



INTERIM REPORT FOR THE PERIOD JANUARY 1 – JUNE 30, 2004

New framework agreements with Ericsson and IBM, increased demand and continued positive results

First half year 2004 compared with first half year 2003*

- **Net sales rose to SEK 326 million (compared with SEK 213 million in the corresponding period of 2003).**
- **Operating profit before goodwill amortization (EBITA) rose to SEK 15 million (-69), producing an operating margin of 5% (-32) for the period.**
- **Profit after tax amounted to SEK 9 million (-70).**
- **Earnings per share amounted to SEK 0.16 (-2.23) for the period.**
- **Cash flow from operating activities, excluding the liquidity effect of previous structural costs, amounted to SEK 19 million (-55).**

Second quarter 2004 compared with second quarter of 2003*

- **Quarterly net sales amounted to SEK 161 million (102).**
- **Operating profit before goodwill amortization (EBITA) was SEK 4 million (-53).**
- **Three strategically important agreements were signed during the quarter: new framework agreements with Ericsson and IBM and a renewed framework agreement with AstraZeneca.**

* Acando AB included as of July 1, 2003.

“Demand for our services has increased and is especially evident in improvement projects for existing enterprise systems, purchasing functions and shared service centers,” says Lars Wollung, President and CEO of AcandoFrontec. “We have raised our sales in customer segments where we are strong, such as manufacturing, telecom and the public sector.”

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Financial information is also available on our website www.acandofrontec.com

AcandoFrontec is a management and IT consulting company that identifies and quickly implements performance improvements. Our consultants are business integration specialists who help customers to achieve improvements by developing processes, organizations and IT solutions. Our work is strongly focused on the bottom line and on our responsibility for ensuring that customers receive the improvements they expect from their investment. The company has just over 500 employees at 5 offices in Sweden.



First half year in summary

The positive trend continues

AcandoFrontec has generated a pre-tax profit and higher sales for the third consecutive quarter.

Demand for AcandoFrontec's services continues to rise in all established areas of operation. During the second quarter the utilization rate neared its ceiling in a number of units, and in others it is good or very good. To satisfy this increased demand, a recruitment campaign has been initiated.

Fee levels generally remain low. In some market segments, however, average prices have begun to rise slightly, which can be interpreted as another sign that the market has started to rebound.

Sales trend and major customer agreements

During the first half year 2004 the merged AcandoFrontec definitively established itself as a priority supplier of management and IT consulting services. In a market where customers are generally cutting back on the number of suppliers with whom they maintain framework agreements, AcandoFrontec has greatly increased the number of agreements it has signed and the delivery volumes within its existing framework agreements. Three especially important framework agreements were signed during the second quarter.

- Ericsson: After having supplied project and consulting services to Ericsson for a number of years, AcandoFrontec signed a new agreement that raised its status to framework agreement supplier of management and IT services for the entire Ericsson group.
- IBM is one of four customers to select AcandoFrontec as a framework agreement supplier of consulting services for performance improvement with the help of SAP.
- AstraZeneca has renewed its framework agreement with AcandoFrontec. After having as many as 35 framework agreement suppliers in recent years, AstraZeneca has now reduced that number to 15. The agreement means that AcandoFrontec will be a preferred supplier of IS/IT consulting services to AstraZeneca AB. The agreement runs through 2006.

During the quarter agreements were also signed with the Office of the Prosecutor General and the Swedish National Economic Crimes Bureau to supply a new messaging and document management system.

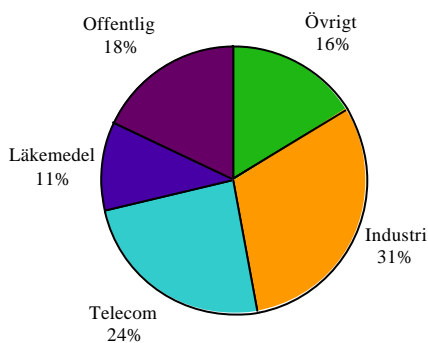
Another positive development was AcandoFrontec's success during the spring in cross-selling to its established customer base – i.e. customer relationships have been broadened, so that services previously provided by Frontec are now offered to Acando's former customers, and vice versa. In the short term this translates into good business opportunities for AcandoFrontec and is another important step in the integration process.



During the second quarter two fixed-price improvement projects were successfully carried out for TeliaSonera. The projects were staffed by a combination of management and IT consultants who, in a brief time, achieved the IT effectiveness targets set by the customer.



AcandoFrontec reported growth in all its customer segments in the second quarter. Manufacturing (including automotive) is its largest segment among private sector customers, accounting for 31% of sales, followed by Telecom (24%) and Pharmaceuticals (11%). The Public Sector accounts for 18% of sales.



The diagram shows a distribution of the company's sales by sector. The largest customers are as follows:

- Manufacturing: Volvo, StoraEnso, SKF, Sandvik
- Telecom: Ericsson, TeliaSonera
- Pharmaceuticals: AstraZeneca, Pfizer, Johnson & Johnson
- Public Sector: Swedish Migration Board, Swedish Civil Aviation Administration, National Tax Board, City of Stockholm

Sales and results for the first half year 2004

Consolidated net sales for the first half year amounted to SEK 326 million (213), a gain of 53% compared with the first half year 2003. The increase is due in part to a higher utilization rate but also to a higher number of consultants following the merger of Acando and Frontec. The sales increase measured as net sales per consultant was 26% compared with the previous year. This is the result of the higher utilization rate, higher fees and a larger share of consultants working at high levels of capacity.

Operating profit before goodwill amortization (EBITA) amounted to SEK 15 million, compared with a loss of SEK 69 million during the corresponding period of 2003.

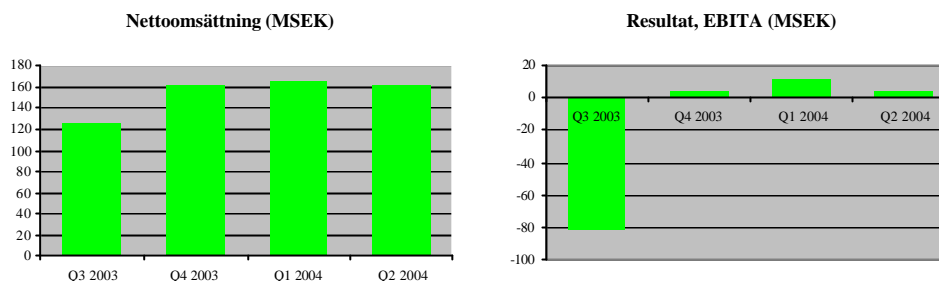
The improvement is largely due to increased sales per employee as well as significant cost reductions since the merger of Acando and Frontec in July 2003.

The operating margin (EBITA) was 5%.

Profit before tax for the report period amounted to SEK 11 million (-70).



Net sales and EBITA by quarter (SEK million)



AcandoFrontec has generated a pre-tax profit for the third consecutive quarter. Net sales for the second quarter 2004 amounted to SEK 161 million (102) and operating profit before goodwill amortization (EBITA) was SEK 4 million (-53). The decrease in sales and profit compared with the first quarter of 2004 owes largely to the fact that the second quarter had fewer effective working days than the first quarter. Adjusted for the difference in working days, second-quarter sales rose by 3% compared with the first quarter of 2004.

Financial position and cash flow

The Group's liquid assets, including short-term investments, amounted to SEK 67 million (144) as of June 30, 2004. In addition, the Group has available bank overdraft facilities of SEK 50 million.

The equity/assets ratio (shareholders' equity divided by total assets) was 55% (48) as of June 30.

Cash flow from operating activities excluding the liquidity effect from previous structural costs amounted to SEK 19 million, of which SEK 6 million relates to the first quarter and SEK 13 million to the second quarter.

The liquidity effect from previous structural costs was SEK -41 million. The liquidity effect from remaining provisions for structural costs will gradually decline during the year and by the fourth quarter will relate primarily to costs for premises.

The Group's total cash flow for the report period was SEK -22 million (-32), of which SEK -21 million relates to the first quarter and SEK -1 million to the second quarter.

Employees

The average number of employees during the report period was 567 (468). The number of employees at the end of the period was 514 (449). During the first half year 72 employees left the company as a result of the structural program adopted in the third quarter of 2003. During the second half year the number of consultants is expected to rise as a result of the recruitment campaign begun in May/June.



Investments

The Group's net investments in tangible assets amounted to SEK 0 million (1) during the report period.

Parent Company

The Parent Company's external net sales amounted to SEK 0 million (0) during the report period. The operating loss (EBITA) for the corresponding period was SEK -4 million (-5).

The Parent Company's net investments amounted to SEK 0 million during the report period. Liquid assets totaled SEK 43 million (128) at the end of the period.

Ownership structure

Custos decided to distribute 70% of its holding in AcandoFrontec to its shareholders and thereafter sold its remaining interest. This provided AcandoFrontec with approximately 21,000 new shareholders, raising its total to around 38,000.

10 largest shareholders as of June 30, 2004	Holding, %	Votes, %
Svedulf Fastighets AB	6.86	4.81
UBS AG (Orkla)	5.33	3.74
Lannebo Small Cap Select	4.90	3.43
Svolder AB	4.86	3.41
Kinnevik B.V	4.20	2.94
Johansson, Ulf J	3.47	12.23
SEB Sweden Small Cap	2.90	2.03
Didner & Gerge equity fund	1.80	1.26
Wallentin, Bengt	1.58	10.90
Somollison AB	1.57	1.10



Highlights following the conclusion of the period

Mölnlycke Health Care has signed an agreement with AcandoFrontec to implement a process improvement project based on SAP's APO module. The contract marks an important breakthrough, since this SAP module is relatively new on the market.

Future outlook

The positive start to 2004 has further improved prospects of profit and growth for the full-year. AcandoFrontec begins the second half of the year with confidence, a good market position and a strong offering.

Accounting principles

AcandoFrontec's interim report has been prepared in accordance with recommendation RR 20 of the Swedish Financial Accounting Standards Council.

Application of the council's recommendations that took effect in 2004 has not resulted in any changes in opening balances. The effect of recommendation RR 29 Employee benefits cannot be reported to the full extent at present since the necessary information from Alecta cannot be obtained until late 2004.

In other respects, the accounting principles are the same as in the latest annual report.

Information

Financial information in 2004

Interim report January-September 2004

Year-end report for 2004

November 10, 2004

February 17, 2005

Stockholm, August 12, 2004

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Consolidated income statement

(SEK million)	3 MOS. April-June 2004	3 MOS. April-June 2003	6 MOS. Jan-June 2004	6 MOS. Jan-June 2003	12 MOS. Jan-Dec 2003
Net sales	161	102	326	213	499
Other operating income	3	2	6	5	11
Total sales	164	104	332	218	510
Personnel costs	-109	-112	-216	-205	-435
Other operating expenses	-49	-44	-96	-79	-214
Depreciation of tangible fixed assets	-2	-1	-5	-3	-9
Operating profit before goodwill amortization, EBITA	4	-53	15	-69	-148
Goodwill amortization	-2	-	-4	-	-4
Operating profit, EBIT	2	-53	11	-69	-152
Result from participations in Group companies	-	-1	-	-3	-3
Financial income	1	1	1	-	6
Financial expenses	-1	-	-1	2	-2
Profit after net financial items	2	-53	11	-70	-151
Tax	-1	-	-2	-	-
Net profit for the period	1	-53	9	-70	-151
Profit per share before dilution	0.02	-1.69	0.17	-2.23	-3.47
Profit per share after dilution *	0.02	-1.69	0.16	-2.23	-3.47
Average number of shares	55,658,810	31,412,110	55,658,810	31,412,110	43,635,104
Average number of shares after dilution	59,880,927	32,687,627	59,880,927	32,687,627	47,857,221

* The dilution effect is not taken into account in negative results

Dilution consists of 1,275,517 convertible rights and 2,946,600 options



Condensed consolidated balance sheet

(SEK million)

	June 30, 2004	June 30, 2003	Dec. 31, 2003
ASSETS			
Fixed assets			
Intangible fixed assets	74	-	77
Tangible fixed assets	7	10	13
Financial fixed assets	37	2	41
Total fixed assets	118	12	131
Current assets			
Current receivables	164	122	166
Short-term investments	-	123	8
Cash and bank balances	67	21	81
Total current assets	231	266	255
Total assets	349	278	386
Shareholders' equity, provisions and liabilities			
Shareholders' equity (Note 1)			
Restricted equity	175	434	175
Non-restricted equity	17	-302	7
Provisions	16	32	57
Long-term interest-bearing liabilities	7	6	6
Current liabilities	134	108	141
Total shareholders' equity, provisions and liabilities	349	278	386



Consolidated statement of cash flows

(SEK million)	3 MOS. April-June 2004	3 MOS. April-June 2003	6 MOS. Jan-June 2004	6 MOS. Jan-June 2003	12 MOS. Jan-Dec 2003
Operating activities					
Profit/loss after net financial items	2	-53	11	-70	-151
Adjustments for non-cash items, etc.	-13	27	-39	27	52
Depreciation	5	1	10	3	13
Tax paid	4	-2	0	-3	1
Cash flow from operating activities					
Net change in working capital	1	9	-4	16	2
Cash flow from operating activities	-1	-18	-22	-28	-84
Cash flow from investing activities	0	-1	0	-5	-5
Cash flow from financing activities	0	0	0	0	3
Cash flow for the period	-1	-19	-22	-32	-86
Liquid assets at beginning of period	68	162	89	175	175
Liquid assets at end of period	67	143	67	143	89

NOTE 1 - Shareholders' equity

(SEK 000)	June 30, 2004	Dec. 31, 2003
At beginning of the fiscal year	182,110	202,384
New share issue	246	131,213
Profit for the year	9,302	-151,487
At end of fiscal year	191,658	182,110



Key ratios

(SEK million)	3 MOS. April-June 2004	3 MOS. April-June 2003	6 MOS. Jan-June 2004	6 MOS. Jan-June 2003	12 MOS. Jan-Dec 2003
RESULTS					
Net sales	161	102	326	213	499
Operating profit/loss before goodwill amortization, EBITA	4	-53	15	-69	-148
Operating profit/loss, EBIT	2	-53	11	-69	-152
Profit/loss after net financial items	2	-53	11	-70	-151
MARGINS					
Operating margin, %, EBITA	2.5	-52.0	4.6	-32.4	-29.7
Operating margin, %, EBIT	1.2	-52.0	3.4	-32.4	-30.5
PROFITABILITY					
Return on capital employed, %	1.6	-32.0	6.4	-40.0	-75.4
Return on equity, %	0.6	-33.5	5.0	-41.9	-78.8
FINANCIAL POSITION					
Equity/assets ratio, %	54.9	47.6	54.9	47.6	47.1
Interest coverage ratio	7	-218	15	-116	-86
PER SHARE					
Equity per share, SEK	3.20	4.04	3.20	4.04	3.04
Cash flow per share, SEK	-0.01	-0.58	-0.37	-0.98	-1.97
Profit/loss per share, SEK	0.02	-1.69	0.16	-2.23	-3.47
EMPLOYEES					
Number of employees at end of period	514	449	514	449	620
Average number of employees	553	456	567	468	612
Net sales per employee, SEK thousand	291	224	575	455	790
Net investments, SEK million	0	0	0	1	3

Audit report

We have reviewed this interim report in accordance with the recommendation issued by the Swedish Institute of Authorized Public Accountants. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Securities and Clearing Operations Act and the Annual Accounts Act.

Stockholm, August 11, 2004

PriceWaterhouseCoopers

Bodil Björk
Authorized Public Accountant