

AcandoFrontec AB

Interim report for the period January – September 2003

The new AcandoFrontec is in place

- Net sales amounted to SEK 338 million (430) for the period and SEK 125 million (91)¹ for the third quarter.
- The Group's operating loss, EBIT, was SEK -153 million (-43) for the period and SEK -84 million (-4) for the third quarter.
- The loss after tax was SEK -150 million (54) for the period and SEK -80 million (96) for the third quarter. The loss per share amounted to SEK -3.79 (1.56) for the period and SEK -1.44 (2.79) for the third quarter.
- The result for the period was charged with costs of SEK 93 million for structural measures. These costs were previously announced in the six-month interim report and a separate press release. Of the SEK 93 million, SEK 59 million has been charged to the third quarter. Of the total SEK 93 million, SEK 66 million consists of costs in connection with the merger of Acando and Frontec, including the improvement program implemented during the third quarter. SEK 27 million refers to previous measures taken by Frontec AB.
- The Group's liquid assets, including short-term investments, amounted to SEK 111 million (184) at the end of the period.

THE GROUP IN SUMMARY

	3 MOS. JUL – SEP 2003	3 MOS. JUL – SEP 2002	9 MOS. JAN- SEP 2003	9 MOS. JAN – SEP 2002	12 MOS. JAN – DEC 2002
Net sales, SEK million	125	91	338	430	553
Operating profit/loss, EBIT, SEK million	-84	-4	-153	-43	-56
Profit/loss after net financial items, SEK million	-83	96	-153	53	42
Profit/loss after tax, SEK million	-80	96	-150	54	42
Operating margin, %	-67	-4	-45	-10	-10
Return on capital employed, %	-51	57	-77	28	23
Return on equity, %	-51	58	-78	29	23
Equity/assets ratio, %	47	66	47	66	62
Profit/loss per share after dilution, SEK*	-1.44	2.79	-3.79	1.56	1.29
Average number of employees	659	623	565	717	736
No. of employees at end of period	643	473	643	473	510

* The dilution effect is not taken into account in negative results

¹ Acando AB has been consolidated as of July 2003.

Frontec after structural changes (pro forma)

	3 MOS. JUL – SEP 2003	3 MOS. JUL – SEP 2002	9 MOS. JAN- SEP 2003	9 MOS. JAN – SEP 2002
Net sales, SEK million	125	136	338	362
Operating profit/loss, EBIT, SEK million	-84	-9	-153	-43
Profit/loss after net financial items, SEK million	-83	89	-153	51
Operating margin, %	-67	-7	-45	-12
Profit/loss per share after dilution, SEK*	-1.44	2.61	-3.79	1.53
Average number of employees	659	884	565	769
No. of employees at end of period	643	724	643	724

* In comparison with the previous year BlueLabs is excluded and Acando included in the third quarter.

The new AcandoFrontec is in place

AcandoFrontec is a management and IT company that helps customers in the public and private sectors to improve their operations with the help of IT. Its specialty is *business integration*, where quick operational improvements are achieved by developing organizations, processes and IT support.

AcandoFrontec's target group is large and medium-size businesses and organizations. The largest customers thus far in 2003 have been Volvo, AstraZeneca, Ericsson, TeliaSonera and the Swedish Migration Board.

The integration between Acando and Frontec was completed during the third quarter. A new organization has been established and a comprehensive improvement program is largely completed.

Through these measures, the organization can once again fully focus on its customers and revenue-generating activities.

This, together with the cost reductions now being implemented, provide good opportunities to reach profitability in 2004.

Improvement program

The company is dimensioning and planning for the year ahead based on a forecast of unchanged demand and prices.

Consequently, an improvement program has been largely completed in parallel with the integration of the two companies. The program, which is expected to generate an earnings improvement of SEK 75 million on an annual basis, includes the following measures:

- Frontec's Luleå unit, with 69 employees, is being dissolved
- Cutbacks in system development consulting operations in Stockholm
- Reduction in administrative staff nationally by 43%, or 27 employees
- Office space needs are being cut in half and the efficiency of administrative processes is being improved.

The costs of implementing the improvement program were charged to the third quarter in a total one-time amount of SEK 59 million. In terms of liquidity, the greatest impact will be in the next two-year period.

New organization, new management

The new organization put in place on October 1 divides the company into two divisions.

One division, Business Consulting, offers management and operational consultants specialized in purchasing, customer relationship management (CRM), ordering-logistics-production and financial controls, with cutting-edge competence in business systems from SAP, Oracle, Microsoft and Siebel.

The second division, Technology Consulting, offers integration and system development consultants specialized in integration (architects and integrators of technologies from Axway, IBM, Microsoft, SeeBeyond and BEA), system development (e.g. Java and .NET) and IT Management (purchaser role, project management, CIO partner).

Group management consists of Olof Sand, head of Business Consulting; Dennis Birgersson, head of Technology Consulting; CFO Bertil Carlsén; Rickard Gille, head of HR, and President Lars Wollung.

Stock option program fully subscribed

During the quarter the employee stock option program approved by the Annual General Meeting on June 30 2003 was offered to employees, including management. The program comprises a total of 4.5 million options, approximately 1.2 million of which are reserved to replace an existing convertible program. The remaining 3.3 million options have been fully subscribed. The potential dilution effect from both programs is 7.5%. The subscription price has been set at SEK 8.20.

Market, customers and major transactions

Demand remained low during the third quarter. Queries and discussions on future project have increased, however, although this has not yet resulted in increased orders. It is therefore too early to interpret this as a rebound in the market. Consequently, AcandoFrontec has dimensioned and planned its operations for the remainder of 2003 and 2004 for an unchanged level of demand and unchanged prices. There is still a surplus of resources in the consulting market.

However, AcandoFrontec has a strong and well-established customer base. Industrial customers (manufacturing and automotive industries) are the largest segment, accounting for 27% of sales, followed by pharmaceuticals with 17% and telecom with 11%. Public sector customers account for 17%.

A number of major agreements were signed during the quarter, including:

The National Social Insurance Board signed a project agreement concerning the introduction of a Shared Service Center.

Nordea signed a framework agreement on integration services. PPM, the City of Stockholm and the Stockholm County Council all signed framework agreements on the delivery of various types of IT services.

VHS (Verket för högskoleservice), a state-run educational service, renewed its previous agreement.

Sales and results

The Group's net sales amounted to SEK 338 million (430) for the first nine months of the year and SEK 125 million (91) for the third quarter.

The operating loss, EBIT, was SEK -153 million (-43) for the first nine months of the year and SEK -84 million (-4) for the third quarter.

The result for the period was charged with structural costs of SEK 93 million, of which SEK 59 million is charged to the third quarter for structural measures in connection with the improvement program.

The loss after net financial items was SEK -153 million (53) for the first nine months of the year and SEK -83 million (96) for the third quarter.

Borttaget:

Employees

The average number of employees was 659 (623) for the third quarter. The number of employees at the end of the period was 643 (473).

Through the measures decided on as part of the improvement program, the number of employees will be reduced during the fourth quarter. At the start of 2004 AcandoFrontec expects to have a staff of around 500.

Liquid assets

The Group's liquid assets, including short-term investments, amounted to SEK 111 million (184) as of September 30, 2003. In addition, the Group has unutilized bank overdraft facilities of SEK 30 million.

The Group's cash flow amounted to SEK -64 million (71) for the first nine months of the year and SEK -32 million (163) for the third quarter.

Investments

The Group's net investments in tangible assets amounted to SEK 2 million (1) for the first nine months of the year and SEK 1 million (0) for the third quarter.

Parent Company

The Parent Company's net sales amounted to SEK 1 million (4) for the first nine months of the year. The operating loss was SEK -8 million (-10) for the period.

The Parent Company's net investments amounted to SEK 0 million for the first nine months of the year. Liquid assets totaled SEK 128 million (171) at the end of the period.

Highlights following the conclusion of the period

AcandoFrontec AB has acquired the remaining 49% of the shares in the subsidiary Frontec Business Solution AB. The subsidiary was created in 2002 in connection with the acquisition of part of Meridium Sverige AB.

Future outlook

Against the background of the improvement program that has now been implemented, AcandoFrontec has created the opportunity for a significant improvement in earnings in Q4 and a positive operating result in 2004.

Accounting principles

Frontec's interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20, Interim reporting.

Application of the Council's recommendations that took effect in 2003 has not resulted in any changes in opening balances. In other respects, the accounting principles are the same as in the latest annual report. The company's segment consists of one business area.

The merger between Frontec AB and Acando AB is accounted in this report according to the purchase accounting method, with Frontec AB as the purchaser. Amortization of the goodwill that has arisen amounted to SEK 2 million.

Future reporting dates

Year-end report for 2003	February 20, 2004
Interim report January-March 2004	May 12, 2004

Stockholm, November 7, 2003
AcandoFrontec AB (publ)
The Board of Directors

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Consolidated income statement (SEK million)

	3 MOS. JUL – SEP 2003	3 MOS. JUL – SEP 2002	9 MOS. JAN – SEP 2003	9 MOS. JAN – SEP 2002	12 MOS. JAN – DEC 2002
Net sales	125	91	338	430	553
Other operating income	4	1	9	2	5
Total sales	129	92	347	432	558
Personnel costs	-103	-72	-274	-346	-441
Other operating expenses	-46	-23	-125	-117	-158
Restructuring expenses	-59	-	-93	-	-
Operating loss before depreciation/amortization, EBITA	-79	-3	-145	-31	-41
Depreciation/amortization of tangible/intangible fixed assets	-5	-1	-8	-12	-15
Operating loss, EBIT	-84	-4	-153	-43	-56
Result from participations in Group companies	0	98	-3	102	101
Financial income and expenses	1	2	3	-6	-3
Profit/loss after net financial items	-83	96	-153	53	42
Tax	3	-	3	1	-1
Net profit/loss for the period	-80	96	-150	54	41
Earnings/loss per share before dilution	-1.44	3.05	-3.79	1.71	1.32
Earnings/loss per share after dilution *	-1.40	2.79	-3.67	1.56	1.29
Average number of shares	55,658,810	31,409,675	39,583,159	31,406,648	31,408,025
Average number of shares after dilution	56,934,327	34,332,677	40,858,676	34,329,651	32,045,784

* The dilution effect is not taken into account in negative results

Condensed consolidated balance sheet (SEK million)

	Sep. 30, 2003	Sep. 30, 2002	Dec. 31, 2002
Goodwill	80	-	-
Tangible fixed assets	16	14	12
Financial fixed assets	43	-	2
Other current assets	138	126	137
Liquid assets and short-term investments	111	184	175
Total assets	388	324	326
Equity (Note 1)	181	213	202
Minority interests	-	-	-
Provisions	85	13	8
Interest-bearing liabilities	6	7	6
Non-interest-bearing liabilities	116	91	110
Total equity, provisions and liabilities	388	324	326

Consolidated statement of cash flows (SEK million)

	July 1, 2003	July 1, 2002	Jan. 1, 2003	Jan. 1, 2002	Jan. 1, 2002
	Sep. 30, 2003	Sep. 30, 2002	Sep. 30, 2003	Sep. 30, 2002	Dec. 31, 2002
Cash flow from operating activities	-31	-13	-59	-87	-90
Cash flow from investing activities	-1	169	-5	152	147
Cash flow from financing activities	-	7	-	6	5
Cash flow for the period	-32	163	-64	71	62
Liquid assets and short-term investments at beginning of period	143	21	175	113	113
Liquid assets and short-term investments at end of period	111	184	111	184	175

Notes**NOTE 1 - Equity (SEK)**

	January 1, 2003	January 1, 2002
	September 30, 2003	December 31, 2002
At beginning of the fiscal year	202,384	159,865
New share issue	128,827	1,591
The year's translation difference	10	-468
Profit/loss for the year	-150,102	41,396
At end of fiscal year	181,119	202,384

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