



Interim Report from TurnIT AB

JANUARY - SEPTEMBER 2000

6 November 2000

Earnings per share increased by 42 %

- **Earnings per share after full tax increased by 42 % to SEK 3.30 (2.32)**
- **Sales increased by 34 % to SEK 1077 million (SEK 805 million)**
- **Operating profit (EBITA) ¹ rose by 53 % to SEK 125.1 million (SEK 81.8 million)**
- **Operating margin increased to 11.6 (10.2) %**
- **Profit after financial items grew by 21 % to SEK 65.1 million (SEK 53.6 million)**
- **Cash flow per share² was SEK 5.90 (3.85)**
- **Volume of orders in Fiberdata amounted to SEK 230 million**
- **Holders of over 90 % of Arete's shares have accepted the offer**
- **Operating profit for 2000 will considerably exceed the preceding year's figure**

TurnIT's profit-generating core has been strengthened as shareholders and options holders representing more than 90 % of Arete's shares have accepted TurnIT's public offer. In accordance with the authorisation of the extraordinary General Meeting of 18 October, the Board has resolved on a directed new issue comprising 2,066,867 shares. The issue price has been set at SEK 126.00, based on the closing price on the closing date for acceptance, which means that the cost to TurnIT of the acquisition is about SEK 260 million. This estimates Intellectual Capital in connection with the acquisition at about SEK 152 million, which is about SEK 170 million lower than the estimate in the prospectus. The acceptance period for those who have not yet accepted the offer has been extended to 17 November.

Sales rose by 34 percent to SEK 1077.2 million (SEK 805.5 million), and operating profit (EBITA) by 53 percent to SEK 125.1 million (SEK 81.8 million). Earnings per share after full tax increased by 42 percent to SEK 3.30 (2.32). Demand for TurnIT's products and services increased markedly during September, and is growing strongly in the last quarter.

The acquisition of Arete is expected to result in substantially increased earnings from consultancy. Demand for TurnIT's consultancy services remains high, and the workload for expert consultants is comparable with 1998 and 1999. Arete complements the profit-generating companies Swedeltaco, LAC, Retea and Svenska PA, which in total from the beginning of 2001 is expected to give annual profits on day-to-day business of SEK 150 – 180 million, with an annual growth in the region of 25 percent before acquisitions. Together with realised gains on developing companies, arising from widening ownership or disposals, this will give TurnIT substantial resources to continue its active process of acquisition, as well as developing the Group's existing companies.

Market trends in the third quarter have not deviated from the normal demand pattern. A growing number of clients prefer to sign master agreements, and this benefits larger consultancy firms with a wide range of expertise, such as TurnIT. Orders for systems integration solutions and broadband connections have increased, while demand in the business areas Supplies, Software and Outsourcing has grown well

¹ TurnIT measures operating profit on the level of Operating profit before depreciation on intellectual capital/goodwill.

² Cash flow is defined as the profit for the period after adding back minority participations in profits, deferred taxation and depreciation on Intellectual Capital



during the latter part of the period. The fourth quarter has begun well, and we are expecting strong results.

During the period of the report, TurnIT received notification from SPP of the return of pension funds. SEK 10.2 of this appears in the results.

Operating trends

TurnIT Supplies

At TurnIT Supplies, trends in income and profits have been excellent. Sales have increased by 54 percent to SEK 298.4 million (SEK 194.0 million), and operating profit increased by 38 percent to SEK 41.3 million (SEK 30.0 million). Close-down costs of SEK 3 million for that part of Transnordic's business which has not been transferred to Insert have been charged against profits.

SweDeltaco and Network Innovation have returned excellent growth. Efficiency has increased since distribution has been co-ordinated through joint warehousing and administration. LAC's sales in the component market, which is experiencing excess demand, continue to increase. Through the newly-signed sales agreement with Yageo Corporation, LAC has broadened its product portfolio for contract manufacturers and telecoms producers such as Ericsson and Nokia. Insert has been restructured after the integration of part of the operation from Transnordic.

TurnIT Software

Sales amounted to SEK 175.0 million (SEK 145.9 million), and operating profit rose to SEK 77.3 million (SEK 14.4 million).

At TurnIT Software, a number of strategic development investments have made their mark on operations. For example, the innovation company, Innovative-IT, has invested about SEK 20 million in the Pure-Load development project. These development costs have been written off in their entirety during the third quarter. Pure-Load is a load generation and analysis tool for web applications for which TurnIT's objective is to achieve a global market. During 2000, orders primarily from banking and finance companies in Europe have generated earnings of about SEK 5 million. According to the research company, Newport Group, which specialises in load development tools, the market will double over the next three years and is estimated at USD 750 million for 2003.

Since IAR Systems was floated at the end of June, the company's strategy has been to increase its presence on the world market. Costs of approximately SEK 7 million have been charged to the income statement, and the shareholders can expect a high level of activity in the near future.

CityData, through its agreement with IBM, has gained access to a distribution channel which could lead to an international breakthrough in the sales of its in-house document handling program, Conisio. The agreement means that IBM's distributors will supply Conisio with IBM's largest PC – Intellistation. The sale of licences has gone well, and the anticipated increase in sales is expected to have a significant impact on CityData's profits during Q4 and during next year.

TurnIT Communication

Sales have continued to increase strongly compared with the corresponding period in 1999, and amounted to SEK 190.7 million (SEK 104.7million). Intensive marketing and strategic investment have built up an excellent volume of orders, which are estimated at SEK 230 million up to the end of 2002. Operating margins have fallen during the period, particularly due to increased growth investment in personnel, as well as the establishment of new operations in Sweden. The reason for the strong sales increase enjoyed by the company is the concept of offering operator-independent solutions which allow the clients to select the content themselves. Operating profit remained at SEK 7.5 million (SEK 7.4 million). The fourth quarter has always been crucial for Fiberdata's profits, and the current year is not diverging from the pattern.

Fiberdata acts both as a systems integrator and as a supplier of broadband services through its subsidiary, Broadway. During Q2 and Q3, the market for broadband investments in urban and access



networks really took off, and Fiberdata won a number of major procurement projects during the period. The most recent was the purchase of Europe's largest private residential network, for MKB (Malmö Municipal Housing Agency), involving about 20,000 households. This contract was won not on price, but on performance and security. Fiberdata also acquired a Norwegian company, ITR A/S, which will enable Fiberdata to increase its presence in the Norwegian market. Retea is experiencing a sharp increase in demand in all areas of expertise, not least in broadband projects. During the period, a number of important master agreements were signed, including a comprehensive master agreement with FMV, which is expected to be highly beneficial to the business area during 2001 and 2002.

TurnIT Consulting

TurnIT Consulting's operations in Sweden have been affected by the general downturn in demand for IT-consultancy in the first and second quarters. Nor did demand for web consultants come up to budget. The third quarter is traditionally a weak period for consultancy, but sales for the nine-month period increased to SEK 251.2 million (SEK 212.9 million). Operating profit fell, however, to SEK 9.3 million, compared with SEK 16.3 million in the preceding year. The fourth quarter is expected to be a lucrative period, and the preceding year's profits should be exceeded.

The income of the Norwegian subsidiary, Computas, is increasingly from the sale of licenses for its own knowledge management software. There are plans for market expansion, which may mean that the company will require direct access to the capital market in the future.

Bringing all the Swedish consultancy operations under Arete's brand and management will strengthen TurnIT's consultancy business substantially. This is especially the case with sales co-ordination and skills development. The acquisition of Arete is a deviation from the principal thrust of TurnIT's strategy of only acquiring unlisted companies, but Arete's culture and focus were more appropriate for TurnIT's consultancy companies than any of the other alternatives.

Including Arete, TurnIT's consultancy companies will have approximately 470 consultants.

TurnIT Outsourcing

TurnIT Outsourcing has seen the largest investment over the period, and this has affected results. The acquisition of Telenor's IT business has made a positive contribution of about SEK 10 million to results for the business area. The merger on 1 October with ID Network means that TurnIT has created one of the market's strongest players in network operations, and the restructuring of ID, which has already been charged to the accounts, has established a competitive platform for expansion. The objective is to take a leading position as a supplier of ASP (Application Service Provider) services in those segments in which TurnIT's companies operate. Profitability in the Outsourcing operation depends on developing a more cost-effective service, through re-orientating the business towards the provision of ASP services.

Svenska PA continues to report excellent growth, maintaining its operating margin and expanding within existing segments and through the Norwegian subsidiary, Time – Recorder. During the third quarter, agreements were signed for time metering and travel expense account systems for Försäkringskassan [the Social Security Office]. An agreement covering payroll-handling systems was concluded with HSB lön AB.

For the business area, sales increased to SEK 161.8 million (SEK 148.0 million), and operating profit fell to SEK 6.4 million (SEK 26.7 million).

TurnIT Development

TurnIT Development invests in IT companies at an early stage in their development. It focuses principally on investing in companies offering well-defined customer benefit, and where there is a market for the company's services. TurnIT Development prioritises vertical B2B solutions, and the strategy includes the presentation of an exit next year.

Preparations are in progress for a future initial public offering. TurnIT's shareholders will be offered direct shareholdings in the company in the event of a flotation. Only minor effects on results arose during the period.



TurnIT Development has a continuous inflow of exciting investment projects. During the third quarter, TurnIT Development invested about SEK 24 million in an additional five companies, representing a major expansion of the portfolio, which now has twelve holdings, with stakes of between 2 and 33 % of the shares in the companies. The most recent investments are in Allt om Bostad, CoomTool, Decam, ReUselt and X-OBI.

Development gains

The widening of ownership in IAR was carried through successfully during the second quarter. The issue provided IAR with SEK 120 million in new equity, before deducting the expenses of the issue, and improved consolidated profits by SEK 83.5 million.

During the third quarter, a smaller block totalling 186.000 shares was sold. Overall, the development gains from IAR have had a total effect on profits of SEK 94.2 million during 2000.

Intellectual Capital

Intellectual capital is an essential prerequisite for TurnIT's earnings, and it is through maintaining and developing this capital that the rapid growth of recent years has been possible.

The book value of intellectual capital in the Group amounted at the close of the period to SEK 932.8 million. Compared with 31 December 1999, the increase was SEK 171.8 million (23 percent). During the report period, a charge of SEK 10 million was made to profits for additional depreciation of intellectual capital relating to the Transnordic operation due to the gradual liquidation of the business.

TurnIT focuses on growth in operating profit, and measures profit at the stage before depreciation on Intellectual Capital. This depreciation amounts to SEK 46.5 million for the period.

Financing

The Group's financial situation remains excellent. During the third quarter of 2000, a new share issue was made, based on outstanding options. As a result, the number of shares has increased by 477,703, and equity by SEK 34.1 million. An additional 253,000 shares were issued in connection with corporate acquisitions, which has increased equity by SEK 62.9 million, and there was also a cash issue of 100,000 shares with a value of SEK 19.1 million. As at 30 September, a directed cash issue of 82,000 shares with a value of SEK 16.1 was in progress. The number of registered shares as at 30/9 2000 amounted to 17,292,794, and, after registering the current issue, the number of shares is 17,374,794.

During the period, the Group's interest bearing liabilities increased by SEK 151.4 million, primarily as a result of the increase in long-term liabilities in connection with corporate and property acquisitions.

Equity on 30 September amounted to SEK 950 million, and equity per share to SEK 54.70 (45.00). Cash flow per share was SEK 5.90 (3.85), and earnings per share were SEK 3.30 (2.32) (after estimated tax).

The Group is well-prepared for future acquisitions, with SEK 114 million in cash, SEK 25 million in acquisition credit granted but not utilised, as well as the option of issuing the remaining 1,318,000 shares authorised by the General Meeting on 4 April. The proportion of borrowed capital in relation to the balance sheet total as at 30 September was 23 percent.

Investments

Investment for the year in corporate acquisitions amounts to SEK 247 million. Of this, SEK 82 million was financed through the issue of shares in TurnIT, and SEK 130 million through borrowing. Over and above this, an additional purchase sum of SEK 38 million was paid out in connection with acquisitions made previously. In addition, TurnIT Development has also made minority investments of a further SEK 35 million during the report period, and overall, SEK 41 million has been invested.

Investment in tangible assets amounts to SEK 61 million, of which SEK 30 million relates to a property investment. Investment in intangible assets other than intellectual capital (in licences and rights) totalled SEK 13 million.



Personnel

At the close of the report period, 1,165 persons were employed. On 31/12 1999, there were 906 employees. The average number of employees during the period was 1044. For the full year 1999, the average number of employees was 811.

In accordance with a resolution of the Annual General Meeting, an incentive scheme has been introduced. A total of 273,775 options had been issued as at 30 June, and since then, 2,650 options have been issued to new employees. The scheme will run for five years, with the right of redemption after three years at a redemption price equivalent to SEK 209.40 per share. The scheme has been hedged through an equity swap.

The Parent Company

The Parent Company comprises common Group functions. Concurrently with the growth of the Group, the Group management team and the Group-wide functions have been substantially strengthened.

The Future

Expected profit trends will continue to provide an excellent base for investment and development of subsidiaries. Operating profit for the fourth quarter is estimated at a minimum of SEK 30 million before development gains. This means that operating profit (EBITA) for 2000 will be no less than SEK 155 million.

TurnIT AB

Peter Enström, President

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

Future financial information from TurnIT

Year-end report 2000

20 February 2001

The interim report is also available in Swedish

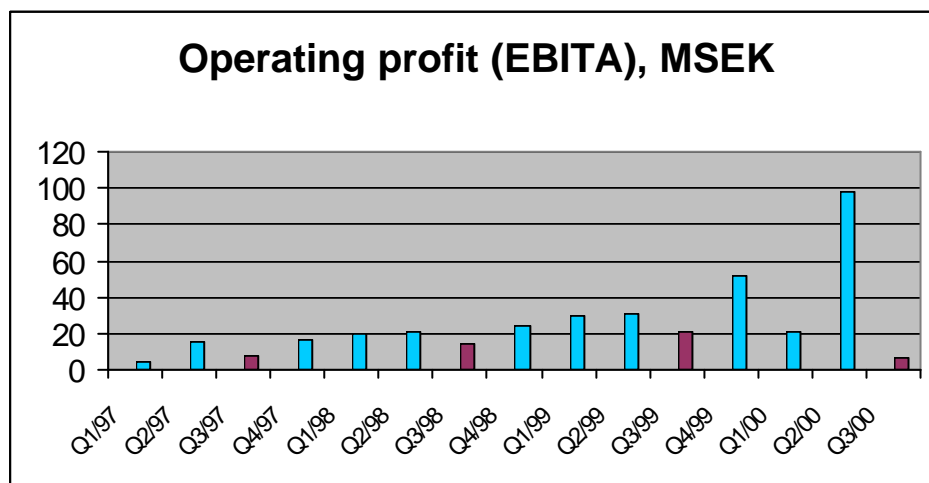


Net sales

| | <u>Supplies</u> | | <u>Software</u> | | <u>Communication</u> | | <u>Consulting</u> | | <u>Outsourcing</u> | | <u>Group-wide</u> | | <u>Total</u> | |
|------------|-----------------|----|-----------------|----|----------------------|----|-------------------|----|--------------------|----|-------------------|---|----------------|-----|
| | SEK million | % | SEK million | % | SEK million | % | SEK million | % | SEK million | % | SEK million | % | SEK million | % |
| 1997 | 136.9 | 35 | 107.6 | 28 | 108.6 | 28 | 32.9 | 9 | | | | | 386.0 | 100 |
| 1998 | 222.5 | 28 | 132.9 | 16 | 135.6 | 17 | 165.5 | 21 | 145.4 | 18 | | | 801.9 | 100 |
| 1999 | 303.1 | 25 | 205.6 | 17 | 205.5 | 17 | 293.3 | 24 | 202.7 | 17 | | | 1210.2 | 100 |
| Q1/2000 | 104.7 | 30 | 58.6 | 17 | 54.7 | 16 | 86.5 | 25 | 40.0 | 12 | | | 344.6 | 100 |
| Q1+Q2/2000 | 198.7 | 28 | 120.9 | 17 | 123.7 | 18 | 171.0 | 24 | 91.9 | 13 | | | 706.1 | 100 |
| Q1-Q3/1999 | 154.3 | 19 | 185.6 | 23 | 104.7 | 13 | 212.9 | 26 | 148.0 | 18 | | | 805.5 | 100 |
| Q1-Q3/2000 | 298.4 | 28 | 175.0 | 16 | 190.7 | 18 | 251.2 | 23 | 161.8 | 15 | | | 1077.2 | 100 |

Operating profit (EBITA)

| | <u>Supplies</u> | | <u>Software</u> | | <u>Communication</u> | | <u>Consulting</u> | | <u>Outsourcing</u> | | <u>Group-wide</u> | | <u>Total</u> | |
|------------|-----------------|----|-----------------|----|----------------------|----|-------------------|----|--------------------|-----|-------------------|-----|----------------|-----|
| | SEK million | % | SEK million | % | SEK million | % | SEK million | % | SEK million | % | SEK million | % | SEK million | % |
| 1997 | 27.4 | 62 | 9.1 | 21 | 9.1 | 21 | 3.8 | 9 | | | -5.1 | -12 | 44.3 | 100 |
| 1998 | 33.3 | 42 | 11.6 | 14 | 20.5 | 26 | 13.3 | 17 | 11.6 | 14 | -10.1 | -13 | 80.2 | 100 |
| 1999 | 46.0 | 34 | 20.9 | 16 | 19.8 | 15 | 19.7 | 15 | 32.8 | 25 | -5.5 | -4 | 133.7 | 100 |
| Q1/2000 | 15.1 | 73 | 1.1 | 5 | 2.4 | 11 | 9.2 | 45 | -4.7 | -23 | -2.5 | -12 | 20.6 | 100 |
| Q1+Q2/00 | 25.0 | 21 | 85.6 | 72 | 7.6 | 6 | 12.8 | 11 | -0.6 | -1 | -12.1 | -10 | 118.3 | 100 |
| Q1-Q3 1999 | 28.2 | 34 | 16.2 | 20 | 7.4 | 9 | 16.3 | 20 | 26.7 | 33 | -13.0 | -16 | 81.8 | 100 |
| Q1-Q3/2000 | 41.3 | 33 | 77.3 | 66 | 7.5 | 6 | 9.3 | 7 | 6.4 | 1 | -16.6 | -13 | 125.1 | 100 |





Income statement

| <i>Amounts in SEK million</i> | <i>1/1-30/9 2000</i> | <i>1/1-30/9 1999</i> | <i>1/1-31/12 1999</i> |
|--|--------------------------|--------------------------|---------------------------|
| Net sales | 1077.2 | 805.5 | 1210.2 |
| Cost of goods sold | -790.2 | -564.2 | -851.7 |
| Gross profit | 287.0 | 241.3 | 358.5 |
| Sales expenses | -173.3 | -93.1 | -140.7 |
| Administrative expenses | -97.6 | -66.4 | -103.2 |
| Other operating income | 110.3 | 0.9 | 20.3 |
| Other operating expenses | -0.9 | -0.9 | -1.2 |
| Operating profit before depreciation on intellectual capital/goodwill (EBITA) ¹⁾ | 125.1 | 81.8 | 133.7 |
| Depreciation on intellectual capital/goodwill ²⁾ | -46.5 | -23.6 | -36.4 |
| Operating profit after depreciation on intellectual capital/goodwill | 78.6 | 58.2 | 97.3 |
| Profit / loss from financial items | | | |
| Participation in associated companies | 6.0 | 5.1 | 6.7 |
| Other interest income and similar profit/loss items | -0.9 | - | - |
| Interest expense and similar profit/loss items | -19.0 | -9.7 | -11.7 |
| Profit after financial items | 65.1 | 53.6 | 92.3 |
| Minority shareholding | 0.6 | 0.5 | 0.6 |
| Profit before tax | 65.7 | 54.1 | 92.9 |
| Tax | -9.3 ³⁾ | -18.9 ³⁾ | -35.5 |
| Profit after tax | 56.4 | 35.2 | 57.4 |

1) TurnIT defines operating profit as Operating profit after depreciation on tangible assets but before depreciation on intangible assets (EBITA)

2) Additional depreciation of SEK 10 million relating to intellectual capital in Transnordic has taken place.

3) Refers to estimated tax



Balance sheet

Amount in SEK million

30 September 2000 30 September 1999 31 December 1999

ASSETS

Fixed assets

Intangible assets 947.0 614.9 762.2

Tangible assets 118.3 46.1 60.5

Financial assets 61.6 14.2 11.5

Total fixed assets **1 126.9** **675.2** **834.2**

Current assets

Other current assets 519.7 337.6 384.9

Cash and bank balances 114.6 138.4 149.2

Total current assets **634.3** **476.0** **534.1**

TOTAL ASSETS **1 761.2** **1 151.2** **1 368.3**

EQUITY AND LIABILITIES

Equity 950.3 735.1 777.5

Minority shareholding 37.3 9.2 8.7

Provisions 9.4 13.4 10.1

Long-term liabilities 328.1 34.6 186.5

Current liabilities 436.1 358.9 385.5

TOTAL EQUITY AND LIABILITIES **1 761.2** **1 151.2** **1 368.3**



Cash flow report

| <i>Amount in SEK million</i> | <i>1/1-30/9 2000</i> | <i>1/1-30/9 1999</i> | <i>1/1-31/12 1999</i> |
|---|--------------------------|--------------------------|---------------------------|
| Cash flow from day-to-day operations before changes in working capital | 8.0 | 61.2 | 104.6 |
| Changes in working capital | <u>-58.8</u> | <u>-39.1</u> | -32.7 |
| Cash flow from day-to-day operations | -50.8 | 22.1 | 71.9 |
| Cash flow from investment operations | -285.9 | -169.3 | -265.9 |
| Cash flow from finance operations | <u>302.1</u> | <u>210.2</u> | 267.5 |
| CASH FLOW FOR THE PERIOD | -34.6 | 63.0 | 73.5 |
| Liquid funds at start of period | 149.2 | 76.0 | 76.0 |
| Exchange rate difference in liquid funds | 0.0 | -0.6 | -0.3 |
| Liquid funds at end of period | 114.6 | 138.4 | 149.2 |

Changes in equity

| | Equity SEK million | Number of shares |
|--|-----------------------|---------------------|
| Balance brought forward 1/1 2000 | 777.5 | 16,335,196 |
| New share issue in progress on 1/1 2000 | | 126,895 |
| Redemption of options | 34.1 | 477,703 |
| Cash issue | 19.1 | 100,000 |
| Non-cash issue | 62.9 | 253,000 |
| Options liquidity in subsidiaries | 2.1 | |
| Equity Swap | -2.3 | |
| Translation differences | 0.5 | |
| Profit for the period | <u>56.4</u> | |
| Balance carried forward 30/9 2000 | 950.3 | 17,292,794 |



Key Ratios

| | <i>2000-09-30²⁾</i> | <i>1999-09-30²⁾</i> | <i>1999-12-31</i> |
|---|--------------------------------|--------------------------------|-------------------|
| Operating margin, % | 11.6 | 10.2 | 11.0 |
| Cash flow per share, SEK | 5.90 | 3.85 | 6.27 |
| Acid-test ratio, % | 126 | 113 | 122 |
| Earnings per share, after full tax , SEK ¹⁾ | 3.30 | 2.32 | 3.69 |
| Earnings per share, after full tax and full dilution, SEK ¹⁾ | 3.26 | 2.23 | 3.56 |
| Equity ratio, % | 56.1 | 64.7 | 57.5 |
| Return on equity (full tax), ²⁾ . % | 8.7 | 8.1 | 9.6 |
| Return on capital employed, ²⁾ . % | 7.2 | 8.3 | 9.2 |
| Equity/share, SEK | 54.70 | 45.00 | 47.23 |
| Interest-bearing debt, SEK million | 405.9 | 186.9 | 254.6 |
| Debt ratio, times | 0.41 | 0.25 | 0.32 |
| Interest coverage ratio, times | 4.4 | 6.6 | 8.8 |
| Net sales per employee, SEK thousand | 1032 | 1100 | 1,492 |
| EBITA per employee, SEK thousand | 120 | 112 | 165 |
| Average number of employees | 1,044 | 732 | 811 |
| Number of employees at end of period | 1,165 | 770 | 906 |
| Share price, SEK | 164.5 | 116.5 | 194.00 |
| Average number of shares, thousand | 17,121 | 15,190 | 15,558 |

1) Earnings per share are calculated as the profit for the period in relation to the average number of shares.

2) Included 82.000 shares issued in October.

3) Yield measures are extrapolated to full year values.