platform for continued expansion into Germany, other German-speaking countries, as well as onward expansion into the rest of continental Europe.

The purchase price comprises 16.3 million newly issued shares in Information Highway AB, the new group's parent company. In SEK terms, remuneration amounted to sell SEK 1,900 m at the time of the announcement. This acquisition is expected to correspond to dilution of some 11.5% in the new group. Valuations of German Internet consulting practices are generally far higher than those in the Nordic region. The acquisition is being effected at a valuation considerably below the levels German Internet consulting practices command on the stock market.

The transaction is conditional on the shareholders of the new group approving the transaction at the first joint shareholders' meeting, scheduled for June 2000. The selling company and its guarantors are party to a lock-up agreement implying limitations to the right to divest of shares received in Information Highway with a scaling-down period of three years. Guarantees have also been obtained for berens/partners' personnel regarding their continued commitment to the new group.

### **Netgain**

On 29 March, Information Highway signed an agreement relating to the acquisition of NetGain AB in Karlstad, Sweden, with 10 employees and solid expertise within Internet solutions based on the Lotus Domino platform. The purchase price was SEK 10 m, paid in cash.

NetGain was founded in 1995, has around 10 employees and is in a pronounced expansion phase. The focus lies on competencies on the technical side of sophisticated e-business systems with leading-edge expertise relating to the IBM/Lotus Domino platform.

The client list currently comprises a full range from major international corporations to smaller, local businesses in more than 40 countries. The customers are active across several different sectors. Examples include Anders Diös AB, AB Carl Fazer, NetSys Technology Group, Maersk Data, Tech Communication, Paperprovince, Telia and Estrella.



## RESULT Information Highway

### Sales

The group's growth is continuing compared to the previous year. Sales (for the first three months of the year) amounted to SEK 121.7 (45.3) m, an increase of 286.6%. Of net sales, Consulting increased by 306.6% in the same period.

| Sales<br>SEK m | 2000<br>Jan-Mar | 1999<br>Jan-Mar | 1999<br>full year |
|----------------|-----------------|-----------------|-------------------|
| Consulting     | 120.8           | 39.4            | 201.6             |
| Parent company | 0.9             | 5.9             | 12.2              |
| Group          | 121.7           | 45.3            | 213.8             |

### Profit—group

Group operating profit before goodwill amortisation amounted to SEK 11.9 (2.8) m. Goodwill amortisation stood at SEK 7.2 m.

The Board has resolved that an adjustment of accounting principles for goodwill amortisation according to the new company shall be made. This means that acquisitions are to be evaluated on a case-by-case basis on the basis of the estimated financial life-span. The goodwill that has arisen in connection with acquisitions after 1 January 1999 has been assigned amortisation periods of 10-20 years.

| Profit before goodwill amortisation<br>SEK m | 2000<br>Jan-Mar | 1999<br>Jan-Mar | 1999*<br>full year |
|--|-----------------|-----------------|--------------------|
| Consulting                                   | 15.0            | 6.1             | 27.8               |
| Parent company                               | -3.1            | -3.3            | -23.5              |
| Group  | 11.9            | 2.8             | 20.3               |

\* Group profit for the full year less profit for the Systems operations, although capital gains of SEK 16 m from the disposal of the Systems operations have been included in group profit.

### Profit—Consulting

Consulting's profit before goodwill amortisation amounted to SEK 15.0 (6.1) m, an increase of 245.9% compared to the corresponding period in the previous year. Consulting's profit margin was 12.4%, against 15.5% a year ago.

The first quarter saw solid progress despite relatively weak performance in January. Sales amounted to SEK 120.8 (39.4) m, up 306.6%.

### Profit—parent company

Operating profit before goodwill amortisation for the parent company was SEK -3.1 (-3.3) m.

### Financing

Liquid funds were SEK 611.2 m at the end of the period. The group equity ratio was 92% on 31 March 2000, compared to 38.1% at the end of the previous year.

### Key figures

Earnings per share were SEK 0.1 for the period, against SEK 0.17 for the corresponding period in the previous year.

### Number of employees

The number of employees as of 31 March, excluding the acquisition of Implement A/S, berens/partner and Netgain AB, was 544 (179), of which 124 are women.

Consulting had 531 (167) employees, an increase of 318% on the corresponding period last year. The proportion of women employed in the group is approximately 22%.

The number of employees as outlined above and including Connecta (including Albatros Network A/S) was 1,136 (498) as of 31 March, corresponding to an increase of 228% on the same period last year.

## Change in shareholders' equity and number of shares

| Change in shareholders' equity | Sh'h'd'rs eq.  | No. of shares     | Conv. period    | Conv. price |
|--------------------------------|----------------|-------------------|-----------------|-------------|
| <b>OB 1/1 2000</b>             | <b>253.8</b>   | <b>4,161,736</b>  |                 |             |
| New issue and split            | 871.9          | 51,781            |                 |             |
| Profit for the period          | 4.1            |                   |                 |             |
| <b>CB 31/3 2000</b>            | <b>1,129.8</b> | <b>55,943,517</b> |                 |             |
| Convertible programme          |                | 1,898,936         | 31/5/00-31/5/02 | 9.4         |
| Warrants programme             |                | 1,700,000         | 1/7/01-2/2/15   | 22.4        |
| Warrants programme             |                | 1,895,500         | 1/10/01-2/2/15  | 9.5         |
| <b>Total</b>                   | <b>1,129.8</b> | <b>61,437,953</b> |                 |             |

**Share price and ownership structure**

During the period, the share price has varied between a high of SEK 145 in January (1450 before split) to a low of SEK 79 in March.

As of 31 March, the company had 23,298 shareholders. Interest from foreign investors remains significant. The foreign ownership share was 66,5% on 31 March, a decrease of 6%.

**Forthcoming reports**

The second-quarter report will be published on 23 August 2000.

Sundbyberg, Sweden, 27 April 2000

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*Questions relating to this report should be addressed to Information Highway's President, Göran Wågström, or its Chief Financial Officer, Katarina Nyberg, tel: +46 (0)8 635 1500.*

*This report has been subject to a summary review by the group's auditors.*

## Income Statement

| January – March 2000<br>(SEK M)                      | 2000<br>Jan-Mar | 1999<br>Jan-Mar | 1999<br>Full year |
|--|-----------------|-----------------|-------------------|
| Net sales  | 121.7           | 158.4           | 213.8             |
| Operating costs                                      | -109.8          | -154.1          | -209.5            |
| Capital gains from sale of subsidiary                | -               | -               | 16.0              |
| <i>Operating profit before goodwill amortisation</i> | 11.9            | 4.3             | 20.3              |
| Goodwill amortisation                                | -7.2            | -2.9            | -18.5             |
| <i>Operating profit after goodwill amortisation</i>  | 4.7             | 1.4             | 1.8               |
| Net financial position                               | -0.6            | -0.3            | -0.2              |
| <i>Profit net of financial items</i>                 | 4.1             | 1.1             | 1.6               |
| Tax  | -               | -0.5            | -1.2              |
| <i>Net profit for the period</i>                     | 4.1             | 0.6             | 0.4               |

## Balance Sheet

| (MSEK)  | 2000<br>31 Mar | 1999<br>31 Mar | 1999<br>31 Dec |
|---|----------------|----------------|----------------|
| <i>Intangible fixed assets</i>                    | 422.0          | 35.6           | 200.2          |
| <i>Tangible fixed assets</i>                      | 45.5           | 37.3           | 34.3           |
| Inventories                                       | -              | 17.8           | -              |
| Customer receivables                              | 91.4           | 97.0           | 65.3           |
| Liquid funds                                      | 611.2          | 20.2           | 20.0           |
| Other current assets                              | 63.5           | 27.7           | 47.9           |
| <i>Total current assets</i>                       | 766.1          | 162.7          | 133.2          |
| <i>Total assets</i>                               | 1233.6         | 235.6          | 367.7          |
| <i>Shareholders' equity</i>                       | 1135.1         | 89.8           | 253.8          |
| Non-interest bearing long-term liabilities        | -              | 0.3            | 0.3            |
| Interest-bearing long-term liabilities            | 19.7           | 46.3           | 19.3           |
| <i>Total long-term liabilities</i>                | 19.7           | 46.6           | 19.6           |
| Accounts payable                                  | 21.5           | 64.5           | 20.3           |
| Other liabilities                                 | 57.3           | 34.7           | 74.0           |
| <i>Total current liabilities</i>                  | 78.8           | 99.2           | 94.3           |
| <i>Total liabilities and shareholders' equity</i> | 1233.6         | 235.6          | 367.7          |

## Key figures

| (SEK M)                                       | 2000<br>31 Mar | 1999<br>31 Mar | 1999<br>31 Dec |
|---|----------------|----------------|----------------|
| <u><i>Data per share, SEK</i></u>             |                |                |                |
| Earnings per share                            | 0.1            | 0.17           | 0.1            |
| Shareholders' equity per share                | 20.3           | 26.32          | 69.9           |
| <u><i>Ratios, %</i></u>                       |                |                |                |
| Operating margin before goodwill amortisation | 9.8            | 2.7            | 9.5            |
| Operating margin after goodwill amortisation  | 3.9            | 0.9            | 0.8            |
| Return on capital employed                    | 0.7            | 1.3            | 1.2            |
| Return on equity                              | 0.6            | 0.7            | 0.2            |
| Equity ratio                                  | 92.0           | 38.1           | 69.0           |

**Cash Flow Statement<sup>1</sup>**

| <b>(SEK M)</b>  | <b>2000<br/>31 Mar</b> | <b>1999<br/>31 Dec</b> |
|---|------------------------|------------------------|
| <u>Ongoing operations</u>   |                        |                        |
| Operating profit  | 4.0                    | 1.8                    |
| Adjustment for items not included in cash flow                                | 11.1                   | 13.8                   |
| <i>Cash flow from ongoing operations before<br/>change in working capital</i> | <i>15.1</i>            | <i>15.6</i>            |
| <u>Change in working capital</u>  | -59.8                  | 166.0                  |
| <i>Cash flow from ongoing operations</i>                                      | <i>-44.7</i>           | <i>181.6</i>           |
| <u>Investment activity</u>  | -47.8                  | -202.4                 |
| <i>Cash flow from investment activity</i>                                     | <i>-47.8</i>           | <i>-202.4</i>          |
| <u>Financing activity</u>   | 680.0                  | 5.3                    |
| <i>Cash flow from financing activity</i>                                      | <i>680.0</i>           | <i>5.3</i>             |
| Liquid funds, opening balance   | 20.0                   | 35.4                   |
| <i>Change in liquid funds</i>   | <i>591.4</i>           | <i>-15.5</i>           |
| Liquid funds, closing balance   | 611.4                  | 20.0                   |

<sup>1</sup> No comparable figures are available as of 31 March 1999.