



ADCORE

Interim Report

January – September 2001

Restructuring and cost rationalisation

Adcore's extensive restructuring was completed in summer 2001. All enterprises/units outside Stockholm have been divested or liquidated: a total of 24 enterprises in 11 countries with some 1,200 staff. All remaining restructuring costs have been posted to the accounts in the third quarter. A cost rationalisation programme, whose objective is to cut costs by SEK 100 m from year-end 2001, is proceeding according to plan. New organisational structure, based on competencies, implemented.

A focused Adcore

Subsequent to the change implemented, Adcore is a corporation focused on IT and management consulting services with a broad and secure base in Stockholm. Subsequent to its current rationalisation, the corporation will have some 600 staff at year-end 2001. A new, skills-based organisational structure has been implemented. Despite a problematic market and extensive media publicity, Adcore has continued to secure new assignments. Its five largest clients in January-September were Ericsson, SEB, Telia, SAS and the Confederation of Swedish Enterprise.

New issue consummated

After considering various options, Adcore effected a private placement in October against a background of weak profitability the prevailing liquidity situation and the necessity of restructuring. This issue restored the requisite liquidity and raised SEK 93 m net.

Profit level improves slightly but remains unsatisfactory

During the period, Adcore pro forma generated an operating loss (before goodwill amortisation and restructuring costs) of SEK -91 m on sales of SEK 516 m, with the corresponding figures for the third quarter being SEK -36 m and SEK 132 m, implying quarter-on-quarter profit gains of SEK 5 m, or 12%. Adcore's billing rate improved slightly.

Market conditions hard to assess

Client hesitancy remains a feature of market conditions, and given general economic concerns and excess capacity on the consulting market, the position is hard to assess, but does not justify hopes of imminent improvement.

This Report uses the expressions 'Adcore pro forma' and 'liquidated units'. The former is the new Adcore, while 'liquidated units' encompasses all those units in Sweden and foreign countries that have been liquidated, and that are wholly or partly consolidated in Adcore's statutory accounts. Selected key figures for 'Adcore pro forma' are published on the final page of this report.

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Change in the Adcore group—restructuring and cost rationalisation complete

Adcore has undergone extensive restructuring through 2001. From being active in 13 countries with staff approaching 2,000, the corporation now has some 600 staff based in Stockholm, Sweden. The primary background to these dramatic developments is that after extreme expansion in 2000, Adcore encountered acute profitability and liquidity problems when its market weakened in early 2001. This, in combination with an excessively complex structure, resulted in the situation threatening Adcore's existence.

Accordingly, 24 enterprises and units have been divested or liquidated over the last two quarters. In total, operations in 11 countries and several enterprises in Sweden, with staff of 1,200, were liquidated in a relatively short period. During the three quarters, these operations generated total sales of SEK 410 m, with an operating loss of SEK 102 m in the same period.

The Stockholm operation has also been rationalised, with organisational resources focused, and headcount cut from approximately 700 to some 600, about 40 of which are in administrative functions. The cost rationalisation programme initiated after summer 2001, whose objective is to save SEK 100 m annualised from year-end 2001 onwards, is proceeding according to plan. As a consequence of this restructuring and cost rationalisation, the first phase of Adcore's realignment is complete. The liquidation generated write-downs, primarily of goodwill, and restructuring costs, totalling SEK 1,890 m in the period.

The next phase is to develop Adcore into a profitable corporation in organic growth, focused on creating value for clients and shareholders. Greater intensity and enhanced quality in the sales process is intended to ensure the market being serviced effectively. Adcore's repeat purchase frequency remains high; a focus on high-quality working methods in close contact with customers is intended to assure this remains the case in the future.

Adcore has completed a rigorous cost-cutting process, particularly within administration, premises and overheads, although Adcore's consultant corps has also been downsized. Measures have been implemented to assure the maintenance of this reduced cost level, and that it is progressively adapted to respond to any potential further deterioration of market conditions.

Coincident with the completion of restructuring, Adcore's COO Sten Wranne will assume responsibility for accounting, finance and IT.

New issue

Adcore's weak profitability, liquidity situation and the necessity of restructuring provided a backdrop to its need for a capital injection in order to survive.

Therefore, on 12 September 2001, Adcore's Board resolved to propose a new issue with preferential rights for shareholders to an Extraordinary General Meeting. But during efforts to construct the necessary guarantee consortium, it became apparent that this would prove fruitless, because too few shareholders were prepared to participate in such a consortium, or undertake to underwrite their share of a preferential rights issue. This response, and adverse events on the stock market and surrounding world, precluded the consummation of a preferential rights issue.

In parallel with this process, Adcore also considered the option of divesting significant elements of the corporation to a new owner. This process attracted three concrete bids, although the Board considered that they were at too low a level to be practicable.



With the above considerations, an Extraordinary General Meeting on 27 September consequently resolved to authorise the Board to decide on a private placement instead of the originally proposed preferential rights issue. On 3 October, the Board resolved to effect a new issue targeted primarily at IT Provider, Skandia, the Third AP (National Pension Insurance) Fund, Länsförsäkringar and Tanglin fond, as well as a consortium led by Christer Jacobsson and Anders Swensson. This issue was effected at a share price of SEK 0.40, and raised SEK 169.5 m gross for Adcore. After re-payment and set-offs of previous funding, the issue raised SEK 93 m in cash in mid-October. The issue was registered on 19 October. More information is available in the 'ownership structure' section below.

Compulsory redemption

Minority shares in the former Connecta AB have been the subject of a compulsory redemption process since June 2000, encompassing nearly 200,000 shares, or just over 1% of all shares in the former Connecta AB. In this process, considered long term, Adcore has taken steps to minimise any potential liquidity impact.

Strategy and organisational structure

Adcore offers assistance to corporations and non-profit organisations by applying a combination of information technology, methodologies and business know-how to enhance productivity, cut costs and develop new business.

Adcore's organisational resources are built on competency with two divisions, IT and Management. The primary competencies are:

- Strategy consultants:
 - Building new business;
 - Building business case;
 - Sector know-how.
- Integrators:
 - ERP systems (SAP, Movex, Intershop *et al.*);
 - Legacy systems;
 - Web development (Java, WebSphere);
 - Client/server;
 - Infrastructure (network design, security *et al.*).
- Communication professionals
 - Interaction designers;
 - Graphic designers;
 - Interface programmers.
- Change consultants
 - Change management;
 - Business and process development.

Market and outlook

Keeping pace with the cyclical slowdown and general uncertainties, the downturn apparent in the market for most of the year continued in the third quarter. Clients remain hesitant; the decision process



ahead of major projects is particularly protracted. However, the market always offers smaller-scale development and enhancement projects, but overall, greater intensity in the sales process is necessary to protect Adcore's market position. Demand in the Stockholm region remains greater than other parts of the country, and generally, the Swedish consulting market is subject to excess capacity, which combined with reduced demand, is eliciting price pressure, exerting an adverse influence on utilisation. Progress over the forthcoming months is hard to assess, but at present, there is nothing to suggest any imminent improvement in market conditions.

Clients (Adcore pro forma)

Despite the problematic market and extensive media coverage, Adcore has continued to win new assignments, with new clients, or existing clients embarking on new projects with Adcore in the last quarter including Cramo, ICA, Vin & Sprit, OM and Ericsson. Adcore has also signed a master agreement with ATG.

At the end of the period, the order backlog was SEK 107 m, approximately equivalent to two months' sales.

During the first nine months of 2000, Adcore's five largest clients were Ericsson, SEB, Telia, SAS and the Confederation of Swedish Enterprise, which represented an aggregate total of 57% of Adcore's sales.

Sales and profit performance

Adcore pro forma (remaining operations)

Net sales for the January – September period amounted to SEK 516 m, down 3.3% year-on-year.

Profit before restructuring costs and goodwill amortisation, as well as group-wide items, was SEK -11.5 (103) m. Including group-wide items, Adcore generated a profit of SEK -91 (72) m; the billing rate in the period was approximately 65%, and has improved slightly during the third quarter.

In the third quarter, sales were SEK 132 m; profit before restructuring costs and goodwill amortisation was SEK -35.6 m, a quarter-on-quarter profit gain of SEK 4.7 m.

Adcore pro forma's average billing per consultant over 12 months was SEK 1,377,000 an increase of nearly 7% on the full year 2000.

The group (including divested/liquidated units)

Sales for the period were SEK 925 m, up 5.5% on the corresponding period of 2000. The sales gains were due to a number of acquired enterprises being consolidated for a longer proportion of the period in 2001 than in 2000.

Operating profit before goodwill amortisation and restructuring costs fell by SEK 279 m to SEK -193 (86) m. Apart from the restructuring costs indicated below, earnings have suffered a general adverse influence from a weaker market, the ensuing lower billing rate and high overheads.

The nine-month profit figure includes restructuring and liquidation costs, plus write-downs, totalling SEK 1,890 m. Adcore has made further provisions to encompass those costs arising coincident with the liquidation of all units outside Stockholm in this period's accounts. When provisioning in previous



quarters in 2001, Adcore assumed that it would be retaining operations in other locations in Sweden. However, the focus on Stockholm, and those rationalisations undertaken in the Stockholm operation, have implied further restructuring costs, which have now been posted in their entirety.

These costs are specified in the following table, and are distributed as follows (SEK m):

	Q3	Q2	Q1	Q 1-3
Restructuring costs	97	55	90	242
Liquidation of operations/enterprises	64	1,287	297	1,648
Total	161	1,342	387	1,890
<i>Of which goodwill amortisation</i>	23	1,046	230	1,299

Adcore's minority holding in Adcore Japan will also be liquidated; the associated costs have been posted.

The group's net financial position for the period was SEK 2 (10) m; profit before tax was SEK -2,128 (-114) m.

Cash flow and financial position

Cash flow from operations was SEK -228 (58) m for January - September. The third-quarter operating cash flow was SEK -44.7 m, up SEK 78.5 m quarter on quarter.

Total net investments in the period were SEK 206 m, including a final payment of SEK 144 m for corporate acquisitions, funded through non-cash issues amounting to a total of SEK 68 m and cash of the SEK 139 m. Third-quarter net investments were SEK 65 m.

The closing balance of consolidated goodwill was SEK 29 (2,231) m, a SEK 1,226 m net reduction since 1 January. Goodwill was written down by a total of SEK 1,299 m in the period, with SEK 23 m in the third quarter.

The Balance Sheet includes deferred tax of SEK 269 m, calculated on the basis of a 28% tax rate.

The closing balance of liquid funds was SEK 10 m, down SEK 192 m since the previous year-end. The aforementioned private placement, raising SEK 93 m cash for the corporation, was effected after the end of the reporting period. Subsequent to this transaction, liquid funds amount to SEK 103 m.

After consummation of the private placement, Adcore's equity ratio is approximately 25% before goodwill, and 21% after goodwill.

Human resources

Adcore's employee headcount was 856 at the end of the period, 705 of which are employed by Adcore pro forma; after current rationalisation, staffing will be some 600. The average number of employees in the period was 1,612 (1,163). Since 1 January, the employee headcount has reduced by some 1,200 through divestments and liquidation.



Ownership structure and share price performance

As of 28 September, Adcore had 34,620 shareholders. The five largest shareholders subsequent to the new issue registered on 19 October, and share acquisitions by Ole Oftedal, Adcore's CEO, and a number of other senior executives are illustrated in the following table. Subsequent to these transactions, the Board and management owns some 17% of all shares; additionally, an extended group of senior executives have acquired stock options corresponding to 25 million shares. Including these options, the Board and management's ownership increases to some 21%.

Owner	No. of shares	Proportion, %
Active Holding BV	84,786,457	14.7
Ole Oftedal	68,798,692	12.0
IT Provider	62,500,000	10.9
Christer Jacobsson via companies	52,588,861	9.1
Third AP Fund	26,971,000	4.7

The number of shares at the end of the period was 151,922,226. After the new issue on 19 October, which increased the number of shares by 423,750,000, Adcore has a total of 575,672,226 shares. The full utilisation of existing options and convertibles programmes from the former Information Highway would add a further 1,313,243 shares. Another 18 million shares would be created by the full utilisation of the four existing warrants programmes launched subsequent to Adcore's formation. Since the end of the reporting period, Adcore's Board has decided to target a new incentive programme at all staff, which will be submitted to an Extraordinary General Meeting on 10 December 2001.

The Adcore share is quoted on OM Stockholm Exchange, Attract 40. The latest price paid on 6 November was SEK 0.62, implying that the share's value has dropped by 97.8% since 1 January. Based on the number of shares subsequent to the new issue, the group's market capitalisation was SEK 357 m on 6 November, against SEK 4,201 m as of 1 January, a reduction of 91.5%.

Parent company

The parent company, with staff of 23, harbours the group's support functions and group-wide development. Its net profit was SEK -79 m for the period January - September. After the completion of restructuring, the parent company will have four staff members.

The closing balance of liquid funds in the parent company was SEK 43.4 m, excluding funds raised from new issues.

Accounting principles

Adcore's accounting principles for the period were unchanged from the latest Annual Financial Statement.



Forthcoming reports

Fourth quarter/Financial Statement 2001

14 February 2002

Stockholm, Sweden, 7 November 2001

*Ole Oftedal
Chief Executive Officer*

Audit report

We have undertaken a summary review of this Interim Report in accordance with the recommendation issued by FAR. (the Swedish Institute of Authorised Public Accountants).

A summary review is significantly more limited than a full audit

Nothing has arisen to suggest that this Interim Report does not satisfy the stipulations of Swedish stock exchange and annual accounts legislation

Björn Fernström
Authorised Public Accountant
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Authorised Public Accountant
Deloitte & Touche AB

Stockholm, Sweden, 7 November 2001



Summary Consolidated Income Statement, SEK m

	2001 Q3 Jul-Sep	2000 Q3 Jul-Sep	2001 9 mth Jan-Sep	2000 9 mth Jan-Sep	00/01 12 mth Oct-Sep	2000 12 mth Jan-Dec
Net sales	173.0	327.4	925.4	877.2	1,34	1,29
Operating costs	-227.1	-304.3	-1,118.	-791.3	-1,50	-1,17
<i>Personnel costs</i>	-153.8	-237.3	-794.1	-607.9	-1,076.7	-890.5
<i>Depreciation</i>	-9.4	-8.8	-40.9	-18.6	-55.4	-33.1
<i>Other costs</i>	-63.9	-58.2	-283.5	-164.8	-370.3	-251.6
Items affecting comparability	-160.7	-43.2	-1,889.	-152.9	-1,89	-153.7
Operating profit before goodwill amortisation	-214.8	-20.1	-2,082.	-67.0	-2,05	-34.4
Goodwill amortisation	-1.8	-36.1	-46.6	-57.1	-85.3	-95.8
Non-recurring write-down of goodwill	-	-	-	-	-1,32	-1,32
Operating profit	-216.6	-56.2	-2,129.	-124.1	-3,46	-1,45
Financial items	0.1	2.4	1.8	9.8	4.0	11.9
Profit after financial items	-216.5	-53.8	-2,127.	-114.3	-3,46	-1,44
Tax	-	-5.1	-1.2	-12.8	-21.0	-32.1
Deferred tax	-	0.0	-0.5	0.0	267.6	275.4
Net profit	-216.5	-58.9	-2,129.	-127.1	-3,21	-1,20

Earnings per share, SEK	-1.43	-0.44	-14.15	-1.05		-9.51
After full dilution, SEK	-1.29	-0.40	-12.83	-0.99		-8.83
No. of shares at end of period	151,922	142,997	151,922	142,997	N/A	145,875
No. of shares at end of period, diluted	171,235	158,425	171,235	158,425	N/A	161,194
No. of shares, weighted ave.	151,922	133,501	150,475	120,502	N/A	126,569
No. of shares, weighted ave., diluted	167,902	146,421	166,016	128,459	N/A	136,375

Key figures

	2001 9 mth Jan-Sep	2000 9 mth Jan-Sep	00/01 12 mth Oct-Sep	2000 12 mth Jan-Dec
Operating margin before goodwill amortisation and items affecting comparability, %	-20.9	9.8	-11.9	9.2
Operating margin, %	-230.1	-14.2	-258.0	-112.7
Return on equity	Neg.	Neg.	Neg.	Neg.
Employee headcount at the end of the period	856	1,7		1,7
Employee headcount, average	1,5	1,1	1,4	1,2
Sales per employee, 12 months, SEK 000	-	-	872	1,0
Sales per consultant, 12 months, SEK 000	-	-	1,1	1,2



Net debt (-)/financial assets (+), SEK m	-26.4	345.7	-	153.1
Equity ratio, %	25	89	-	82
Equity ratio exc. goodwill, %	21	62		63



Summary Consolidated Balance Sheet, SEK m

	30 Sep. 2001	30 Sep. 2000	31 Dec. 2000
Assets			
Intangible assets	36.3	2,262.3	1,285.8
Fixed assets	47.0	123.6	171.4
Deferred tax	268.6	-	273.9
Current receivables	143.2 ¹	98.2	241.2
Customer receivables	149.0	275.7	343.5
Liquid funds	9.6	416.9	201.5
Total assets	653.7	3,176.7	2,517.3
Liabilities and shareholders' equity			
Shareholders' equity	160.4 ²	2,829.6	2,054.5
Provisions and long-term liabilities	39.6	42.2	47.4
Borrowing	33.4	47.2	3.9
Accounts payable	64.9	67.0	75.4
Other current liabilities	355.4 ³	190.7	336.1
Total liabilities and shareholders' equity	653.7	3,176.7	2,517.3

Change in shareholders' equity

	Share capital	Restricted reserves	Non-restricted equity	Total
Opening balance, 1 January 2001	14.6	3,261.8	-1,221.9	2,054
New issue ²	43.0	183.7	-	226.7
Other, net	-	-1,121.9	1,129.3	7.4
Net loss	-	-	-2,128.2	-2,128
Closing balance, 30 Sep 2001	57.6	2,323.6	-2,220.8	160.4

Cash Flow Statement, SEK m

	2001 9 mth Jan-Sep	2000 9 mth Jan-Sep	2000 12 mth Jan-Dec
Operating profit, in cash terms	-290.7	-	-0.5
Change in working capital	62.4	-	-62.9
Cash flow from operations	-228.3	58.3	-63.4
Cash flow from investment activity	-138.7	-2,350.1	-503.3
Cash flow from financing activity	175.1	2,550.6	610.0
Change in liquid funds	-191.9	258.8	43.3

¹ Includes funds from new issue of SEK 93 m net.

² Shareholders' equity includes payment for a new issue of SEK 159.0 m after issue costs received in October 2001.

³ Includes SEK 202 m of provisions, comprising restructuring costs (152) and compulsory redemption (50).



Quarterly data, SEK m

	2001				2000		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	173.0	321.9	430.5	417.3	327.4	295.6	254.2
Operating costs	-227.1	-418.5	-472.9	-383.9	-304.3	-264.7	-222.3
Items affecting comparability	-160.7	-1 342.2	-386.8	-0.8	-43.2	-109.7	-
Profit before goodwill amortisation	-214.8	-1 438.8	-429.2	32.6	-20.1	-78.8	31.9
Goodwill amortisation	-1.8	-18.1	-26.7	-38.7	-36.1	-12.0	-9.0
Non-recurring write-down, goodwill	-	-	-	-1,32	-	-	-
Operating profit	-216.6	-1,45	-455.9	-1,33	-56.2	-90.8	22.9
Financial items	0.1	2.6	-0.9	2.2	2.4	7.5	-0.2
Profit after financial items	-216.5	-1,45	-456.8	-1,33	-53.8	-83.3	22.7
Tax	-	-1.7	-	-19.3	-5.1	-5.3	-2.4
Deferred tax	-	-	-	275.4	-	-	-
Net profit	-216.5	-1,45	-456.8	-1,07	-58.9	-88.6	20.3

Operating margin before goodwill amortisation and items affecting comparability	-31.3	Neg	Neg	8.0%	7.1%	10.5%	12.5%
Operating margin	-125.2	Neg	Neg	Neg	Neg	Neg	9.0%
Cash flow from operations	-44.7	-123.2	-60.4	-63.4	58.3	90.2	-10.7
No. of employees, end of period	856	1,59	1,948	1,76	1,70	1,25	1,08



Key figures, SEK m

	2001		2000		2001	2000	
	Q3	Q2	Q1	Q4	Jan-Sep	Jan-Sep	Full yr.
Net sales							
Adcore pro forma	132.2	163.8	219.6	205.0	515.6	533.0	738.0
Liquidated units	40.8	158.1	210.9	212.3	409.8	344.2	556.5
Total	173.0	321.9	430.5	417.3	925.4	877.2	1,294
Profit before goodwill and restructuring costs							
Adcore pro forma	-16.1	-11.8	16.4	43.1	-11.5	102.8	145.9
Liquidated units	-18.5	-56.3	-27.6	15.6	-102.4	14.3	29.9
Group-wide items	-19.5	-28.5	-31.2	-25.3	-79.2	-31.2	-56.5
Total	-54.1	-96.6	-42.4	33.4	-193.1	85.9	119.3
Operating margin, %							
Adcore pro forma	Neg	Neg	7.5	21.0	Neg	19.3	19.8
Liquidated units	Neg	Neg	Neg	7.3	Neg	4.2	5.4
Total	Neg	Neg	Neg	8.0	Neg	9.8	9.2
No. of employees, closing balance							
Adcore pro forma	705	766	779	666	705	830	N/A
Liquidated units	151	829	1,1	1096	151	876	N/A
Total	856	1,5	1,5	1,7	856	1,7	1,747
No. of employees, ave.							
Adcore pro forma	725	774	788	666	762	N/A	N/A
Liquidated units	336	915	1,1	1,0	795	N/A	N/A
Total	1,21	1,75	1,5	1,7	1,0	N/A	1,275
Sales per employee, SEK 000, 12 mth.							
Adcore pro forma	993	1,010	1,02	1,0	N/A	N/A	N/A
Liquidated units	764	735	765	775	N/A	N/A	N/A
Total	872	854	882	892	N/A	N/A	1,015
Sales per consultant, SEK 000, 12 mth.							
Adcore pro forma	1,370	1,290	1,31	1,2	N/A	N/A	N/A
Liquidated units	913	913	948	972	N/A	N/A	N/A
Total	1,11	1,070	1,11	1,1	N/A	N/A	1,253