



INTERIM REPORT

FOR THE PERIOD JANUARY 1 – MARCH 31, 2005

Extended general agreements with Ericsson and Volvo

First quarter 2005 compared with first quarter 2004

- **Net sales amounted to SEK 157 million (165).**
- **Operating profit amounted to SEK 10 million (11), generating an operating margin of 7% (7).**
- **Profit after tax was SEK 10 million (10).**
- **Earnings per share for the period amounted to SEK 0.17 (0.17).**
- **Cash flow from operating activities amounted to SEK 9 million (-21).**
- **Extended general agreements with Ericsson and Volvo. Important agreements also signed with Swedish Social Insurance Administration, Stena Metall, SKF and Ikano-banken.**

“The year began with stable demand and a good utilization rate,” said Lars Wollung, President and CEO of AcandoFrontec. “In our efforts to base a larger share of our sales on packaged offerings, we have established and launched a number of new offerings. We are seeing especially good demand for QuickValue™ and IT Effectiveness.”

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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 an unchanged level.

The profit margin was 6.6% during the first three months of the year.

At the start of 2005 AcandoFrontec had fewer employees than at the same time a year earlier, due to structural measures decided on in autumn 2003 and completed in 2004.

The number of employees is now rising again, and during the quarter a net of 15 consultants was recruited.

Development and transactions

AcandoFrontec's long-term goal is to gradually increase the percentage of its business generated from packaged offerings. Efforts to describe and package these offerings will continue throughout the year. During the quarter a number of new offerings were launched, two of which have achieved considerable success: QuickValue™ and IT Effectiveness.

QuickValue™ is a new way to accomplish performance improvements. The method makes it possible to quickly – and with minimal effect on a company's daily operations – perform a detailed analysis of important parameters that affect business processes and IT environments. With the help of a specially developed decision support tool, a team from AcandoFrontec can quickly find, compile and present business-critical information that produces an immediate impact on operations.

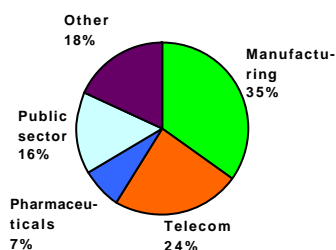
Through IT Effectiveness, AcandoFrontec helps its customers to achieve the highest possible output from their IT investments, while also ensuring efficient use of resources. AcandoFrontec currently works with a number of large companies and organizations to improve, clarify and implement IT controls. AcandoFrontec also helps a number of medium-sized companies to begin effectively outsourcing or create more value from their current outsourcing.

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

- AcandoFrontec has signed an agreement with the National Health Service for products and services for the introduction of an ECM (Enterprise Content Management) concept for unstructured information for the service's 16,000 employees. The solution is based on products from Documentum. The agreement runs through 2007 with an option for a two-year extension.
- Stena Metall selected AcandoFrontec to supply a new company portal based on Microsoft products.
- The recently signed general agreement with Volvo IT for SAP consulting services has tripled volume in the area.
- SKF has hired consultants from AcandoFrontec for a project to introduce SOX (new compliance routines for Sarbanes Oxley).



- Through an extension of its general agreement with Ericsson, AcandoFrontec has been entrusted to continue to supply performance improvements.
- 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.



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

- Manufacturing: Volvo, StoraEnso, SKF, Flextronics
- Telecom – Ericsson, TeliaSonera
- Pharmaceuticals – AstraZeneca, Mölnlycke Health Care
- Public Sector: Swedish Migration Board, Swedish Civil Aviation Administration, National Tax Board, National Social Insurance Board

AcandoFrontec has a strong position in Manufacturing, where the Telecom, Automotive and Pharmaceutical segments dominate. Telecom accounts for 24% of sales, Pharmaceuticals for 7% and other Manufacturing industry for 35%. The Public Sector accounts for 16% of sales.

Sales and results for first quarter 2005

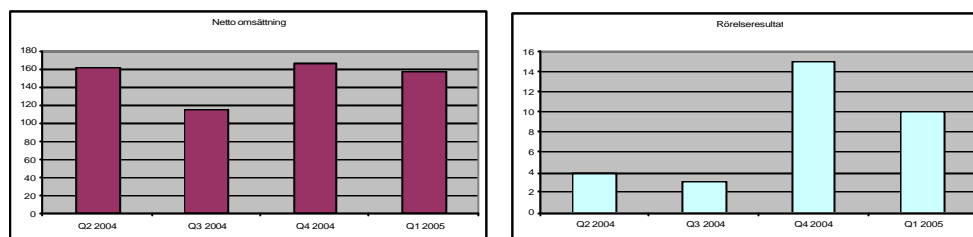
Consolidated net sales for the quarter amounted to SEK 157 million (165), corresponding to a decrease of 5% or SEK 8 million compared with the same period of 2004. The decrease is due to fewer workdays (2.5 days) in the first quarter of 2005 than the corresponding period a year earlier and to lower licensing revenue than in 2004. Adjusted for these effects, consulting revenue rose by 5.5 % compared with the same period of the previous year.

Operating profit amounted to SEK 10 million, against SEK 11 million during the same of the previous year, corresponding to an operating margin of 6.6% (6.7). Earnings per share for the report period amounted to SEK 10 million (10).

Consultants who were added through the acquisitions in the fourth quarter of 2004 of Edge Consulting and a consulting unit of Flextronics Design have contributed in line with the company's overall profitability.



Net sales and operating profit by quarter (SEK million)



Financial position and cash flow

The Group's liquid assets, including short-term investments, amounted to SEK 77 million (68) as of March 31, 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 60.0% (51.2).

Cash flow from operating activities, excluding the liquidity effect from previous structural costs, amounted to SEK 9 million (6).

Total cash flow amounted to SEK 8 million (-21).

Employees

The average number of employees during the quarter was 531 (606). The number of employees at the end of the period was 530 (592).

Investments

The Group's net investments in tangible assets amounted to SEK 1 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). Operating profit for the period was SEK -1 million (-3).

The Parent Company's net investments amounted to SEK 0 million during the report period. The Parent Company's liquid assets as of March 31, 2005 amounted to SEK 58 million (39).

Important events following the conclusion of the period

AcandoFrontec has signed an extension to its general agreement for IT services with Volvo IT. This means that 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.

Future outlook

The market for combined management and IT consulting services is expected to remain positive in 2005, with prices rising slightly. The focus will now be on raising growth by retaining employees and providing them with further development opportunities, as well as by recruiting new staff members and increasing sales of packaged offerings.



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.

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.

Audit report

This report has not been reviewed by the company's auditors.

Information

Upcoming financial reports

Interim report January – June 2005	August 17, 2005
Interim report January – September 2005	October 28, 2005
Year-end report for 2005	February 2006

AcandoFrontec's financial information is available in Swedish and English on our website: www.acandofrontec.se.

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Consolidated income statement

(SEK million)	3 mos. Jan-Mar 2005	3 mos. Jan-Mar 2004**	3 mos. Jan-Mar 2004	12 mos. Jan-Dec 2004**	12 mos. Jan-Dec 2004
Net sales	157	165	165	608	608
Other operating income	1	3	3	16	15
Total sales	158	168	168	624	623
Personnel costs	-109	-106	-106	-408	-408
Other operating expenses	-37	-48	-48	-173	-173
Depreciation of tangible fixed assets	-2	-3	-3	-9	-9
Goodwill amortization	-	-	-2	-	-9
Operating profit, EBIT	10	11	9	34	24
Financial income	-	-	-	-	1
Financial expenses	-	-	-	-1	-1
Profit before tax	10	11	9	33	24
Tax***	-	-1	-1	3	3
Net profit for the period	10	10	8	36	27
Earnings per share before dilution	0.18	0.18	0.15	0.66	0.49
Earnings per share after dilution *	0.17	0.17	0.14	0.61	0.45
Average number of shares	55,658,810	55,658,810	55,658,810	55,658,810	55,658,810
Average number of shares after dilution	60,191,927	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 convertible rights (1,275,517) and 3,257,600 (2,946,600) options.

** Comparative figures according to IAS/IFRS

*** The tax rate for the period is 0% (10).

The tax charge is calculated using the current tax rate for the Parent Company.

The Group's tax loss carryforwards are taken into account.



Condensed consolidated balance sheet

(SEK million)	Mar. 31, 2005	Mar. 31, 2004**	Mar. 31, 2004	Dec. 31, 2004**	Dec. 31, 2004
Assets					
Fixed assets					
Intangible fixed assets	90	78	76	89	80
Tangible fixed assets	5	10	10	6	6
Financial fixed assets	44	39	39	44	44
Total fixed assets	139	127	125	139	130
Current assets					
Long-term receivables	2	-	-	-	-
Current receivables	164	181	181	161	161
Cash and bank balances, incl. short-term investments	77	68	68	69	69
Total current assets	243	249	249	230	230
Total assets	382	376	374	369	360
Shareholders' equity, provisions and liabilities					
Shareholders' equity (Note 1)					
Restricted equity	175	175	175	175	175
Non-restricted equity	54	18	16	43	34
Long-term interest-bearing liabilities	7	6	6	7	7
Current liabilities	146	177	177	144	144
Total shareholders' equity, provisions and liabilities	382	376	374	369	360

** Comparative figures according to IAS/IFRS



Consolidated statement of cash flows

(SEK million)	3 mos.	3 mos.	3 mos.	12 mos.	12 mos.
	Jan-Mar 2005	Jan-Mar 2004**	Jan-Mar 2004	Jan-Dec 2004**	Jan-Dec 2004
Operating activities					
Profit/loss after net financial items	10	11	9	33	24
Adjustments for non-cash items, etc.	-	-26	-26	-70	-70
Depreciation	2	3	5	10	19
Tax paid	-	-4	-4	-	-
Cash flow from operating activities before change in working capital	12	-16	-16	-27	-27
Net change in working capital	-3	-5	-5	5	5
Cash flow from operating activities	9	-21	-21	-22	-22
Cash flow from investing activities	-1	-	-	1	1
Cash flow from financing activities	-	-	-	1	1
Cash flow for the period	8	-21	-21	-20	-20
Liquid assets at beginning of period	69	89	89	89	89
Liquid assets at end of period	77	68	68	69	69

Notes

NOTE 1 - Shareholders' equity

(SEK thousand)	Mar. 31, 2005	Mar. 31, 2004**	Mar. 31, 2004	Dec. 31, 2004**	Dec. 31, 2004
At beginning of period	209,571	182,110	182,110	182,110	182,110
Adjustments in equity due to IAS/IFRS	9,252				
Adjusted opening balance 1/1/2005	218,823	182,110			
New share issue		246	246	246	246
Profit for the period	10,236	10,265	8,099	36,467	27,215
At end of period	229,059	192,621	190,455	218,823	209,571

** Comparative figures according to IAS/IFRS



Key ratios	3 mos.	3 mos.	3 mos.	12 mos.	12 mos.
(SEK million)	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Dec
	2005	2004**	2004	2004**	2004
Results					
Net sales	157	165	165	608	608
Operating profit before goodwill amortization, EBITA	10	11	11	34	33
Operating profit, EBIT	10	11	9	34	24
Profit before tax	10	11	9	33	24
Margins					
Operating margin, %, EBITA	6.6	6.7	6.7	5.6	5.4
Operating margin, %, EBIT	6.6	6.7	5.5	5.6	3.9
Profitability					
Return on capital employed, %				16.3	12.1
Return on equity, %				18.2	13.9
Financial position					
Equity/assets ratio, %	60.0	51.2	51.0	59.2	58.2
Interest coverage ratio	64	11	8	32	23
Per share					
Equity per share, SEK				3.64	3.48
Cash flow per share, SEK	0.13	-0.35	-0.35	-0.33	-0.33
Earnings per share, SEK	0.17	0.17	0.14	0.61	0.45
Employees					
Number of employees at end of period	530	592	592	532	532
Average number of employees	531	606	606	576	576
Net sales per employee, SEK thousand	296	272	272	1056	1056
Net investments, SEK million	1	0	0	0	0

** Comparative figures according to IAS/IFRS



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 2 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.

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 Group's 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.