Interim Report
January 1 - September 30, 2002

framfab

Framfab AB (publ)

- Operating earnings for July-September were SEK –33.4 million (–515.9), including SEK –10.8 million in restructuring costs. Operating earnings for the first nine months totaled SEK –65.8 million (–2,218.7), including restructuring costs of SEK -19.6 million. Net revenue amounted to SEK 68.4 (114.3) million for July-September and SEK 264.1 million (532.8) for January-September.

- Since the trends for the market - and thereby for Framfab - have been poorer than expected, the company took additional cost-savings measures during the third quarter. Measures carried out in the second and third quarters combined reduced Framfab's staff by 122 (77 in the third quarter). That is expected to generate savings of SEK 38.4 million in 2003. Framfab employed a total of 519 people on September 30, of whom 66 had received notices of termination.

- Liquid funds amounted to SEK 63.3 million at the end of the third quarter. Cash flow from operating activities in the third quarter totaled SEK –24.9 million (–139.2), of which SEK –8.5 million was attributable to vacation pay and SEK –5.1 million to restructuring costs.

- Among the companies which Framfab signed as new clients during the third quarter are Radisson SAS and Yves Saint Laurent. Furthermore, Framfab concluded new general agreements with the Volvo Group and AstraZeneca. The company also opened cooperation with Carlsberg Breweries in October.

- The future is very difficult to predict. Ongoing uncertainty about the business cycle has caused many clients and potential customers to postpone their investment decisions. Companies are splitting up projects into various stages and carrying out major cost-effectiveness programs. The board believes that the group's operating earnings will approach break-even for the fourth quarter. That assessment is based on the fact that Framfab's costs have decreased and that revenue is normally higher in the fourth quarter than in the third quarter.

Framfab is a leading provider of consulting services and business solutions based on Internet technology. Most of Framfab's customers are big international companies, including 3M, AXA, the Coca-Cola Company, Danske Bank, Electrolux, Ericsson, Hydro Texaco, IKEA, Kellogg's, Maersk Sealand, NEC Packard-Bell, Nike, Observer, Postbank, Quelle Versicherungen, SAAB, Volvo Car Corporation, Volvo Group and UBS. Framfab operates in Denmark, France, Germany, the Netherlands and Sweden. The company is quoted on the O list of the Stockholm Stock Exchange (ticker symbol FRAM). For more information, please visit www.framfab.com.

A Word from the CEO

The steeper dip in the European business cycle is having a negative impact on IT and Internet consulting companies. Clients are postponing aggressive investments, focusing on minimizing their costs, splitting up their projects into various stages and slowing down ongoing implementation as much as possible while awaiting better times. Internet consulting companies in Europe have reacted to the continued economic decline by cutting capacity and costs even further. Although competitors with operations in a number of European countries retreated early to their domestic markets, the anticipated restructuring and consolidation have still not materialized.

One of the cost-savings measures that Framfab has taken in order to improve profitability during the third quarter is to reduce staff by 77 people. Since April 122 employees have been layed off. In addition, the company has strengthened the internal monitoring of operations and enhanced administrative procedures in order to increase the efficiency of business and its deliveries to customers.

Framfab has held onto all of its major clients and is continuing to obtain new ones. Despite stiff international competition, the company attracted such new clients as Radisson SAS and Yves Saint Laurent during the third quarter. Carlsberg Breweries joined the ranks in October. While conducting Web Services seminars, Framfab is constantly working on developing and clarifying its range of products and services. As a result, the company now offers a structured, clarified range of products and services within its four segments of Interactive Solutions, Technology and Infrastructure, Maintenance and Support and the development of the latest technology and services in the segment Emerging Technologies. The section entitled Products and Services describes the structure in greater detail.

The group, which posted a loss and a negative cash flow in the third quarter, took extensive measures to reduce costs. If the business cycle declines further, the company is fully prepared to further adjust its capacity and costs. Liquid funds totaled SEK 63.3 million on September 30. The business cycle remains uncertain. However, if the current market holds, the group’s operating earnings will approach break-even for the fourth quarter.

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Earnings and Financial Position

The market

The ongoing uncertainty characterizing the business cycle has led many companies to postpone their investment decisions, split up their projects into various stages and slow down implementation as much as possible while awaiting better times. Meanwhile, they are carrying out major cost-savings programs. Since external consulting services are among the costs that are affected early on, larger companies are temporarily relying on a higher proportion of insourcing. The IT, Internet and Telecom segments have suffered a considerable impact during the current economic decline. Framfab has felt the effects as well, particularly in Germany, France and the Stockholm region. With a few exceptions, all Internet consulting companies in Europe have reacted to the continued dip in the business cycle by cutting capacity and costs even further. Although most competitors with operations in a number of European countries retreated early to their domestic markets, the anticipated restructuring and consolidation of the sector have still not materialized.

Nevertheless, the Internet is expanding as rapidly as ever. According to Forrester Research, Inc., one million Western Europeans are connecting to the Internet for the first time each month. The analyst company IDC predicts that Western European investment in web-based services will average 29% growth from now until 2006. In line with that trend, Framfab’s big international clients are gradually earmarking a greater share of their sales and marketing budgets to web applications. For instance, Framfab was involved from concept and design to technology and global rollout in the launch of Volvo’s current R Series. Public agencies and institutions are rapidly developing web applications to inform and communicate with citizens. Collaboration with clients such as the European Commission, the Netherlands authorities and the City of Stockholm has handed Framfab a great deal of experience in this area. Notwithstanding the insourcing trend, there is a clear and growing need to utilize the Internet for the development of business processes – the purpose being to boost revenue and efficiency, particularly by means of Web Services. Such requirements will spur demand for high-quality external consulting services once the international business cycle turns up. In the meantime, Framfab is continuing to pursue focused sales and marketing efforts while adapting cost structure to current demand.

One key to Framfab's successful implementation of complex, web-based solutions is the ability to combine such disparate disciplines as strategy and business development, creative concept & design, information architecture, user surveys and systems integration & technology. No traditional strategy and management consulting companies, pure advertising and media specialists or the service sectors of large IT companies possess all of the know-how and accumulated skills that are required.

Clients

Based on its ongoing sales focus, Framfab obtained new clients such as Radisson SAS and Yves Saint Laurent during the third quarter in the face of stiff international competition. The company also opened cooperation with Carlsberg Breweries in October, comprising development of a new global brand site. Meanwhile, Framfab defied the gloomy economy, retaining all of its major clients and signing new general agreements with the Volvo Group and AstraZeneca. Earlier in the year, Framfab entered into a number of new long-term agreements with such organizations as Avanturo, BNN, Central, Ellipsus, Finanz- und Versorgungsdienst GmbH (FDV), Haftplichtverband der Deutschen Industrie V.a.G. (HDI), Renualt Sweden and the Knowledge Foundation.

The company has won a series of international awards this year for its collaboration with Nike, exemplifying the goodwill that it has generated by means of long-term customer relationships. Based on such relationships and other determined efforts, Framfab has gained a thorough understanding of the clients' dialogs and interfaces with their suppliers, employees and customers.

Products and Services

Framfab develops and strengthens its clients' e-Business strategies, digital strategies, channel integration and web-based business processes. The company designs, constructs and implements creative, user-friendly solutions for clients in the public and private sectors. Framfab meets the needs of its clients for innovative Intranet and Extranet applications by B2C, B2B, B2E and G2C.

Framfab posses' internationally acknowledged cutting-edge expertise in the area of digital brand communication. The company is also known for the ability to understand users on the basis of extensive surveys and specialist know-how in information architecture. Framfab takes advantage of our insight into a client's interaction with its customers and users in digital media whenever the company digitally integrates that dialog into its business processes. As a result, Framfab's unique solutions create and enhance the value that our clients can provide to their customers and users. That kind of consistent, valuable brand promotion through digital media forges new customer relationships and strengthens those that have developed offline. As a result, our clients enjoy greater loyalty among customers, goodwill, image, trust and sympathy. We call it Digital Brand Experience™.

Framfab has structured and clarified its range of products and services within the framework of four different segments:

Interactive Solutions	Automotive Industry Online	Financial Services Industry Online	Branding & Marketing in Healthcare	Online Branding in Consumer Goods Industry
		B2E	Sales & Customer Service	Corporate Communication
Technology & Infrastructure	Content Management	E-Commerce	Portals	Technology Planning
Maintenance & Support		Management & Control	Service Level Agreements	Traffic Generation
Emerging Technologies			Web Services	Mobile

Interactive Solutions accounts for more than 75% of Framfab's sales volumes. Solutions, methods and a host of completed projects are gathered together in specific client sectors and units.

Technology and Infrastructure includes in-house and standard applications for Content Management, e-commerce and portals.

Maintenance and Support offers services that supplement and support in-house and externally developed web applications.

A separate segment, **Emerging Technologies**, that pursues the development of new products and services.

Operations

Framfab is the third largest pure Internet consulting company in Europe. The company's well-defined strategy is to be a leader in each of the geographical markets in which it competes. Framfab sets the criterion of such leadership to be among the three biggest players.

To safeguard financial result and position despite weak demand, Framfab has taken measures to reduce the group's costs. Such action includes personnel cutbacks in the Parent company and in all subsidiaries. Additional measures involve closer internal monitoring of operations, a clear range of services and improved administrative procedures in order to enhance efficiency.

The Swedish subsidiary, which is positioned as number one among pure Internet consulting companies, posted weak orders received in the third quarter. The volume of outstanding bids increased at the same time. As a result of poor operating earnings in the third quarter, the Swedish company operated at a loss in January-September. In order to safeguard a profit and positive cash flow regardless of lower volumes, Framfab Sweden has trimmed the number of employees while introducing earnings triggered salary and leave of absence programs. The programs are in effect at all of the company's Swedish offices.

The Danish subsidiary, also positioned as number one among pure Internet consulting companies, earned a profit in January-September. By means of agreements with clients such as Nike and Carlsberg Breweries, the company's backlog of orders is strengthened going into the fourth quarter 2002 and the first quarter 2003.

Framfab Netherlands, which is in second place among pure Internet consulting companies, posted an operating loss in the third quarter and for the first nine months. Contracts with clients like BNN, Omroep, KRO and VPRO have bolstered the company's position in the Broadcasting segment.

Framfab Germany took proactive steps to strengthen its management and sales organization, hiring two highly experienced sales executives as of October 1. The company also cut back on its staff size, introduced a part-time employment plan and set up a voluntary program by which managers can accept a temporary wage reduction of 20%. Those measures allowed the subsidiary to trim its losses in the third quarter despite a very slow market. If the market continues to weaken, the German company may take additional measures. Framfab is one of the ten largest pure Internet consulting companies in Germany.

The persistence of a sluggish market throughout 2002 has taken a heavy toll on Framfab France's operating earnings. While taking action since May to reduce costs, Framfab tried hard to restructure Framfab France. The company continues to seek a structural solution, and the intention is to complete this before year-end.

Revenue

Net revenue fell by 50% to SEK 264.1 million (532.8) from the first nine months of 2001 to the same period of 2002. Excluding divested operations, the decrease was 34%. Revenue was down by 40% to SEK 68.4 million (114.3) from the third quarter of 2001 to the corresponding period of 2002. Not counting divested operations, the reduction was 38%. The poorer market contributed to the lower revenue figure for the third quarter.

Operating earnings

Excluding restructuring costs, operating earnings for January-September were SEK –46.2 million (–1,722.4). In addition, provisions of SEK -19.6 million (SEK -8.8 million in the first quarter and SEK-10.8 million in the third quarter) were set aside for restructuring costs. During the first nine months of 2001, the company set aside provisions of SEK -496.3 million for the write-down of trade accounts receivable, restructuring and the divestment of other operations. This year's provisions are chiefly for restructuring of French and Swedish operations, along with unexpectedly high costs for closing two rented office premises. Operating earnings for the first nine months totaled SEK –65.8 million (–2,218.7).

Excluding restructuring costs of SEK –10.8 million (0.0), operating earnings amounted to SEK –22.6 million (–515.9) for the third quarter.

Adjusted for vacation pay and restructuring costs, operating costs declined by 12% or SEK 13.0 million from the second to third quarter. Operating costs for the third quarter totaled SEK -98.6 million.

Given that the market for Internet consulting companies slowed down even more during the third quarter, Framfab decided to take extensive cost-savings measures in order to safeguard financial result and position. Measures carried out in the second and third quarters combined reduced Framfab's staff by 122 (77 in the third quarter). The savings calculates to SEK 38.4 million during 2003. In addition the company launched earnings triggered salary and leave of absence programs. In order to ensure a flexible cost structure and adapt more closely to fluctuations in the business cycle, Framfab will introduce a greater proportion of variable wages in 2003. The group's poorer operating earnings in the third quarter stemmed from provisions for restructuring costs, along with lower net revenue as a result of summer vacation and the ongoing decline in demand.

Framfab posted a positive net financial income of SEK 3.6 million for January-September, while the loss after financial items was SEK –62.2 million (–2,581.2). The loss after financial items for July-September was SEK –32.8 million (–503.0).

Financial position
Cash flow from operating activities in the third quarter totaled SEK –24.9 million, of which SEK –8.5 million was attributable to vacation pay and SEK –5.1 million to restructuring costs. For January-September, cash flow from operating activities was SEK –45.8 million (–449.6), including restructuring costs of SEK –26.5 million. While total cash flow for January-September amounted to SEK –50.3 million, liquid funds totaled SEK 63.3 million on September 30.

Balance sheet
Trade accounts receivable were SEK 54.7 million, a reduction of SEK 68.0 million since the first of the year. Trade accounts receivable declined from 91% to 77% of the most recent quarter's revenue from December 31, 2001 to September 30, 2002.The equity/assets ratio was 50%, as opposed to 47% at the beginning of the year. The only large remaining shareholding is Framfab's 4.5% stake, which has a book value of SEK 50.0 million, in B2 Bredband AB. Framfab also has holdings with a total book value of SEK 0.0 million in a handful of small companies for which the company has no financing commitments.

Employees
Of the 519 people that Framfab employed on September 30, 9 received notices of termination in the second quarter and 57 in the third quarter. The number of employees declined by 173, of which 67 resulted from restructuring in 2001, since the beginning of the year.

Outlook for 2002

Ongoing uncertainty about the economy has led many clients and potential customers to postpone their investment decisions. Companies are splitting up projects into various stages and carrying out major cost-effectiveness programs. Nevertheless, there is a clear and growing need to take advantage of the Internet's potential. Thus, a considerable increase in demand for web-based applications is expected once the business cycle turns up. The future is very difficult to predict. However, assuming that the slow market does not deteriorate any further, the board believes that the group's operating earnings will approach break-even for the fourth quarter.

Share data

The loss after tax of SEK –62.2 million (–2,568.9) for January-September 2002 corresponded to SEK –0.13 (–9.26) per share. Shareholders' equity per share was SEK 0.23 (0.41) on September 30. The parent company had 474,682,438 registered shares as of September 30, 2002.

Parent company

Net revenue totaled SEK 8.5 million (144.7), of which SEK 7.8 million (43.8) was for internal invoicing, in January-September 2002.

The loss after financial items was SEK –46.6 million (–1,822.8). Shareholders' contributions via the conversion of loans to subsidiaries in the amount of SEK 20.4 million are reported as an investment during the period. Total investments in fixed assets were SEK 24.1 million (652.3).

Write-downs of shares in subsidiaries amounted to SEK 3.5 million (1,200.5), while write-downs of other financial fixed assets were SEK 21.4 million (379.1). The parent company had liquid funds of SEK 43.6 million (85.3) on September 30, 2002.

Accounting policies

This interim report has been prepared in compliance with Recommendation 20 on Interim Reporting issued by the Swedish Financial Accounting Standards Council. The same accounting policies have been applied as in the 2001 annual report.

Upcoming reports

- The preliminary report of 2002 earnings will be released on January 29, 2003.

Stockholm, October 30, 2002
Framfab AB (publ)

Board of Directors

The company's auditors have not reviewed this report.

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You may also visit Framfab's website at www.framfab.com

Summary of Income Statements

SEK million	Jan-Sep 2002	Jan-Sep 2001	Jan-Dec 2001	Jul-Sep 2002	Jul-Sep 2001
Services revenue	258.3	525.3	655.2	67.2	112.5
Other operating revenue	5.8	7.5	11.5	1.2	1.8
Net revenue	**264.1**	**532.8**	**666.7**	**68.4**	**114.3**
Costs of operation	-321.5	-1 205.9	-1 331.8	-98.6	-192.9
Other operating costs	-	-236.4	-236.4	-	-
Earnings from shares in associated companies	-	-19.1	-19.1	-	-
Operating earnings before depreciation and amortization	**-57.4**	**-928.6**	**-920.6**	**-30.2**	**-78.6**
Depreciation and write-downs of tangible assets	-8.4	-81.5	-86.7	-3.2	-7.4
Operating earnings after depreciation of tangible assets	**-65.8**	**-1 010.1**	**-1 007.3**	**-33.4**	**-86.0**
Amortization and write-downs of goodwill	-	-1 177.8	-1 177.8	-	-428.1
Amortization and write-downs of other intangible fixed assets	-	-30.8	-30.8	-	-1.8
Operating earnings	**-65.8**	**-2 218.7**	**-2 215.9**	**-33.4**	**-515.9**
Net financial items	3.6	-362.5	-360.3	0.6	12.9
Earnings after financial items	**-62.2**	**-2 581.2**	**-2 576.2**	**-32.8**	**-503.0**
Tax	-	12.3	3.3	-	-94.0
Earnings for the period	**-62.2**	**-2 568.9**	**-2 572.9**	**-32.8**	**-597.0**
Earnings per share, SEK	**-0.13**	**-9.26**	**-7.97**	**-0.07**	**-1.26**
Earnings per share after dilution, SEK	**-0.13**	**-9.26**	**-7.97**	**-0.07**	**-1.26**

Summary of Cash Flow Statement

SEK million	Jan-Sep 2002	Jan-Sep 2001	Jan-Dec 2001	Jul-Sep 2002	Jul-Sep 2001
Cash flow from operations	-55.7	-522.3	-535.8	-29.5	-87.2
Changes in working capital	9.9	72.7	62.8	4.6	-52.0
Cash flow from operating activities	**-45.8**	**-449.6**	**-473.0**	**-24.9**	**-139.2**
Acquisition/divestment of subsidiaries	-	161.8	159.7	-	-4.6
Cash flow from other investing activities	-2.9	-117.0	-100.2	-0.4	-4.7
Cash flow before financing	**-48.7**	**-404.8**	**-413.5**	**-25.3**	**-148.5**
Cash flow from financing activities	-1.6	284.3	282.2	-0.5	2.9
Cash flow for the period	**-50.3**	**-120.5**	**-131.3**	**-25.8**	**-145.6**
Liquid funds at beginning of the period	114.5	244.0	244.0	89.0	270.8
Translation differences in liquid funds	-0.9	2.4	1.8	0.1	0.7
Liquid funds at end of the period	**63.3**	**125.9**	**114.5**	**63.3**	**125.9**

Summary of Balance Sheets

SEK million	Sep 30 2002	Dec 31 2001	Sep 30 2001
Assets			
Tangible assets	14.8	21.5	37.4
Financial fixed assets	50.0	50.0	50.0
Total fixed assets	**64.8**	**71.5**	**87.4**
Trade accounts receivable	54.7	122.7	119.7
Other current assets	36.9	57.1	91.0
Liquid funds	63.3	114.5	125.9
Total current assets	**154.9**	**294.3**	**336.6**
Total assets	**219.7**	**365.8**	**424.0**
Shareholders' equity and liabilities			
Shareholders' equity [1]	**109.3**	**173.1**	**192.9**
Interest-bearing liabilities	2.0	3.7	5.4
Long-term non-interest-bearing liabilities	-	11.0	-
Short-term non-interest-bearing liabilities	108.4	178.0	225.7
Total liabilities	**110.4**	**192.7**	**231.1**
Total shareholders' equity and liabilities	**219.7**	**365.8**	**424.0**

[1] **Shareholder's Equity**

SEK Million	Sep 30 2002	Dec 31 2001	Sep 30 2001
At beginning of the year	173.1	2 361.9	2 361.9
Issue of new shares	-	374.0	375.0
Translation differences	-1.6	10.1	24.9
Earnings for the period	-62.2	-2 572.9	-2 568.9
At end of the period	**109.3**	**173.1**	**192.9**

Summary of Income Statements by Quarter

SEK Million	Q3 2002	Q2 2002	Q1 2002	Q4 2001	Q3 2001	Q2 2001
Net revenue	68.4	87.8	107.9	133.9	114.3	154.5
Operating earnings	-33.4	-23.7	-8.7	2.8	-515.9	-157.3
Earnings after financial items	-32.8	-23.0	-6.4	5.0	-503.0	-148.6
Total growth, Q/Q	-22%	-19%	-19%	17%	-26%	-41%

Key Ratios

	Jan-Sep 2002	Jan-Sep 2001	Jan-Dec 2001	Jul-Sep 2002	Jul-Sep 2001
Growth in net revenue	-50.4%	-53.6%	-54.6%	-40.2%	-62.9%
Gross margin, EBITDA	-21.8%	-174.3%	-138.1%	-44.2%	-68.7%
Operating margin after depreciation of tangible assets, EBITA	-24.9%	-189.6%	-151.1%	-48.8%	-75.3%
Operating margin, EBIT	-24.9%	-416.5%	-332.4%	-48.8%	-451.5%
Profit margin, EBT	-23.6%	-484.5%	-386.4%	-48.1%	-440.3%
Equity/assets ratio	49.8%	45.5%	47.3%	49.8%	45.5%
Return on capital employed (1)	-28.5%	-250.6%	-257.2%	-28.5%	-250.6%
Return on shareholders' equity (1)	-42.4%	-277.4%	-310.3%	-42.4%	-277.4%
Average no. of employees	588	1,741	1 505	542	1,089
No. of employees at end of the period	519	887	692	519	887
of which, outside Sweden	267	461	396	267	461
Revenue per employee, SEK thousand (2)	599	416	443	504	416
Earnings per employee, SEK thousand (2)	-149	-693	-670	-246	416
No. of shares at end of the period	474,682,438	474,682,438	474,682,438	474,682,438	474,682,438
Average no. of shares	474,682,438	277,470,557	322,980,991	474,682,438	474,682,438
Average no. of shares after dilution	474,682,438	288,087,656	333,277,745	474,682,438	484,682,576
Shareholders' equity per share, SEK	0.23	0.41	0.36	0.23	0.41
Earnings per share, SEK	-0.13	-9.26	-7.97	-0.07	-1.26
Earnings per share after dilution, SEK	-0.13	-9.26	-7.97	-0.07	-1.26

1) Rolling 12-months
2) Annual rate

Definitions

Gross margin (EBITDA):
Operating earnings before depreciation and amortization as a percentage of revenue.

Operating margin after depreciation of tangible assets (EBITA):
Operating earnings after depreciation of tangible assets as a percentage of revenue.

Operating margin (EBIT):
Operating earnings as a percentage of revenue.

Profit margin (EBT):
Earnings after financial items as a percentage of revenue.

Equity/assets ratio:
Shareholders' equity as a percentage of balance sheet total.

Capital employed:
Balance sheet total less non-interest-bearing liabilities.

Return on capital employed:
Earnings after financial items plus financial costs, divided by average capital employed.

Return on shareholders' equity:
Earnings after financial items less full tax, divided by average shareholders' equity.

Revenue per employee:
Revenue divided by average number of employees for the period translated to annual rate.

Earnings per employee:
Operating earnings after depreciation of tangible assets, divided by average number of employees for the period translated to annual rate.

Shareholders' equity per share:
Shareholders' equity divided by number of shares outstanding.

Earnings per share:
Earnings for the period after full tax divided by average number of shares.