

## **INTERIM REPORT FOR AU-SYSTEM AB (PUBL) JANUARY – SEPTEMBER 2000**

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### **AU-System Reports Increasing Growth In Revenue**

- **The revenue was SEK 584.7 million (280.9 m), an increase of 108%. The organic growth was 76%.**
- **The profit before depreciation and amortisation (EBITDA) was SEK 40.6 million (1.4 m). This is equivalent to a margin prior to depreciation and amortisation of 7.0% (0.5%). The profit for 2000 includes refund money from the Swedish Pension Fund, SPP, with a positive contribution of SEK 8.2 million. The income statement for 1999 includes costs of SEK 17.2 million regarding Stock Appreciation Rights (SARs) to employees.**
- **Operating profit (EBIT) was SEK 21.9 million (-3.1 m). This is equivalent to an operating margin of 3.8% (-1.1%).**
- **Profit after financial items was SEK 18.9 million (7.7 m), an increase of 145%.**
- **During the third quarter new offices were established in Umeå, Sweden and in Bangkok, Thailand. A new office in Milan, Italy, has also been announced.**
- **AU-System established an incubator for technical innovations in Mobile Internet.**

## Market development

The demand for AU-System's telecom and mobile Internet services has been very strong during the first nine months of 2000. Revenue increased by 108% compared to the same period last year. The competition was limited both on the Swedish and the international markets mainly due to our strong focus on early stage advanced technologies and early adopters. It should be noted that available billable hours is one of the most significant variables affecting operating result. This will fluctuate from quarter to quarter as a result of, among other factors, public holidays and staff vacation; this particularly influences the third quarter.

During the period we have received orders for Bluetooth consultancy services from Philips Consumer Communications and Mobilisys. We have also announced WAP Browser deals with Samsung and Motorola. The last three months of the period have shown a strong increase in the demand for our mobile portal services. We have also seen a strong demand from broadband operators for our telecom management services. During the period AU-System and Baltimore Technologies initiated a new strategic partnership, focusing on mobile security.

Recruitment of top-quality people and retention of our highly qualified staff are highly prioritised to meet the demand from our customers. To support further expansion we have increased our recruitment efforts and established a wireless development centre in Umeå, Sweden.

We have also established an incubator for technical innovations in Mobile Internet. The idea behind the unit is to utilise the enormous innovative power that exists among our employees and to offer the opportunity to develop business ideas within the company.

## International Expansion

During the period AU-System has established a new office in Bangkok, Thailand and announced the opening of a new office in Milan, Italy, before the end of the year.

At the end of the period AU-System had 35 (0) employees outside Sweden. International sales, including invoicing from Sweden, amounted to SEK 47.1 million (14.8 m) during the period under review.

AU-System will focus the international expansion on offering Mobile Internet solutions to network operators and equipment suppliers. The Company will focus on being present in regions with high mobile penetration. The strategy is to establish hubs based on strong customer demand, supported by AU-System's strategic co-operations with Ericsson and IBM.

## Revenue and profit

AU-System's revenue increased by 108% to SEK 584.7 million (280.9 m) during the period. The organic growth was 76%.

The third quarter revenue was SEK 192.4 million (82.3 m), an increase of 134%. The organic growth in revenue was 89%.

The profit before depreciation and amortisation (EBITDA) was SEK 40.6 million (1.4 m). This is equivalent to a margin prior to depreciation and amortisation of 7.0% (0.5%).

The profit for 2000 includes refund money from the Swedish Pension fund SPP, with a positive contribution of SEK 8.2 million. The profit for 1999 includes costs of SEK 17.2 million for Stock Appreciation Rights (SARs) to employees. Adjusted for these "non-comparable items", the EBITDA was SEK 32.4 million (18.6 m), an increase of 74%. This is equivalent to an EBITDA margin of 5.5% (6.6%).

The operating profit (EBIT) was SEK 21.9 million (-3.1 m). This is equivalent to an operating margin of 3.8% (-1.1%).

The profit after financial items was SEK 18.9 million (7.7 m), an increase of 145%.

During the reporting period the margins were affected by:

- costs for establishing international offices (Singapore, London, San Diego, Bangkok and Milan)
- costs for the incubator
- lower utilisation due to high organic growth and introduction costs for new staff
- integration costs related to the acquisition of SandbergTrygg and MedCom

These costs have been considered as ongoing operating expenses.

The income tax calculation reflects unutilised tax losses carried forward.

## Employees

AU-System had an average of 694 employees over the period, compared with 358 for the same period the preceding year, an increase of 94 %.

At the end of the period the number of employees was 861 (397), an increase of 117 %.

## Financial position

At the end of the period the Company had interest bearing cash assets of SEK 138.7 million (63.5 m) and an interest bearing debt of SEK 105.0 million (90.0 m).

Receivables from trade debtors amounted to SEK 203.7 million (64.6 m).

Shareholders' equity totalled SEK 356.4 million (1.2 m) at the end of September. The increase is due to profits from 1999 and the period under review, and the new issue of shares in connection with AU-System's listing on the OM Stockholm Exchange on June 21, 2000.

The equity/assets ratio was 58.8% (0.7%).

## Investments

Investments in subsidiaries accounted for SEK 191.0 million. SEK 23.4 million was invested in tangible assets and new premises. The cash-flow effect for the investments over the period was SEK -122.1 million (+39.0 m).

## Parent Company

AU-System AB's revenue for the period under review was SEK 505.3 million (2.4 m). Profit after tax was SEK 21.3 million (-22.2 m).

The parent company's interest bearing net cash at the end of September was SEK 156.3 million (52.4 m). Shareholders equity was SEK 408.6 million (21.9 m). The company received SEK 226.9 million, net after estimated issue costs, as a result of the IPO as of June 21, 2000. In addition SEK 90.0 million was received as a result of a new issue in connection with the acquisition of SandbergTrygg.

The company's net investments for the first nine months amounted to SEK 234.1 million.

## Share data

Earnings per share after full tax on a fully diluted basis was SEK 0.15 to date for the year 2000. At the end of the period, shareholders' equity per share on a fully diluted basis was SEK 3.52.

The parent company had 86,303,375 outstanding shares as of September 30. On a fully diluted basis, including all outstanding options and reserved shares, the maximum number of shares was 104,527,207 as of the same date.

## Shareholdings

As of September 30, 2000 AU-System had 5,702 shareholders and the free float amounted to 36.8%. The company's largest shareholders are Schroder Ventures (33.0%), Ericsson (11.0%) and IBM (2.6%) on a fully diluted basis.

## Important events after the end of the period under review

SandbergTrygg has acquired the web agency Item Interactive

AU-System has supplied a mobile service platform to Sense Communications

WAP Browser deals have been closed with Volvo Technological Development and Ascom.

AU-System has been commissioned by the Swedish National Labour Market Administration (AMS) to build an Internet service for job seekers in Europe.

## Future prospects

Our financial ambition is a yearly organic revenue growth of 30 - 40% with a long term EBITDA margin of 15%.

We expect the market for our services to continue to be strong.

We will continue to focus on the deliverance of high quality performance in our customer assignments. Our ambition is to be the "number one" on quality in the minds of our customers.

Our efforts to make AU-System the most attractive employer in the business for highly skilled staff will continue.

Our strong growth combined with profitability encourages us to continue to invest in internationalisation and incubation.

## Telephone conference

AU-System will be presenting the company and the Interim Report during a telephone conference held at 3 PM (CET) at Operaterassen, Stockholm, on November 7, 2000. The conference will also include a Question and Answer (Q&A) session with President & CEO Tomas Franzén and CFO Joachim Jaginder.

Dial in number (UK): +44 20 8240 8245

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Presentation material can be obtained from [www.ausystem.com](http://www.ausystem.com) on November 7. The presentation can also be viewed live on the Internet.

## **Upcoming financial reports**

The year-end report will be published on February 20, 2001.

Stockholm, Sweden  
November 7, 2000

AU-System AB (publ)  
The Board of Directors

The company's auditors have not reviewed this Interim Report.

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## Summary Consolidated Income Statement

<i>(Amounts in MSEK)</i>	July - Sept 2000	July - Sept 1999	Jan - Sept 2000	Jan - Sept 1999	Full Year 1999
Revenue	192.4	82.3	584.7	280.9	402.3
Operating expenses*	-178.7	-79.7	-544.1	-279.5	-385.0
Depreciation of tangible fixed assets	-2.9	-1.3	-7.4	-4.2	-6.0
Depreciation of intangible fixed assets (amortisation of goodwill)	-4.8	-0.1	-11.3	-0.3	-0.5
<b>Operating profit</b>	<b>6.0</b>	<b>1.2</b>	<b>21.9</b>	<b>-3.1</b>	<b>10.8</b>
Profit from participation in group companies	0.0	0.0	0.0	11.7	11.7
Net financial items	1.7	-0.1	-3.0	-0.9	-2.8
<b>Profit after financial items</b>	<b>7.7</b>	<b>1.1</b>	<b>18.9</b>	<b>7.7</b>	<b>19.7</b>
Income tax	-2.3	0.0	-3.9	0.0	0.0
<b>Net income</b>	<b>5.4</b>	<b>1.1</b>	<b>15.0</b>	<b>7.7</b>	<b>19.7</b>

\* Year 1999 includes costs for stock appreciation rights (SARs) of SEK 17.2 million to employees in Q2 and year 2000 includes refund money from SPP of SEK 8.2 million in Q3.

## Summary Consolidated Balance Sheet

<i>(Amounts in MSEK)</i>	Sept 2000	Sept 1999	Dec 1999
<b>Fixed assets</b>			
Intangible fixed assets	179.2	3.3	3.1
Tangible fixed assets	29.6	5.6	13.5
Financial fixed assets	4.3	2.9	3.0
<b>TOTAL FIXED ASSETS</b>	<b>213.1</b>	<b>11.8</b>	<b>19.6</b>
<b>Current assets</b>			
Trade debtors	203.7	64.6	122.7
Other receivables	50.4	28.7	11.6
<b>TOTAL CURRENT ASSETS</b>	<b>254.1</b>	<b>93.3</b>	<b>134.3</b>
Cash and similar assets	138.7	63.5	50.8
<b>TOTAL ASSETS</b>	<b>605.9</b>	<b>168.6</b>	<b>204.7</b>
Total equity	356.4	1.2	13.7
Total provisions	0.9	0.0	0.0
Total long-term liabilities	105.0	50.0	50.0
Total current liabilities	143.6	117.4	141.0
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>605.9</b>	<b>168.6</b>	<b>204.7</b>

## Consolidated Cash Flow Statement

<i>(Amounts in MSEK)</i>	Jan - Sept 2000	Jan - Sept 1999	Full Year 1999
Cash flow from the current operations before changes in working capital	37.1	12.2	15.3
Change in working capital	-79.8	-20.2	-55.8
<b>Cash flow from the current operations</b>	<b>-42.7</b>	<b>-8.0</b>	<b>-40.5</b>
Cash flow from investing activities	-122.1	39.0	28.5
Cash flow from financing activities	252.7	11.4	23.7
<b>Current year cash flow</b>	<b>87.9</b>	<b>42.4</b>	<b>11.7</b>
Opening balance of liquid funds	50.8	21.1	39.1
Closing balance of liquid funds	138.7	63.5	50.8

## Key Ratios

<i>(Amounts in MSEK)</i>	Jan - Sept 2000	Jan - Sept 1999	Full Year 1999
<b>Revenue, costs, profit and cash flow</b>			
Total revenue	584.7	280.9	402.3
International revenue	47.1	14.8	19.0
Costs for incubator	1.5	0.0	0.0
Operating profit before depreciation and amortisation (EBITDA)	40.6	1.4	17.3
EBITDA excluding costs for SARs and refund from SPP	32.4	18.6	34.5
Operating profit before amortisation of goodwill (EBITA)	33.2	-2.8	11.3
Operating profit (EBIT)	21.9	-3.1	10.8
Operating profit (EBIT) excl. costs for SARs and refund SPP	13.7	14.1	28.0
Financial net excluding gain from sold subsidiaries	-3.0	-0.9	-2.8
Profit after financial items	18.9	7.7	19.7
Net earnings per share, full tax, before dilution SEK	0.18	0.10	0.26
Net earnings per share, full tax, fully diluted, SEK	0.15	0.10	0.24
Cash flow	87.9	42.4	11.7
Cash flow per share, SEK	1.06	0.57	0.16
Cash flow per share fully diluted, SEK	0.90	0.54	0.14



## Key Ratios

	Jan – Sept 2000	Jan – Sept 1999	Full Year 1999
<b>Financial position</b>			
Equity, MSEK	356.4	1.2	13.7
Equity per share, SEK	4.13	0.02	0.18
Equity per share, fully diluted, SEK	3.52	0.01	0.16
Total assets, MSEK	605.9	168.6	204.7
Equity/assets ratio	58.8%	0.7%	6.7%
<b>Profitability</b>			
Operating margin before depreciation and amortisation (EBITDA)	7.0%	0.5%	4.3%
EBITDA margin excluding costs for SARs and refund from SPP	5.5%	6.6%	8.6%
Operating margin before amortisation of goodwill (EBITA)	5.7%	-1.0%	2.8%
Operating margin (EBIT)	3.8%	-1.1%	2.7%
Operating margin (EBIT) excluding costs for SARs and SPP	2.3%	5.0%	7.0%
Return on equity	8.1%	-76.0%	-505.0%
Return on capital employed	9.6%	13.5%	31.4%
Interest-coverage ratio	3.3	5.9	6.0
<b>Employees</b>			
Average number of employees	694	358	387
Number of employees at end of period	861	397	443
Revenue per employee, kSEK	843	785	1,039
EBITDA per employee, kSEK	59	4	45
<b>Share Data</b>			
Share price at end of period, SEK	79	–	–
Number of shares at end of period	86,303,375	75,000,000	75,000,000
Maximum number of shares including all options issued	104,527,207	88,755,000	88,755,000
Number of shares fully diluted at end of period	101,311,340	87,428,729	87,408,156
Average number of shares	82,724,450	75,000,000	75,000,000
Weighted average number of shares fully diluted	97,732,715	79,142,910	82,238,091