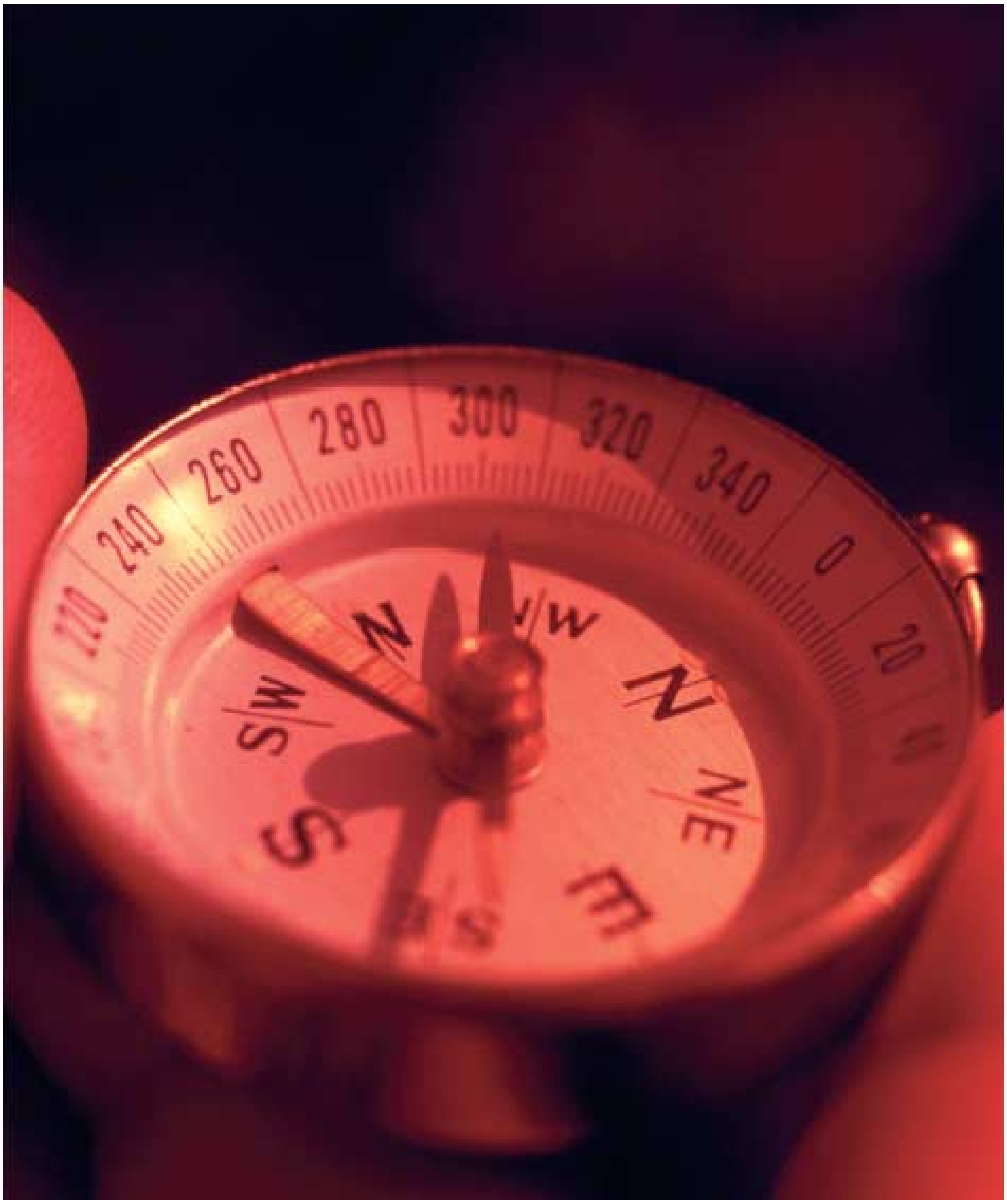
IMPROVING MARKET KNOWLEDGE AND VALUE



EXIDO | IT Watch Nordic: Focus on Sweden
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Executive Summary

After a long period characterized by doubtfulness about the importance of IT, the confidence is now back and the vendors are very positive to the future and 2006 in particular. During the next 12 months we will experience increasing demand in all IT segments for the first time since 1998. The IT budgets during 2006 will increase with 4.3 percent. The fastest growth we see in small and middle size organizations. The public sector has a growth almost as strong as the private sector, with the exception of the regional governments.

The growth rate has resulted in increasing demand. After a weak end of 2005 with an overall demand growth of 2 percent, we now experience growth in all segments in 2006. Increasing IT efficiency, driven by decreasing price levels on hardware and for IT consultants, was 8 % during 2005. This has resulted in that a larger part of the IT budget is now spent outside the organizations and the increasing demand results in another 375 M€ spent on IT services and products.

Consolidation

In Sweden there are relatively many vendors on the market in relation to the market value, but we are starting to see a consolidation trend. During 2005, the number of vendors with more than 32 M€ in turnover reduced with 12 percent and the consolidation will continue.

Efficiency and security

The strongest IT investment driver is the need for greater efficiency, but looking security is the most prioritized IT investment. This emphasizes the problem many businesses are currently facing. Instead of focusing on value creating investments they have to deal with more defensive actions.

IT on demand

IT on demand or subscription based software will grow quickly in Sweden. The interest among customers for these services increase fast and vendors prepare themselves with alternatives to the traditional software license model and implementation projects. 9 percent has purchased IT on demand, a number that will increase significantly in a short time.

Offshore

The movement of IT related activities to external outsourcing vendors continues and the outsourcing market is growing in all sectors and industries. The growth has not yet significantly affected the offshore market. The interest in offshore is decreasing slightly since last year, but the value of those IT related deliverables from offshore vendors is increasing. The increase will continue.

Scarcity of IT competence

With increasing demand for consultant services and scarcity of certain IT competence the market will increase price levels for these competences, systems development competence and technical competence within integration platforms in particular.

Nordic comparison

There are very few differences in the Nordic IT market. 38 percent of the total Nordic IT budget of 38.16 B€ is spent in Sweden.

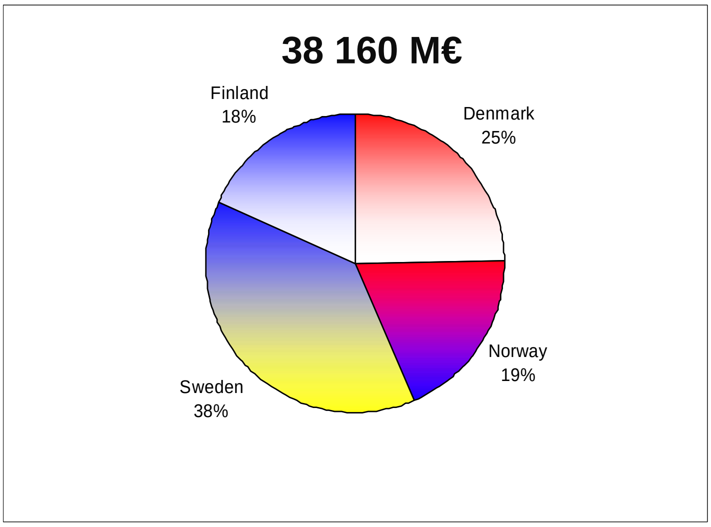

Diagram 1. Nordic IT budget.

Source: EXIDO, IT-barometern Nordic Spring 2006

The Swedish IT market, in comparison to their Nordic neighbours, shows less growth during 2006. The IT market in Sweden has reached a relatively high maturity level with stable growth. During a long time the need for greater efficiency has been the major driver for increasing IT investments in Sweden and IT is used for rationalization to a higher extent. Many businesses in Sweden currently experience their 3rd or 4th generation of heavy IT investments that also put higher demand on vendors realizing increasing efficiency with every invested Krona. The Finish IT market is characterized with positive attitude towards the future and large investments in ERP systems during 2006. In Norway there is also a positive attitude and IT budget growth in 2006 is expected to be significant. The IT budget growth result in growing demand for outsourcing and platforms in particular. In Denmark the growth is also strong and the prioritized area is hardware.

Table 1. IT budget size and growth 2006.

	IT budget 2006	Growth 2006
Denmark	9440 M€	7 %
Finland	6960 M€	7 %
Norway	7250 M€	6 %
Sweden	14510 M€	4 %

Source: EXIDO, IT-barometern Nordic Spring 2006

The size of the IT budget is very different in the Nordic countries. The total IT budget in Sweden is twice the size of any other Nordic country. That is due to the heavy investments in the private sector. In Sweden there are many larger enterprises that invest 4 times more per employee than the smallest businesses. Norway and Denmark do not have corresponding number of large enterprises. The difference in the public sector is smaller.

Table 2. IT budget size by employee.

	Private sector	Public sector	Grand total
Denmark	3 872 €	2 873 €	3 562 €
Finland	3 508 €	2 652 €	3 246 €
Norway	3 437 €	2 619 €	3 188 €
Sweden	4 506 €	2 779 €	3 900 €

Source: EXIDO, IT-barometern Nordic Spring 2006

Finland experience high growth that will decrease the distance to Sweden within the next years.

The strongest driver for increasing IT investments in all the Nordic countries is need of greater efficiency.