FRONTEC

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Strong new company formed through merger in management/IT consulting

- Frontec AB (publ) and Acando AB are merging to form AcandoFrontec AB
- Lars Wollung has been proposed as the new president

The boards of directors of Frontec and Acando today signed an agreement whereby Frontec will acquire Acando through a directed issue of 24 million Class B shares. Acando's previous owners – of which Custos AB, Kinnevik AB, Orkla AS and Nordico AB together own 99.1% – will thereby receive 43.6% of the capital and 30.5% of the votes in AcandoFrontec AB.

As part of the merger, Frontec's Class A shareholders have pledged to restamp all their Class A shares to Class B shares no later than three years after the date of the transaction, which is tentatively scheduled for June 30, 2003.

The merger requires the approval of an extraordinary general meeting of Frontec, regulatory authorities, etc.

As proposed, Acando's current president, Lars Wollung, will assume the duties of president of the new company in connection with the merger. It has also been proposed that Ulf J. Johansson remain chairman of the board.

In connection with the merger, the current employee stock option programs in both companies will be replaced by a new, joint program.

"The merger is an element in a needed structural transformation of the industry," says Frontec Chairman Ulf J. Johansson. "In terms of operations, Frontec and Acando fit together exceptionally well. The new company will be financially strong. I am convinced that this is a good way to create shareholder value."

"Acando has greatly increased efficiency and created a profitable business," says Acando President Lars Wollung. "We have managed well during a difficult period for the industry. Now we want to be in a position where we can grow. By merging with Frontec, we can better meet our customers' needs and become a strong, publicly listed IT and management consulting group with the opportunity to grow once the market rebounds. Frontec's leading-edge competence in integration and Acando's expertise in operational improvements is a dream combination."

Reason for the merger

Frontec and Acando complement each other well in terms of operations, markets and geographically.

Both Frontec and Acando need to grow, and by merging they create a larger, more competitive and cost-effective unit that can better meet their customers' needs.

The combined AcandoFrontec AB will offer a broader competence base, greater implementation capacity and larger economies of scale.

Acando

(SEK million)	2002
Sales	312
Operating profit	24
Profit after tax	17
No. of employees	292

Acando is a management and IT consultant specialized in helping customers to implement operational improvements in IT-related projects. Its customers are in pharmaceuticals, telecom, the public sector, manufacturing and banking/insurance. The company has around 250 employees in Stockholm and Gothenburg with competence in business development/change management (CRM, SCM/purchasing, financial control), business systems (SAP, Oracle, Siebel, Baan), systems integration and systems development.

Effects of the merger

AcandoFrontec will have combined sales of over SEK 700 million and around 700 employees.

The merger is expected to generate cost and revenue synergies, but also restructuring costs. These will be specified in the information package sent to shareholders prior to Frontec's extraordinary general meeting.

At the current market price, the shares issued to Acando's shareholders are valued at SEK 137 million.

The total value of the acquisition will not be determined until the new shares are issued.

Timetable

Frontec will call an extraordinary general meeting for late June.

An information package will be sent to Frontec's shareholders in early June.

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