

Interim Report January - June 2000

Sustained Robust Growth and Profitability

- Sales for the period January - June rose by 123% to SEK 549.8 (246.1) m
- Organic growth reached 78.2% in the period for comparable units
- Operating profit¹⁾ increased by 130%, to SEK 62.8 (27.2) m
- Operating profit in the Consulting operations²⁾ stood at SEK 88.3 (43.3) m, implying a margin of 16.1%
- Headcount was over 1,600 at the time of the report, up by 723 since 1 January
- Adcore's European expansion has continued, with acquisitions in Germany, France, the Netherlands and Japan, as well as organic growth through new offices in Switzerland and the UK.
- Integration process now close to completion, full conclusion expected during 2000.

Group SEK m	January-June 6 months 2000	January-June 6 months 1999	July-June 12 months 1999/2000
Net sales	549.8	246.1	854.2
Operating profit ¹⁾	62.8	27.2	87.2
EBITA margin	11.4%	11.1%	10.2%

1) Before goodwill amortisation and items affecting comparability

2) Excluding costs for group-wide functions and common development



Market and Strategic Focus

Adcore assists traditional enterprises in successfully exploiting the potential presented by the new economy. Many corporations have started or are considering initiating the work associated with changing their operations in this direction. Market demand for services in this sphere is currently extremely healthy and is expected to increase sharply over the coming years.

An increasing number of technology interfaces and accelerating Internet penetration in many countries is influencing all sectors towards reviewing their e-commerce strategies. Utilizing the Internet as an integral part of a company's business model achieves efficiency gains and the ensuing competitive advantages. Internet solutions are becoming increasingly critical for business, implying that the demands on Internet-related consulting services also increase.

Adcore is the current B2B market leader in Europe and harbors a unique mix of experience and expertise that is able to satisfy market demands. With its leading-edge knowledge in key areas, Adcore has unique prospects of being able to assist clients throughout the change process.

A combination of fast organic growth and serial acquisitions has firmly consolidated Adcore's expertise mix as well as its geographical presence and client structure in Europe. Adcore currently has operations in Sweden, Denmark, Norway, Finland, Germany, the Netherlands, France, Belgium, the UK and Japan.

Adcore currently achieves growth and profitability that is amongst Europe's highest. The company has a geographical presence on almost all key European markets. Adcore's customer base includes several major international corporations.

Adcore can assist its clients in fully exploiting the advantages presented by the digital economy. The group's aggregate expertise, organized into three practice areas as outlined below, spans a wide range; strategic positioning of new digital business, implementation, building the new digital platforms required and integrating them with existing critical business systems.

Adcore uses multi-disciplined project teams including consultants with in-depth expertise within areas such as scenarios, e-business and brand strategies, profiling, project management, change processes, packaged business solutions and technology such as the mobile Internet and digital TV.

The group's size, coupled with a broad and deep skills mix, means that clients are offered total concept solutions, high delivery capacity and high quality.

Business Positioning

The group harbors approximately 260 strategic consultants, probably the biggest strategy organization focusing on the Internet in Europe and one which has experience of developing successful change strategies. Business Positioning's task is to analyze clients' existing business and how this can be changed in order to create a competitive position in the digital business environment of the future. The analysis results in strategic mapping, from which the client can pursue a business strategy for the digital economy. The analysis may encompass entire groups or individual business areas and can be applied to all of or part of client business operations.



Business Launch

Business Launch encompasses a complete spectrum of services that assist clients in defining and realizing the concepts for their digital initiatives, as well as leading their development. The offering is built on entirely novel methods for implementing development and change in large organizations.

The assignments require a range of competencies that are co-ordinated in dynamic multi-disciplined teams. The processes within Business Positioning form the foundation of Adcore's work.

Digital business concepts are frequently produced as an alternative to the client's traditional business model and usually, the digital model is more demanding of the client's entrepreneurial environment than its traditional business. One means of creating these conditions is for the digital initiative to be effected in a discrete environment with a dedicated budget and objectives alongside traditional operations.

Business Launch's consultants assist clients in defining the concepts for, and leading the development of, their digital initiatives. This requires a range of competencies including management consultants, technicians, project management experts, change management consultants, designers, Web developers and market communication experts.

Strategic consultants that have worked with the Business Positioning process continue to play a key role in assuming responsibility for maintaining and developing the strategic focus of projects.

Digital Platforms

Digital business platforms are constructed in the Digital Platforms practice area, which also harbors all the requisite competencies and experience to integrate such platforms with clients' existing critical business systems.

Now, the choice and structure of business technology platforms is more centrally strategic and business critical than ever, since they determine the flexibility—or the limitations—of clients' future business. While technology solutions must be stable, they must also be scalable and easily integrated with various business partners.

The practice area harbors considerable technology competencies in new interface platforms such as the mobile Internet and interactive TV, as well as in the majority of older technologies. These consultants have extensive work experience in development and integration projects

Sales and Profit Growth

Adcore's sales amounted to SEK 549.8 m in the first half-year 2000, up 123.4% on the corresponding period in 1999. Organic sales growth was 78.2%.

The Consulting operations' operating profit¹⁾ (excluding group-wide functions) amounted to SEK 88.3 (43.3) m in the first half, representing an increase of 103.9% compared to the corresponding period in the previous year. Consulting's operating margin stood at 16.1%.

Operating profit before goodwill amortization (EBITA) increased by 130.9%, reaching SEK 62.8 (27.2) m for the period. The EBITA margin for the period was 11.4%. In the second quarter, earnings were influenced by the extensive integration work relating to the merger of Information Highway and Connecta, as well as recently acquired enterprises that have not been financially consolidated as yet.

¹⁾ Before goodwill amortizations and items affecting comparability



The number of billable days was reduced to 58 by holidays during the second quarter, approximately 8% fewer than in the first quarter. Holidays and vacations influence the number of billable days in each quarter, which means that operational profit show seasonal variations. In the third quarter the number of billable days will be approx. 45 and during the fourth quarter approx. 60.

Goodwill amortization for the period amounted to SEK–21.0 (–8.3) m. Goodwill amortization stood at SEK–12.0 m in the second quarter and SEK–9.0 m in the first quarter.

Items Affecting Comparability

Because the merger between Information Highway and Connecta is being effected according to the pooling method, no goodwill has arisen. At the same time, this implies that costs normally included in the acquisition calculation are charged to the Income Statement. The prospectus published last spring indicated that this cost would amount to approximately SEK 150 m over the coming two years. The second quarter includes merger costs amounting to SEK 107.0 m, posted to items affecting comparability. The remaining merger costs are intended to be posted in 2000 in order to avoid burdening 2001. The remaining costs for 2000 are estimated at SEK 40 m. Items affecting comparability are distributed as follows:

Transactions costs	64.7
Name change and brand	20.1
IT integration	6.9
Liquidation of office premises	9.1
Other integration costs	6.2
Total merger costs	107.0
Loss on divestment of subsidiary	2.7
Total items affecting comparability	109.7

The net financial position for the period was SEK 7.4 (–1.0) m; profit before tax was SEK –60.5 (50.4) m.

Net profit was SEK –68.2 (38.1) m for the first half-year and earnings per share, excluding items affecting comparability, amounted to SEK 0.57.

Cash Flow and Financial Position

Cash flow from ongoing operations was SEK 90.2 m.

Total investments amounted to SEK 418.9 m, of which corporate acquisitions were SEK 373.5 m. Acquired goodwill posted to the balance sheet amounted to SEK 586.2 m at the end of the period. The corresponding figure at the beginning of the year was SEK 233.7 m. Group policy is to amortize goodwill over a period of 10-20 years depending on the nature of the acquisition.

The aggregate group-wide goodwill relating to enterprises acquired after the end of the reporting period was SEK 1,722 m.

Liquid funds stood at SEK 532.2 m at the end of the period, an increase by 486.5 since the turn of the year. The equity ratio was 79%.

Changes in the group

The merger between Information Highway and Connecta was largely completed during the second quarter. The work associated with integrating the operations in the two companies has been prioritized. The Extraordinary General Meeting on 6 June 2000 resolved to change the company's name to Adcore



and to implement a new warrants program targeted at Adcore's employees. The EGM also appointed a new Board with the following members: Christer Jacobsson (Executive Chairman), Anders G Carlberg and Lars Evander. Lars Irstad and Göran Wågström (CEO and President) remained on the Board.

In June, Adcore acquired Internet consulting practice Facing Facts with offices in Amsterdam, the Netherlands. The acquisition provides Adcore with access to the promising Dutch market. The company is profitable, complements Adcore's operations extremely well and provides a solid basis for exploiting the potential in Benelux. Facing Facts currently has an employee headcount of 44. The acquisition price is SEK 125 m with payment made in cash and in the form of 227,494 new shares in Adcore.

At the beginning of July, Adcore acquired the French Internet and strategic consulting practice Groupe G Consultants. Groupe G is profitable and has offices in Paris and Brussels with a total headcount of 42. The purchase price, SEK 185 m, is in the form of 2,515,567 new shares in Adcore.

Facing Facts and Groupe G were consolidated from 1 July 2000 onwards.

A decision to open new offices in Zurich was taken during the quarter. The offices are a logical step because Adcore is already pursuing a number of projects in Switzerland, which represents an attractive market and where the group considers that promising progress is underway, particularly in the banking sector. The offices will be opened this autumn.

In June, Adcore resolved to start a consulting practice in Japan together with Japanese players Lightyear and CTR Ventures. Adcore owns 49% of Adcore KK and holds an option to increase the holding to 51%.

Two smaller operations were acquired in Sweden during the quarter, Jevinger Interactive in Helsingborg and NetGain AB in Karlstad. The companies have a total headcount of 18.

Previously acquired enterprises berens/partner in Germany and Implement in Denmark were consolidated from 1 July 2000. The integration process was initiated during the period.

Sales relating to acquired, but as yet un-consolidated, enterprises amounted to SEK 89.2 m during the period. The employee headcount was 261 at the end of the period.

The headcount of berens/partner and Implement has increased by approximately 30 employees since the time of acquisition.

Alongside Skandia Investment KB, Adcore reached a decision to incorporate a venture capital enterprise, i2i-Venture, in the second quarter, with Adcore and Skandia Investment having equal, 37.5%, holdings, and the remaining 25% held by the enterprise's management. i2i-Venture will invest in Internet-related operations, providing support in their various developmental phases.

Human Resources

The total employee headcount was just over 1,600 at the time of the report, an increase of 723 since 1 January.

Employee headcount was 1,254 (538) at the end of the period. Headcount has increased by 716 employees over the last 12-month period, 176 of which through acquisitions.



Ownership Structure and Change in Shareholders' Equity

Adcore had 31,455 shareholders as of 31 July. Meanwhile, the proportion of foreign-held shares was 40.8%, and the proportion of shares held by employees of the Adcore group was approximately 40%. According to the share register kept by VPC, Adcore's biggest shareholders (excluding foreign holdings indicated via custodian accounts in the share register) were as follows:

Owner	Number of Shares	Proportion, %
Christer Jacobsson <i>(direct and indirect)</i>	14,611,568	10.6
Gladiolus	7,077,000	5.1
Skandia Investment	5,476,250	4.0
IT Provider	3,940,221	2.9
Fourth National Pension Insurance Fund	3,422,000	2.5

The number of shares was 120,945,557 as of 30 June 2000 and 137,943,131 as of 31 July 2000 after non-cash issues targeted at the owners of berens/partner and Implement A/S. A further 3,966,359 shares will be additional upon full utilization of existing programs within the former Information Highway.

The Extraordinary General Meeting on 6 June authorized the Board to issue a further maximum of 15,000,000 shares to be used in connection with acquisitions of companies in the period until the next Annual General Meeting is held. In connection with the acquisitions of Facing Facts in the Netherlands and Groupe G in France, payment has occurred in part in the form of new shares. The total number of shares used in connection with these transactions is 2,743,061.

The subscription rights programme resolved by the 6 June Extraordinary General Meeting encompasses a total of 13,750,000 subscription rights corresponding to an equivalent number of shares. All Adcore employees have been offered the opportunity to acquire at least 5,000 subscription rights for SEK 8.60. Overall, this offering encompasses 12,025,000 thousand rights. At the time of the Report's publication, just over 1,100 people, or nearly 80% of those eligible for the offering, had subscribed. The subscription price is SEK 125, with the subscription period running from 2 May - 30 May 2003. The new subscription rights will be registered in September 2000.

Parent Company

The parent company comprises the group's support functions and has 26 employees. Parent company net profit was SEK -64.9 (23.9) m for the period.

Liquid funds in the parent company were SEK 381.2 m as of the end of the period. Investments in corporate acquisitions were SEK 251.5 m, with other investments in fixed assets being insignificant.

Objectives

A number of general objectives were formulated coincident with the establishment of Adcore, as well as specific targets for 2000.

- Growth with sustained profitability
- High level of customer satisfaction
- The new group is to have a high number of global clients as collaboration partners



- The group is to have a minimum employee headcount of 2,000 by the end of 2000
- On the basis of a leading position on the Nordic market, Adcore is to become established as a leading European provider of B2B solutions
- The new group is to establish significant operations in Germany, the UK and on a further 2-3 new markets
- Completed acquisitions are to be integrated rapidly, with retained high quality

Adcore easily exceeded its growth and profitability targets in the first half-year, and at present, perceives no sign of growth rates declining, in fact expecting the market to grow robustly for the foreseeable future. Adcore intends to maintain growth with retained profitability.

Adcore's customer satisfaction remains high, while the business volumes generated by major clients are expanding briskly, and this trend is expected to continue. Moreover, during the period Adcore made milestone progress with a number of strategic clients. Adcore's aggregate knowledge and geographical presence will be a very potent competitive weapon for the pursuit of relationships with global clients.

Adcore reiterated its objective of an employee headcount of at least 2,000 by the end of this year.

As a consequence of acquisitions effected, the group has achieved its objective in terms of presence on multiple European markets. Adcore may start up on a few more markets during the latter half-year and enjoys a secure platform to enhance activities further on those markets on which the group is now active, to thereby achieve its objective of becoming a pre-eminent provider of B2B solutions.

Over the last year, Adcore has implemented 13 acquisitions. The evaluation and integration concept Adcore has developed has proven highly successful, with the corporation achieving fast results in terms of growth and profitability, and the ability to secure major projects locally. Personnel turnover in acquired units has been very modest.

Adcore reiterated its objective of achieving annual organic growth of 50%.

Forthcoming Reports

Third quarter 2000	26 October
Full-year 2000	6 February 2001

Stockholm, Sweden, 23 August 2000

*Göran Wågström
President and CEO*



Auditor's Review

I have performed a summary review of this Interim Report, in accordance with the recommendation of FAR (the Swedish Institute of Authorised Public Accountants). A summary review is far more limited in scope than a full audit. Nothing has emerged to suggest that this Interim Report does not satisfy the standards set by stock exchange and accounting legislation.

Stockholm, Sweden, 23 August 2000

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Consolidated Income Statement in summary, SEK m

	2000 Jan-June	1999 Jan-June	1999 Full Year
Net sales	549,8	246,1	550,5
Operating costs	-487,0	-218,9	-499,0
Profit before goodwill amortization and items affecting comparability	62,8	27,2	51,5
Goodwill amortisation	-21,0	-8,3	-25,9
Items affecting comparability	-109,7	32,5	16,0
Operating profit	-67,9	51,4	41,6
Financial items	7,4	-1,0	0,4
Profit net of financial items	-60,5	50,4	42,0
Tax	-7,7	-12,3	-14,0
Net profit	-68,2	38,1	28,0

Consolidated Balance Sheet in summary, SEK m

	2000-06-30	1999-06-30	1999-12-31
Assets			
Intangible assets	586,2	27,6	233,7
Tangible fixed assets	84,2	45,0	48,6
Current receivables	462,5	176,4	192,1
Liquid funds	532,2	45,7	158,2
Total assets	1 665,1	294,7	632,6
Liabilities and shareholders' equity			
Shareholders' equity	1 319,4	142,6	397,5
Provisions and long-term liabilities	42,6	49,4	56,7
Current liabilities	303,1	102,7	178,4
Total liabilities and shareholders' equity	1 665,1	294,7	632,6

Cash Flow Statement, SEK m

	2000 Jan-June	1999 Full Year
Cash flow from ongoing operations	90,2	227,6
Cash flow from investment activity	-692,3 ¹⁾	-249,8
Cash flow from financing activity	976,1	106,0
Change in liquid funds	374,0	83,8

¹⁾ Including SEK 107 m relating to merger costs for the period January - June 2000



Key Figures

	2000 Jan-June	1999 Jan-June	1999 Full Year
Operating margin before goodwill amortisation and items affecting comparability	11,4%	11,1%	9,4%
Operating margin	Neg	20,9%	7,6%
Profit margin	Neg	15,5%	5,1%
Return on equity, %	Neg	31%	11%
Return on capital employed, %	Neg	29%	14%
Number of employees, end of the period	1254	538	877
Average number of employees	1052	473	632
Sales / employee, SEK 000	523	520	-
Sales / consultant, SEK 000	645	641	-
Sales/ employee, 12 months, SEK 000	952	-	871
Sales/ consultant, 12 months, SEK 000	1 168	-	1062
Value-added / employee, SEK 000	412	387	646
Net debt gearing, SEK m	-434,0	1,5	-79,9
Equity ratio, %	79%	63%	69%

Data per share

	2000 Jan-June
Number of shares at the end of the period	120 945 557
Average number of shares during the period	73 141 488
Earnings per share, SEK ¹⁾	0.57
Shareholders' equity per share, SEK	10.91

Data per share after full dilution

	2000 Jan-June
Number of shares at the end of the period	124 911 916
Average number of shares during the period	78 111 753
Earnings per share, SEK ¹⁾	0.53
Shareholders' equity per share, SEK	10.56

¹⁾ Excluding items affecting comparability



Consolidated Income Statement, Quarterly Performance & Rolling 12 Months, SEK m

	2000 Q 2	Q 1	1999 Q 4	Q 3	99/00 12 months
Net sales	295,6	254,2	181,5	122,9	854,2
Operating costs	-264,7	-222,3	-165,2	-115,0	-767,2
Profit before goodwill amortization and items affecting comparability¹⁾	30,9	31,9	16,3	7,9	87,0
Goodwill amortization	-12,0	-9,0	-12,7	-5,0	-38,7
Items affecting comparability	-109,7		-16,4	-	-126,1
Operating profit after goodwill amortization	-90,8	22,9	-12,8	2,9	-77,8
Financial items	7,5	-0,1	1,6	-0,2	8,765
Profit before appropriations and tax	-83,3	22,8	-11,2	2,7	-69,0
Tax	-5,3	-2,4	-1,6	-	-9,3
Net profit for the period	-88,6	20,4	-12,8	2,7	-78,3
Operating margin before goodwill amortization and items affecting comparability	10,5%	12,5%	9,0%	6,4%	10,2%
Operating margin	-30,7%	9,0%	-7,1%	2,4%	-9,1%

¹⁾ First-quarter operating costs were adjusted coincident with Connecta's annual Financial Statement as of 30 April 2000. Thereby operating profit for the first quarter is SEK 3.3 m lower than in the preliminary pro forma Q1 report.