

Resco AB (publ)

Interim Report January - March 2003

- Total sales for the first quarter 2003 amounted to SEK 63 million (88), representing a decline of 28 percent. Pro forma¹, sales increased by 1 percent.
- EBITA amounted to SEK -2 million (-5), and the operating loss after amortisation of goodwill was SEK -3 million (-6).
- Negotiations concerning a new salary model within Resco in Sweden have been completed, resulting in a reduction of fixed personnel costs of approximately SEK 6 million on an annual basis when compared with the previous salary model.
- A dealer agreement has been entered into with SAP Svenska AB regarding products for the small and midsize business market (SMB).

Market

In **Sweden**, Resco witnessed a slightly positive trend in the first quarter 2003, although caution still prevails amongst companies regarding IT investments in spite of accumulating needs. The business market is stable and Resco's offer through SAP and Microsoft Business Solutions-Axapta is being well-received. Utilisation capacity is slowly increasing, even if it is not entirely satisfactory. Considerable pressure on prices is present within the sectors where Resco is active, apart from within SAP where prices for expert skills in most cases have been maintained at previous levels.

The **German** recession continues, and is negatively affecting the IT market. Resco GmbH has however experienced continued success, due to the stable client base and a low level of sensitivity to the recession.

The **Finnish** IT market has slackened slightly, including the SAP market. Resco processes the market on a broad front through both its own efforts and via partners such as BPS and Novo Group, who have agreements with SAP for the SMB market (Small and Midsize Business).

First Quarter

Total sales for the first quarter 2003 amounted to SEK 63 million (88), representing a decline of 28 percent. A large part of this fall is attributable to the sale of the subsidiary Major Blue Oy (sales for Q1 2002 were SEK 27 million). Pro forma, sales increased by 1 percent. EBITA amounted to SEK -2 million (-5), and the operating loss after amortisation of goodwill amounted to SEK -3 million (-6).

Utilisation capacity continued to be good within SAP-related operations as well as in Resco GmbH. Other operational areas gradually improved during the first quarter of the year, although a number of projects have not started at the same pace as planned. The postponement of projects has influenced sales and results negatively in the operations of all three countries.

¹ Excluding effects of acquisitions and divestments.

Sales for **Resco in Sweden** amounted to SEK 39 million (45) with EBITA at SEK -2 million (-4) excluding joint Group costs. Negotiations were completed in the first quarter regarding a new salary model within Resco in Sweden. A large majority of employees accepted a reduction of fixed salary in exchange for the possibility of increased variable remuneration. The result was a reduction of fixed personnel costs by approximately SEK 6 million on an annual basis when compared with the previous salary model. The new salaries will have full effect in the second quarter 2003.

Resco in **Germany** reported sales of SEK 22 million (16), representing an increase of 38 percent. EBITA was SEK 1 million (0).

Sales for Resco in **Finland** were SEK 2 million (27), and EBITA amounted to SEK 0.1 million (0.3). The first quarter 2002 included the subsidiary Major Blue Oy with 170 employees, which was divested in June 2002. Pro forma, without Major Blue Oy, sales amounted to SEK 1 million, and EBITA to SEK 0 million in the first quarter 2002.

	Sales Q1, 2003 SEK m	Sales Q1, 2002 SEK m	Change %	Sales Q1, 2002 Pro forma ¹⁾	Change pro forma %	EBITA Q1, 2003	EBITA Q1, 2002	EBITA Q1, 2002 Pro forma
Sweden	39.2	44.7	-12%	44.7	-12%	-1.7	-4.0	-4.0
Germany	22.4	16.4	36%	16.4	36%	0.8	0.1	0.1
Finland	2.2	26.7	-92%	1.4	57%	0.1	0.3	0.0
Joint Group	-	-	-	-	-	-1.5	-1.6	-1.6
Group elimination	-0.5	-	-	-	-	-	-	-
Total	63.3	87.8	-28%	62.5	1%	-2.3	-5.2	-5.5

1) Adjusted for effects of acquisitions and divestment of Group companies.

Clients and Partners

Resco's offer is primarily directed towards large Northern European corporations, with a broad client base.

Resco works closely with three partners: SAP, IBM and Microsoft, including Microsoft Business Solutions-Axapta.

Resco in Sweden has entered into a dealer agreement with SAP Svenska AB in order to jointly process the small and midsize business market. The agreement implies that Resco will sell licences and implement mySAP All-in-One and mySAP Business One.

Resco has signed a general agreement with Stockholm County Council, resulting in Resco becoming supplier of management consultants. The agreement strengthens a previous long relationship during which Resco has for several years worked closely with Stockholm County Council regarding business development. Resco's clients also include AstraZeneca, Coop, Ericsson, Falck, Nordea, Scania, Siemens and Tetra Pak.

Resco GmbH in Germany has received an assignment from Lufthansa Technik to provide applications services for an Internet service product that handles information regarding dangerous goods. This is a client-oriented solution that Lufthansa Technik uses to automatically monitor security. Other clients include Airbus, Comdirect Bank, Deutsche Bahn, Dresdner Bank, the power company HEW, and Volkswagen.

Examples of clients for R3 Team in **Finland** are Anglo Nordic, SAP Finland, Sonera and Tieto/Kesko.

Personnel

	Average Number of Employees			Number of Employees at Period-End		
	Q1 2003	Q1 2002	Change	31.3.2003	31.3.2002	Change
Sweden	163	224	-61	163	220	-57
Germany	81	84	-3	81	80	1
Finland	7	166	-159	7	168	-161
Total	251	474	-223	251	468	-217

Of the reduction in number of employees since 31 March 2002, the divestment of subsidiaries counts for 161 people. Staff turnover for a rolling 12-month period amounted to 10 percent (15). Resco's target is that staff turnover shall be around 10 percent. At the end of the period, 29 percent of employees were women.

Investments

Investments in tangible and intangible fixed assets amounted to SEK 1 million (1).

Financial Position

In the first quarter 2003, cash flow from current operations amounted to SEK -15 million (-8), from investments SEK 3 million (4), and from financial activities SEK 2 million (-5), making a total of SEK -10 million (-9). The negative cash flow is primarily a result of an increase in the amount of tied-up capital, due amongst other items to extended payment times by large clients, particularly in Germany, and payments related to redundant staff and premises (SEK 3 million).

Available liquid funds, including current investments, amounted as at 31 March 2003 to SEK 25 million (27), of which SEK 8 million (6) pertained to cash and bank balances. Current investments amounted to SEK 3 million. Available credit was SEK 25 million (31), of which SEK 9 million (10) had been utilised at the end of the period. The decrease in available credit is due to the previous subsidiary Major Blue Oy no longer being part of the Group. Pledged bank balances amounted to SEK 2 million (0).

The cash to current liabilities ratio (acid test ratio) amounted to 154 percent (133). Net debt (interest-bearing liabilities less liquid assets) amounted to SEK 8 million (29), including the PRI liability that amounted as at 31 March 2003 to SEK 10 million (11). The PRI liability [Pensions Registration Institute] will be amortised up until 2006 inclusive. Resco has obtained a deferral of amortisation against a pledge in favour of FPG [Insurance Companies' Pension Guarantee] of the amortisation amount.

Resco's available credit as at 31 December 2002 comprised of an overdraft facility of SEK 9 million in Germany and an invoice factoring credit of SEK 16 million in Sweden. The credit amount available through invoice factoring varies with the volume of invoiced amounts, and is lowest at the end of the third quarter when volumes are low after the summer holiday season.

The Group's Tax Situation

Accumulated fiscal deficit deductions in the Group amounted as at 31 December 2002 to SEK 360 million (133), of which SEK 168 million pertained to realised losses on commercial and capital investment shares that can only be utilised to reduce tax on future profits upon the sale of similar assets. In view of the uncertainty as to exactly when the fiscal deficits may be utilised, Resco has chosen, as in previous periods, not to report such as deferred tax recoverable.

Equity and the Resco Share

On 18 December 2002, the Board of Directors adopted a new issue of B-shares representing an additional purchase price in accordance with an agreement with the vendors of Sector Oy. The share capital is thereby increased by SEK 80,500 through the issue of 161,000 B-shares at a subscription price of SEK 1.90. The issue had not been completed as at 31 March 2003.

The Board of Directors will propose at the Annual General Meeting of Shareholders to be held on 28 April 2003 that the Meeting authorise the Board to resolve, with deviation from shareholders' pre-emption rights, upon one or several occasions, the launch of a new share issue or an issue of convertible bonds or bonds associated with subscription warrants. The shares and bonds shall be able to be subscribed to with property other than cash (capital contribution in kind), or through payment by way of set-off. The authorisation shall cover a maximum of 5,000,000 B-shares and remain in force until the next Annual General Meeting of Shareholders. The issues supported by this authorisation shall be used for the financing of acquisitions at prevailing market conditions. Upon full utilisation, the proposed authorisation will imply a dilution of approximately 13.7 percent of share capital and approximately 8.6 percent of votes.

The value of the Resco share as at 31 March 2003 was SEK 1.65 representing an increase of 10 percent compared with 31 December 2002. During the same period, the IT index (SX45) of the Stockholm Stock Exchange fell by 14 percent.

Incentive Programme

Ongoing incentive programme	Subscription Period	Subscription Price	Max no of new B-shares	Max Dilution Share Capital	Votes	Max Increase in Equity (SEK m)
Subscription warrants 01/03	2-30 May 2003	SEK 10.00	1,000,000	3.1%	1.9%	10

Parent Company

Resco AB (publ) reported total sales of SEK 1 million (30) and an operating loss of SEK -4 million (-4). On 1 March 2002, all operational activities except Group management were transferred to the wholly owned subsidiary Resco Sverige AB. Pro forma, i.e. including Resco Sverige AB, total sales amounted to SEK 36 million, and the operating loss to SEK -4 million. The loss after financial items amounted to SEK -4 million (-5).

Investments in fixed assets amounted to SEK 0 (0). The Parent Company's liquid assets including current investments amounted at the end of the period to SEK 6 million (0). Further information is available in the Financial Position section above.

Accounting Principles

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 - Interim Reporting. Accounting principles applied are unchanged compared with those used in the most recent annual report for the year ending 31 December 2002. A number of new accounting recommendations came into force on 1 January 2003. The implementation of these recommendations by Resco has not implied any changes to the principles and valuations already applied. In the annual report 2002, sales were reported both by geographical market and allocated between consultancy services and income from product

sales. Further to the sale of the subsidiary Major Blue Oy in June 2002, product-related sales no longer represent a significant part of Resco's operations. Resco will therefore in the future only report sales by geographical segment.

Future Prospects

With a clear and distinct offer, along with strong cooperation with its three partners comprised of SAP, IBM and Microsoft, including Microsoft Business Solutions-Axapta, Resco cautiously perceives the rest of the year positively. A gradual increase in capacity utilisation and an accumulating need for IT investments are being witnessed in Sweden, while success continues in Germany, and good cooperation with the strong SAP consultancy firms of BPS and Novo Group has been established in Finland. Resco maintains the statements it made in the year-end report for 2002 that the Group possesses the prerequisites for positive operating results for the full-year 2003, provided the general market situation does not deteriorate.

Forthcoming Reporting Dates

Interim half-year report will be published on 25 August 2003

Interim third quarter report will be published on 30 October 2003

Year-end report for 2003 will be published on 19 February 2004

Stockholm, 28 April 2003

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CEO

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Annual reports & accounts and interim reports are available at Resco's offices at S:t Eriksgatan 60A in Stockholm, as well as at Resco's website at www.resco.se.

About Resco

Resco produces, implements and further develops business systems and integration solutions that enable the development of customers' interaction with their clients and suppliers, as well as to render internal processes and IT systems more effective. Resco was founded in 1982 and is located in Sweden, Finland and Germany. Operations are managed from the head office in Stockholm as well as offices in Gothenburg, Malmö, Östersund, Hamburg and Helsinki. Resco currently employs about 250 people, and has been listed on the Stockholm Stock Exchange since 1996. Further information is available at www.resco.se.

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CONSOLIDATED PROFIT & LOSS STATEMENT (SEK million)	Quarter 1 2003	Quarter 1 2002	Full-Year 2002	Rolling 01.04.02- 31.03.31
Net Total Sales	63.3	87.8	283.3	258.8
External costs	-16.5	-19.5	-68.8	-65.8
Personnel costs	-48.2	-70.9	-231.3	-208.6
Depreciation and amortisation	-1.7	-3.9	-11.0	-8.8
Total Costs	-66.4	-94.3	-311.1	-283.2
Exceptional items*	-	-	-21.1	-21.1
Operating Loss	-3.1	-6.5	-48.9	-45.5
Financial items**	-0.3	-0.7	-14.8	-14.4
Loss after Financial Items	-3.4	-7.2	-63.7	-59.9
Tax	0.1	0.0	-0.6	-0.5
Loss for the period	-3.3	-7.2	-64.3	-60.4
Earnings after tax per share, SEK	-0.11	-7.09	-2.06	-1.93
Earnings after tax per share after dilution, SEK	-0.11	-7.09	-2.06	-1.93

*EXCEPTIONAL ITEMS (Group – SEK million)	Quarter 1 2003	Quarter 1 2002	2002	Rolling 01.04.02- 31.03.31
Write-down of goodwill/shares in subsidiaries	-	-	-	-37.7
Capital gain/loss on sale of operations	-	-	2.7	-96.1
Staff redundancies	-	-	-15.6	-11.9
Write-down of fixed assets	-	-	-3.0	-7.6
Vacant premises	-	-	-2.2	-2.9
Other	-	-	-3.0	-1.4
Total	-	-	-21.1	-157.6

** Financial items in the amount of SEK -14.8m in 2002 pertain to capital losses on investment shares of SEK -9.4m (0), net interest expense of SEK -2.2m (-2.3), currency losses of SEK -2.0m (profit: 0.4), and other financial items of SEK -1.2m (-0.6).

CONSOLIDATED BALANCE SHEET (SEK million)	31.12.2003	31.03.2002	31.12.2002
Goodwill	51.1	99.3	51.7
Intangible fixed assets	3.2	6.0	2.8
Tangible fixed assets	3.9	12.7	4.1
Financial fixed assets	3.5	10.4	3.5
Total Fixed Assets	61.7	128.4	62.1
Current receivables	56.3	79.3	46.3
Current investments	2.9	-	7.0
Liquid funds	8.0	6.0	18.1
Total Assets	128.9	213.7	133.5
Shareholders' equity	61.9	119.5	65.0
Minority interest	0.0	0.1	0.0
Provisions	10.7	13.5	11.1
Long-term liabilities	12.6	16.7	10.0
Current liabilities	43.7	63.9	47.4
Total Equity, Provisions and Liabilities	128.9	213.7	133.5

CONSOLIDATED CASH FLOW STATEMENT (SEK million)	Quarter 1 2003	Quarter 1 2002	Full-Year 2002	Rolling 01.04.02- 31.03.31
Cash flow from current operations	-4.1	-2.4	-34.5	-36.2
Change in working capital	-11.1	-5.3	7.0	1.2
Total Cash Flow from Current Operations	-15.2	-7.7	-27.5	-35.0
Cash flow from investment operations	3.1	3.9	45.4	44.6
Cash flow from financing operations	2.0	-4.9	-14.5	-7.6
Total Change in Liquid Funds	-10.1	-8.7	3.4	2.0

CONSOLIDATED AVAILABLE LIQUIDITY (SEK million)	31.12.2003	31.03.2002	31.12.2002
Liquid funds including current investments	10.9	6.0	25.1
Blocked funds	-2.0	-	-1.5
Available credit	25.8	31.1	27.6
Utilised credit	-8.8	-9.9	-6.2
Total Available Liquid Funds	25.9	27.2	45.0

CHANGES IN NUMBER OF SHARES AND SHAREHOLDERS' EQUITY	No of shares 31.03.2003	Share capital 31.03.2003 SEK	Equity 31.03.2003 SEK m	Equity 31.12.2002 SEK m
As at 31.12.02/31.12.01	31,383,903	15,691,951	65.0	127.1
Translation difference	-	-	0.2	2.2
Loss for the period	-	-	-3.3	-64.3
As at 31.03.03/31.12.02	31,383,903	15,691,951	61.9	65.0

New share issues in cash are reported net after deduction of issue costs.

KEY RATIOS AND FIGURES (Group)	Q1 2003	Q1 2002	2002	2001	2000	1999	1998
Net total sales, SEK million	63.3	87.8	283.3	447.6	341.8	282.9	261.3
Change in net total sales, %	-28	-30	-37	+31	+ 21	+ 8	+ 34
Operating margin, %	-4.8	-7.5	-17.3	-42.7	-80.2	-4.0	4.4
Operating margin before goodwill amortisation, %	-3.6	-5.9	-15.7	-41.2	-76.3	-3.3	4.8
Profit margin, %	-5.4	-8.2	-22.5	-43.2	-79.9	-4.0	4.7
Net margin, %	-5.3	-8.3	-22.7	-43.6	-80.9	-3.6	3.2
Return on equity, %	-5.3	-5.9	-67.0	-72.5	-94.9	-13.7	13.4
Return on capital employed, %	-4.3	-4.1	-43.3	-75.4	-117.5	-10.8	19.0
Return on operating capital, %	-5.3	-4.3	-49.0	-94.1	-151.3	-14.8	28.1
Return on total capital, %	-2.3	-2.8	-29.4	-54.1	-85.7	-7.1	11.6
Equity/assets ratio, %	48	56	49	51	68	62	53
Cash to current liabilities ratio, %	154	133	151	147	165	205	173
Capital turnover rate, multiple (operating capital)	4.4	2.3	2.8	2.2	1.9	3.6	6.6
Cash flow after investments, SEK million	-12.1	-3.8	18.0	-33.5	-165.0	-15.2	-4.1
Number of employees at end of period	251	468	251	523	608	358	347
Average number of employees	251	474	357	587	459	322	277
Sales per employee, SEK thousand	252	185	794	763	745	879	943
Earnings per employee, SEK thousand	-14	-15	-179	-330	-595	-35	45
Salaries excluding payroll overheads, % of total sales	53	55	55	51	55	46	41
Value-added per employee, SEK thousand	181	134	506	498	443	588	638
Value-added ratio, %	72	73	64	65	59	67	68

SHARE DATA ¹⁾	Q1 2003	Q1 2002	2002	2001	2000	1999	1998
Number of shares at end of period ('000)	31,384	31,384	31,384	27,788	26,574	17,191	13,618
Average number of registered shares during the period ('000)	31,384	30,745	31,226	27,500	23,576	14,489	13,618
No of shares undergoing registration ('000)	-	-	-	3,596	810	-	-
Number of shares upon full utilisation of outstanding programmes ²⁾	32,384	35,232	32,384	35,232	31,542	17,777	14,018
Earnings per share after tax, SEK	-0.11	-0.24	-2.06	-7.09	-11.72	-0.70	0.61
Earnings per share after tax, SEK ²⁾	-0.11	-0.24	-2.06	-7.09	-11.72	-0.70	0.61
Cash flow per share, SEK	-0.48	-0.25	-0.86	-0.84	-2.94	-0.58	1.14
Cash flow per share, SEK ²⁾	-0.48	-0.25	-0.86	-0.84	-2.94	-0.58	1.11
Shareholders' equity per share, SEK ³⁾	1.97	3.80	2.07	4.05	11.22	6.55	4.81
Shareholders' equity per share, SEK ²⁾	2.22	8.30	2.32	9.37	16.33	7.06	5.24
Dividend per share, SEK	-	-	-	-	-	0.00	0.20

STOCK EXCHANGE RELATED KEY RATIOS AND FIGURES ¹⁾	Q1 2003	Q1 2002	2002	2001	2000	1999	1998
Market price per share at reporting date, SEK	1.65	3.85	1.50	3.29	7.95	46.00	32.40
Market price at reporting date, SEK million	52	121	47	91	211	791	441
Market price per employee at end of period, SEK million	0.2	0.3	0.2	0.2	0.4	2.2	1.3
Market price in relation to profit after tax (P/E ratio)	Neg	Neg	Neg	Neg	Neg	Neg	53
Market price in relation to sales (P/S ratio)	0.2	0.3	0.2	0.2	0.6	2.8	1.7

1) Figures have been restated in view of the 5:1 split carried out in 2000.

2) After full conversion and including shares undergoing registration.

3) Including shares undergoing registration.

SENSITIVITY ANALYSIS	Change	Effect on consolidated Profit/Loss SEK million
Rolling 12 months		
Hourly rate, percent	+/- 1	2.3
Billing ratio, percentage point	+/- 1	3.7
No of working days per annum	+/- 1	0.9
Personnel costs, percent	-/+ 1	2.1

QUARTERLY RESULTS, GROUP	Q1	Q2	Q3	Q4	Full-Year
Available working days (without consideration for holidays)					
2003	62	58	66	61	247
2002	61	60	66	61	248
2001	63	58	65	61	247
2000	63	59	65	63	250
Total sales, SEK million					
2003	63	-	-	-	-
2002	88	85	50	60	283
2001	126	116	91	115	448
2000	71	79	78	113	348
EBITA before exceptional items, SEK million					
2003	-2	-	-	-	-
2002	-5	-11	-7	0	-23
2001	1	-13	-17	2	-27
2000	-11	-27	-25	-19	-82
Operating loss, SEK million					
2003	-3	-	-	-	-
2002	-7	-27	-9	-6	-49
2001	-1	-14	-30	-146	-191
2000	-12	-15	-33	-215	-274