

ANNUAL REPORT  
1999



PROFFICE



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#### **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on Thursday, April 6, 2000, at 5 p.m. at the Rival cinema at Mariatorget, Stockholm. Light refreshments will be served from 4 p.m.

#### **Who has the right to attend the meeting?**

To be entitled to attend the meeting, the shareholder must be entered in the shareholder's register by the record date and have notified Proffice of his or her intention to attend.

#### **How do you become registered in the shareholder's register?**

Shareholders must be entered in the shareholder's register maintained by VPC AB no later than Monday, March 27. Any shareholder who has registered his or her stock under a trustee must temporarily register it with the VPC in his or her own name. A shareholder who wishes to re-register in this way must inform the trustee well in advance of this date.

#### **How do you register for the meeting?**

The company must receive shareholder's notification no later than 4 p.m. on Monday April 3, either by mail to:

Proffice AB, Aktieägarservice  
P.O. Box 70368  
S-107 24 Stockholm  
Sweden

or by:

Telephone: +46 8 787 18 00  
Fax: +46 8 618 34 80  
e-mail: [info.sth@proffice.se](mailto:info.sth@proffice.se)

#### **Dividend**

The proposed record date for the dividend is Tuesday April 11, 2000.

The board proposes that a dividend of SEK 0.50 per share or a total of SEK 8,370,000. If the meeting approves the proposal, the dividend is expected to be distributed via VPC on Friday April 14, 2000.

#### **INTERIM REPORTS**

Report for January–March  
May 3, 2000

Report for January–June  
August 16, 2000

Report for January–September  
November 7, 2000

#### **SHAREHOLDER'S SERVICE**

Proffices interim reports are published on our website [www.proffice.se](http://www.proffice.se).

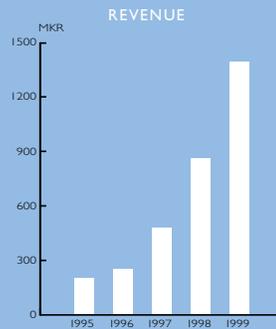
You can also order them through our Shareholder's service; Proffice AB, P.O. Box 70368 S-107 24 Stockholm, Sweden  
Telephone: +46 8 787 18 00  
e-mail: [info.sth@proffice.se](mailto:info.sth@proffice.se)



Proffice is the fastest growing company within the Nordic region, according to Growth Plus, and a leading player in the Nordic staffing industry. We provide temporary staffing, recruitment, outsourcing and career and development programmes. Proffice has more than 6,000 employees at nearly 50 locations in Denmark, Finland, Norway and Sweden.

## A successful year

- Revenue for the Group totalled SEK 1,388 (857) million
- Profit after financial items rose by 54 percent to SEK 54 (35) million
- Profit before goodwill amortisation increased by 44 percent to SEK 65 (45) million
- Revenue in Sweden grew by 73 percent



## An eventful year

Proffice shares were introduced to the "O" List of the OM Stockholm Stock Exchange on 11 October, 1999.

### Acquisitions

- Henkilöstöpalvelu Office Team, Helsinki
- Partners Personal, Sundsvall
- Personaltjenste, Oslo
- Rekryterarna, Halmstad
- Tennebø Gruppen, Oslo
- VicendaGruppen, Stockholm

### Some of our major assignments

- Staffing for the Öresund Bridge
- Career change programmes
- New staffing pools for the industrial sector

### Concept development

- Temporary teacher supply
- Development of Proffice Internet Recruitment
- Virtual switchboard center

#### PROFFICE NORWAY

|               |              |            |
|---------------|--------------|------------|
| Bergen        | Kristiansand | Sandefjord |
| Bodø          | Larvik       | Sandvika   |
| Drammen       | Molde        | Stavanger  |
| Fredrikstad / | <b>Moss</b>  | Tromsø     |
| Østfold       | Oslo         | Trondheim  |
| Gjøvik        | Porsgrunn    | Tønsberg   |

#### PROFFICE FINLAND

Helsinki

#### PROFFICE SWEDEN

|                 |                     |                  |          |
|-----------------|---------------------|------------------|----------|
| Borlänge        | Helsingborg         | Malmö            | Umeå     |
| Borås           | Jönköping           | Norrköping       | Uppsala  |
| Eskilstuna      | <b>Karlstad</b>     | <b>Orsa</b>      | Varberg  |
| Falun           | <b>Katrineholm</b>  | Stockholm        | Visby    |
| Gislaved        | Kista               | Sundsvall        | Västerås |
| Gävle           | <b>Kristianstad</b> | <b>Söderhamn</b> | Örebro   |
| Gothenburg      | Linköping           | Södertälje       |          |
| <b>Halmstad</b> | Lund                | Trollhättan      |          |

#### PROFFICE CARE

Gävle  
Gothenburg  
Malmö  
**Norrköping**  
Stockholm  
Uppsala

#### PROFFICE DENMARK

Copenhagen

- Offices established before 1999
- Offices established in 1999
- Establishments carried through in January/February 2000

# Strong growth and continued expansion

**THE PAST YEAR WAS AN EVENTFUL ONE** for us. When the company was quoted on the Stock Exchange on 11th October, awareness of the company increased. This now means that we are attracting more competent staff to our organisation and are generating more exciting assignments.

Proffice is the fastest growing company in the Nordic region and the third fastest in Europe. This information comes from the Brussels-based organisation, Growth Plus, which ranks the 500 fastest growing companies in Europe every year. We have managed to reach our goal of growing at least as fast as the market. We have increased our market share on the fast-growing Swedish market and we have also won market shares in Norway and Finland.

Profit development has been positive and we have managed to retain good profitability as well as continued healthy growth.

**WE CONTINUE TO EXPAND AND DEVELOP** our business ideas. When the company was quoted on the Stock Exchange, new shares were issued which means that we can continue to expand on the Nordic market. The growth of the Group has been mainly organic but there have also been several acquisitions and a continued development of ideas. To secure operations and facilitate expansion, work on implementing an IT-based production system has continued.

As a result of acquisitions, we have taken a stride onto the expansive Finnish market and paved the way for continued growth. Organic growth in Sweden and Norway has been complemented by five acquisitions. The office network continues to expand and, at the end of the year, we had offices in 46 different places. By acquiring Tennebø in Norway in 1999 and Antenn Samarbetspartner in Sweden, in January this year, we have strengthened our position in the area of career changing.

Proffice Pedagogen, which is a joint venture with Pysslingen Förskolor och Skolor (Pre-schools and Schools), was set up in late autumn to offer schools and pre-schools competent teachers. This market has great potential and I expect considerable growth in this business area in the years to come.

At Avesta, we established a virtual switchboard centre in collaboration with Telia. This business offers great possibilities for further expansion.

We have had several important staffing assignments in the area of Warehousing. There is substantial growth here and we have strengthened our position in the area.

We have implemented several career and development programmes, for example, in Norrköping, for people who were previously employed by Ericsson.

Our office in Denmark will staff the pay and service stations on Öresund Bridge.

**THE MARKET IS GROWING STRONGLY** in the Nordic region. According to SPUR (the Swedish Association of Temporary Work Businesses and Staffing Services), growth in Sweden over the next few years will aggregate approximately 50 percent. In Norway, major deregulation measures implemented will make further expansion possible. I believe that the temporary staffing market will continue to grow as a result of more companies and other organisations focusing on their core businesses and increasing utilization of various kinds of temporary staffing solutions. The future is likely to reveal a broadening of our business into new professional categories. The development of new concepts will continue.

**DURING THE SPRING** we were the first staffing company in the Nordic region to launch a new concept combining traditional recruitment with Internet recruitment. Proffice Internet Recruitment harnesses the possibilities offered by the Internet to the long experience of our recruitment consultants in the selection process and the assessment of people. Our development of these services offers an example of how we are using the technology of today and tomorrow to enhance the efficiency of our business—to the benefit of our personnel, clients and applicants alike.

To consolidate our position as the obvious first choice as supplier, we are making good progress in focusing on our strategically important clients.

We are also continuing to move towards our long-term goal of being the most attractive employer in our industry. One feature of this work will be to maintain a focus on proficiency development. By making it more interesting to work at Proffice and by reducing personnel turnover, we are laying the foundations for continuity for the client, and improving Proffice's profile as a long-term staffing partner.

By following our guiding stars, courage, closeness, freedom of action and drive which lead us in our work, we will reach our goal of being the most attractive employer in the business and the obvious choice of staffing partner for our customers.

Via acquisitions and the continued expansion of the business both geographically and business area-wise, we are well positioned in the Nordic market, and our objective is to continue to achieve organic growth at least on a par with the market.

We are thus leaving an eventful year behind us, and we look forward to continued successes in the year ahead. Finally, I would like to thank all our personnel and clients for their contribution to such successful collaboration in 1999.



Stockholm, February 2000, Alf Jobansson, CEO



»in my view, we are just  
at the beginning of the  
industry's expansion«

Alf Johansson, Chief Executive Officer

# Strategy for growth and profitability

## Business concept

Proffice makes it possible for customers and colleagues to develop and act freely by being the most attractive and effective meeting place for competence.

Proffice satisfies the customers' and colleagues' specific wishes by offering competence solutions on both short and long terms.



## Growth with profitability

Proffice's operations are characterised increasingly by a higher level of collaboration with our clients and increased involvement in the long-term planning of staffing requirements. We are assisting more and more in short- or long-term temporary staffing, recruitment, outsourcing of operational functions and with personnel reductions and relocations. In addition, we offer one of the largest skills marketplaces in the industry for recruitment via the Internet.

Proffice intends to go on growing in all these sectors, while maintaining good profitability. For this, we will need committed and motivated personnel who are able to offer our clients the maximum value added. To ensure that this is indeed the case, we analyse and follow up all our operations on the basis of three comprehensive areas of focus, the business, the people and the structure. The model is not unique, but it helps us to, easily and consistently, understand and communicate how Proffice works. Along with our strategy for growth and our objectives, this constitutes a tool for continued profitable growth.

## Overall objective

Proffice's overall objective is to be a leading provider of high-quality, flexible staffing solutions in the Nordic region. Clients should perceive Proffice as a strategic collaborative partner in staffing, and Proffice aspires to become the most attractive employer in the staffing industry.

## Strategy for growth

To achieve our overall objectives, we are working to a strategy for growth based on five main elements:

### ■ EXPANSION OF THE GEOGRAPHICAL MARKET

We intend to continue expanding rapidly—yet in a planned and systematic way—in the Nordic region. The organisation will be strengthened both by establishing new branches and by expanding operations at existing branches. We have set ourselves the goal of establishing at least ten new branches over the next two years. In addition, further acquisitions may be made.

### ■ CONTINUED CONCEPT DEVELOPMENT

We intend to continue to develop existing areas of expertise and to establish operations in new areas. A focus will be maintained on continued high quality both internally and during our assignments. As part of our efforts to ensure high efficiency and high quality in our operations, our new Internet-based IT platform was completed during the year, offering global availability of our production systems and databases.

Another important aspect of concept development at Proffice was the introduction of one of the largest Internet-based recruitment services in the Nordic region. Proffice Internet Recruitment was launched in the first quarter of 2000.

### ■ FOCUS ON STRATEGIC CLIENTS

We intend to maintain our focus on strategically important clients. By actively participating in the process of change at these companies, we will be well placed to develop suitable staffing solutions for each client. At the same time, the expertise that Proffice acquires during the process will also indirectly benefit other client.

#### ■ CONTINUED DEVELOPMENT OF PARTNERSHIP STRATEGY

We aim to refine and broaden our partnership strategy. By working with partners, we can offer clients solutions that combine, for example, staffing with either technical expertise, as with Telia, or logistics know-how, as with Sweden Post. This enables us to take responsibility, together with our partners, for both outsourcing and development of functions such as a client's switchboard service or a distribution centre, where staffing is only one component part.

#### ■ CONTINUED ATTRACTIVENESS AS AN EMPLOYER

If Proffice is to achieve its aim of being the most attractive employer in the industry, continued proficiency development will be a vital part of our business. Our objective is that permanent employees should have all their training needs provided for within Proffice. All training conducted shall be based on Proffice's overall objectives, the needs of clients and the interests and needs of the individual employee.

We intend to continue striving actively to be the most attractive employee in the Nordic staffing industry. Excessive personnel turnover leads to high costs in connection with recruitment of consultants, and may affect the Company's ability to achieve its goal for growth and sustaining the quality of its operations. Against this background, we will continue to focus actively on reducing personnel turnover.

## Our guiding stars

*To sum up a company like Proffice in words is not an easy task. We operate in a wide range of professional categories. We work with a wide diversity of clients in many sectors, who place different kinds of demands on us. And, of course, we present many faces to the outside world, because each and every one of our thousands of members of personnel is an individual in their own right, and not just a Proffice consultant.*

*But it is exactly this variety which makes it so much more important to bring together some shared notions which control the way we work. Call them values. Call them visions. Or call them guiding principles. Courage, closeness, freedom of action and drive guide us in all we do.*

*Whatever you call them, it is these notions that set us apart from other players in the temporary staffing sector. And it is these notions that make Proffice a better partner and employer. Today—and in the future.*



COURAGE



CLOSENESS



FREEDOM OF ACTION



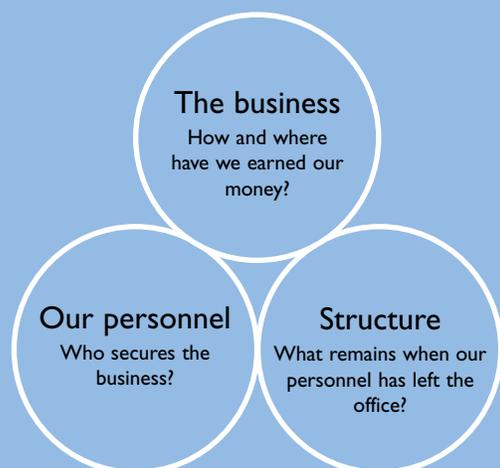
DRIVE

# Comprehensive objectives

ANALYSIS

STRATEGIES FOR GROWTH

AIMS AND OBJECTIVES



Market expansion



Concept development



Strategic clients



Partnership strategy



Attractive employer



## The business

Growth and margin  
First choice  
Best added value  
Driving force

## Personnel

The natural choice  
Improved quality of life  
Common guiding stars

## Structure

Efficient system support  
Efficient processes  
Local and global network  
Visionary leadership

## Aims and objectives, follow-up

An important requisite of long-term growth will be our ability to continue to succeed in sustaining both a profitable business and good client relationships, and to offer our personnel an attractive work environment. This, in turn, will demand an organisational structure and operational processes which are developed on an ongoing basis, to underpin operations in the optimal manner. As a result, we work to stated aims and objectives for the business, personnel and structure. From this year, we are continuously monitoring operations via a balanced score card which allows us to obtain confirmation of our position relative to our aims and objectives.

## The business

- Proffice is one of the two largest operators in the Nordic region in temporary staffing, recruitment and outsourcing, with an average organic growth at least on a par with growth in the sector, in markets where Proffice conducts operations
- Our return on capital is higher than the average for comparable business, with an average long-term margin of at least six percent before goodwill amortisation

- We are the first choice to our clients
- We generate the best value added for our clients
- We perceive as the driving force in the industry in terms of developing new services and concepts

## Our personnel

- We are the natural choice for those who wish to develop their freedom of action
- We contribute to improve quality of life for our personnel
- Our guiding values—courage, closeness, freedom of action and drive—guide us in everything we do

## The Structure

- We operate efficient business and system support to create optimal value to personnel and clients
- We meet our clients' needs, locally and globally, via an efficient network
- We have a clearly-defined organisation based on visionary leadership and clear delegation of personal responsibility

OUR GUIDING STARS

COURAGE

CLOSENESS

FREEDOM OF ACTION

DRIVE

In a period of change, courage is a key word. You must be courageous to dare to question accepted patterns and behaviour. You must be courageous to dare to test new ideas. You must be courageous to dare to be curious. Without courage, Proffice would never have dared work for, or contribute to, vitalising an old-fashioned labour market so that both people and organisations could use their time and their resources in an effective and more stimulating way.



»I dare to take on different tasks in order to turn something good into something better«

PER-OLOF HOLMSTEDT, 29, STORE-MAN PROFFICE.

P-O CAME TO PROFFICE TO TRY OUT DIFFERENT PLACES OF WORK BUT STILL HAVE THE ASSURANCE OF A LARGE ORGANISATION BEHIND HIM. P-O CHOSE PROFFICE BECAUSE HE GOT THE MOST PLEASANT RECEPTION HERE. HE HAS BEEN WORKING FOR PROFFICE FOR A YEAR NOW AS A STORE-MAN AT STOR-EL

# Strongly expanding market



*The staffing industry comprises temporary staffing, recruitment, outsourcing of operational functions and career and development programmes.*

## Temporary staffing

Clients hire temporary staff for several reasons:

- Short- or long-term personnel requirements due to the absence of the client's regular personnel
- Requirements for temporary personnel owing to increased demand, seasonal variations or internally generated peaks in work loads
- Requirements for specialist expertise
- The use of temporary personnel to serve as a buffer during downsizing or expansion

## Recruitment

Recruitment of personnel, with all the advertising, selection of applicants and employment interviews it involves, is often a time-consuming affair. Staffing agencies can streamline the process, partly through standardised procedures and well-established routines, and partly because their own candidate databases can be deployed to present quickly a number of suitable candidates for a given position with the client organization. Use of the opportunities offered by the Internet adds to the value of the services—financial and time savings—provided by the staffing agency.

## Outsourcing

One way a business can improve its efficiency and focus on core operations is to outsource certain functions. In this way, responsibilities for support functions, including the staffing and operation of switchboards, receptions or payroll departments, are assumed by an external party capable of performing these functions more efficiently due to specialisation and benefits of scale.

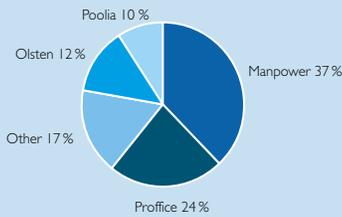
## Career and development programmes

Changes in personnel are more common now when companies are changing direction or shutting down parts of their operations. By taking advantage of the opportunities offered by the career and development programmes in the form of actively helping the personnel in question to find new work, great advantages can be reaped by both the personnel and their previous employer.

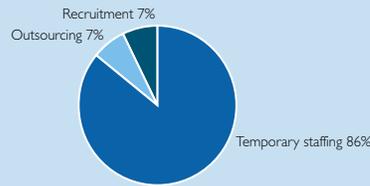
REVENUE IN THE STAFFING INDUSTRY, 1999



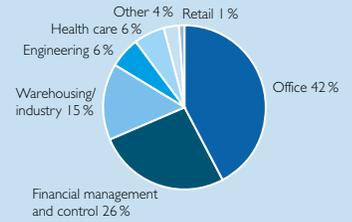
LARGEST STAFFING COMPANIES  
IN SWEDEN, 1999



THE STAFFING INDUSTRY  
IN SWEDEN, 1999



PERSONNEL CATEGORIES  
IN SWEDEN, 1999



Sources: SPUR and Proffice's estimation. Figures refer to SPUR-affiliated businesses, which account for around 85 percent of the industry's revenue.

## Sweden

### Market

SPUR (the Swedish Association of Temporary Work Businesses and Staffing Services) estimates total revenue for companies in the sector in 1999 at nearly SEK 5 billion, a rise of just over 70 percent on the figure for 1998.

The number of full-time equivalent employees in 1999 is estimated at around 20,000, just over 0.5 percent of the total Swedish workforce. By international standards, this penetration rate is relatively low. In the EU, the average penetration rate was 2.0 percent. The low penetration rate in Sweden is explained by the fact that the industry has been deregulated for a relatively short period.

Another factor that argues for continued favourable growth in the staffing industry is expansion in outsourcing of functions that fall outside the core operations of the client business. This trend is expected to lead to increased demand for operators and staff for switchboards, receptions, customer service and payroll centers.

### Geographical coverage

The staffing industry was originally established in the major cities. As general acceptance of the industry has grown and operators in the market have reached beyond the urban centres, the industry has also grown in other parts of the country. It is estimated that the central region of Sweden, including Stockholm, accounted for around 75 percent of the industry's revenue in 1999.

### Competitive situation

SPUR estimates that in Sweden around 400 companies with employed personnel are active in the industry. Of these companies, approximately 40 have more than 25 employees. The business is also estimated to have approximately 3,500 owner-manager agencies. The industry is dominated by a small number of major companies, notably Manpower, Proffice, Olsten and Poolia. The diagram (above) illustrates estimated market shares in 1999.

The barriers to entry in the small and medium-sized assignments segment are relatively low. From a competitive viewpoint, it is therefore important to secure a position as a strategic partner and/or to be seen by client businesses as the obvious first choice in staffing. However, it is common for clients to use two or more suppliers to widen choice and improve the chances of quickly being supplied with personnel.

### Personnel categories

The industry spans a large number of personnel categories. As the diagram (above) indicates, office and financial personnel are the most commonly demanded. However, it is expected that categories new to the industry—including health care, teaching and other public sectors—will expand strongly. Of the estimated 20,000 employees in the industry, around 75 percent are women. In certain professional categories, including engineers, economists and caretakers, men predominate.

# Norway

## Market

Vikarbyråforeningen (the Norwegian Association of Temporary Staffing Agencies) estimates revenue for the industry in 1999 at the equivalent of approximately SEK 4.2 billion.

Annual growth in the 1993—1998 period averaged around 28 percent, measured by the consultant hours worked. However, the growth rate declined in 1999 to around 11 percent.

If you make an international comparison, Norway shows a relatively low level of penetration, just like Sweden. Companies in the industry expanded the scope of their operations during the 1990s. The temporary staff hired out today are more highly qualified than in the past and include consultants with specialist skills in IT, financial management, accounting and certain banking functions. Furthermore, a clearer trend has emerged towards outsourcing, for example, of switchboards, receptions and customer service functions. In addition, the percentage of advisory assignments in connection with recruitment and/or personnel redundancies has increased.

## Geographical coverage

The market in temporary staffing is concentrated mainly in the urban regions of Oslo, Stavanger, Bergen and Trondheim. An estimated 80 percent of staffing agencies' operations are located in these regions.

## Competition

In Norway, around 100 staffing companies with employed personnel are active in the industry. The market is dominated by a small number of large companies, operating nationwide or more locally. The diagram illustrates market shares in 1999.

Manpower, Olsten and Proffice (formerly Personellassistanse) operate in the majority of all market segments. Other players are local and, in most cases, based on certain selected market segments.

## Personnel categories

The industry serves several personnel categories. However, office and financial personnel represent the majority. Of the total number of people employed in the industry, an estimated 70 percent are women.

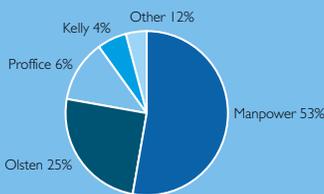
# Finland

## Market

According to the Finnish trade organisation, Servicearbetsgivarna, sales in the business in 1999 are expected to have reached the equivalent of approximately SEK 1.7 billion, an increase of approximately 15 percent in comparison with 1998.

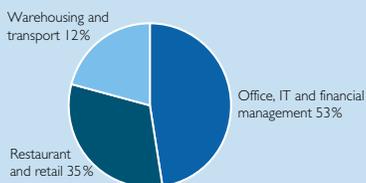
### LARGEST STAFFING AGENCIES IN NORWAY, 1999

Source: Proffice and annual reports.



### PERSONNEL CATEGORIES IN FINLAND, 1999

Source: Servicearbetsgivarna (Finnish Service Industry Employers' Association). Figures refer to Association-affiliated companies, which are estimated to account for around 85 percent of the industry's revenue.



In October 1999, Proffice acquired the staffing company Oy Henkilöstöpalvelu Office Team AB. The company is one of the businesses ten largest and has more than 100 employees today. Office Team has more than 10 years of experience in staffing solutions for the Finnish market. The company's revenue increased by more than 50 percent in 1999.

## Geographical coverage

The Finnish market for the staffing industry is concentrated mainly in the major urban centres, of which the Helsinki region accounts for around 80 per cent.

## Competition

In Finland, approximately 150 companies operate in the staffing industry. All the major players are affiliated to the trade organisation and, together, are estimated to account for approximately 85 percent of the businesses sales. Several national and international players operate in the market. Multinationals such as Manpower, Olsten and Adecco are also established in the Finnish market.

## Personnel categories

The diagram illustrates estimated revenue for the industry in 1999, by categories of personnel. The industry is staffed primarily by women, with the exception of warehousing and transport, which is primarily men.

# Denmark

## Market

At present, approximately twenty companies are affiliated to Foreningen af Vikarbureauer i Danmark (the Danish Association of Temporary Staffing Agencies). These business are estimated together to account for around 80 percent of net revenue in the industry. Sales in the business in 1999 are estimated to amount to the equivalent of approximately SEK 1 billion, an increase of approximately 15 percent per annum during recent years.

The major operators include Attention Personaleservice (Olsten/Adecco), Adecco, Temp Team and Manpower.

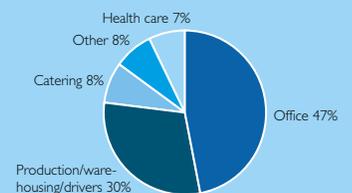
## Personnel categories

The industry spans a large number of personnel categories. However, administration and production/ warehousing/ drivers comprise the major share of consultant hours. The number of consulting hours by personnel category can be seen in the diagram. At present, staffing agencies are having to cope with a major shortage of personnel in areas such as financial, warehousing and IT. For that reason, several major staffing agencies have started to offer consultants permanent employment in order to secure a supply of personnel. Alongside temporary staffing, most staffing agencies also conduct a recruitment business.



PERSONNEL CATEGORIES IN DENMARK 1999

Source: Proffices assesment.



OUR GUIDING STARS

COURAGE

CLOSENESS

FREEDOM OF ACTION

DRIVE

Proffice's operations are often to do with matching needs with characteristics so that one plus one is at least three, though better still, four or five. We must be thoroughly involved in the reality of our customers so that, deep down, we can understand their needs and wishes. We must also conduct ourselves with sensitivity, respect and support towards all our colleagues. Each one of them must feel assurance and consideration on the part of Proffice so that they can act with integrity and professionalism when they are out working for our customers, aware that Proffice is behind them.



» one must know oneself well to  
work on a project with a time limit«

CARINA NORDLANDER, 31, FINANCIAL CONSULTANT PROFFICE.  
AFTER STUDYING AND LOOKING AFTER HER CHILDREN, CARINA CAME TO  
PROFFICE IN 1997. SHE HAS BEEN INVOLVED IN BOTH SHORT AND LONG-TERM  
ASSIGNMENTS. WHEN CARINA MOVED TO SIGTUNA WITH HER FAMILY, HER  
OPPORTUNITIES FOR WORK AT PROFFICE WENT WITH HER. SHE HAS BEEN  
WORKING FOR PROFFICE AT THE BOARD OF CIVIL AVIATION SINCE AUTUMN 1998.

# Quality of life

*Proffice provides clients and personnel with development opportunities and freedom of action, by being the most attractive and efficient forum for skills and proficiency.*

When Proffice's business concept was in the making, during early work on Group strategy, the company adopted its position with regard to some important matters. Basically, our clients must be able to rely on Proffice always being able to offer the right person with the right skills for the right time. That means clients will value the possibility of being able to call the same person back several times. Moreover, we need personnel who are inspired and encouraged by working at a company with a mission based on professional proficiency. At a high level of activities, major efforts are demanded in proficiency development by both company and its employees.

Being the most attractive employer in the industry implies constantly becoming better at attracting, recruiting, retaining and developing personnel. Proffice's business planning process incorporates the following goals for personnel:

- We must cut our turn-over of personnel
- To improve our personnel attitude index (employee attitudes to their work, as indicated by regular personnel surveys)
- To invest in the development of our personnel

In line with Proffice's personnel and proficiency strategy, a number of activities and programmes are therefore being conducted. These are intended to lead us towards our goals and our vision. In 1999, the following activities and programmes were performed:

- 700 short courses/training sessions
- Extended courses in economics and sales at IHM and Pählmans Business Schools
- A new introductory programme for new employees was held, with a closer focus on the role of consultant and the role of Proffice as a supplier of staffing services
- A 2-year management development programme for around 100 management personnel (startup in 1999)
- A course in professionalism and training in recruitment
- Dialogen—the first of a regular series of personnel surveys
- A company health care/fitness programme is being developed by a recently-formed work environment group
- Support to the local branch of HTF (Union of Commercial Salaried Employees) and trade union activities
- Profficevärlden (The Proffice World)—a company newsletter established as a channel of communication for current and future clients and members of personnel

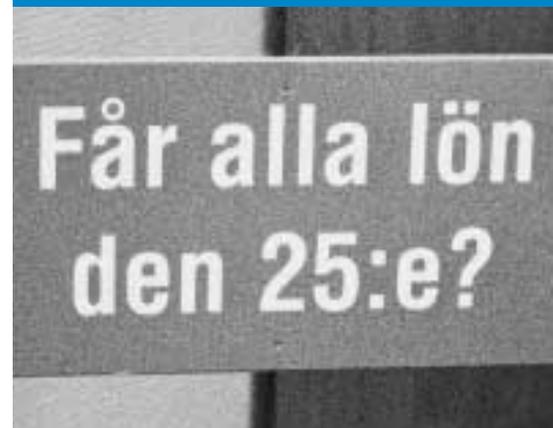
## Many colleagues with many areas of expertise

Proffice's ability to offer the customer the right expertise is always on the increase. Our clear vision and our business concept along with our carefully prepared plan of action are strong contributory factors. Today, Proffice is active in more and more occupational fields. The traditional areas of customer service, assistants and economists are still developing very well but are now complemented by personnel in the fields of IT, warehousing/industry, sales/marketing, shops/commerce, personnel management/wages and care within Proffice Care and school staff within Proffice Pedagogen.



EMPLOYEE FACTS PROFFICE:

|                                 | 1999  | 1998  |
|---------------------------------|-------|-------|
| Average annual employees        | 3,847 | 2,583 |
| Average annual office employees | 433   | 290   |
| Average consultants             | 3,414 | 2,293 |
| Average percentage of women     | 73%   | 79%   |
| Average percentage of men       | 27%   | 21%   |
| Personnel turnover              | 39%   | 45%   |



## STRUCTURE

# Efficiency and quality



### Structural capital

Alongside Proffice's client and human resources capital, the Group's most important assets lie in its structural capital built up over the years. This structural capital is growing both through a continual evolution in our operational processes and because we are expanding both geographically and in new areas of proficiency. Therefore, the organisation and management are built on a far-reaching policy of decentralisation which allows for local growth but which, at the same time, utilises the advantages which exist in joint systems for booking, finances and marketing.

### Efficient system support—efficient processes

In recent years, Proffice has extensively renewed its total business support platform. In this new environment, the Internet fills an important role. Our offices are today linked by a network giving direct access inter alia to our Group-wide client and candidate database. The profiles of requirements from client companies are matched on-line to the proficiencies of the candidates, which are checked through tests and by taking up references. Proffice's personnel also ensure that every assignment is evaluated and quality assured through follow-up discussions both during and on completion of assignments.

### Proffice Internet Recruitment 2000

March 2000 sees the launch of Proffice Internet Recruitment. Companies wishing to recruit new personnel will themselves decide how much of the recruitment process they will take on. The ability of the client to delegate parts of, or entire, recruitment assignments to an experienced recruitment consultant direct—with access to on-line help—makes Proffice's concept totally unique in the market. However, this is just the beginning of a very interesting process in which Proffice will be able to offer its clients and employees totally new ways of making best use of their time.

The next step will be to offer clients facilities to select and book consultants themselves, with integration into the client's business support system. In this way, we will combine the opportunities offered by the Internet with the long experience of our recruitment consultants in selection and assessment of people.

### Local and global presence

Closeness to our clients and candidates is one of the most important factors in establishing lasting and productive relationships. Today, Proffice has branches in nearly 50 locations in Denmark, Finland, Norway and Sweden. Over the next two years, at least ten new offices will be opened. As a result, we will be represented in most major and medium-sized locations in the Nordic region.

In parallel with the opening of new branches, we are also expanding by developing new areas of expertise.

To be able to offer our clients maximum added value, we operate through networks and with partners. To offer temporary staffing and recruitment in teaching and child care, for example, we have jointly set up a company—Proffice Pedagogen—with Pysslingen Förskolor och Skolor AB. Another example is our collaboration with Accelerator, which is specialised in the leasing of computers. Proffice can offer the customer the chance to lease a consultant who brings his

»Close proximity to customers and candidates is one of the most important factors when it comes to forming long-lasting, satisfying relations.«



or her own PC to the assignment. In this way, the consultant can quickly carry out the assignment at the customer's without being dependent on the customer's own IT system.

## Quality

Proffice Sverige AB has been quality certified under ISO 9001 since 1995. The entire operations of Proffice Sweden were certified, with particular focus on the three core processes recruitment, matching/temporary staffing and proficiency development.

The quality work is continuously being developed. To date, this has resulted in instructions being simplified, described in process form and placed on the Company's intranet. A number of standard forms, checklists and descriptions of routines have been produced to simplify internal administration and to enable new employees quickly to become familiar with operations. In addition, a new staffing system has been implemented. This has led to improved accuracy and efficiency in our core processes.

# Adapted for growth



## HISTORY

Proffice traces its origins to the firm Snabbstenografen, which was established in 1960. This was a typing agency started by Berit Flodin which also hired out secretaries in Stockholm. In time, operations broadened to include staffing in other professional categories, including telephonists and financial assistants.

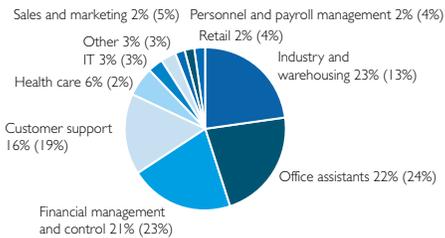
Proffice gradually expanded geographically by establishing branches in Malmö (1976), Uppsala (1986)

and Gothenburg (1987). Proffice was acquired by its current main shareholder, Christer Hägglund, in 1989. Since then, the business has grown continuously. In 1997, Proffice expanded via the acquisition of the Norwegian staffing company Personellassistanse and the creation of Proffice Care.

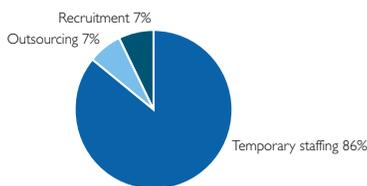
Since 1999, Proffice shares have been quoted on the OM Stockholm Stock Exchange. The Company has grown in recent years by establishing new branches and franchised agencies, and via acquisitions.

## SALES PER BUSINESS AREA 1999 (1998)

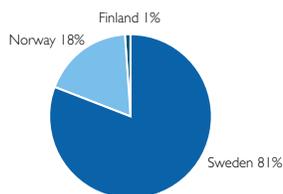
(Proffice Pedagogen is included under Other)



## SALES PER OPERATIVE AREA 1999



## SALES PER GEOGRAPHICAL AREA 1999



## Organisation and leadership

Proffice's organisation is adapted for growth. Operational activities are managed regionally and at the local branches, where the optimal conditions exist for good contacts with candidates and the local business community.

A special major client organisation coordinates activities vis-à-vis major national and international clients, and Proffice can thus also offer tailored staffing solutions to major corporate groups. Proffice's centralised executive staff functions are financial management, marketing, information, personnel and IT development.

Business development takes place both centrally and locally, allowing new areas of proficiency in temporary staffing, recruitment, outsourcing and outplacement to develop quickly in response to demand. Once new areas of proficiency are conceptualised and established, they can be quickly integrated into other parts of the organisation.

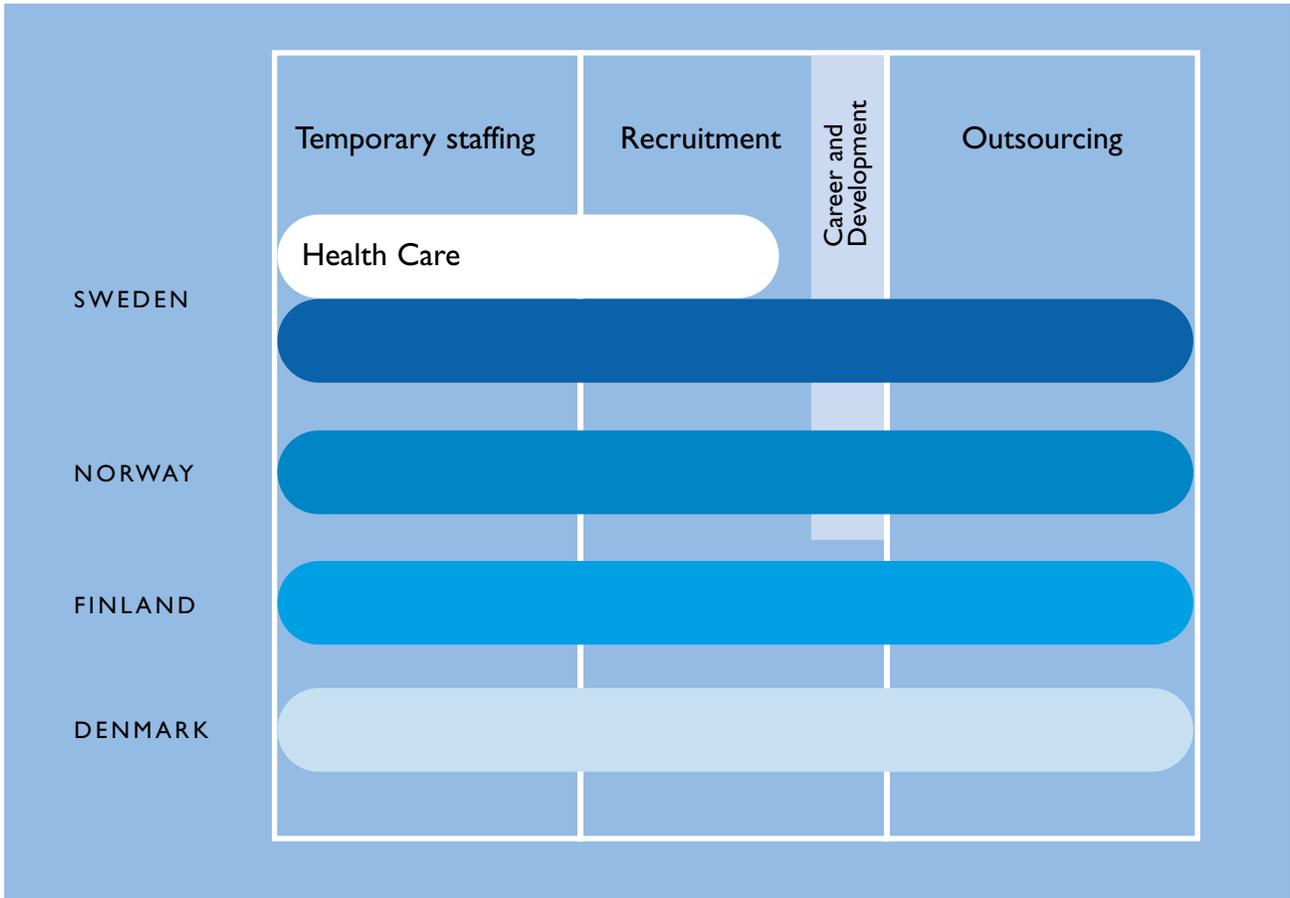
## Clients and assignment structure

During 1999, Proffice had more than 5,000 clients who used our staffing services. Of these, more than 1,000 were in Norway and 200 in Finland. Major clients in Sweden include Astra, Ericsson, IBM, Pharmacia & Upjohn and Telia. Major clients in Norway include NKL (the Norwegian Co-operative Union and Wholesale Society), Norsk Hydro, Partena, Statens Kantiner and Telenor. In Finland, our largest clients are Ahlström, Gyllenberg Private Bank and Industriförsäkring.

## Collaboration and partnerships

To be able to offer our clients complete solutions in different areas, of which staffing represents only a component part, Proffice operates in partnership with companies which complement our operations. These include Canon, Sweden Post and Telia.

Proffice also works with Proffice Communication Center, which offers advanced call centre services, including efficient customer support services and advanced answering services.



### Major Operative Areas

- Temporary staffing
- Recruitment
- Outsourcing

Career and Development is included in Recruitment. Proffice's activities in the health care sector are conducted through the subsidiary Proffice Care AB, in which Proffice has a 70 per cent shareholding. In 1999, Proffice had a total of 46 offices of which 28 were in Sweden, 16 in Norway, one in Finland and a representation office in Denmark.

### Business Areas 1999

- Assistants
- Shops and Retail
- Financial Management and Control
- Sales and Market
- Industry and Warehousing
- IT
- Customer Service
- Teaching Staff
- Personnel Management and Payroll
- Health care

Staffing assignments from four hours  
to 27 months

## TEMPORARY STAFFING

# At your service!

### Operations

Temporary staffing consists of the hire of personnel for short or long periods. In certain assignments, Proffice assumes “staffing responsibility”, where we guarantee to supply personnel but—in contrast to outsourcing—the client supervises the work.

Operations are predominantly concentrated in the urban centres of each country.

### Client and assignment structure

In 1999, our ten biggest clients accounted for around 30 percent of net revenue in this area of operations. The periods of the assignments vary widely, from four hours—the minimum billable period—to more than two years. As a general rule, longer assignments are more profitable than shorter ones, since the administration per billable hour is lower. Approximately 15 percent of assignments in 1999 were for periods shorter than one month, while more than half were for periods exceeding three months.

Assignments are offered in all business areas: Office Assistants, Shop and Retail, Financial Management and Control, Sales and Market, Industry and Warehousing, IT, Customer Service, Teaching Staff, Personal Management and Payroll and Care.

### Outlook

It is generally considered that growth in temporary staffing will remain favourable over the next years. Proffice is striving to increase its business in hiring out consultants in business areas or sectors that demand higher-level skills, including IT and certain aspects of financial management and health care, which in Proffice’s judgement will increase its profitability. At the same time, a close focus on the IT sector will increasingly bring Proffice into competition with players outside the staffing industry.

Among the sectors expected to show growth above the industry average in Sweden is temporary staffing in teaching, a recently-established business area at Proffice. We also believe that industry and warehousing and the health care sector will show good growth.

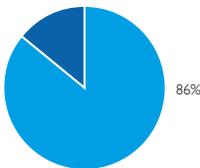
In Norway, an amendment to legislation was voted through in December. This will make it possible to broaden the range of professional categories where temporary staffing is permissible. We see great potential in several professional categories, of which the industrial and transport sector is attractive. We also recognise further potential in operating as suppliers to other companies seeking a partner to take responsibility for staffing in major assignments.

As a result of Finland’s continuing economic growth, the country is facing an ever-growing shortage of skilled labour. This has made the hiring of temporary staff an increasingly attractive option for many companies. We also believe that more professional categories will be opened to temporary staffing in Finland.

Via a staffing assignment at the Öresund Bridge, for example, we will be in a position to expand operations in Denmark substantially.



PERCENTAGE OF GROUP  
REVENUE, 1999



OUR GUIDING STARS

COURAGE

CLOSENESS

FREEDOM OF ACTION

DRIVE

The whole idea of our operation is to create what we call a "competitive and flexible supply of competence". In plain language, this means that we can provide capable people, when necessary, where necessary and for short or long periods of time. The whole idea of working within Proffice is that we can provide "personnel development and flexibility". In other words, this means that we can provide good jobs, when necessary, where necessary and for short or long periods of time.



» I am free to find new ways of dealing with the assignment«

HELENA PETTERSSON, 22, IT CONSULTANT PROFFICE.

PREVIOUSLY, HELENA WORKED AT IBM IN ESKILSTUNA. WHEN THE LABOUR MARKET CHANGED, SHE DECIDED TO DEVELOP AT PROFFICE, FOR TWO REASONS IN PARTICULAR. ONE WAS THAT PROFFICE IS BIG IN IT AND THE OTHER WAS THAT THE PEOPLE SHE MET AT PROFFICE INSPIRED CONFIDENCE. IN ADDITION, SHE WAS TEMPTED BY THE FREEDOM OF BEING ABLE TO CHOOSE ASSIGNMENTS. NOW HELENA WORKS FOR IBM ON AN OUTSOURCING ASSIGNMENT. SHE IS BOTH ONE OF US AND ONE OF THEM.

## RECRUITMENT

# Carefully selected

Every five minutes a new employment interview begins

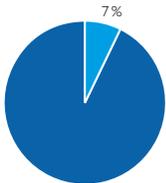


The recruitment process

All applicants go through a process of selection, including interview by specialist recruitment consultants. Proffice recruits in all sectors and service categories. Recruitment consultants are thus required to have relevant experience and specialist knowledge of different areas, so they can readily familiarise themselves with the client's situation and make a professional assessment of needs.

The first stage in a recruitment assignment is for Proffice's recruitment consultants and the client together to draw up a profile of requirements for the employee sought by the client. Proffice's research personnel—whose main function is to serve as initial contact for the job applicant—and the recruitment consultant then carry out a search for a number of possible candidates. In the search, the profile of requirements

PERCENTAGE OF GROUP REVENUE, 1999



## Operations

Since starting out in 1960, Proffice has built up substantial experience and knowledge of recruitment and personnel management. Today, this is applied in recruitment both on behalf of clients and for Proffice's own requirements. However, our activities do not include headhunting.

Proffice conducts both individual and wider-ranging recruitment assignments. In 1999, around 1,500 recruitment assignments were performed on the behalf of clients.

By engaging Proffice, the client saves time and money that otherwise would have been spent on recruitment advertising and applicant selection. This is because, on a given assignment on behalf of a client, Proffice can present a number of potential employees who have already gone through a selection process with us.

As remuneration for a recruitment assignment, Proffice charges a fixed fee based on the type of job and estimated time taken.

In addition to complete recruitment assignments, Proffice also offers recruitment consultation. Here, clients can buy assistance with parts of the recruitment process, such as application document processing, job advertising, selection and personal assessment. Services are offered in all business areas: Office Assistants, Shop and Retail, Financial Management and Control, Sales and Market, Industry and Warehousing, IT, Customer Services, Teachers, Personal Management and Payroll and Care.

## Outlook

It is expected that the recruitment market will continue to show considerable growth over the next few years. As a result of changes to regulations in Norway, where recruitment will be permissible in a broader spectrum of professions, we identify good opportunities for an expansion in business opportunities. To meet the increase in demand for recruitment services, several new recruitment personnel have been employed at the branches in Norway. In Finland, recruitment activities increased during 1999, albeit from a low level.

Proffice has built up an Internet-based recruitment system—Proffice Internet Recruitment—which was launched in Sweden early in 2000. Via a range of subscription options, we offer total recruitment solutions to businesses.

is run against Proffice's candidate database, which holds details of all active applicants registered with Proffice. The candidate database holds data on more than 30,000 applicants.

Once one or more suitable candidates have been identified, the client may choose to appoint an applicant on a trial basis—in the “hire-employ” procedure—or may decide to recruit direct. In the first option, the client first hires the new employee from Proffice for three to six months. During this period, both client and employee are entirely free to withdraw. If this happens,

Proffice presents a new candidate and a new hire period begins. In the direct recruitment process, the candidate is employed by the client immediately.

If, during the first three months, the client or the recruit decides to withdraw from the arrangement, Proffice's recruitment guarantee is triggered. This requires Proffice to present one or more new candidates at no extra expense to the client. During the guarantee period, Proffice maintains contact with both client and new employee for follow-up purposes, in order to provide added security for all parties concerned.



## Career and Development

In the Proffice Career and Development service, we serve as a partner to companies and other organisations forced to undertake redundancy programmes or make organisational changes leading to personnel adjustments. Through various career and development programmes, conditions are created for offering new work to surplus personnel. The service is designed to support redundant personnel in navigating through the process of finding new work quickly and in a way suited to the needs of each individual. Usually, this makes the process more cost-efficient to the client, because fast and efficient relocation of personnel reduces the period of notice, and therefore costs in the form of severance pay.

During the year, a large number of people participated in Proffice career and development programmes. Clients included the Swedish Employment Security Foundation, SEB (Skandinaviska Enskilda

Banken), Vattenfall and the Swedish National Tax Board. In late May, Proffice received an assignment from Ericsson, Norrköping, concerning employment and proficiency development on behalf of approximately 400 members of personnel, who had been given notice of redundancy from Ericsson's AXE exchange production facility. The assignment is being conducted in collaboration with the local employment service, the Swedish Employment Security Foundation, Norrköping Municipality and other organisations.

In January 2000, Antenn Samarbetspartner, the leading operator in the Swedish market, was acquired to complement existing operations. To strengthen operations in Norway, the Tennebø Group was acquired during the year. In January 2000, the leading company on the Swedish market, Antenn Samarbetspartner, was acquired which will complement existing operations.

From mail management and reception services to virtual switchboard centres and national payroll management centres

## OUTSOURCING

# Freeing time for the client



### Operations

In outsourcing, Proffice takes over the operation of entire departments at a client's organisation. The business began in 1991 when responsibility for IBM's switchboard at Kista (north of Stockholm), was taken over in the form of an outsourcing assignment. Outside Sweden, Proffice is involved in outsourcing in the staffing industry only on a minor scale. This is because the Company supplies personnel to outsourcing companies, rather than directly offering outsourcing services itself. In most cases, outsourcing is confined to the client's support functions, i.e. departments not directly associated with the client's core business. Typical assignments include switchboard operation, reception, caretaking, mail management, office services, customer service and financial management.

In outsourcing, Proffice takes over not only staffing but also operation and development of the function, in contrast to the temporary staffing form of service. Outsourcing involves taking on employer's responsibilities for the personnel concerned, including responsibility for training and personnel care. Assignments may be performed either on the client's premises or on ours. Net revenue in 1999 was almost wholly attributable to the Customer Service business area, which mainly includes switchboards and receptions.

### Partnership, customers and assignment structure

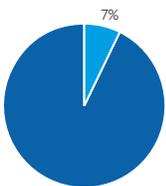
In certain outsourcing assignments, Proffice forms alliances with complementary suppliers, for example, of technical facilities such as telephone switchboards (Telia), photocopiers (Canon) and postal logistics (Sweden Post). In this way Proffice has been contracted to take responsibility on an outsourced basis for operation of switchboard and reception facilities at Saab AB, Linköping. Proffice has taken over employer's responsibility for former Saab employees in these functions and is responsible for staffing the switchboard, while Telia is responsible for technical facilities, operations and hardware and software development.

Proffice also co-operates with Proffice Communication Center, whose main business is telephone-based customer services. Proffice Communication Center replaces, wholly or partially, the client's own customer service function and provides a 24-hour service.

Agreements on outsourcing assignments are normally entered into for a period of at least three years. The number of ongoing assignments of this type is approximately 20. The largest outsourcing assignment in 1999 accounted for around 10 percent of revenue for the area of operations.

Apart from Saab and IBM (office and internal services, plus printing), major clients include the Karolinska Hospital (telephony), Andersen Consulting (switchboard, reception, office services and conference management) and Canon (switchboard, reception, caretaking and property services). Outsourcing is available in all business areas, and is today offered mainly in customer services, financial management and financial control, as well as personnel management and payroll.

PERCENTAGE OF GROUP REVENUE, 1999



### Outlook

Outsourcing assignments in various forms are expected to show a substantial rate of growth in the future, not least against the background of the current trend towards increased outsourcing of support functions in both private and public sectors. Total outsourcing assignments, in which Proffice is totally responsible for staffing and operations, are predominantly in Sweden. Increased demand throughout the Nordic region is evident in staffing solutions and component parts of major outsourcing assignments. In this type of contract, Proffice will strive to secure total responsibility for staffing, in partnership with other suppliers. Work continues on concept development for the Company's services.

## Avesta Switchboard Centre

During the year, a collaboration agreement was signed with Telia on a joint system for sales, delivery and operation of both outsourcing systems and simpler, standardised services in switchboard telephony. In connection with the agreement, a joint switchboard centre was established at Avesta, from where Proffice and Telia will jointly deliver services related to the concept of switchboard telephony. The agreement is based on Telia supplying all the technical facilities while Proffice will be responsible for management and staffing of the telephonist functions. Clients will purchase the service in the form of a total functional undertaking, and will gain efficiency and simplicity by having only one contractual partner for the service.

In addition to supplying standardised services to around 40 separate companies and organisations, two major outsourcing agreements were also signed, one with LRF (the Federation of Swedish Farmers) and the other with Dalarna County Council. In both cases, the whole of the organisation's telephony functions are contracted out to Proffice and Telia, which take over responsibility for technical facilities, operations, infrastructure, development, service quality and staffing.

## Payroll Management Centre

Proffice Payroll Management Centre, established during the year, provides a range of administrative support functions. Operations are concentrated in Norrköping, with a small unit in Stockholm. The basic concept is to meet the growing demand for payroll management services. The centre also offers services in personnel management information, insurance and financial management.

In total, just over 7,000 salaries were administered on behalf of around 30 clients. An important aspect of the centre's activities is its training unit, which offers courses in payroll and financial management to external clients.

During the year, payroll and financial management courses were also conducted in association with the county labour board, the employment office, the Swedish Employment Security Council and the Swedish Employment Security Foundation.



OUR GUIDING STARS

COURAGE

CLOSENESS

FREEDOM OF ACTION

DRIVE

The pace is high now. The sector in which we ourselves operate is expanding at lightening speed, as the labour market becomes more mobile. A knowledge-based company such as Proffice has everything to gain from the way the market is developing because the very heart of our business is to serve as a catalyst in developing proficiency and increasing people's ability to make a career not just once, but several times. Against this background, we are constantly developing new services and concepts, in temporary staffing, recruitment, outsourcing and career and development. We invest heavily in developing the proficiency of our personnel, not only formally but also socially. We want our personnel to stay with us and develop.



»now, I am both engine and gearbox in my own car«

LARS EKLUND, 44, NURSE, PROFFICE CARE.

LARS, A TRAINED NURSE, WORKED FOR HIS COUNTY COUNCIL FOR MANY YEARS. LAST YEAR, HE WENT INTO THE TEMPORARY STAFFING MARKET, MAINLY TO GAIN BETTER CONTROL OVER HIS TIME. AT PROFFICE, LARS SAW OPPORTUNITIES FOR LONG-TERM DEVELOPMENT. TODAY, HE WORKS AS A "MOBILE" NURSE AT PROFFICE CARE.

# Proffice Care—flexible care



## Proffice Care

Staffing solutions in the health care sector are offered via Proffice Care (Proffice Care AB). Operations are conducted throughout Sweden, with branches in six locations. Proffice Care is involved in temporary staffing and recruitment of mainly doctors and nurses, with a consultation service in personnel planning for health care personnel etc. The business also includes a limited volume of outsourcing.

During 1999 and 2000, Proffice Care is operating a training programme in enterprise in the health care sector. A health care-oriented IT course, focusing inter alia on computerised patient data management systems, was also conducted. Overall, the training programmes initiated are expected to enhance Proffice's attractiveness as an employer in the health care sector. Proffice Care currently has a personnel pool of 600 doctors and 300 nurses.

All nurses are permanently employed. Doctors work on an assignment basis and are self-employed. Proffice Care has around 100 clients. Of net revenue, approximately 70 percent was attributable to clients in the public sector, with the remainder pertaining to clients in private health care, primarily company health services. Temporary staffing represented around 90 percent of net revenue, with recruitment and consulting each accounting for approximately five percent.

Proffice Care, established in 1997, is owned by Proffice (70 percent share), Bure Vård & Omsorg (25 percent share) and Anita Skog Erixon, the company's managing director (5 percent share).

## Outlook

To date, the extent to which temporary staffing services have been used in the public health care sector has been relatively limited. Proffice considers that the main reasons for this have been low acceptance and the fact that staffing firms specialising in health care are a relatively recent phenomenon in Sweden. In addition, the majority of large hospitals have maintained their own personnel pools to meet their needs for personnel. As pressure for cost efficiency has risen—while personnel shortages have also increased—Proffice believes that a shift in attitudes has taken place with regard to not only the hiring of temporary personnel but also outsourcing and recruitment. From this perspective, the health care sector is considered likely in the future to offer good potential for considerably faster expansion than in the industry in general, even if from a low level. Sweden today has approximately 29,000 professionally active registered doctors and around 77,000 professionally active registered nurses. Partly through collaboration with its part-owner, Bure Vård & Omsorg, Proffice Care has good prospects of maintaining concept development and expansion.

# Share and shareholders

## SHARE CAPITAL DEVELOPMENT

All information refers to 31st December 1999 if not otherwise stated.

Proffice's share capital totals SEK 15,740,000, represented by 1,000,000 A-shares and 14,740,000 B-shares, each with a nominal value of SEK 1.00. A-shares carry 10 votes and B-shares one vote.

All shares have equal rights to shares of the company's assets and profits. Each party entitled to vote at General Meetings may do so for the full number of shares they own and represent without restriction on those voting rights. Since 1963, share capital has changed as follows:

| Year | Transaction                                 | Increase in share capital, SEK | Changes in number of A-shares | Changes in number of B-shares | Total number of shares | Share capital, SEK | Nominal price of shares, SEK |
|------|---|--------------------------------|-------------------------------|-------------------------------|------------------------|--------------------|------------------------------|
| 1963 | Formation of the company                    | 50,000                         | -                             | 500                           | 500                    | 50,000             | 100                          |
| 1995 | Bonus issue 1:1                             | 50,000                         | -                             | 500                           | 1,000                  | 100,000            | 100                          |
| 1996 | New share issue                             | 25,000                         | -                             | 250                           | 1,250                  | 125,000            | 100                          |
| 1997 | New share issue                             | 1,000                          | -                             | 10                            | 1,260                  | 126,000            | 100                          |
| 1998 | Bonus issue 99:1                            | 12,474,000                     | 15,600                        | 109,140                       | 126,000                | 12,600,000         | 100                          |
| 1998 | Split 10:1                                  | -                              | 140,400                       | 993,600                       | 1,260,000              | 12,600,000         | 10                           |
| 1998 | New share issue                             | 800,000                        | -                             | 80,000                        | 1,340,000              | 13,400,000         | 10                           |
| 1998 | New share issue                             | 200,000                        | -                             | 20,000                        | 1,360,000              | 13,600,000         | 10                           |
| 1999 | Split 10:1                                  | -                              | 1,404,000                     | 10,836,000                    | 13,600,000             | 13,600,000         | 1                            |
| 1999 | Reclassification                            | -                              | -560,000                      | 560,000                       | 13,600,000             | 13,600,000         | 1                            |
| 1999 | New share issue                             | 1,900,000                      | -                             | 1,900,000                     | 15,500,000             | 15,500,000         | 1                            |
| 1999 | Conversion of convertible loan <sup>5</sup> | 240,000                        | -                             | 240,000                       | 15,740,000             | 15,740,000         | 1                            |

- 1) New share issue directed to Nordic Capital Partners AS at a price of SEK 145,000 per share, corresponding to approximately SEK 14.65 per share after the bonus issue and share split in 1998 and the share split in 1999.  
 2) New share issue directed to the then Board members Håkan Ramsin and Ingemar Hedberg, as well as Katarina Engdahl, at a price of SEK 145,000 per share, corresponding to approximately SEK 14.65 per share after the bonus issue and share split in 1998 and the share split in 1999.

- 3) New share issue directed to SEB Fonder at a price of SEK 317 per share, corresponding to SEK 31.70 per share after the share split in 1999.  
 4) New share issue directed to employees in Norway at a price of SEK 317 kronor per share, corresponding to SEK 31.70 per share after the share split in 1999.  
 5) Issued to certain officers of the company.

## STRUCTURE OF SHAREHOLDERS

Proffice's ownership structure can be seen in the table below, according to information from the Securities Register Centre as at 31st December 1999. With the exception of Christer Hägglund's ownership via companies with a capital share of 41 percent, 4,634, out of all shareholders are registered in Sweden with a capital share of 32 percent and 243 shareholders are registered outside Sweden with a capital share of 27 percent.

## NUMBER OF SHARES AND VOTES ON DECEMBER 31, 1999

| Type of share | Number of shares  | Number of votes   | % of shares outstanding | % of voting rights |
|---------------|-------------------|-------------------|-------------------------|--------------------|
| A-shares      | 1,000,000         | 10,000,000        | 6.3                     | 40.4               |
| B-shares      | 14,740,000        | 14,740,000        | 93.7                    | 59.6               |
| <b>Total</b>  | <b>15,740,000</b> | <b>24,740,000</b> | <b>100.0</b>            | <b>100.0</b>       |

In 1998, Proffice AB issued promissory notes entitling the holder to a new subscription of a total of 1,000,000 B-shares during the period 1st-31st March 2000.

## SHARE DATA

|                           | 1999  | 1998 | 1997  | 1996 | 1995 |
|---------------------------|-------|------|-------|------|------|
| Earnings per share (SEK)  | 2.47  | 1.83 | -0.93 | 0.51 | 0.52 |
| Equity per share (SEK)    | 17.73 | 6.74 | 2.46  | 3.83 | 1.09 |
| Cash flow per share (SEK) | 8.72  | 3.09 | -1.27 | 2.20 | 0.78 |
| Dividend per share (SEK)  | 0.50  | -    | -     | -    | -    |

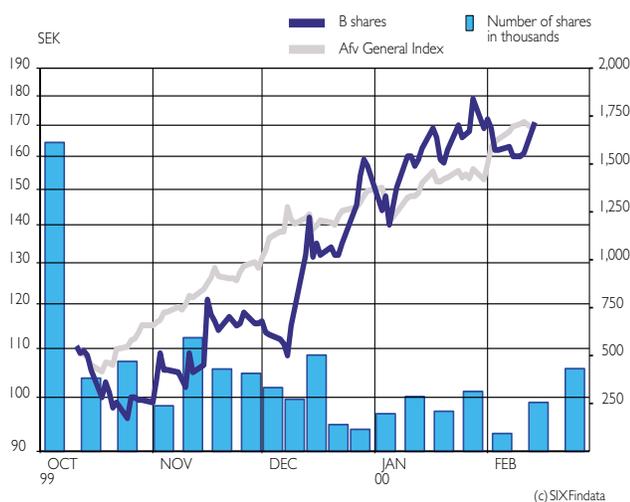
| Ownership structure                        | Number of A-shares | Number of B-shares | Share of voting rights, % | Share of capital, % |
|--|--------------------|--------------------|---------------------------|---------------------|
| Christer Hägglund, through holding company | 1,000,000          | 5,388,000          | 62.2                      | 40.6                |
| SEB Fonder Småbolagsfond (Small Cap Fund)  |                    | 666,800            | 2.7                       | 4.2                 |
| Reiten & Co (Norway)                       |                    | 575,082            | 2.3                       | 3.7                 |
| Evergreen (Norway)                         |                    | 565,000            | 2.3                       | 3.6                 |
| AMF (Labour Market Insurance Policies)     |                    | 450,000            | 1.8                       | 2.9                 |
| Chase Manhattan Bank (UK)                  |                    | 402,938            | 1.6                       | 2.6                 |
| Bank of Sweden Tercentenary Foundation     |                    | 283,700            | 1.2                       | 1.8                 |
| AMF sickness insurance                     |                    | 265,000            | 1                         | 1.7                 |
| NOR Försikring (Norway)                    |                    | 250,000            | 1                         | 1.6                 |
| Norgesinvestor Verdi (Norway)              |                    | 240,000            | 1                         | 1.5                 |
| Robert Fleming & Co (Great Britain)        |                    | 165,700            | 0.7                       | 1.1                 |
| Didner & Gerge aktiefond                   |                    | 163,100            | 0.7                       | 1.0                 |
| Messieurs Pictet & Cie (Switzerland)       |                    | 146,000            | 0.6                       | 0.9                 |
| State Street Bank and Trust (USA)          |                    | 145,112            | 0.6                       | 0.9                 |
| Union Bank of Norway (Norway)              |                    | 137,100            | 0.6                       | 0.9                 |
| Other shareholders                         |                    | 4,896,468          | 19.7                      | 31.0                |
| <b>Total</b>                               | <b>1,000,000</b>   | <b>14,740,000</b>  | <b>100.0</b>              | <b>100.0</b>        |

## SHAREHOLDER STRUCTURE

| Sizes of shareholdings | Holding           | %            | No. of shareholders | %            | Votes                 | %            |
|------------------------|-------------------|--------------|---------------------|--------------|-----------------------|--------------|
| 1-500                  | 727,925           | 4.62         | 4,174               | 85.57        | 727,925.000           | 2.94         |
| 501-1 000              | 335,288           | 2.13         | 365                 | 7.48         | 335,288.000           | 1.36         |
| 1 001-10 000           | 886,245           | 5.63         | 253                 | 5.19         | 886,245.000           | 3.58         |
| 10 001-50 000          | 1,260,542         | 8.01         | 51                  | 1.05         | 1,260,542.000         | 5.1          |
| 50 001-100 000         | 1,137,468         | 7.23         | 16                  | 0.33         | 1,137,468.000         | 4.6          |
| 100 001-               | 11,392,532        | 72.38        | 19                  | 0.39         | 20,392,532.000        | 82.43        |
| <b>Total</b>           | <b>15,740,000</b> | <b>100.0</b> | <b>4,878</b>        | <b>100.0</b> | <b>24,740,000.000</b> | <b>100.0</b> |

## Quotation and rate development

Proffice's shares have been quoted on OM Stockholm Stock Exchange's O-list since 11th October 1999. The trading block is 100 shares. The sales price was SEK 84. The share rate developed approximately in line with the SX General Index in 1999. The last price paid on 30th December was SEK 157. On 31st December 1999, Proffice had a market value of SEK 2.5 billion. During the year, an average of 95,000 shares were traded every day.



## Dividend policy

Proffice's operations generate a strong cash flow, and the Board of Directors considers that the Company's capacity to pay dividends will be good. The objective of the Board of Directors is that, over time, the dividend should average approximately 50 per cent of the Group's net profit. When proposing the dividend, Proffice's opportunities of expansion, consolidation requirements, liquidity and general financial position will be taken into consideration. For the financial year 1999, the Board proposes that the dividend to the shareholders should be SEK 0.50 per share.

## Ownership steering

### THE BOARD OF DIRECTORS' WORK

In 1999, the Board held 11 meetings during which minutes were taken. At these meetings the Board considered the fixed points established for each meeting, such as the approval of the minutes from the previous Board meeting, the current status of the business, financial reports and investments. In addition, at certain meetings of the Board, matters such as the annual accounts, interim reports, the budget and overall questions such as strategy and environment analysis are considered. At meetings of the Board at which the annual report is considered, Proffice's auditors go through their observations from the examination of the Proffice Group.

### REMUNERATION COMMITTEE

The Board has appointed a Remuneration Committee consisting of the Chairman of the Board, the Managing Director and one other Board member. Their task is to determine salaries and other remuneration to the Managing Director, as well as establish principles for salaries and other remuneration to officers of the company and the Group, which should be submitted to the Board as information or for approval. The Remuneration Committee should regularly examine the employment conditions of officers of the company and the Group and submit reports to the Board on this matter.

Salaries and other remuneration to officers of the company and the Group who are directly subordinate to the Managing Director shall be submitted as information and for approval to the Remuneration Committee. When discussing remuneration to the Managing Director, he should not participate in the work of the Remuneration Committee.

### AUDITING COMMITTEE

The Board has appointed an Auditing Committee consisting of the Chairman of the Board and an additional member of the Board whose task it is to follow the audit of the company and the Group on behalf of the Board, and submit proposals to the General Meeting of Shareholders with regard to the election of auditors. The work of the committee should be supported by the regular co-optation of the Managing Director and the Financial Manager.

# Financial strategy

» The market in Sweden is expected to show an annual growth rate of 40 to 60 percent in the next three years.«



## Financial objectives

### **GROWTH**

In recent years, the staffing industry in the Nordic region has been characterised by a high rate of growth. The Board considers that current market conditions offer good potential for further substantial growth. The Board considers that the market in Sweden will show an annual growth rate of 40 to 60 percent over the next three years.

The Board's objective is that Proffice will achieve average organic growth at least on a par with average growth in the industry in the markets where Proffice conducts operations. Proffice's growth may be increased by acquisitions as part of Proffice's strategy for expansion.

### **FINANCIAL RISK AND LIQUIDITY**

Proffice's tangible fixed assets consists for the most part of office equipment. This indicates that the proportion of chargeable assets is low. It is considered that investments in tangible fixed assets can be financed through funds generated in the business. The Board of Directors considers that the most likely need for external financing will be in connection with major corporate acquisitions. It is envisaged that such acquisitions will above all be financed via share issues, wherever possible.

Against this background, it is the Board's objective that Proffice should not have any interest-bearing liabilities, other than pension and similar liabilities. Exceptions may be made to this rule for short periods, for example in connection with minor acquisitions.

The nature of Proffice's operations means that the inflow of liquid assets is relatively evenly spread over a month, while the bulk of the outflow takes place at the end of the month, when wages and salaries to employees are paid. As a result, a certain buffer of liquidity is required. However, the return on liquid assets in the form of interest on deposits is low, relative to the return on operating capital. Thus, a large cash holding reduces the return on shareholders' equity. Proffice operates a Group-wide accounting system in order to be able to manage liquidity planning efficiently.

It is the Board's objective that Proffice's liquid assets should not exceed five percent of net revenue on a lasting basis.

# Risk and sensitivity

## Sensitivity to general economy

In countries where the staffing industry has existed longer than in Sweden—for example the USA—revenue for the companies in the industry which operate in these markets, has to an extent fluctuated according to the state of the economy in the countries concerned. The industry's dependence on the economy decreases in line with the market's maturity. Several companies in the staffing industry have taken a series of measures to reduce the impact of the economy in a particular country. These measures include establishing operations in other countries and increasing sales to clients involved in operations with a lower degree of sensitivity to the general economy, for example, the health care sector.

Proffice's clients operate in a wide range of industrial sectors. Sensitivity to the general economy varies among these clients, and Proffice strives to achieve a balanced spread of risk in terms of dependence on individual clients and sectors. Proffice also strives to reduce its sensitivity to the general economy by offering outsourcing services. In its outsourcing assignments, Proffice often takes responsibility for a function which the client is dependent on, irrespective of its financial development, for example switchboard operation and customer services. In many cases, outsourcing contracts run for a period of two to three years.

In Proffice's Swedish business, the majority of its personnel are permanently employed, and so a large proportion of operating costs are fixed in the short term. For personnel who have been working for less than six months, notice of termination is one month, the average period of notice for permanent members of staff is 2.4 months.

Proffice considers that the Group has adequate internal systems to permit, to a certain extent, adjustment of operating costs to accommodate a decline in market conditions. Measures available in the short term include the possibilities of replacing "as-needed" personnel engaged on a client assignment with permanently employed personnel, and of reducing the number of new employees taken.

## Tax situation

Proffice currently conducts operations in Denmark, Finland, Norway and Sweden. Proffice has no loss carry-forwards.

## Currency risk management

Proffice's operations and Group structure mean, for the time being, only limited exposure for changes in exchange rates and therefore there is no need to hedge exchange rates.

## Currency flow exposure

At the moment, Group sales are made in local currency in Denmark, Finland, Norway and Sweden respectively. Costs arise in a similar way in the country concerned. This limits the degree of exposure to foreign exchange risk and thus hedging in respect of currency flows is not deemed to be required.

## Legislation and political decisions

Proffice and the market for the Company's operations are subject to legislation and other political decisions that govern Proffice's business. Changes in legislation, as well as other political decisions, may thus impact negatively on Proffice's ability to conduct its business.

## Collective bargaining agreements

To carry out business within a certain business sector, Proffice is dependent upon having collective bargaining agreements, either directly or indirectly through its employer organisation, with trade unions representing employees within that sector.

If Proffice, or its employer organisation, cannot enter into new collective bargaining agreements covering business sectors where Proffice is not active today or cannot retain agreements within business sectors where Proffice is active today, Proffice's ability to expand or retain its business may be affected.





# Five-Year Summary

| SEK million, unless otherwise indicated         | 1999         | 1998        | 1997         | 1996        | 1995        |
|---|--------------|-------------|--------------|-------------|-------------|
| <b>Net sales</b>                                | <b>1,388</b> | <b>857</b>  | <b>473</b>   | <b>249</b>  | <b>196</b>  |
| Revenue change                                  | 62.0%        | 81.1%       | 89.9%        | 27.0%       | 54.0%       |
| <b>Profit after financial items</b>             | <b>54</b>    | <b>35</b>   | <b>-16</b>   | <b>9</b>    | <b>7</b>    |
| <b>Gross margin</b>                             | <b>5.5%</b>  | <b>6.0%</b> | <b>-1.1%</b> | <b>4.0%</b> | <b>4.6%</b> |
| Operating margin before goodwill amortisation   | 4.7%         | 5.2%        | -2.1%        | 2.9%        | 3.6%        |
| Operating margin                                | 4.0%         | 4.2%        | -2.9%        | 2.9%        | 3.6%        |
| Profit after financial items, as % of revenue   | 3.9%         | 4.0%        | neg          | 3.6%        | 3.7%        |
| Return on operating capital                     | 79.8%        | 98.5%       | neg          | em          | em          |
| Return on shareholders' equity                  | 18.1%        | 43.3%       | neg          | 20.0%       | 12.0%       |
| <b>Total assets</b>                             | <b>632</b>   | <b>303</b>  | <b>171</b>   | <b>105</b>  | <b>59</b>   |
| <b>Shareholders' equity</b>                     | <b>279</b>   | <b>92</b>   | <b>31</b>    | <b>48</b>   | <b>11</b>   |
| Equity/assets ratio                             | 44.1%        | 30.4%       | 18.3%        | 45.6%       | 18.5%       |
| Net operating capital                           | -33          | -56         | -6           | -10         | -14         |
| Net operating capital/sales, %                  | -2.4%        | -6.6%       | -1.4%        | -4.0%       | -7.3%       |
| Operating capital                               | 76           | 63          | 42           | 3           | -6          |
| Net operating capital/sales, %                  | 5.5%         | 7.4%        | 8.8%         | 1.2%        | -3.2%       |
| Net debt/equity ratio                           | -0.7         | -0.3        | 0.3          | -0.9        | -1.3        |
| Interest coverage ratio                         | 12.5         | 9.2         | neg          | 16.4        | 17.4        |
| Average number of employees                     | 3,847        | 2,583       | 1,780        | 954         | 656         |
| Revenue per employee (SEK thousands)            | 361          | 332         | 266          | 261         | 299         |
| Value added per annual employee (SEK thousands) | 300          | 273         | 210          | 143         | 165         |
| Number of shares at end of period               | 15,740,000   | 13,600,000  | 12,600,000   | 12,500,000  | 10,000,000  |
| Average number of shares                        | 14,429,881   | 13,145,210  | 12,530,680   | 11,591,530  | 10,000,000  |
| <b>Earnings per share (SEK)</b>                 | <b>2.47</b>  | <b>1.83</b> | <b>-0.93</b> | <b>0.51</b> | <b>0.52</b> |
| <b>Equity per share (SEK)</b>                   | <b>17.73</b> | <b>6.74</b> | <b>2.46</b>  | <b>3.83</b> | <b>1.09</b> |
| Dividend (SEK)                                  | 0.50*        | -           | -            | -           | -           |

\* Proposed dividend

# Board of Directors' Report

*The Board and the Managing Director of Proffice AB (publ) hereby submit the following annual report and group report for 1999.*

## Ownership

Proffice AB is the Parent Company of the Group, which operates in Sweden, Norway, Finland and Denmark. Operations in Sweden are conducted mainly by Proffice Sverige AB and Proffice Care AB. In Norway, operations are conducted by Proffice Norge AS and in Finland by Oy Henkilöstöpalvelu Office Team Ab. In Denmark, operations are conducted via a representative office in Copenhagen. For more information on Proffice's ownership structure, please see page 28.

## Operations

During the past year, Proffice continued to expand strongly. The major part of this growth was organic. Net revenue for the Group increased during the year by 62 percent. In Sweden, the business grew by 73 percent. During the year, Proffice opened 15 new branches and is now present in 28 locations in Sweden and 16 locations in Norway. It is also represented in Denmark and Finland. Proffice is the fastest-growing company in the Nordic region, and the third-fastest in Europe. This is according to the Brussel-based organisation Growth Plus, which annually ranks the 500 fastest-growing companies in Europe.

In Norrköping, a major career and development programme is in progress for 400 former employees of Ericsson. At Avesta, a staffed switchboard centre has been established in association with Telia. In Denmark, the business is expanding, partly via an assignment to staff the toll and service stations at the Öresund Bridge. In Norway, Proffice has gained market shares, while in Finland Proffice has established a presence via acquisitions.

## Acquisitions and new companies

As part of the expansion in the Nordic region, the Finnish staffing company, Henkilöstöpalvelu Office Team, with its 80 employees, was acquired in October. In the Career & Development segment, the Group's positions were strengthened through the acquisition of the Tennebø Group, one of Norway's leading players in the sector. In warehousing and catering, Proffice purchased VicendaGruppen in Sweden and Personaltjenste in Norway. In order to strengthen expansion in the region, Partners Personal in Sundsvall was acquired.

In 1999, Proffice began operations in temporary staffing and recruitment in teaching and other educational professions. The business is being conducted via a company jointly owned with Pyslingen Förskolor.

## Major events since the end of the financial year

In January 2000, the Swedish market leader within career development and outplacement, Antenn Samarbetspartner, was acquired, as was Rekryterarna in Halmstad.

In the first quarter of 2000, Internet-based recruitment activities are being launched.

## Revenue

Revenue increased by 62 percent to SEK 1,388 (857) million, of which 7 percent was by acquisition. Temporary staffing accounted for 86 percent of revenue, while recruitment and outsourcing each represented 7 percent. Operations in Sweden produced 81 percent of revenue, with operations in Norway and Finland accounting for 18 percent and 1 percent, respectively.

## Profits

The Group reports a profit of SEK 65 (45) million before goodwill amortisation, corresponding to a margin of 4.7 (5.2) percent before goodwill amortisation. The decline in the margin is attributable to the Norwegian business. The operating profit totalled SEK 55 (36) million, corresponding to an operating margin of 4.0 (4.2) percent. The Group's profit after financial items was SEK 54 (35) million.

## Financial position and liquidity

On 31 December, liquid assets totalled SEK 205 (68) million, and the Group's equity/assets ratio was 44 (31) percent. Interest-bearing liabilities amounted to SEK 2 (7) million. At the financial year-end, the Group's shareholders' equity totalled SEK 279 (92) million. Available liquid assets, including unutilised lines of credit granted, amounted to SEK 215 (78) million.

## Cash flow

The cash flow after investments totalled SEK -18 (37) million. Investments—mainly in computer systems—excluding goodwill, amounted SEK 29 (12) million. Final settlement of the purchase price for the acquisition in Norway adversely affected cash flow in the amount of SEK 32 million.

## Refund from SPP

In October 1999, SPP announced that approximately SEK 21 million was being set aside for companies in the Proffice group. This has not been taken into account in the annual accounts for 1999.

## Personnel

New personnel were recruited throughout the year and the average number of annual employees during the period increased by 1,264 to 3,847 (2,583).

## Parent Company

The parent company's net sales amounted to SEK 1 (8) million. Profit/loss after financial items amounted to SEK -7 (-3) million. The unappropriated liquid resources including unutilised credit amounted to SEK 117 (13) million.

## Market listing

The company's shares have been listed on OM Stockholm's Stock Exchange since 11th October 1999.

The sales price was SEK 84. The last price paid on 30th December 1999 was SEK 157.

## Changes in the Board of Directors

When Nordic Capital Partners decreased their ownership in Proffice, their representatives left the Board of Proffice in October.

## Opportunity to repurchase own shares

Proffice's Board has decided to propose to the Annual General Meeting to commission the Board, before the next Annual General Meeting, to decide whether to buy back the company's own shares. This is conditional on the coming into force of the proposed legislation concerning the buying back of own shares. The shares may be bought back through the Stock Exchange or by an offer to the shareholders. It is also proposed that the Board's commission should include the opportunity of transferring shares which have been bought back within the framework provided by the new legislation.

## Outlook for 2000

There is substantial growth on the staffing market in the Nordic region. The Swedish trade association, SPUR, estimates that growth in Sweden, in the years to come, will amount to approximately 50 percent. There has been considerable deregulation in Norway which makes further expansion possible. Our goal is still to achieve organic growth on a par with the market.

## Proposed Appropriation of Profits

### THE FOLLOWING PROFIT IS AT THE DISPOSAL OF THE GENERAL SHAREHOLDERS' MEETING:

|                        |            |
|------------------------|------------|
| Income brought forward | 6,269,780  |
| Profit for the year    | 23,885,395 |
| Total, SEK             | 30,155,175 |

### THE BOARD PROPOSES THAT THE PROFIT BE ALLOCATED AS FOLLOWS:

|  |                        |
|--|------------------------|
| A dividend to the shareholders of SEK 0.50 per share | 8,370,000 <sup>1</sup> |
| To be entered in a new account                       | 21,785,175             |
| Total, SEK   | 30,155,175             |

## The Group

The Group's unrestricted equity amounts to SEK 48,743,000. No transfer to restricted reserves is proposed.

<sup>1</sup>) The total dividend is based on the number of shares as of 31st December 1999 (15,470,000) and future shares (1,000,000) at full utilisation of subscription options in March 2 000.

# PROFIT AND LOSS ACCOUNT

| (MSEK)   | Note    | Group     |           | Parent Company |           |
|--|---------|-----------|-----------|----------------|-----------|
|  |         | 1999      | 1998      | 1999           | 1998      |
| Revenue  | 2, 3    | 1 388     | 857       | 1              | 8         |
| <b>Operating costs</b>                               |         |           |           |                |           |
| Personnel costs                                      | 4, 5, 6 | -1 130    | -668      | -4             | -5        |
| Other external costs                                 | 7       | -182      | -138      | -6             | -7        |
| Depreciation of tangible assets                      | 8       | -11       | -6        | 0              | 0         |
| <b>Operating profit before goodwill amortisation</b> |         | <b>65</b> | <b>45</b> | <b>-9</b>      | <b>-4</b> |
| Depreciation of intangible assets                    | 8       | -10       | -9        |                |           |
| <b>Operating profit</b>                              |         | <b>55</b> | <b>36</b> | <b>-9</b>      | <b>-4</b> |
| <b>Result from financial investments</b>             |         |           |           |                |           |
| Earnings from participations in associated companies | 14      | -         | 1         | -              | -         |
| Interest income and similar profit/loss items        |         | 3         | 2         | 3              | 1         |
| Interest expense and similar profit/loss items       |         | -4        | -4        | -1             | -1        |
| <b>Profit/loss after financial items</b>             |         | <b>54</b> | <b>35</b> | <b>-7</b>      | <b>-3</b> |
| Appropriations                                       | 9       | -         | -         | 40             | 22        |
| <b>Pre-tax profit</b>                                |         | <b>54</b> | <b>35</b> | <b>33</b>      | <b>19</b> |
| Tax on profit for the year                           | 10      | -18       | -8        | -9             | -3        |
| Minority share                                       |         | -2        | 0         | -              | -         |
| <b>NET PROFIT FOR THE YEAR</b>                       |         | <b>34</b> | <b>27</b> | <b>24</b>      | <b>16</b> |

# BALANCE SHEET

| ASSETS (MSEK) 31 Dec                   | Note | Group      |            | Parent Company |           |
|--|------|------------|------------|----------------|-----------|
|  |      | 1999       | 1998       | 1999           | 1998      |
| <b>Fixed assets</b>                    |      |            |            |                |           |
| Intangible assets                      |      |            |            |                |           |
| Goodwill                               | 11   | 89         | 71         | -              | -         |
|  |      | 89         | 71         | -              | -         |
| Tangible assets                        |      |            |            |                |           |
| Equipment                              | 12   | 32         | 17         | 0              | 0         |
|  |      | 32         | 17         | 0              | 0         |
| Financial assets                       |      |            |            |                |           |
| Participations in Group companies      | 13   | -          | -          | 19             | 4         |
| Participations in associated companies | 14   | -          | 1          | -              | -         |
| Shares in affiliated companies         | 15   | 4          | 0          | 4              | 0         |
|  |      | 4          | 1          | 23             | 4         |
| <b>Total fixed assets</b>              |      | <b>125</b> | <b>89</b>  | <b>23</b>      | <b>4</b>  |
| <b>Current Assets</b>                  |      |            |            |                |           |
| Current receivables                    |      |            |            |                |           |
| Accounts receivable - trade            |      | 247        | 94         | -              | -         |
| Receivables from Group companies       |      | -          | -          | 118            | 58        |
| Other receivables                      |      | 19         | 12         | 10             | 7         |
| Prepaid expenses and accrued income    | 16   | 36         | 40         | 0              | 0         |
|  |      | 302        | 146        | 128            | 65        |
| Cash and bank balances                 |      | 205        | 68         | 117            | 13        |
| <b>Total current assets</b>            |      | <b>507</b> | <b>214</b> | <b>245</b>     | <b>78</b> |
| <b>TOTAL ASSETS</b>                    |      | <b>632</b> | <b>303</b> | <b>268</b>     | <b>82</b> |

# BALANCE SHEET

| SHAREHOLDERS' EQUITY AND LIABILITIES (MSEK) 31 Dec | Note | Group      |            | Parent company |           |
|--|------|------------|------------|----------------|-----------|
|  |      | 1999       | 1998       | 1999           | 1998      |
| <b>Shareholders' equity</b>                        | 17   |            |            |                |           |
| <b>Restricted equity</b>                           |      |            |            |                |           |
| Share capital                                      | 18   | 16         | 14         | 16             | 14        |
| Share premium reserve                              |      | 184        | 33         | 184            | 33        |
| Restricted reserves                                |      | 30         | 23         | 18             | 18        |
|  |      | 230        | 70         | 218            | 65        |
| <b>Non-restricted equity</b>                       |      |            |            |                |           |
| Profit/ loss brought forward                       |      | 15         | -5         | 6              | -10       |
| Net profit for the year                            |      | 34         | 27         | 24             | 16        |
|  |      | 49         | 22         | 30             | 6         |
| <b>Total shareholders' equity</b>                  |      | <b>279</b> | <b>92</b>  | <b>248</b>     | <b>71</b> |
| <b>Untaxed reserves</b>                            | 19   | -          | -          | <b>8</b>       | <b>3</b>  |
| <b>Minority interest</b>                           |      | <b>4</b>   | <b>1</b>   | -              | -         |
| <b>Provisions</b>                                  |      |            |            |                |           |
| Provisions for taxation                            |      | 4          | 2          | -              | -         |
| <b>Total provisions</b>                            |      | <b>4</b>   | <b>2</b>   | -              | -         |
| <b>Long-term liabilities</b>                       |      |            |            |                |           |
| Convertible loans                                  |      | -          | 3          | -              | 3         |
| Other long-term liabilities                        | 17   | 9          | 4          | -              | -         |
| <b>Total long-term liabilities</b>                 |      | <b>9</b>   | <b>7</b>   | <b>0</b>       | <b>3</b>  |
| <b>Current liabilities</b>                         |      |            |            |                |           |
| Accounts payable-trade                             |      | 27         | 13         | -              | -         |
| Income tax liability                               |      | 12         | 5          | 7              | 2         |
| Other liabilities                                  |      | 99         | 74         | 0              | 1         |
| Accrued expenses and deferred income               | 20   | 198        | 109        | 5              | 2         |
| <b>Total current liabilities</b>                   |      | <b>336</b> | <b>201</b> | <b>12</b>      | <b>5</b>  |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>  |      | <b>632</b> | <b>303</b> | <b>268</b>     | <b>82</b> |
| Pledged assets                                     | 21   | 65         | 52         | 3              | 3         |
| Contingent liabilities                             | 22   | 4          | 4          | None           | None      |

# STATEMENTS OF CHANGE IN FINANCIAL POSITION

| (MSEK)  | Group      |            | Parent Company |            |
|---|------------|------------|----------------|------------|
|   | 1999       | 1998       | 1999           | 1998       |
| <b>Day-to-day operations</b>  |            |            |                |            |
| Operating profit  | 55         | 36         | -9             | -4         |
| Adjustments for items not included in cash flow                               |            |            |                |            |
| Depreciation  | 21         | 15         | 0              | 0          |
|   | 76         | 50         | -9             | -4         |
| Interest received   | 3          | 3          | 3              | 1          |
| Interest paid   | -4         | -4         | -1             | -1         |
| Tax on profit for the year  | -18        | -8         | -9             | -3         |
| <b>Cash flow from day-to-day operations before changes in working capital</b> | <b>57</b>  | <b>41</b>  | <b>-16</b>     | <b>-6</b>  |
| <b>Change in working capital</b>  |            |            |                |            |
| Change in receivables   | -156       | -48        | -63            | -44        |
| Change in liabilities   | 135        | 98         | 7              | 3          |
| Change in deferred tax  | 2          | 2          | -              | -          |
| Change in minority interest   | 3          | 0          | -              | -          |
| <b>Cash flow from day-to-day operations</b>                                   | <b>41</b>  | <b>93</b>  | <b>-72</b>     | <b>-47</b> |
| <b>Investment operations</b>  |            |            |                |            |
| Acquisition of intangible fixed assets  | -29        | -44        | -              | -          |
| Acquisition of shares in Group companies                                      | -          | -          | -15            | -          |
| Acquisition of shares in affiliated companies                                 | -4         | 0          | -4             | 0          |
| Acquisition of tangible assets  | -26        | -12        | -              | -          |
| Sale of tangible assets   | 0          | 1          | -              | -          |
| Translation difference  | 0          | -1         | -              | -          |
| <b>Cash flow from investment operations</b>                                   | <b>-59</b> | <b>-56</b> | <b>-19</b>     | <b>0</b>   |
| <b>Financing operations</b>   |            |            |                |            |
| New share issue net after issue costs   | 150        | 34         | 150            | 34         |
| Loans raised  | 5          | 0          | -              | -          |
| Amortisation of debt  | 0          | -29        | -              | -          |
| Group contribution  | -          | -          | 45             | 25         |
| <b>Cash flow from financing operations</b>                                    | <b>155</b> | <b>5</b>   | <b>195</b>     | <b>59</b>  |
| <b>Change in liquid assets</b>  | <b>137</b> | <b>42</b>  | <b>104</b>     | <b>12</b>  |
| Liquid assets at beginning of year  | 68         | 26         | 13             | 1          |
| Liquid assets at year-end   | 205        | 68         | 117            | 13         |

# PRINCIPLES AND NOTES

The figures in the tables are expressed in SEK millions if not otherwise stated.

## Note 1 Accounting and valuation policies

The policies on accounting and valuation comply with the statements and recommendations of the Swedish Financial Accounting Standards Council. The policies on valuation are unchanged from those applied in the preceding year.

### Revenue recognition

Revenue comprises sales within the areas of temporary staffing, recruitment and outsourcing, plus revenue from franchised companies. Revenue is recognised when the service has been performed.

### Accounting for franchises

Franchises are accounted for gross, i.e. the full amount invoiced by Proffice to the customer is accounted for as net revenue to the Company. The fee to the franchisee is reported as personnel costs, and so Proffice reports a profit from the franchised business corresponding to the franchise fee paid by the franchisee to Proffice, in accordance with agreements entered into.

### Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at the year-end exchange rate. Gains and losses on receivables and liabilities relating to operations are reported net among other operating income or other operating costs.

### Consolidated financial statements

The consolidated financial statements have been prepared in accordance with Recommendation (RR1:96) on consolidated financial statements, issued by the Swedish Financial Accounting Standards Council. The purchase method is applied. The consolidated financial statements include subsidiaries in which the parent company directly or indirectly controls more than 50 per cent of the voting rights in the company.

The difference between the value of the shares and the fair value of net assets acquired is reported as goodwill. This goodwill is subject to annual review, taking into account the value of anticipated future cash flows.

Companies acquired during the year are included in the consolidated financial statements from the beginning of the year. Earnings before acquisition have been eliminated. Companies sold during the year are excluded from the consolidated financial statements from the beginning of the year.

The subsidiary acquired during the year, Oy Henkilöstöpalvelu Office Team Ab, has been consolidated from 1 October, 1999, in view of the fact that the financial year this company does not coincide with that of the Group.

### Translation of the profit and loss accounts and balance sheets of foreign subsidiaries

In translating the financial statements of foreign subsidiaries, the company applies the current method. In this, the assets and liabilities of the foreign subsidiaries are translated to Swedish kronor at the year-end exchange rate.

All profit and loss items are translated at the average exchange rate for the year. Translation differences are charged direct to equity.

### Associated companies

Associated companies are those which are not subsidiaries but companies in which the parent company directly or indirectly controls at least 20% of the votes represented by all participations. The results of associated companies are reported in the consolidated financial statements in accordance with the equity method.

### Minority interest

Minority shares in the equity of subsidiaries are reported as a separate heading between provisions and equity.

### Pension costs

Proffice participates in the ITP plan or similar multi-employer plans. The costs for participating in these plans are expensed as incurred.

## Note 2 Revenue

Revenue by geographical market is as follows:

| Revenue, including franchises        | Group        |            | Parent company |          |
|--------------------------------------|--------------|------------|----------------|----------|
|                                      | 1999         | 1998       | 1999           | 1998     |
| Sweden                               | 1,132        | 653        | 1              | 8        |
| Norway                               | 251          | 204        | -              | -        |
| Finland                              | 5            | -          | -              | -        |
| <b>Total</b>                         | <b>1,388</b> | <b>857</b> | <b>1</b>       | <b>8</b> |
| <b>Revenue, franchised companies</b> |              |            |                |          |
| Sweden                               | 25           | -          |                |          |
| Norway                               | 20           | 26         |                |          |
| <b>Total</b>                         | <b>45</b>    | <b>26</b>  |                |          |

### Franchise agreements

The owners of the franchises have via agreements provided Proffice AB with an option to purchase, after a certain date and on certain terms and conditions, 50 percent of the shares in the franchise. If Proffice decided to exercise this option, Proffice AB has undertaken, once a specific period has elapsed after the shares are taken over, to acquire the remainder of the shares in the franchise, at the request of the franchisee.

## Note 3 Intra-Group purchases and sales

Of Parent Company revenue, 66% (100%) pertains to intra-Group sales. No intra-Group purchases were made in either 1999 or 1998.

## Note 4 Average number of employees

|                     | 1999                |              | 1998                |             |
|---------------------|---------------------|--------------|---------------------|-------------|
|                     | Number of employees | Of whom men  | Number of employees | Of whom men |
| Parent company      |                     |              |                     |             |
| Sweden              | 2                   | 2            | 15                  | 3           |
| <b>Subsidiaries</b> |                     |              |                     |             |
| Sweden              | 2,975               | 694          | 2,011               | 356         |
| Norway              | 850                 | 349          | 557                 | 195         |
| Finland             | 20                  | 10           | 0                   | 0           |
| Total, subsidiaries | 3,845               | 1,053        | 2,568               | 551         |
| <b>Group, total</b> | <b>3,847</b>        | <b>1,055</b> | <b>2,583</b>        | <b>554</b>  |

# NOTES

## Note 5 Wages, salaries and other remuneration

|   | Group        |            | Parent company |          |
|---|--------------|------------|----------------|----------|
|   | 1999         | 1998       | 1999           | 1998     |
| <b>Board of Directors and Managing Director</b> |              |            |                |          |
| - salaries and other remuneration               | 5            | 5          | 1              | 0        |
| - social welfare costs                          | 1            | 1          | 0              | 0        |
| - pension costs                                 | 0            | 0          | 0              | 0        |
| <b>Sum</b>                                      | <b>6</b>     | <b>6</b>   | <b>2</b>       | <b>0</b> |
| <b>Other employees</b>                          |              |            |                |          |
| - wages, salaries and other remuneration        | 738          | 464        | 1              | 4        |
| - social welfare costs                          | 265          | 168        | 0              | 1        |
| - pension costs                                 | 16           | 10         | 0              | 0        |
| <b>Sum</b>                                      | <b>1,020</b> | <b>642</b> | <b>1</b>       | <b>5</b> |
| <b>TOTAL</b>                                    | <b>1,026</b> | <b>648</b> | <b>3</b>       | <b>5</b> |

### Of which, subsidiaries in Sweden

|  |            |            |  |  |
|--|------------|------------|--|--|
| - wages, salaries and other remuneration | 583        | 364        |  |  |
| - social welfare costs                   | 225        | 141        |  |  |
| - pension costs                          | 16         | 10         |  |  |
| <b>Sum</b>                               | <b>824</b> | <b>516</b> |  |  |

### Of which, subsidiaries, in Norway

|  |            |            |  |  |
|--|------------|------------|--|--|
| - wages, salaries and other remuneration | 151        | 96         |  |  |
| - social welfare costs                   | 39         | 25         |  |  |
| - pension costs                          | 1          | -          |  |  |
| <b>Sum</b>                               | <b>191</b> | <b>121</b> |  |  |

### Of which, subsidiaries in Finland

|  |          |          |  |  |
|--|----------|----------|--|--|
| - wages, salaries and other remuneration | 3        | -        |  |  |
| - social welfare costs                   | 0        | -        |  |  |
| - pension costs                          | 1        | -        |  |  |
| <b>Sum</b>                               | <b>4</b> | <b>-</b> |  |  |

## Note 6 Severance pay

In 1999, a total of SEK 175,000 was paid in the form of remuneration to the Board, SEK 50,000 of which was paid to the Chairman. In addition, one of the Board members received SEK 300,000, as per invoice, in consultancy fees for services rendered.

The Managing Director of Proffice AB received SEK 1,230,000 in salary and bonus payments. The Managing Director is subject to 12 months mutual notice of termination from the company and from the Managing Director himself. If the company gives notice of termination, and the notice is not due to gross negligence, the Managing Director is entitled to severance pay corresponding to one year's salary. Retirement benefit is paid in accordance with the prevailing ITP plan. In addition, Proffice pays SEK 80,000 per annum in a supplementary pension premium. The Managing Director holds subscription options corresponding to 133,000 B-shares in Proffice AB. In 1999, the Managing Director exercised his right to convert a debenture loan, amounting to a nominal SEK

870,000 and corresponding to 60,000 B-shares at a rate of SEK 14.50.

The Managing Director and the Director of Finance at Personellassistanse AS have been provided with an employment guarantee valid until the end of 2001. A similar employment guarantee has been provided to the Managing Director of Personellassistanse Vestfold AS, Thor Edvard Matiessen.

A commitment has been made to the Managing Director of Proffice Top Management Support AB guaranteeing 75% of the salary paid between the ages of 60 and 65 years. Other managing directors in the Group work to a period of notice of 6 months.

Pension benefits for other offices of the company follow, in all essentials, the general pension plan. Holdings of subscription options can be seen on pages 48 and 49. In 1999, some of the members of the Board and offices of the company exercised their right to convert debenture loans into B-shares at a rate of SEK 14.50.

## Note 7 Auditors' fees

|   | Group    |          | Parent company |          |
|---|----------|----------|----------------|----------|
|   | 1999     | 1998     | 1999           | 1998     |
| Standard auditing duties, Ernst & Young | 1        | 1        | 0              | 1        |
| Standard auditing duties, Nitschke      | 0        | 0        | -              | -        |
| Consultation, Ernst & Young             | 1        | -        | 1              | -        |
| <b>Total</b>                            | <b>2</b> | <b>1</b> | <b>1</b>       | <b>1</b> |

## Note 8 Depreciation

In the profit and loss account, the operating profit is charged with depreciation based on the original acquisition value and the estimated service life of the asset, using the following percentage rates:

|  |        |
|--|--------|
| Computer equipment                       | 33%    |
| Furniture                                | 10–20% |
| Other equipment                          | 20–25% |
| Goodwill, acquisitions before 31-12-1996 | 20%    |
| Goodwill, acquisitions after 31-12-1997  | 10%    |

## Note 9 Appropriations

|                             | Parent company |           |
|-----------------------------|----------------|-----------|
|                             | 1999           | 1998      |
| To tax allocation reserve   | -5             | -3        |
| Group contribution received | 45             | 25        |
| <b>Total</b>                | <b>40</b>      | <b>22</b> |

## Note 10 Tax on profit for the year

|              | Group     |          | Parent company |          |
|--------------|-----------|----------|----------------|----------|
|              | 1999      | 1998     | 1999           | 1998     |
| Current      | 16        | 6        | 9              | 3        |
| Deferred     | 2         | 2        | -              | -        |
| <b>Total</b> | <b>18</b> | <b>8</b> | <b>9</b>       | <b>3</b> |

## NOTES

### Note 11 Goodwill

|  | 1999        | 1998        |
|--|-------------|-------------|
| Acc. acquisition value, 1 January          | 84          | 39          |
| Translation difference                     | -1          | 1           |
| Purchases                                  | 29          | 44          |
| <b>Acc. acquisition value, December 31</b> | <b>112</b>  | <b>84</b>   |
| Acc. amortisation, January 1               | -13         | -4          |
| Amortisation for the year                  | -10         | -9          |
| <b>Acc. amortisation, December 31</b>      | <b>-23</b>  | <b>-13</b>  |
| <b>Book value</b>                          | <b>89</b>   | <b>71</b>   |
| <b>The Group's goodwill distributed by</b> | <b>1999</b> | <b>1998</b> |
| Sweden                                     | 16          | 14          |
| Norway                                     | 62          | 57          |
| Finland                                    | 11          | -           |
| <b>Total</b>                               | <b>89</b>   | <b>71</b>   |

### Note 12 Equipment

|  | Group      |            | Parent company |          |
|--|------------|------------|----------------|----------|
|  | 1999       | 1998       | 1999           | 1998     |
| Acc. acquisition value, 1 January          | 30         | 32         | 0              | 0        |
| Purchases                                  | 26         | 12         | 0              | 0        |
| Sales/ scrapping                           | 0          | -14        | 0              | 0        |
| <b>Acc. acquisition value, December 31</b> | <b>56</b>  | <b>30</b>  | <b>0</b>       | <b>0</b> |
| Acc. depreciation, January 1               | -13        | -19        | 0              | 0        |
| Sales/ scrapping                           | 0          | 12         | 0              | 0        |
| Depreciation for the year                  | -11        | -6         | 0              | 0        |
| <b>Acc. depreciation, December 31</b>      | <b>-24</b> | <b>-13</b> | <b>0</b>       | <b>0</b> |
| <b>Book value</b>                          | <b>32</b>  | <b>17</b>  | <b>0</b>       | <b>0</b> |

### Note 13 Financial assets

| Shares in Group companies         | 1999      | 1998     |
|-----------------------------------|-----------|----------|
| Acc. acquisition value, January 1 | 4         | 4        |
| Purchases                         | 15        | 0        |
| <b>Book value</b>                 | <b>19</b> | <b>4</b> |

| Parent Company holding | Registered office | Percentage holding | Percentage of votes | Number of participations | Book value |
|------------------------|-------------------|--------------------|---------------------|--------------------------|------------|
| Proffice Sverige AB    |                   |                    |                     |                          |            |
| Org. nr 556242-1718    | Stockholm         | 100.0%             | 100.0%              | 10.000                   | 0          |
| Telekunskap Norden AB  |                   |                    |                     |                          |            |
| Org. nr 556528-6043    | Stockholm         | 100.0%             | 100.0%              | 1.000                    | 0          |
| Proffice Care AB       |                   |                    |                     |                          |            |
| Org. nr 556543-1979    | Stockholm         | 70.0%              | 70.0%               | 700                      | 0          |

|                                     |          |        |        |       |           |
|-------------------------------------|----------|--------|--------|-------|-----------|
| Proffice Norge AS                   |          |        |        |       |           |
| Org. nr 977278910                   | Oslo     | 100.0% | 100.0% | 3,000 | 4         |
| OY Henkilöstöpalvelu Office Team Ab |          |        |        |       |           |
| Org. nr 421.721                     | Helsinki | 80.0%  | 80.0%  | 840   | 15        |
| <b>Total</b>                        |          |        |        |       | <b>19</b> |

| Proffice Sverige AB holding                       | Registered number | Home office | Percentage holding | Percentage of votes |
|---|-------------------|-------------|--------------------|---------------------|
| Ärvinge Service AB                                | 556224-7287       | Stockholm   | 100.0%             | 100.0%              |
| Kista Kontorsservice AB                           | 556465-0611       | Stockholm   | 100.0%             | 100.0%              |
| Proffice Karriär och Utveckling AB                | 556249-5191       | Stockholm   | 100.0%             | 100.0%              |
| Proffice System Production Center i Norrköping AB | 556572-9687       | Norrköping  | 100.0%             | 100.0%              |
| Proffice Management AB                            | 556376-9917       | Stockholm   | 100.0%             | 100.0%              |
| Proffice Väst AB                                  | 556088-6102       | Gothenburg  | 100.0%             | 100.0%              |
| Proffice Top Management Support AB                | 556351-5591       | Gothenburg  | 100.0%             | 100.0%              |
| Säljakuten AB                                     | 556529-5077       | Gothenburg  | 100.0%             | 100.0%              |
| VicendaGruppen AB                                 | 556520-5134       | Sollentuna  | 100.0%             | 100.0%              |
| Partner Personal i Sundsvall AB                   | 556558-4686       | Sundsvall   | 100.0%             | 100.0%              |

#### Proffice Care AB holding

|                          |             |            |        |        |
|--------------------------|-------------|------------|--------|--------|
| Vårdkompetens Sverige AB | 556136-9504 | Gothenburg | 100.0% | 100.0% |
|--------------------------|-------------|------------|--------|--------|

#### Proffice Norge AS holding

|                                  |           |             |        |        |
|----------------------------------|-----------|-------------|--------|--------|
| Personellassistanse Holding AS   | 948762404 | Oslo        | 100.0% | 100.0% |
| Personellassistanse AS           | 937514034 | Oslo        | 100.0% | 100.0% |
| Personalia AS                    | 945731052 | Stavanger   | 100.0% | 100.0% |
| Personellassistanse Trøndelag AS | 979516797 | Trondheim   | 75.0%  | 75.0%  |
| Personellassistanse Vestfold AS  | 976069919 | Larvik      | 50.1 % | 50.1 % |
| Personellassistanse Bergen AS    | 976212657 | Bergen      | 50.1 % | 50.1 % |
| Personellassistanse Östfold AS   | 977320755 | Fredrikstad | 51.0%  | 51.0%  |
| Personellassistanse Buskerud AS  | 976947223 | Drammen     | 100.0% | 100.0% |
| Proffice IT AS                   | 980546012 | Oslo        | 81.0%  | 81.0%  |
| Executiv Search Partner AS       | 978632157 | Oslo        | 98.0%  | 98.0%  |
| Personaltjeneste AS              | 966673176 | Oslo        | 100.0% | 100.0% |
| Tennebø & Partners AS            | 954590747 | Oslo        | 100.0% | 100.0% |
| Mainstream AS                    | 953680076 | Oslo        | 100.0% | 100.0% |

The minority shareholders in Oy Henkilöstöpalvelu Office Team Ab have an option to sell their holding to Proffice. This option may be exercised during the period 15-10-2002–15-02-2003. Proffice has undertaken to pay at least FIM 2.1 million. Proffice AB has a corresponding option to acquire the minority shareholders' holding.

Proffice Sverige AB has undertaken an additional purchase price payment, amounting to SEK 2.4 million, to Partners Personal i Sundsvall AB provided that the company achieves the goals established.

## NOTES

Proffice Norge AS has offered a supplementary purchase sum for Tennebø & Partners AS, amounting to NOK 5 million on the condition that the company reaches certain goals.

In January 1999, Personellassistanse Holding AS signed an agreement concerning the formation of Proffice IT AS, with the company's managing director, Morten Adamson. Adamson holds shares corresponding to ten percent of the votes and capital of Proffice IT AS. During the period 1 April, 2002—1 April, 2003, Adamson may request Personellassistanse Holding AS to acquire his shares in Proffice IT AS. In that event, the purchase price shall be based on the results of Proffice IT AS and the amount by which Proffice AB's subsidiaries increase their market shares in the oil and offshore sector. However, the total purchase price shall not exceed NOK 10 million. Personellassistanse Holding AS and Proffice AB have an option to acquire the shares from Andreassen on similar terms.

If the agreement cannot be implemented as a result of stipulations under Norwegian company law, Andreassen shall, to the extent he is entitled in accordance with normal commercial practices, receive an increase of no more than NOK 10 million in his salary in respect of the period to December 31, 2003, inclusive.

Similar terms as for the managing director apply to one other member of the executive management of Proffice IT, Benthe Bergseth, who holds two percent of the shares in Proffice IT AS. The maximum payment to Bergseth is NOK 1 million.

### Note 14 Shares in associated companies

In 1998, Vårdkompetens Sverige AB was an associated company in that the Group's share of capital and votes was 50%. In 1999, the whole of the company was transferred to Proffice Care AB and thus became a wholly owned subsidiary.

### Note 15 Shares in affiliated companies

|                        | Registered office | Share of capital and voting rights |      | Book value |      |
|------------------------|-------------------|------------------------------------|------|------------|------|
|                        |                   | 1999                               | 1998 | 1999       | 1998 |
| <b>Holdings</b>        |                   |                                    |      |            |      |
| Proffice Communication |                   |                                    |      |            |      |
| Center Europe AB       | Stockholm         | 19.9%                              | -    | 4          | -    |

### Note 18 Share capital

|                                 | A-shares  | Number of votes | B-shares   | Number of votes | Total shares | Total votes |
|---------------------------------|-----------|-----------------|------------|-----------------|--------------|-------------|
| Number of shares at 1 January   | 156,000   | 1,560,000       | 1,204,000  | 1,204,000       | 1,360,000    | 2,764,000   |
| Share split 10:1                | 1,404,000 | 14,040,000      | 10,836,000 | 10,836,000      | 12,240,000   | 24,876,000  |
| Reclassification, A to B        | -560,000  | -5,600,000      | 560,000    | 560,000         | 0            | -5,040,000  |
| New share issue                 |           |                 | 1,900,000  | 1,900,000       | 1,900,000    | 1,900,000   |
| Conversion                      |           |                 | 240,000    | 240,000         | 240,000      | 240,000     |
| Number of shares at 31 December | 1,000,000 | 10,000,000      | 14,740,000 | 14,740,000      | 15,740,000   | 24,740,000  |

### Note 16 Prepaid expenses and accrued income

|                         | Group     |           |
|-------------------------|-----------|-----------|
|                         | 1999      | 1998      |
| Prepaid rent            | 3         | 3         |
| Prepaid leasing charges | 1         | 1         |
| Accrued income          | 21        | 33        |
| Other items             | 11        | 3         |
| <b>Total</b>            | <b>36</b> | <b>40</b> |

### Note 17 Changes in shareholders' equity

| Group                        | Share capital | Share premium reserve | Restricted reserves | Profit/loss brought forward | Net profit/loss for the year | Total |
|------------------------------|---------------|-----------------------|---------------------|-----------------------------|------------------------------|-------|
|                              |               |                       |                     |                             |                              |       |
| Amount at 1 January          | 14            | 33                    | 23                  | -5                          | 27                           | 92    |
| New share issue              | 2             | 158                   |                     |                             |                              | 160   |
| Conversion                   | 0             | 3                     |                     |                             |                              | 3     |
| Issue costs                  |               | -10                   |                     |                             |                              | -10   |
| Displacement non-restricted  |               |                       | 7                   | -7                          |                              | 0     |
| Allocation of profits        |               |                       |                     | 27                          | -27                          | 0     |
| Net profit/loss for the year |               |                       |                     |                             | 34                           | 34    |
| Amount at December 31        | 16            | 184                   | 30                  | 15                          | 34                           | 279   |

### Parent company

|                              | Share capital | Share premium reserve | Statutory reserve | Profit/loss brought forward | Net profit/loss for the year | Total |
|------------------------------|---------------|-----------------------|-------------------|-----------------------------|------------------------------|-------|
|                              |               |                       |                   |                             |                              |       |
| Amount at 1 January          | 14            | 33                    | 18                | -10                         | 16                           | 71    |
| New share issue              | 2             | 158                   |                   |                             |                              | 160   |
| Conversion                   | 0             | 3                     |                   |                             |                              | 3     |
| Issue costs                  |               | -10                   |                   |                             |                              | -10   |
| Distribution of profit/loss  |               |                       |                   | 16                          | -16                          | 0     |
| Net profit/loss for the year |               |                       |                   |                             | 24                           | 24    |
| Amount at December 31        | 16            | 184                   | 18                | 6                           | 24                           | 248   |

# NOTES

## Note 19 Untaxed reserves

|                                      | 1999     | 1998     |
|--------------------------------------|----------|----------|
| Tax allocation reserve, tax for 1999 | 3        | 3        |
| Tax allocation reserve, tax for 2000 | 5        | -        |
| <b>Total</b>                         | <b>8</b> | <b>3</b> |

## Note 20 Accrued expenses and deferred income

|                            | Group      |            | Parent company |          |
|----------------------------|------------|------------|----------------|----------|
|                            | 1999       | 1998       | 1999           | 1998     |
| Holiday pay liability      | 63         | 30         | 1              | 1        |
| Social welfare charges     | 56         | 36         | 0              | 0        |
| Accrued wages and salaries | 68         | 30         | 0              | 0        |
| Income invoiced in advance | 5          | 7          | -              | -        |
| Other items                | 6          | 6          | 4              | 1        |
| <b>Total</b>               | <b>198</b> | <b>109</b> | <b>5</b>       | <b>2</b> |

## Note 21 Pledged assets

|  | Group     |           | Parent Company |          |
|--|-----------|-----------|----------------|----------|
|  | 1999      | 1998      | 1999           | 1998     |
| <b>For own liabilities</b>   |           |           |                |          |
| For granted but not utilised bank overdraft of SEK 10 million and for granted factoring credit of SEK 8 million, of which SEK 2 million has been utilised. |           |           |                |          |
| Chattel mortgages  | 27        | 27        | -              | -        |
| Shares in subsidiaries   | 34        | 23        | 1              | 1        |
| Accounts receivable  | 2         | -         | -              | -        |
| <b>Total regarding own liabilities</b>   | <b>63</b> | <b>50</b> | <b>1</b>       | <b>1</b> |
| <b>Other pledged assets</b>  |           |           |                |          |
| Chattel mortgages  | 2         | 2         | 2              | 2        |
| Total other pledged assets   | 2         | 2         | 2              | 2        |
| <b>Total pledged assets</b>  | <b>65</b> | <b>52</b> | <b>3</b>       | <b>3</b> |

## Note 22 Contingent liabilities

|                                     | Group    |          | Parent Company |          |
|-------------------------------------|----------|----------|----------------|----------|
|                                     | 1999     | 1998     | 1999           | 1998     |
| Guarantees on behalf of             |          |          |                |          |
| Proffice Communication Center AB    | 4        | 4        | -              | -        |
| <b>Total contingent liabilities</b> | <b>4</b> | <b>4</b> | <b>-</b>       | <b>-</b> |

*Stockholm, 14 February 2000*

URBAN JANSSON  
Chairman

CHRISTER HÄGGLUND

ROLAND NILSSON

BJÖRN NORDSTRAND

CHRISTER SANDAHL

LARS F. WINDFELDT

SYLVIA KRISTENSEN

ANU-REET WINTERHJELM

ALF JOHANSSON  
CEO

# AUDITORS' REPORT

**AUDITORS' REPORT  
TO THE ANNUAL GENERAL MEETING PROFFICE AB (PUBL)  
REG.NR 556089-6572**

We have examined the Annual Report and the Consolidated Financial Statement, the accounts and the administration of the Board and the Managing Director of Proffice AB (publ) for the fiscal year 1999. The Board and the Managing Director are liable for the financial statements and the administration. Our responsibility is to express an opinion of the annual report, the consolidated financial statements and the administration on the basis of our audit.

The audit has been carried out in accordance with generally accepted accounting principles. This means that we planned and implemented the audit in such a way as to reasonably assure ourselves that the annual report and the consolidated financial statements are free of material errors. An audit includes a review of a selection of the documents that support the amounts and other information in the financial statements. An audit also includes the examination of the accounting principles and their application by the Board of Directors and the Managing Director and an evaluation of the overall information in the annual report and the consolidated financial statements. We have examined significant decision, actions taken and circumstances in the company in order to be able to determine the possible liability to the company of any Board Member or the Managing Director. We have also examined whether any Board Member or the Managing Director, in some other way, has acted in contravention of the Companies Act, the Annual Accounts Act or the company's Articles of Association. We believe that our audit has provided us with a reasonable basis for our opinion as set forth below.

The Annual Report and the Consolidated Financial Statements have been prepared in accordance with the Annual Accounts Act and therefore present a fair picture of the company's and the Group's profit and financial position, in accordance with generally accepted accounting principles in Sweden.

We recommend that the General Meeting of Shareholders adopt the Financial Statement and the Balance Sheet for the parent company and the Group, deal with the profits in the parent company in accordance with the proposal in the Board of Director's Report and discharge the Board Members and Managing Director from liability for the fiscal year.

*Stockholm, March 8, 2000*

Torbjörn Hanson  
*Authorised Public Accountant*  
*Ernst & Young AB*

Johan Kaijser  
*Authorised Public Accountant*  
*Ernst & Young AB*



## DEFINITIONS

### MARGINS

#### Margin before depreciation

Profit/loss before depreciation, as a percentage of net revenue.

#### Margin before goodwill amortization

Profit/loss before goodwill amortization, as a percentage of net revenue.

#### Operating margin

Operating profit/loss, as a percentage of net revenue.

#### Profit margin

Profit after financial items, as a percentage of net revenue.

### RETURN ON CAPITAL EMPLOYED

#### Return on operating capital

Operating profit/loss, as a percentage of average operating capital.

#### Return on shareholders' equity

Net profit/loss, as a percentage of average shareholders' equity.

### CAPITAL STRUCTURE

#### Net working capital

Interest-free current assets, less interest-free current liabilities.

#### Operating capital

Total assets less interest-free liabilities, short-term investments and financial fixed assets. The additional purchase price in respect of the acquisition of Personellassistanse Holding AS, entered as a liability on December 31, 1998, which carried no interest, has in this context been regarded as an interest-bearing liability.

#### Net interest-bearing liabilities

Interest-bearing liabilities, less short-term investments. In this context the additional purchase price referred to above, entered as a liability on December 31, 1998, which carried no interest, has been regarded as an interest-bearing liability.

#### Net indebtedness

Net interest-bearing liabilities, divided by shareholders' equity including minority interests. A negative figure for net indebtedness indicates that short-term placements exceed interest-bearing liabilities.

#### Equity/assets ratio

Shareholders' equity including minority interests, divided by total assets.

#### Interest coverage ratio

Profit/loss after financial items plus financial expense, divided by financial expense.

### EMPLOYEES

#### Average number of full-time equivalent employees

Aggregate number of hours worked in the Group during the year divided by the normal annual number of working hours per full-time employee.

#### Value added per employee

Value added (operating profit plus personnel costs) divided by the average number of full-time equivalent employees.

### DATA PER SHARE

#### Profit after taxes

Net profit for the period divided by the average number of shares. The average number of shares in issue has been calculated as a weighted average of the number of shares in issue during the year, taking into account the point in time during the year when the new share issues was carried out.

#### Shareholders' equity

Shareholders' equity divided by the number of shares outstanding at the end of the period.

# BOARD OF DIRECTORS



## URBAN JANSSON, CHAIRMAN

Halmstad, born 1945  
 Chairman of the Board of Directors of Proffice AB since 1998  
 Other Board duties: Chairman of Perstorp, Scandic Hotels, Epani, Intrum Justitia, MacGregor and Maingate. Deputy chairman of Bure. Board member of SAS, SEB, HMS and Ahlström  
 Proffice shares held: 20,000 B shares  
 Warrants entitling to subscription for 30,000 B shares in Proffice

## CHRISTER HÄGGLUND

Djursholm, born 1953  
 Member of the Board of Directors of Proffice AB since 1990  
 Proffice shares held: 1,000,000 A shares and 5,388,000 B shares  
 Warrants entitling to subscription for 112,000 B shares in Proffice

## ROLAND NILSSON

Bromma, born 1950  
 President and Chief Executive Officer of Scandic Hotel AB  
 Member of the Board of Directors of Proffice AB since 1999  
 Other Board duties: Member of the Board in Frango AB, Hotellus AB and Synergica AB. Member of the Board in Defcom Holding AB, LinkTech AB, ScandiaConsult AB and Scandic Hotels AB  
 Proffice shares held: 200  
 Warrants entitling to subscription for 10,000 B shares in Proffice

## BJÖRN NORDSTRAND

Halmstad, born 1942  
 Member of the Board of Directors of Proffice AB since 1993  
 Other Board duties: Chairman of the board of Icon Medialab, Hotel Tylösand and Boss Media  
 Board member of SSRS Holding and Duni  
 Proffice shares held: 30,000  
 Proffice warrants held: 0

## CHRISTER SANDAHL

Stockholm, born 1944  
 Chief Executive Officer of Scandinavian Leisure Group  
 Member of the Board of Directors of Proffice AB since 1992  
 Other Board duties: Board member of Airtours PLC, SLG, Ving, Sunwing, Always, Saga, Spies, Tjäreborg and PremiAir  
 Proffice shares held: 30,000 B-shares  
 Proffice warrants held: 0

## LARS F. WINDFELDT

Oslo, born 1955  
 Chief Executive Officer of De Facto AS.  
 Member of the Board of Directors of Proffice AB since 1998  
 Other Board duties: Chairman of the Board in Tele 1 Europe Holding AB, Iterium.net AB, Defcom Holding AB and NetConnect Systems AS  
 Proffice shares held: 64,000 B-shares  
 Proffice warrants held: 0

## SYLVIA KRISTENSEN

Stockholm, born 1948  
 Employee representative  
 Member of the Board of Directors of Proffice AB since 1999  
 Proffice shares held: 0  
 Proffice warrants held: 0

## ANU-REET WINTERHJELM

Stockholm, born 1941  
 Employee representative  
 Member of the Board of Directors of Proffice AB since 1999  
 Proffice shares held: 100 B-shares  
 Proffice warrants held: 0

## Deputy Director:

### ALF JOHANSSON

Vallentuna, born 1956  
 Chief Executive Officer  
 Deputy Member of the Board of Directors of Proffice AB since 1999  
 Other Board duties: Board member of SPUR (the Swedish Association of Temporary Work Businesses and Staffing Services)  
 Proffice shares held: 60,250 B-shares  
 Warrants corresponding to 133,000 shares series B in Proffice

## SENIOR EXECUTIVES AND AUDITORS

### GÖRAN ARNELL

Born 1961, employed by Proffice since 1999  
Manager North region  
Proffice shares held: 250

### MATS ENGSTRÖM

Born 1952, employed by Proffice since 1998  
Manager region Stockholm  
Proffice shares held: 250  
Warrants entitling to subscription for 6,000 B shares  
in Proffice

### TOM RUNE GRAARUD

Born 1959, employed at Personellassistanse AB (now  
Proffice Norge AS) since 1985  
Managing Director of Proffice Norge AS  
Proffice shares held: 59,350

### BIANCA GYLLENBERG

Born 1957, employed at Oy Henkilöstöpalvelu Office  
Team Ab since 1988  
Managing Director of Office Team AB  
Proffice shares held: 0

### NICLAS HANDFAST

Born 1965, employed by Proffice since 1997  
Executive Vice President of Proffice Sverige AB  
Proffice shares held: 60,000  
Warrants entitling to subscription for 100,000 B  
shares in Proffice

### EVA JALDELAND

Born 1952, employed by Proffice since 1994  
Manager Central region  
Proffice shares held: 250  
Warrants entitling to subscription for 6,000 B shares  
in Proffice

### ALF JOHANSSON

Born 1956, employed by Proffice since 1997  
Chief Executive Officer  
Proffice shares held: 60,250  
Warrants entitling to subscription for 133,000 B  
shares in Proffice

### GÖRGEN MOLÉN

Born 1946, employed by Proffice since 1999  
Manager West region  
Proffice shares held: 250  
Warrants entitling to subscription for 6,000 B shares  
in Proffice

### EVA OLLÉN

Born 1953, employed by Proffice since 1995  
Manager South region  
Proffice shares held: 0  
Warrants entitling to subscription for 6,000 B shares  
in Proffice

### MARTIN E. RUNEFELT

Born 1958, employed by Proffice since 1995  
Head of Human Resources Proffice Sverige AB  
Proffice shares held: 270  
Warrants entitling to subscription for 6,000 B shares  
in Proffice

### JAN SELJEMO

Born 1953, employed as from 1st April 2000  
Chief Financial Officer at Proffice AB  
Proffice shares held: 0

### ANITA SKOG ERIXON

Born 1948, employed by Proffice since 1997  
Managing Director of Proffice Care AB  
Proffice shares held: 250  
Warrants entitling to subscription for 3,000 B shares  
in Proffice

### ULRIKA STEINER

Born 1953, employed by Proffice since 1999  
Sales Manager Proffice Sverige AB  
Proffice shares held: 0

### HANS UHRUS

Born 1958, employed by Proffice since 1994  
Senior Vice President Corporate Communications at  
Proffice AB  
Proffice shares held: 250  
Warrants entitling to subscription for 13,000 B shares  
in Proffice

#### Auditors:

#### TORBJÖRN HANSON

Stockholm, born 1943  
Authorised Public Accountant  
Ernst & Young AB  
Auditor of Proffice since 1999

#### JOHAN KAIJSER

Stockholm, born 1951  
Authorised Public Accountant  
Ernst & Young AB  
Auditor of Proffice since 1991

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| Borås      | Jönköping    | Norrköping  | Uppsala  |
| Eskilstuna | Karlstad     | Orsa        | Varberg  |
| Falun      | Katrineholm  | Stockholm   | Visby    |
| Gislaved   | Kista        | Sundsvall   | Västerås |
| Gävle      | Kristianstad | Söderhamn   | Örebro   |
| Gothenburg | Linköping    | Södertälje  |          |
| Halmstad   | Lund         | Trollhättan |          |

|            |            |
|------------|------------|
| Gävle      | Norrköping |
| Gothenburg | Stockholm  |
| Malmö      | Uppsala    |

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|                       |              |            |           |
|-----------------------|--------------|------------|-----------|
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| Bodø                  | Kristiansand | Porsgrunn  | Trondheim |
| Drammen               | Larvik       | Sandefjord | Tønsberg  |
| Fredrikstad / Østfold | Molde        | Sandvika   |           |
|                       | Moss         | Stavanger  |           |

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