



## **INTERIM REPORT FOR THE PERIOD JANUARY 1 – JUNE 30, 2005**

### **Improved profitability and key agreements with AstraZeneca, Nordea and Volvo**

First half year 2005 compared with first half year 2004

- **Net sales amounted to SEK 325 million (326).**
- **Operating profit amounted to SEK 21 million (15), generating an operating margin of 7% (5).**
- **Profit after tax was SEK 21 million (13), an increase of 62%.**
- **Earnings per share for the period amounted to SEK 0.36 (0.23).**
- **Cash flow from operating activities amounted to SEK 23 million (-22).**
- **Partnership agreement with AstraZeneca.  
Extended general agreements with Ericsson and Volvo.  
Important agreements also signed with Gambro, Nordea and Ikanobanken, among others.**

Second quarter 2005 compared with second quarter 2004

- **Net sales for the quarter amounted to SEK 168 million (161).**
- **Operating profit amounted to SEK 11 million (4), or an operating margin of 7% (3).**
- **Profit after tax was SEK 11 million (3).**

“During the first half year the level of demand has been stable, which has resulted in a good utilization rate. In our efforts to generate a larger share of sales from packaged offerings, we have continued to establish and launch a number of new offerings, of which Integration Competence Center and IT Governance have been the most successful so far,” said Lars Wollung, President and CEO of AcandoFrontec.

**For more information, please contact**

Lars Wollung, President and CEO

Bertil Carlsén, Executive Vice President & CFO

Jan Rehn, Director of Communications and Investor Relations

Financial information is also available on our website

telephone +46 8 699 72 11

telephone +46 8 699 71 31

telephone +46 31 345 32 43

[www.acandofrontec.com](http://www.acandofrontec.com)

AcandoFrontec is a management and IT consulting company that identifies and implements performance improvements with the help of IT. 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 a responsibility for ensuring that customers quickly receive the improvements they expect from their investment. The company has just over 500 employees at five offices in Sweden. AcandoFrontec is listed on Stockholmsbörsen's O-list under the ticker symbol AFAB.



## Operations

The level of demand has been stable, which has resulted in a good utilization rate.

Prices remain at a largely unchanged level.

The profit margin was 6.6% during the first half year.

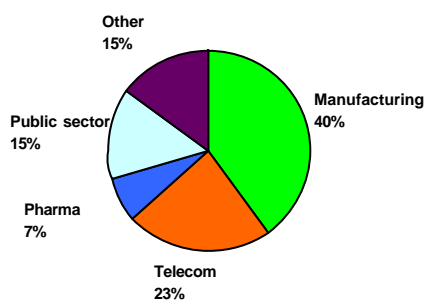
General agreements and partnership agreements with major customers have become more important. By signing such agreements, AcandoFrontec has improved its position during the first half year with four of its ten largest customers: AstraZeneca, Volvo, Ericsson and Nordea.

During the second quarter measures were taken to clarify and strengthen the company's future direction and culture. Among other things, employees have been given the opportunity to participate in training and information activities during which the company's position and overall offering have been clarified. Resources in HR, marketing and sales have been strengthened.

## Development and transactions

During the second quarter AcandoFrontec signed a number of important agreements. In addition, previously signed agreements generated higher volumes. For example:

- AcandoFrontec has signed an extension to its general agreement for IT services with Volvo IT. AcandoFrontec will supply various types of qualified consulting services to the IT unit of the Volvo Group. The services range from evaluations and project management to integration and systems development. The agreement extends for two years, through the first quarter of 2007. Volvo, through Volvo IT, is one of AcandoFrontec's largest and most important customers. Revenues from Volvo have increased by 30% since the agreement was signed in the first quarter.
- Nordea has signed a general agreement with AcandoFrontec.
- Ikanobanken has signed an agreement with AcandoFrontec to implement management support for reporting, fixed assets, accounts receivable, accounts payable, electronic invoicing and integration for a number of the internal and external systems. The solutions are based on Axapta from Microsoft.
- Swedish Match has introduced new strategies and tools for smarter, more efficient purchasing based on AcandoFrontec's QuickValue™ Purchasing offering.



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

- Manufacturing: Volvo, SKF, Siemens Industrial, ABB
- Telecom: Ericsson, TeliaSonera
- Pharmaceuticals: AstraZeneca, Mölnlycke Health Care
- Public Sector: Swedish Migration Board, Swedish Civil Aviation Administration, National Social Insurance Board, City of Stockholm



Sales to general-agreement customers are rising, particularly in manufacturing, where AcandoFrontec has a strong position.

Telecom accounts for 23% of sales, Pharmaceuticals for 7% and other Manufacturing industry for 40%. The Public Sector accounts for 15% of sales.

Efforts to gradually increase the share of business generated from packaged offerings have continued. The description and packaging of these offerings will carry on through the end of the year. During the second quarter a number of new offerings were launched.

At the Gartner Application Integration & Web Services Summit in Barcelona, for example, AcandoFrontec launched **Integration Competence Center**. This offering is a new way to organize and focus integration issues in the value chain, making it possible for customers to quickly, and with minimal impact on an organization's day-to-day operations, conduct a detailed analysis of key parameters that affect business processes and IT environments. SKF and Mölnlycke Health Care are two of the customers that have recently completed projects based on this offering.

QuickValue™, an offering launched during the first quarter, was awarded the Microsoft .Net Award for Business Intelligence solutions.

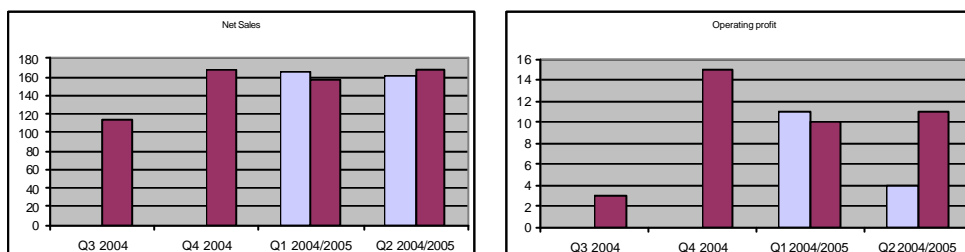
### Sales and profit for first half year 2005

Consolidated net sales for the half year amounted to SEK 325 million (326). During the first half year 2004 software licensing revenue amounted to approximately SEK 15 million. No similar revenue was generated in 2005. Adjusted accordingly, net sales rose by approximately 5%.

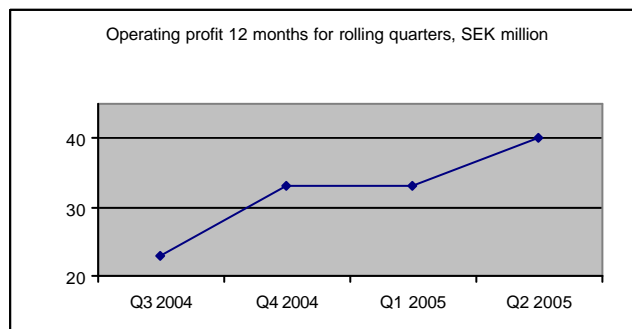
Operating profit amounted to SEK 21 million, against SEK 15 million during the same of the previous year, corresponding to an operating margin of 6.6% (4.8).

Profit after tax for the report period amounted to SEK 21 million (13), an increase of 62%.

### Net sales and operating profit by quarter (SEK million)



Consolidated net sales for the second quarter 2005 amounted to SEK 168 million (161) with operating profit of SEK 11 million (4).





## **Financial position and cash flow**

The Group's liquid assets, including short-term investments, amounted to SEK 88 million (67) as of June 30, 2005. In addition, the Group has available bank overdraft facilities of SEK 50 million.

The equity/assets ratio (shareholders' equity divided by total assets) was 61.7% (55.4).

Cash flow from operating activities amounted to SEK 23 million (-22).

Total cash flow amounted to SEK 19 million (-22).

## **Employees**

The average number of employees during the half year was 532 (567). The number of employees at the end of the period was 532 (514). During the first half year 2004, 72 employees left the company as part of an action program implemented in 2003 and finalized in 2004.

## **Investments**

The Group's net investments in tangible assets amounted to SEK 2 million (0) during the report period.

## **Parent Company**

The Parent Company's external net sales for the report period amounted to SEK 0 million (0). The operating deficit for the period was SEK -2 million (-4).

The Parent Company's net investments amounted to SEK 2 million during the report period. The Parent Company's liquid assets as of June 30, 2005 amounted to SEK 58 million (43).

The Parent Company, AcandoFrontec AB, applies the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RR 32, Accounting for Legal Entities. The accounting principles agree with the previous year and with the Group's accounting principles where applicable.

## **Important events following the conclusion of the period**

AcandoFrontec strengthened its cooperation with AstraZeneca by signing a strategic partnership agreement for consulting services in the IS/IT area.

Gambro has selected AcandoFrontec for a major systems development project.

## **Future outlook**

The market for combined management and IT consulting services is expected to remain positive through the rest of 2005, although intense price competition will continue.

The current priorities are to further strengthen relationships with major customers, boost growth by retaining employees and providing them with further development opportunities, recruit new staff members and raise sales of packaged offerings.

The company has good opportunities to continue its positive development.

## **Accounting principles**

From 2005 listed companies in the EU must prepare their consolidated accounts according to the International Financial Reporting Standards (IFRS). The Swedish Financial Accounting Standards Council's recommendations largely agree with current IAS/IFRS, which means that AcandoFrontec's consolidated accounts have already been adapted in large part to the new rules.

Application takes effect on January 1, 2005 and the comparative year has been restated.

The transitional rules are covered in the IFRS 1, First-time Adoption of International Financial Reporting Standards and presume that all standards are applied retroactively.

The most significant effects of the transition for AcandoFrontec relate to the amortization of goodwill.



This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, which agrees with the Swedish Financial Accounting Standards Council's recommendation RR 31, Interim reporting for groups.

The introduction of IAS 39, Financial Instruments: Recognition and Measurement as of January 1, 2005 does not impact AcandoFrontec's reporting at present.

The application of IFRS otherwise agrees with the principles described in the annual report 2004.

### **Transition to IFRS 2005**

The effects on the income statements and shareholders' equity per quarter and for the full-year 2004 are indicated in the attachment to this interim report. The reported effects are preliminary and are based on current standards, which may change by December 31, 2005.

### **Information**

#### *Upcoming financial reports*

Interim report January – September 2005  
Year-end report for 2005

October 28, 2005  
February 2006

AcandoFrontec's financial information is available in Swedish and English at [www.acandofrontec.se](http://www.acandofrontec.se).

Stockholm, August 17, 2005

AcandoFrontec AB (publ)  
The Board of Directors



*Jakobsgatan 6, SE-111 52 Stockholm, Sweden*

*Telephone: +46 8 699 70 00 Fax: +46 8 699 79 99*

*Corp. reg. no.: 556272-5092*

[www.acandofrontec.com](http://www.acandofrontec.com)

*Ticker symbol: AFAB*



## Consolidated income statement

(SEK million)	3 mos.	3 mos.	3 mos.	6 mos.	6 mos.	6 mos.	12 mos.	12 mos.
	April-June	April-June	April-June	Jan-June	Jan-June	Jan-June	Jan-Dec	Jan-Dec
	2005	2004**	2004	2005	2004**	2004	2004**	2004
Net sales	168	161	161	325	326	326	608	608
Other operating income	2	3	3	3	6	6	16	16
<b>Total sales</b>	<b>170</b>	<b>164</b>	<b>164</b>	<b>328</b>	<b>332</b>	<b>332</b>	<b>624</b>	<b>624</b>
Personnel costs	-116	-109	-109	-225	-216	-216	-408	-408
Other operating expenses	-42	-49	-49	-79	-96	-96	-173	-173
Depreciation of tangible fixed assets	-1	-2	-2	-3	-5	-5	-9	-9
Goodwill amortization	0	0	-2	0	0	-4	0	-4
<b>Operating profit, EBIT</b>	<b>11</b>	<b>4</b>	<b>2</b>	<b>21</b>	<b>15</b>	<b>11</b>	<b>34</b>	<b>26</b>
Financial income	0	1	1	0	1	1	0	0
Financial expenses	0	-1	-1	0	-1	-1	-1	-1
<b>Profit before tax</b>	<b>11</b>	<b>4</b>	<b>2</b>	<b>21</b>	<b>15</b>	<b>11</b>	<b>33</b>	<b>25</b>
Tax***	0	-1	-1	0	-2	-2	3	3
<b>Net profit for the period</b>	<b>11</b>	<b>3</b>	<b>1</b>	<b>21</b>	<b>13</b>	<b>9</b>	<b>36</b>	<b>28</b>
<b>Earnings per share before dilution</b>	<b>0.20</b>	<b>0.06</b>	<b>0.02</b>	<b>0.39</b>	<b>0.24</b>	<b>0.17</b>	<b>0.66</b>	<b>0.46</b>
<b>Earnings per share after dilution *</b>	<b>0.19</b>	<b>0.06</b>	<b>0.02</b>	<b>0.36</b>	<b>0.23</b>	<b>0.16</b>	<b>0.61</b>	<b>0.44</b>
Average number of shares	55,658,810	55,658,810	55,658,810	55,658,810	55,658,810	55,658,810	55,658,810	55,658,810
Average number of shares after dilution	60,188,427	59,880,927	59,880,927	60,188,427	59,880,927	59,880,927	60,191,927	60,191,927

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

Dilution consists of 1,275,517 (1,275,517) convertible rights and 3,250,600 (2,946,600) options.

### \*\* Comparative figures according to IAS/IFRS

The adjustment in the income statement due to the transition to IAS/IFRS refers in its entirety to the reversal of goodwill amortization.

\*\*\* The Group's tax for the period is calculated as the period's share of estimated tax expenses for the full year.



## Condensed consolidated balance sheet

(SEK million)	June 30 2005	June 30 2004**	June 30 2004	Dec 31 2004**	Dec 31 2004
<b>Assets</b>					
<b>Fixed assets</b>					
Intangible fixed assets	89	78	74	89	80
Tangible fixed assets	7	7	7	6	6
Financial fixed assets	44	37	37	44	44
<b>Total fixed assets</b>	<b>140</b>	<b>122</b>	<b>118</b>	<b>139</b>	<b>130</b>
<b>Current assets</b>					
Long-term receivables	1	0	0	0	0
Current receivables	160	164	164	161	161
Cash and bank balances, incl. short-term investments	88	67	67	69	69
<b>Total current assets</b>	<b>249</b>	<b>231</b>	<b>231</b>	<b>230</b>	<b>230</b>
<b>Total assets</b>	<b>389</b>	<b>353</b>	<b>349</b>	<b>369</b>	<b>360</b>
<b>Shareholders' equity and liabilities</b>					
Shareholders' equity (Note 1)					
Restricted equity	175	175	175	175	175
Non-restricted equity	65	21	17	43	34
Long-term interest-bearing liabilities	7	7	7	7	7
Current liabilities	142	150	150	144	144
<b>Total shareholders' equity and liabilities</b>	<b>389</b>	<b>353</b>	<b>349</b>	<b>369</b>	<b>360</b>

### \*\* Comparative figures according to IAS/IFRS

The adjustment in the balance sheet due to the transition to IAS/IFRS refers in its entirety to the reversal of goodwill amortization.



## Consolidated statement of cash flows

	3 mos. April-June 2005	3 mos. April-June 2004**	3 mos. April-June 2004	6 mos. Jan-June 2005	6 mos. Jan-June 2004**	6 mos. Jan-June 2004	12 mos. Jan-Dec 2004**	12 mos. Jan-Dec 2004
(SEK million)								
<u>Operating activities</u>								
Profit after net financial items	11	4	2	21	15	11	33	24
Adjustments for non-cash items, etc.	0	-13	-13	0	-39	-39	-70	-70
Depreciation	1	3	5	3	6	10	10	19
Tax paid	0	4	4	0	0	0	0	0
<b>Cash flow from operating activities before change in working capital</b>	<b>12</b>	<b>-2</b>	<b>-2</b>	<b>24</b>	<b>-18</b>	<b>-18</b>	<b>-27</b>	<b>-27</b>
Net change in working capital	2	1	1	-1	-4	-4	5	5
<b>Cash flow from operating activities</b>	<b>14</b>	<b>-1</b>	<b>-1</b>	<b>23</b>	<b>-22</b>	<b>-22</b>	<b>-22</b>	<b>-22</b>
Cash flow from investing activities	-3	0	0	-4	0	0	1	1
Cash flow from financing activities	0	0	0	0	0	0	1	1
<b>Cash flow for the period</b>	<b>11</b>	<b>-1</b>	<b>-1</b>	<b>19</b>	<b>-22</b>	<b>-22</b>	<b>-20</b>	<b>-20</b>
<b>Liquid assets at beginning of period</b>	<b>77</b>	<b>68</b>	<b>68</b>	<b>69</b>	<b>89</b>	<b>89</b>	<b>89</b>	<b>89</b>
<b>Liquid assets at end of period</b>	<b>88</b>	<b>67</b>	<b>67</b>	<b>88</b>	<b>67</b>	<b>67</b>	<b>69</b>	<b>69</b>

\*\* The transition to IAS/IFRS has not necessitated any changes in cash flow.



## Shareholders' equity (Note 1)

(SEK thousand)	June 30 2005	June 30 2004**	June 30 2004	Dec 31 2004**	Dec 31 2004
<b>At beginning of period</b>	<b>209,571</b>	<b>182,110</b>	<b>182,110</b>	<b>182,110</b>	<b>182,110</b>
Adjustments in equity due to IAS/IFRS	9,252				
Adjusted opening balance 1/1/2005	<b>218,823</b>	<b>182,110</b>			
New share issue		246	246	246	246
Profit for the period	21,471	13,634	9,302	36,467	27,215
<b>At end of period</b>	<b>240,294</b>	<b>195,990</b>	<b>191,658</b>	<b>218,823</b>	<b>209,571</b>

### \*\* Comparative figures according to IAS/IFRS

\* Refers in its entirety to the reversal of goodwill amortization. The transition to IAS/IFRS has not necessitated any other changes in shareholders' equity as of Jan. 1, 2004 or as of Jan. 1, 2005.

## Specification of shareholders' equity for the period

	Share capital	Restricted reserves	Non- restricted reserves	Profit for the year	Total
Opening balance Jan. 1, 2005	69,573	105,763	7,020	27,215	209,571
Adjustments in shareholders' equity due to change to IAS/IFRS				9,252	9,252
Adjusted opening balance Jan. 1, 2005	69,573	105,763	7,020	36,467	218,823
Profit disposition			36,467	-36,467	0
Profit for the year				21,471	21,471
Closing balance June 30, 2005	69,573	105,763	43,487	21,471	240,294



<b>Key ratios</b>	3 mos.	3 mos.	3 mos.	6 mos.	6 mos.	6 mos.	12 mos.	3 mos.
	April-June	April-June	April-June	Jan-June	Jan-June	Jan-June	Jan-Dec	April-June
(SEK million)	2005	2004**	2004	2005	2004**	2004	2004**	2005
<b>Results</b>								
Net sales	168	161	161	325	326	326	608	608
Operating profit, EBITA	11	4	4	21	15	15	34	33
Operating profit, EBIT	11	4	2	21	15	11	34	24
Profit before tax	11	4	2	21	15	11	33	24
<b>Margins</b>								
Operating margin, %, EBITA	6.6	2.9	2.9	6.6	4.8	4.8	5.6	5.4
Operating margin, %, EBIT	6.6	2.9	1.5	6.6	4.8	3.5	5.6	3.9
<b>Profitability</b>								
Return on capital employed, %							16.3	12.1
Return on equity, %							18.2	13.9
<b>Financial position</b>								
Equity/assets ratio, %	61.7	55.4	54.9	61.7	55.4	54.9	59.2	58.2
Interest coverage ratio	70	11	7	67	20	15	32	23
<b>Per share</b>								
Equity per share, SEK							3.64	3.48
Cash flow per share, SEK	0.18	-0.01	-0.01	0.32	-0.37	-0.37	-0.33	-0.33
Earnings per share, SEK	0.19	0.06	0.02	0.36	0.23	0.16	0.61	0.45
<b>Employees</b>								
No. of employees at end of period	532	514	514	532	514	514	532	532
Average number of employees	531	553	553	532	567	567	576	576
Net sales per employee, SEK 000	316	291	291	611	575	575	1,056	1,056
Net investments, SEK million	1	0	0	2	0	0	0	0

\*\* Comparative figures according to IAS/IFRS

## Review report

We have reviewed this interim report in accordance with the recommendation issued by the Swedish Institute of Authorized Public Accountants (FAR). 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 16, 2005  
Öhrlings PricewaterhouseCoopers

Bodil Björk  
Authorized Public Accountant



## ATTACHMENT

### Detailed description of the transition to IAS/IFRS

The new rules with the greatest impact on the Group's reporting are those in IFRS 3, Business Combinations and the IAS 19, Employee Benefits.

For the Group, IFRS 3 means that consolidated goodwill will not be amortized during an asset's useful life. Goodwill will instead be tested annually for impairment. Amortization of goodwill, which in 2004 amounted to SEK 9.2 million, has been adjusted in the comparative figures by SEK 4 million for the period.

AcandoFrontec has tested goodwill for impairment as of January 1 and December 31, 2004. In these tests, the Group follows IAS 36, Impairment of Assets and applies generally accepted cash flow methods with a discount rate of 10-12%. The tests confirm that the reported value of AcandoFrontec's goodwill is justified by anticipated future profitability and cash flows. The large part of the Group's goodwill arose through the merger of Frontec and Acando in June 2003.

From January 1, 2005 the company prepares its consolidated accounts in accordance with IFRS. The transition to IFRS is reported in accordance with First-time Adoption of International Financial Reporting Standards in IFRS 1, effective January 1, 2004. IFRS 1 requires that the comparative year 2004 also be reported according to IFRS. For fiscal years prior to 2004, no adjustments have been made, in conformity with the transitional rules in IFRS 1. The changes in accounting principles resulting from this transition and the transitional effects on the consolidated income statement and balance sheet are presented in tables that follow. These effects are preliminary and may change, since the review of certain IAS/IFRS standards is still underway and further IFRIC pronouncements are expected in 2005. The transition to IFRS is reported in accordance with IFRS 1. Generally it is required that companies adopt their accounting principles and apply them retroactively to determine their opening balances according to IFRS. Certain exemptions from this retroactive application are permitted, however, and the company has chosen the following:

To apply IFRS 3, Business Combinations effective the transitional date, January 1, 2004, which means that company acquisitions finalized before this date have not been adjusted.

Not to restate comparable financial information for 2004 according to the requirements in IAS 32 and 39 for financial instruments, but instead apply Swedish accounting rules for periods through December 31, 2004.

Not to apply IFRS 2, Share-based Payment to the Group's warrants, since these instruments were vested before January 1, 2005.