



Interim report for the period January – June 2003

- The merger with Acando was approved by the extraordinary general meeting on June 30.¹
- The Group's net sales amounted to SEK 213 million (338)² for the period and SEK 102 million (167)² for second quarter.
- The Group's operating loss, EBIT, was SEK –69 million (-40)² for the period and SEK –53 million (-18)² for second quarter.
- The Group's liquid assets, including short-term investments, amounted to SEK 143 million (21) at the end of the quarter.
- The result for the period was charged with structural costs of SEK 34 million, of which SEK 7 million relates to structural changes prior to the merger with Acando and the remainder to measures taken in Frontec's operations. Additional costs for structural measures will arise in connection with the integration with Acando during the third quarter.

THE GROUP IN SUMMARY (excluding Acando)

	3 MOS. APR – JUN 2003	3 MOS. APR – JUN 2002	6 MOS. JAN – JUN 2003	6 MOS. JAN – JUN 2002	12 MOS. JAN – DEC 2002
Net sales, SEK million	102	167	213	338	553
Operating profit/loss, EBIT, SEK million	-53	-18	-69	-40	-56
Profit/loss after net financial items, SEK million	-53	-19	-70	-43	42
Operating margin, %	-52	-11	-32	-12	-10
Return on capital employed, %	-32	-14	-40	-28	23
Return on equity, %	-34	-15	-42	-9	23
Equity/assets ratio, %	48	36	48	36	62
Profit/loss per share after dilution, SEK*	-1.69	-0.59	-2.23	-1.34	1.29
Average number of employees	456	778	468	867	736
No. of employees at end of period	449	772	449	772	510

A number of operations were divested during the previous year, principally BlueLabs. Pro forma comparative figures are provided below to facilitate comparisons.

¹ This interim report refers to the operations of Frontec prior to the merger. The consolidation of Acando took effect on July 1, 2003.

² For better comparative figures with the previous year, see the table below, Frontec after structural changes.

Frontec after structural changes (pro forma, excluding Acando)

	3 MOS. APR – JUN 2003	3 MOS. APR – JUN 2002	6 MOS. JAN- JUN 2003	6 MOS. JAN – JUN 2002	12 MOS. JAN- DEC 2002
Net sales, SEK million	102	112	213	226	427
Operating profit/loss, EBIT, SEK million	-53	-19	-69	-34	-57
Profit/loss after net financial items, SEK million	-53	-21	-70	-38	39
Operating margin, %	-52	-17	-32	-15	-13
Profit/loss per share after dilution, SEK*	-1.69	-0.61	-2.23	-1.12	1.25
Average number of employees	456	515	468	528	526
No. of employees at end of period	449	508	449	508	510

Operations

In the beginning of 2003 the market has showed signs of a weak volume recovery but at declining price levels. Sales as a whole have been lower than expected.

The utilization rate, measured as the number of customer hours debited in relation to available hours for debitable staff, was 70% (65%) during the period and 72% (66%) in the second quarter.

Customers and major transactions

Frontec's target group is large and medium-size companies and organizations. The manufacturing, retail and transportation segments are Frontec's most important, accounting for 56% of sales during the quarter. Then follow telecom and IT with 18% and the public sector with 15%.

A number of major agreements were signed during the quarter:

- Frontec's commitment to TeliaSonera regarding the ISM customer support system has been expanded, and the customer intends to use ISM as a shared platform to dialogue with end customers.
- For its Movex customer base Frontec has developed a so-called integration connector, which has been sold to Seco Tools and Alfa Laval, among others.
- Frontec has participated in the design of new quality control systems at Scania through a number of so-called Flights and other assignments.
- Sandvik and Schenker have signed framework agreements with Frontec for the delivery of IT services.

Sales and results

The Group's net sales amounted to SEK 213 million (338) for the period and SEK 102 million (167) for the second quarter.

The operating loss, EBIT, was SEK -69 million (-40) for the period and SEK -53 million (-18) for the second quarter.

The result for the period was charged with structural costs of SEK 34 million, of which SEK 7 million relates to structural changes prior to the merger with Acando.

The remaining restructuring costs refer to personnel reductions at Frontec. Additional costs for structural measures will arise in connection with the integration with Acando during the third quarter.

The loss after net financial items was SEK -70 million (-43) for the period and SEK -53 million (-19) for the second quarter.

In the second quarter of 2002 net sales for comparable units amounted to SEK 112 million, with an operating loss of SEK -19 million.

Employees

The average number of employees was 468 (867) for the period and 456 (778) for the second quarter. The number of employees at the end of the period was 449 (772, with 508 for comparable units).

Liquid assets

The Group's liquid assets, including short-term investments, amounted to SEK 143 million (21) as of June 30, 2003. In addition, the Group has unutilized bank overdraft facilities of SEK 20 million.

The Group's cash flow amounted to SEK -32 million (-92) for the period and SEK -19 million (-76) for the second quarter.

Investments

The Group's net investments in tangible assets amounted to SEK 1 million (3) for the period and SEK 0 million (1) for the second quarter.

Parent Company

The Parent Company's net sales amounted to SEK 1 million (2) for the period. The operating loss was SEK -5 million (-11) for the period.

The Parent Company's net investments amounted to SEK 0 million for the period. Liquid assets totaled SEK 128 million (-4) at the end of the period.

The Annual General Meeting on May 14 approved a reduction of SEK 148 million in the share premium reserve for allocation to a non-restricted reserve to be used in accordance with the decision of the general meeting.

Frontec becomes AcandoFrontec

During the second quarter an agreement was reached on a merger with Acando AB as an element in the efforts to create a Swedish leader in management and IT consulting. The extraordinary general meeting of Frontec AB on June 30, 2003 approved the merger, new share issue and the company's name change to AcandoFrontec AB.

Frontec and Acando complement each other well in terms of operations, markets and geographically. Both Frontec and Acando need to grow, and the merger creates a larger, more competitive and cost-effective unit that can better meet its customers' needs. The combined AcandoFrontec AB offers a broader competence base, greater implementation capacity and larger economies of scale.

The integration of Frontec and Acando's operations as well as additional efficiency improvements will be implemented during the remainder of 2003 to ensure the new company's profitability.

Lars Wollung, former President of Acando AB, has been appointed the new Group President effective July 1, succeeding Acting President Dennis Birgersson.

Kristina Willgård is stepping down as CFO on August 15 and will be succeeded by Acando's current CFO, Bertil Carlsén.

On August 18 Frontec will change its name on the stock exchange list to AcandoFrontec, with the symbol AFAB.

Highlights following the conclusion of the period

The consolidation of Acando AB took effect on July 1, 2003. Shown below is an excerpt from Acando's semi-annual report for the period ending June 30, 2003.³

Following the conclusion of the period Frontec received the final SEK 19 million in proceeds from Flextronics from the sale of BlueLabs. As per June 30 it is reported as a current receivable. Flextronics' claim for SEK 34 million for future provisions for Blue Labs' ITP pensions remains unsettled. Frontec still considers the claim to be unfounded.

³

Acando

	3 MOS. APR – JUN 2003	3 MOS. APR – JUN 2002	6 MOS. JAN- JUN 2003	6 MOS. JAN – JUN 2002	12 MOS. JAN- DEC 2002
Net sales, SEK million	69	87	142	178	312
Operating profit/loss, EBIT, SEK million	-9	5	-6	18	24
Operating margin, %	-13	6	-4	10	8
Equity/assets ratio, %	48	41	48	41	47
Average number of employees	246	303	254	355	292

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.

Information

Interim report July-September 2003

November 7, 2003

Solna, August 13, 2003

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Consolidated income statement (SEK million)

	3 MOS. APR – JUN 2003	3 MOS. APR – JUN 2002	6 MOS. JAN – JUN 2003	6 MOS. JAN – JUN 2002	12 MOS. JAN – DEC 2002
Net sales	102	167	213	338	553
Other operating income	2	-	5	1	5
Total sales	104	167	218	339	558
Personnel costs	-78	-133	-171	-274	-441
Other operating expenses	-44	-47	-79	-94	-158
Restructuring expenses	-34	-	-34	-	-
Operating loss before depreciation/amortization, EBITA	-52	-13	-66	-29	-41
Depreciation/amortization of tangible/intangible fixed assets	-1	-5	-3	-11	-15
Operating loss, EBIT	-53	-18	-69	-40	-56
Result from participations in Group companies	-1	-1	-3	-3	101
Financial income and expenses	1	-	2	-	-3
Profit/loss after net financial items	-53	-19	-70	-43	42
Tax	-	1	-	1	-1
Net profit/loss for the period	-53	-18	-70	-42	41
Earnings/loss per share before dilution	-1.69	-0.59	-2.23	-1.34	1.32
Earnings/loss per share after dilution *	-1.69	-0.59	-2.23	-1.34	1.29
Average number of shares	31,412,110	31,405,110	31,412,110	31,405,110	31,408,025
Average number of shares after dilution	32,687,627	33,052,595	32,687,627	33,052,595	32,045,784

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

Condensed consolidated balance sheet (SEK million)

	June 30, 2003	June 30, 2002	December 31, 2002
Goodwill	-	63	-
Other intangible fixed assets	-	2	-
Tangible fixed assets	10	26	12
Financial fixed assets	2	-	2
Other current assets	123	210	137
Liquid assets and short-term investments	143	21	175
Total assets	278	322	326
Equity (Note 1)	132	117	202
Minority interests	-	1	-
Provisions	32	19	8
Interest-bearing liabilities	6	3	6
Non-interest-bearing liabilities	108	182	110
Total equity, provisions and liabilities	278	322	326

Consolidated statement of cash flows (SEK million)

	April 1, 2003	April 1, 2002	Jan. 1, 2003	Jan. 1, 2002	Jan. 1, 2002
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002	Dec. 31, 2002
Cash flow from operating activities	-18	-60	-28	-74	-90
Cash flow from investing activities	-1	-16	-4	-17	147
Translation differences	-	-	-	-	-
Cash flow from financing activities	-	-	-	-1	5
Cash flow for the period	-19	-76	-32	-92	62
Liquid assets and short-term investments at beginning of period	162	97	175	113	113
Liquid assets and short-term investments at end of period	143	21	143	21	175

NOTE 1 - Equity (SEK)

	January 1, 2003	January 1, 2002
	June 30, 2003	December 31, 2002
At beginning of the fiscal year	202,384	159,865
New share issue	-	1,591
The year's translation difference	-	-468
Profit/loss for the year	-70,171	41,396
At end of fiscal year	132,213	202,384

Audit report

We have reviewed this interim report in accordance with the recommendation issued by the Swedish Institute of Authorized Public Accountants. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that would cause us to believe that the interim report does not comply with the requirements of the Securities and Clearing Operations Act and the Annual Accounts Act.

Stockholm, August 13, 2003

PricewaterhouseCoopers AB

Hans Jacobsson
Authorized Public Accountant

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