

Interim report January–September 2004



Framfab AB (publ)

- Net revenue for January–September was SEK 244.9 million (186.1), an increase of 32% for the same period in 2003. Net revenue per employee rose to an annual rate of SEK 933 thousand (629), an increase of 48% for the same period in 2003. Net revenue for the third quarter amounted to SEK 75.0 million (53.8), up 39% compared to the same period last year.
- Earnings after tax totaled SEK 2.8 million (–84.0) for the period January–September, and SEK 1.1 million (–11.3) for the third quarter. Earnings per share amounted to SEK 0.00 (–0.17) for January–September and SEK 0.00 (–0.02) for the third quarter. Operating earnings excluding amortization of goodwill were SEK 8.6 million (–50.9) in January–September and SEK 2.5 million (–12.4) for the third quarter.
- Cash flow for January–September was SEK 103.5 million (–3.0), including the share issue in the second quarter. Excluding restructuring charges, acquisitions and issues of new shares, cash flow amounted to SEK –19.5 million (–24.0). Cash flow was SEK –21.1 million (24.8) in the third quarter. Liquid funds were SEK 158.6 million as of September 30.
- During the second quarter, Framfab carried out a rights issue priority for existing shareholders. The issue, which was fully subscribed, raised approximately SEK 148 million after underwriting costs. Given Framfab's significantly stronger balance sheet and improved operational performance, the company is well positioned to play a leading role in the ongoing consolidation of the European Interactive Marketing and Consulting sector.
- While the management and board have refrained from issuing a forecast the goal is, however, to be profitable the fiscal year 2004.

Framfab is a leading European communications specialist in digital media and interactive solutions based on Internet technology. Most of Framfab's customers are large international companies, including 3M, American Express, AXA, Barclays Capital, Cadbury Schweppes, Carlsberg

Breweries, the Coca-Cola Company, Danske Bank, DuPont, Ericsson, Hydro Texaco, Kellogg's, Kraft Food International, Nike, Nobel Biocare, Philip Morris International, Philips, Postbank, Rezidor SAS, SAAB, Sara Lee Douwe Egberts, Swedish Match, Vodafone, Volvo Car Corporation, Volvo

Group and UBS. Framfab operates in Denmark, Germany, the Netherlands, Switzerland, Sweden and the United Kingdom. The company is quoted on the O-list, Attract40 of Stockholmsbörsen (ticker symbol FRAM). For additional information, see www.framfab.com.

A word from the CEO

Framfab have delivered a third successive quarter of profitability in 2004. In what is traditionally the toughest quarter of the year for professional services firms, this is a significant result. On a year-on-year basis our revenues continue to improve, up by over 25%, and our current view is that we are optimistic that the year will end with a positive earnings statement. Our business is stable and underpinned by long term client relationships which, coupled with the efforts of our colleagues, are fundamental to our continuing to build strength and depth. Our objective is to become Europe's leading Interactive Marketing and Consulting business.

With regard to selective acquisitions we continue to seek out appropriate opportunities and we aspire to lead the market consolidation for the Interactive Marketing and Consulting sector. Recent acquisitions are performing well and are integrated into existing operations. We have also recently strengthened our client services proposition and have established an Online Media capability in London with a remit to develop and deliver media services internationally.

Steve Callaghan
CEO & President

Market

One trend that presents us with increased opportunity is in the area of Online Media. Traditional offline marketing budgets are increasingly being diverted to online initiatives. Online advertising spending, according to Jupiter research's study of online advertising spend in Europe, will burgeon in Western Europe over the next five years, reaching Euro 4.7 billion by 2009, growing at a CAGR of 17 percent. The Internet will account for a larger share of the marketing mix, with online spending forecasted to account for 5 percent of all advertising spending in 2009, compared to 2 percent in 2003. This has put online media spend above cinema advertising, with radio advertising spend predicted to be overtaken in early 2005.

Industry reports also indicate that the Internet's increasing influence on consumers is pushing marketers to shift advertising and brand budgets online to \$16 billion in the US by 2008. Traditional marketing, while still critical, continues to become less effective and more costly to reach customers. The emergence of TV advertising filtering technologies, and the proliferation of print media is resulting in low viewer impact and is hurting mass marketing. The 'Do Not Call' Registry and junk mail intervention services are affecting direct marketing. In response to this trend our clients are working with us to evolve permission based marketing and online campaigns aimed at target consumer groups.

Framfab has recently strengthened the Online Media team to capitalize on these emerging trends. Our aim is to extend our services portfolio to include online media solutions, thereby building additional depth in our client relationships.

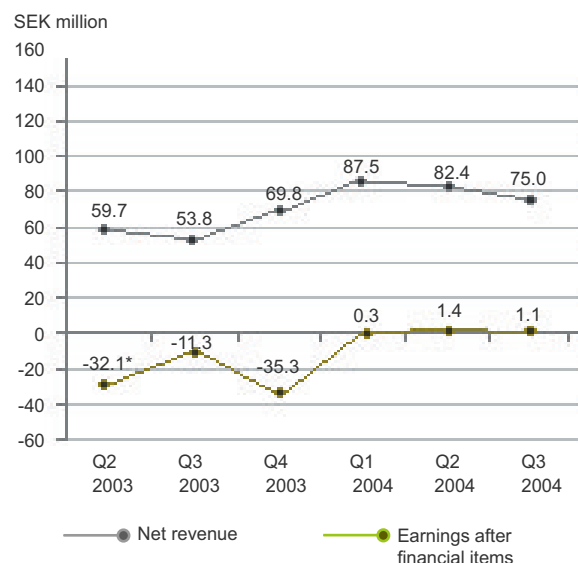
Operations

The Group

Net revenue for January-September was SEK 244.9 million (186.1), an increase of 32% from the same period of 2003. Net revenue per employee on an annual basis grew by 48% from the third quarter of 2003 to SEK 933 thousand (629). Net revenue per employee for the past 12 months rose by 9% from June 30 to SEK 875 thousand.

Net revenue for the third quarter was SEK 75.0 million (53.8), up by 39% from the same period last year. Owing primarily to the expected downturn in business volumes due to the vacation period in the third quarter, net revenue was SEK 7.4 million less than in the second quarter. Net revenue per employee on an annual basis grew by 47% from the third quarter of 2003 to SEK 864 thousand (586).

aQuantive acquired SBIRazorfish, Framfab's partner in the United States, from SBI Group in July, and through the transaction created Avenue A/Razorfish, the world's largest independent interactive marketing company. Framfab and Avenue A/Razorfish continue to develop and take advantage of each other's resources and contact networks. A joint team provided Senseo, Sara Lee's U.S. subsidiary, with an interactive marketing solution during the period.



*Excludes loss from divestment of holdings in B2 Bredband AB

Framfab Denmark, UK, Sweden and Germany (including Switzerland) all posted profits for both the period January-September and the third quarter. Netherlands reported higher, though still weak, earnings in the third quarter than the second quarter.

Excluding amortization of goodwill, operating earnings for the period rose by SEK 56.9 million to SEK 17.3 million. Including the parent company and Group adjustments, January-September operating earnings before amortization of goodwill were SEK 8.6 million (-50.9). Amortization of goodwill was SEK 6.4 million (0.0) and operating earnings were SEK 2.2 million (-50.9). Earnings after financial items totaled SEK 2.8 million (-84.0), while earnings after tax came to SEK 2.8 million (-84.0).

Employee-related costs accounted for 69% (74) of all costs during the first nine months. Subcontractors represented 4% (4) of total employee-related costs for the period. While costs for subcontractors can generally change with less than one month's notice, costs for employees are ordinarily adjustable after four months.

The acquisition of Paregos in January boosted the number of Group employees by 20. In July, Framfab hired 14 employees of Blue Pier GmbH, which had declared preliminary bankruptcy, in Hamburg. Framfab employed 340 people (360) as of September 30.

Denmark

Framfab Denmark posted January-September net revenue of SEK 61.0 million, an increase of 30% from the same period last year. Net revenue was SEK 19.0 million in the third quarter, as opposed to SEK 19.4 million in the second quarter. The operating margin rose from 9% in the second quarter to 17% in the third quarter. The company won 17 new clients, 4 of which in the third quarter, during the first nine months. Integration of the company's sales effort continued, particularly through the increased participation of Framfab Denmark specialists in Swedish activities.

Germany

The measures that Framfab Germany carried out in late 2003 have produced the desired results. Third quarter revenue remained stable at SEK 13.7 million, compared to SEK 10.9 million for the second quarter. January-September net revenue came to SEK 36.1 million, as opposed to SEK 45.3 million for the same period last year. The company won 10 new clients, 4 of which in the third quarter, during the first nine months. Among the new clients were a leading European airline and leading European bank. Third quarter operating earnings was SEK 0.6 million, generating an operating margin of 4%. Operating earnings for January-September totaled SEK 1.4 million, an increase of SEK 5.8 million from the same time in 2003.

Framfab took over 14 employees and a number of client relationships from Blue Pier GmbH in Hamburg early in the third quarter. That produced economies of scale while bolstering Framfab Germany's systems development and content management activities.

Netherlands

During 2003, a year characterized by large losses, Framfab Netherlands implemented substantial cost-savings programs and management changes. The company reduced its staff size by 35. The number of employees declined by a further 12 during the first nine months of 2004. Meanwhile, the company strengthened its partnership with Framfab UK. Framfab Netherlands saw an improvement in its backlog of orders and won 7 new clients, 4 of which during the third quarter, in January-September. Though still very weak, operating earnings rose to SEK -1.1 million in the third quarter from SEK -2.5 million in the second quarter. January-September operating earnings amounted to SEK -6.7 million, as opposed to SEK -11.5 million for the same period of 2003. Net revenue was SEK 3.4 million for the third quarter, SEK 3.2 million for the second quarter and SEK 9.9 million for January-September.

Sweden

Swedish operations performed according to plan and remained profitable. As had been the case previously, the company focused on profitability and client-related skills development. Net revenue for January-September was SEK 73.4 million, a decrease of 3% from the same period of 2003. The operating margin was 11% for the third quarter, 6% for the second quarter and 10% for January-September. Net revenue amounted to SEK 19.4 million in the third quarter, as opposed to SEK 26.7 million in the second quarter.

UK

Framfab UK, which formerly operated under the name of SBIFramfab, won 9 new clients - of which 4 during the third quarter - in January-September. The company hired a number of key e-commerce employees during the quarter for the purpose of establishing a leading position in the field. Net revenue for January-September was SEK 64.5 million. Net revenue was SEK 19.5 million in the third quarter, as opposed to SEK 22.2 million in the second quarter. The operating margin declined from 16% in the second quarter to 4% in the third quarter, due to the downturn in business volume during the vacation period.

January-September 2004

SEK million	Denmark	Germany	Netherlands	Sweden	UK	Total
External net revenue	61.0	36.1	9.9	73.4	64.5	244.9
Operating earnings	8.9	1.4	-6.7	7.0	6.7	17.3
Operating margin	15%	4%	-68%	10%	10%	7%
Investments	0.0	0.4	0.2	0.3	0.8	1.7
No. of employees*	70	60	19	120	62	331

*at close of the period, not counting Group staff (9)

January-September 2003

SEK million	Denmark	Germany	Netherlands	Sweden	UK	Total
External net revenue	47.1	45.3	18.1	75.6	-	186.1
Operating earnings	5.8	-4.4	-11.5	-29.5	-	-39.6
Operating margin	12%	-10%	-64%	-35%	-	-20%
Investments	0.2	0.3	0.0	-0.6	-	-0.1
No. of employees*	70	83	42	156	-	351

*at close of the period, not counting Group staff (9)

Financial Position

Cash flow was SEK 103.5 million (-3.0) for January-September. Issues of new shares had a net impact of SEK 147.3 million, while acquisitions had a net impact of SEK -4.6 million, on cash flow. Vacation pay had a negative net impact on third quarter cash flow, which came to -21.1 million (24.8). As of September 30, SEK 6.3 million provision for restructuring costs remains from year end 2003. The provision will have a negative impact on cash flow. Cash flow from operating activities was SEK -36.2 million (-48.1) for the first nine months and SEK -16.8 million (-17.2) for the third quarter. Restructuring costs - primarily for

employees who had been given notices of termination – set aside in late 2003 had a negative impact on cash flow of SEK 19.7 million in January–September and SEK 2.7 million in the third quarter. Liquid funds, including short-term investments, amounted to SEK 158.6 million as of September 30.

Trade accounts receivable were down by SEK 16.7 million to SEK 48.2 million from December 31 through September 30. Trade accounts receivable decreased from 93% of the latest quarter's revenue on December 31 to 64% on September 30. Including work-in-progress and net advance payments from clients, the corresponding figures were 93% at the end of September 2004 and 91% at the end of December 2003. Excluding short-term investments and liquid funds, working capital totaled SEK 11.6 million on September 30, as opposed to SEK –55.0 million on December 31, including the additional purchase sum of SEK 19.0 million for Framfab UK (formerly SBIFramfab). The equity/assets ratio was 78% as of September 30.

On January 15, 2004, Framfab signed an agreement to acquire Paregos Mediadesign AB. Acquisition costs of total SEK 12.0 million have been paid by issuing new shares and liquid funds. Depending primarily on Paregos' financial performance in 2004, an additional purchase sum of between SEK 0.8 million and SEK 5.5 million will be paid in the first quarter of 2005.

The issue of new shares that Framfab carried out in the second quarter was fully subscribed for and raised SEK 164.2 million before underwriting costs. The purpose of the issue was to make it easier for Framfab to actively participate in the ongoing consolidation of the sector and thereby offer payment in cash, as well as shares, when talking with prospective takeover targets.

Share Data

Earnings after tax were SEK 2.8 million (–84.0) for January–September and SEK 1.1 million (–11.3) for the third quarter, while earnings per share came to SEK 0.00 (–0.17) in January–September and SEK 0.00 (–0.02) in the third quarter. Shareholders' equity per share was SEK 0.23 (0.11) at the end of September. The parent company had 1,149,532,904 registered shares as of September 30.

A special meeting of shareholders on January 27, 2004 approved the acquisition of Paregos Mediadesign AB, along with principal financing through an issue of 19,348,514 new Framfab AB shares. The share issue was registered with the Patent and Registration Office (PRV) on February 7, 2004.

The March 25, 2004 annual general meeting resolved to reduce capital stock by SEK 39,304,746.60 to SEK 39,304,746.60 through lowering the share's par value from SEK 0.10 to SEK 0.05. The reduction was registered with the PRV on April 15, 2004.

In accordance with a resolution of the annual general meeting, Framfab AB floated a debenture loan in April of no more than SEK 1 consisting of 1,750,000 detachable warrants, for which Framfab Sverige AB is entitled to subscribe, in order to ensure fulfillment of an employee stock option commitment. The board of Framfab AB resolved to award the CEO 1,750,000 employee stock options, the exercise of 1,000,000 of which is conditional on the company's meeting certain pre-established earnings targets. Adjusted for the issue of new shares carried out in June, each option entitles the holder to subscribe for 1.0825 Framfab AB shares at SEK 0.69 each.

To finance final payment of the additional purchase sum for the acquisition of Framfab UK (formerly SBIFramfab), Framfab AB issued 35,000,000 new shares in May 2004. The issue of new shares was registered with the PRV on May 3, 2004.

A special meeting of shareholders on May 10 approved the board's resolution to increase capital stock by no more than SEK 16,421,898 through issuing up to 328,437,972 shares. The issue of new shares was fully subscribed for by shareholders with and without right of priority, as well as by the consortium that had underwritten part of it. The issue of new shares, which raised SEK 148.2 million after underwriting costs, was registered with the PRV on July 7, 2004.

Parent Company

Net revenue for January-September totaled SEK 6.9 million (7.1), of which SEK 6.9 million (6.7) was for internal invoicing. The loss after financial items was SEK -11.9 million (-75.6). Total investments in financial fixed assets amounted to SEK 14.4 million (25.6). As of September 30, liquid funds were SEK 136.6 million and shareholders' equity in the parent company was SEK 234.1 million, of which SEK 57.5 million was capital stock.

Remuneration for Jan Norman, who took over as CFO on September 20, does not differ significantly from that of his predecessor Christian Luiga. The mutual period of notice is 6 months. Mr. Luiga's remuneration is specified in the 2003 annual accounts.

Accounting Policies

This interim report has been prepared in compliance with Recommendation 20 on Interim Reporting issued by the Swedish Financial Accounting Standards Council. Adherence to the recommendations that went into effect as of 2004 has not affected the results or financial position reported for previous periods. The company's accounting policies are otherwise unchanged from the 2003 annual report.

Outlook for 2004

While the management and board have refrained from issuing a forecast the goal is, however, to be profitable the fiscal year 2004.

Upcoming Financial Reports

- The report of 2004 earnings will be released February 3, 2005.

Stockholm, October 21, 2004

Board of Directors

The company's auditors have not reviewed this report.

For additional information, go to www.framfab.com or contact:

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Summary of Income Statements

SEK million	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003	Jul-Sep 2004	Jul-Sep 2003
Services Revenue	243.8	183.6	253.0	74.6	52.5
Other operating revenue	1.1	2.5	2.9	0.4	1.3
Net revenue	244.9	186.1	255.9	75.0	53.8
Costs of operation	-233.2	-230.5	-339.5	-71.6	-65.1
Operations earnings before depreciation and amortization	11.7	-44.4	-83.6	3.4	-11.3
Depreciation and write-downs of tangible assets	-3.1	-6.5	-8.1	-0.9	-1.1
Amortization and write-down of goodwill	-6.4	-	-1.2	-2.1	-
Operating earnings	2.2	-50.9	-92.9	0.4	-12.4
Net financial items	0.6	-33.1	-26.4	0.7	1.1
Earnings after financial items	2.8	-84.0	-119.3	1.1	-11.3
Tax	-	-	-0.4	-	-
Earnings for the period	2.8	-84.0	-119.7	1.1	-11.3
Earnings per share, SEK	0.00	-0.17	-0.22	0.00	-0.02
Earnings per share after dilution, SEK	0.00	-0.17	-0.22	0.00	-0.02

Summary of Balance Sheets

SEK million	Sep 30 2004	Dec 31 2003	Sep 30 2003
Assets			
Goodwill	77.5	69.9	-
Tangible assets	5.2	6.1	5.9
Financial fixed assets	10.3	10.2	9.0
Total fixed assets	93.0	86.2	14.9
Trade accounts	48.2	64.9	37.0
Other current assets	35.8	21.6	31.9
Liquid funds	158.6	55.0	45.8
Total current assets	242.6	141.5	114.7
Total assets	335.6	227.7	129.6
Shareholders' equity and liabilities			
Shareholders' equity ¹	260.5	83.9	67.7
Long-term non-interest-bearing liabilities	2.6	2.6	1.2
Short-term interest-bearing liabilities	0.0	0.0	0.4
Short-term non-interest-bearing liabilities	72.5	141.2	60.3
Total liabilities	75.1	143.8	61.9
Total shareholders' equity and liabilities	335.6	227.7	129.6
¹ Shareholders' Equity			
At beginning of the year	83.9	110.7	110.7
Issue of new shares	172.4	104.1	43.5
Translation differences	1.4	-11.2	-2.5
Earnings for the period	2.8	-119.7	-84.0
At end of the period	260.5	83.9	67.7

Contingent liabilities by sureties given in the Group has decreased by SEK 0.3 million compared to December 31, 2003 and was SEK 10.7 million on September 30, 2004. In the parent company the contingent liabilities decreased by SEK 0.1 million compared to December 31, 2003 and was SEK 6.9 million on September 30, 2004.

The parent company had warranties given to Group companies by SEK 8.2 million on September 30, 2004 compared to SEK 8.2 million on December 31, 2003.

Summary of Cash Flow Statement

SEK million	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003	Jul-Sep 2004	Jul-Sep 2003
Cash flow from operations	12.4	-41.7	-80.8	4.2	-11.6
Changes in working capital	-48.6	-6.4	25.1	-21.0	-5.6
Cash flow from operating activities	-36.2	-48.1	-55.7	-16.8	-17.2
Acquisition/divestment of subsidiaries	-4.6	-2.4	-7.2	0.0	-1.9
Cash flow from other investing activities	-1.7	13.7	16.1	-1.1	10.1
Cash flow before financing	-42.5	-36.8	-46.8	-17.9	-9.0
Cash flow from financing activities	146.0	33.8	53.1	-3.2	33.8
Cash flow for the period	103.5	-3.0	6.3	-21.1	24.8
Liquid funds at beginning of the period	55.0	49.5	49.5	180.0	21.6
Translation differences in liquid funds	0.1	-0.7	-0.8	-0.3	-0.6
Liquid funds at end of the period	158.6	45.8	55.0	158.6	45.8

Summary by Quarter

SEK million	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Net revenue	75.0	82.4	87.5	69.8	53.8	59.7
Operating earnings before depreciation	3.4	3.8	4.5	-39.2	-11.3	-30.2
Operating earnings	0.4	0.6	1.2	-42.0	-12.4	-32.9
Earnings after financial items	1.1	1.4	0.3	-35.3	-11.3	-69.3
Total growth, Q/Q	-9%	-6%	25%	30%	-10%	-18%
No. of employees at end of period	340	338	362	387	360	379

Key Ratios

SEK million	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003	Jul-Sep 2004	Jul-Sep 2003
Change in net revenue	31.6%	-29.5%	-25.3%	39.3%	-21.3%
Operating margin before depreciation of tangible assets	4.8%	-23.8%	-32.7%	4.6%	-20.8%
Operating margin	0.9%	-27.3%	-36.3%	0.5%	-22.9%
Profit margin	1.1%	-45.2%	-46.6%	1.5%	-21.0%
Equity/assets ratio	77.6%	52.2%	36.9%	77.6%	52.2%
Return of capital employed ¹	-19.7%	-49.4%	-95.8%	-19.7%	-49.4%
Return of shareholders' equity ¹	-21.3%	-88.2%	-143.6%	-21.3%	-88.2%
Average No. of employees	350	394	395	347	367
No. of employees at end of the period	340	360	387	340	360
of which, outside Sweden	211	195	247	211	195
Revenue per employee, SEK thousand ²	933	629	648	864	586
Earnings per employee, SEK thousand ²	33	-172	-232	29	-134
No. of shares at end of the period	1,149,532,904	614,996,418	711,746,418	1,149,532,904	614,996,418
Average No. of shares	921,433,991	495,117,419	534,205,224	1,149,532,904	514,774,196
Average No. of shares after dilution	921,433,991	495,662,513	534,400,957	1,149,532,904	515,365,967
Shareholders' equity per share, SEK	0.23	0.11	0.12	0.23	0.11
Cash flow per average No. of shares, SEK	0.11	-0.01	0.01	-0.02	0.05

¹ Rolling 12-months² Annual rate