



INTERIM REPORT

FOR THE PERIOD JANUARY 1 – MARCH 31, 2006

Increased growth and profitability

First quarter 2006 compared with first quarter 2005

- **Net sales amounted to SEK 233 million (157), an increase of 48 percent.**
- **Operating profit amounted to SEK 21 million (10), for an operating margin of 9 percent (7).**
- **Profit after tax amounted to SEK 21 million (10).**
- **Earnings per share for the period amounted to SEK 0.32 (0.17).**
- **Cash flow from operating activities amounted to SEK -1 million (9) and was due to the fact that a customer payment of SEK 18 million was not received until just after the conclusion of the quarter.**
- **The acquisition of Resco AB (publ) was finalized after shareholders representing 95 percent of the share capital accepted the offer from AcandoFrontec.**
- **One-time costs for the merger of SEK 5 million have been charged against operating profit. Adjusted for these expenses, the operating margin was 11 percent.**
- **The acquisition of e-motion technology AB was implemented.**

“The year has begun with a good level of demand and capacity utilization. We are now seeing signs of price increases for the first time in a very long time,” says Lars Wollung, President and CEO of AcandoFrontec.

For more information, please contact

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AcandoFrontec is an international consulting company in performance improvements, enterprise systems and IT, which identifies and implements improvements through information technology.

AcandoFrontec achieves measurable results by enhancing processes, organizations and IT solutions, so that they strengthen the customer's business operations. AcandoFrontec's job is to grasp the entirety of the customer's business and ensure that every assignment produces quick, measurable gains. A broad-based customer roster includes companies both large and small as well as public organizations. AcandoFrontec's most important partners are SAP, Microsoft and IBM.

AcandoFrontec has just over 1,000 employees in northern Europe.

AcandoFrontec is listed on Stockholmsbörsen's O-list under the ticker symbol AFAB.



Operations

AcandoFrontec reported strong growth during the quarter. This is the result of both organic growth and acquisitions.

In early January plans were announced to merge with Resco and e-motion. The merger with e-motion was finalized in February at an acquisition price of SEK 42 million (see note on page 12); its operations were consolidated in AcandoFrontec as of March 1. The offering for Resco in February was accepted in March by shareholders representing 95 percent of the share capital at an acquisition price of approximately SEK 220 million (see note on page 12). Resco was consolidated in AcandoFrontec's accounts as of March 15.

Following these transactions, the Group has operations in seven countries and just over 1,000 employees. It is the leader in the Swedish consulting market for Microsoft enterprise systems and is one of the three largest players in SAP enterprise systems.

Sweden

The level of demand during the quarter has been good, which has meant high capacity utilization for a number of units. Since the start of the year prices have trended higher. Average prices have climbed 4 percent compared with the fourth quarter of 2005. During the first quarter sales rose by 28 percent excluding the acquisition of Resco.

A major recruiting campaign has added 81 new employees, who are joining the Group during the first and second quarters.

During the quarter new offices were opened in Västerås and Ludvika. In addition to many large and medium-sized industrial companies, the region includes a number of public authorities. Around 20 consultants have been hired by the two offices.

Operations in Sundsvall comprising nine employees have been sold to Steria.

Integration work with the newly acquired units has progressed well, and the steering group in charge of integration has now completed its work. As of April 1 AcandoFrontec, Resco and e-motion are part of a single organization, and further integration issues are handled by the new line organization.

During the quarter AcandoFrontec signed a number of important agreements. For example:

- AcandoFrontec has been given responsibility for implementation of the mySAP Business Suite at Nordstedts Juridik. The new platform will support development of the company's sales and distribution channels.
- In late 2005 a special effort was begun in the banking & finance sector. This has already netted a number of new assignments from Nordea, among others.
- AcandoFrontec has been selected as a general agreement supplier by TeliaSonera. Through this procurement, TeliaSonera has reduced its number of suppliers from 29 to 14.



Germany

As 2006 begins the German economy is demonstrating its strength through higher growth, rising corporate earnings and growing optimism.

Previously strong growth for the unit in Germany has continued, and demand has been good. Sales growth was 81 percent compared with the corresponding period of 2005. In the first quarter a nationwide recruiting campaign was begun. The unit has been certified for Microsoft CRM.

The ten consultants hired by the Frankfurt office in early 2006 are already maintaining high utilization rates thanks to assignments from IKEA, DaimlerChrysler Bank and the European Patent Office, among others.

Projects for Airbus, Metro, Squaregain, Comdirect bank, Post Philatelie, Vattenfall Europe and IKB-Bank are continuing. New customers include Research Centre Karlsruhe, SWISS International Air Lines Ltd., Karstadt corporate group, Research Centre Jülich and Air Liquide.

Finland

The Finnish economy is developing positively right now. Growing industrial activity, especially in the export sector, has led to higher demand for IT consultants.

Projects for WSOY to upgrade an existing system continue. A new assignment has been received from Nokia FSP and another has begun for Kemira Chemicals, where the Finnish subsidiary has implemented SAP for internal planning and reporting. In general, the SAP market is stable, and the recruitment of new consultants is under way.

Eastern Europe through Webmedia Group

Webmedia Group developed positively during the first quarter.

Sales rose by 72 percent compared with the corresponding period of 2005.

Operating profit was the highest in the company's history.

Webmedia signed many important agreements with both current customers and new ones, including Ergo and Lietuvos Telekomas, and added its first customer in the Russian market.

During the report period Webmedia continued to invest in internal processes and infrastructure to facilitate future growth.

Recruitment for the company's development centers in the Baltic states continues.



Sales and profit for first quarter 2006

| | Sweden 1) | Germany | Finland | Webmedia | Total 2) |
|-------------------------|--------------|---------|---------|----------|-------------|
| Net sales | 209,133 | 9,404 | 1,506 | 12,472 | 232,515 |
| Operating profit | 18,123 | 1,167 | 391 | 984 | 20,665 |
| Operating margin | 8.7% | 12.4% | 25.9% | 7.9% | 8.9% |

- 1) Including shared Group costs (as in previous reports) and one-time costs of SEK 5 million related to the merger. Adjusted for these one-time costs, the operating margin in Sweden was 11.0 %.
- 2) e-motion is included as of March 1 and Resco as of March 15. Adjusted for the above-mentioned one-time costs, the operating margin for the Group was 11.0%.

Consolidated net sales for the quarter amounted to SEK 233 million (157), an increase of 48 percent compared with the same period of 2005. SEK 2.4 million is attributable to e-motion (consolidated as of March 1) and SEK 17.8 million to the Resco group (consolidated as of March 15).

Operating profit amounted to SEK 21 million, against SEK 10 million in the same period of the previous year, corresponding to an operating margin of 8.9 percent (6.6). SEK 0.1 million is attributable to e-motion and SEK -3.3 million to the Resco group. Operating profit attributable to the Resco group includes one-time costs of SEK 5 million related to the merger. No further provisions for integration costs will be made. On the other hand, approximately SEK 4 million will be charged against profit in the second and third quarters. The merger has progressed more smoothly and efficiently than expected. As a result, integration costs will not be as high as expected when the merger was announced at the start of the year.

Net profit for the period amounted to SEK 21 million (10).



(Diagrams)

Quarterly net sales and operating profit (SEK million)

Net sales

Operating profit

Quarterly operating profit for rolling 12-month period, SEK million

Financial position and cash flow

The Group's liquid assets, including short-term investments, amounted to SEK 85 million (77) as of March 31, 2006. In addition, the Group has available bank overdraft facilities of SEK 50 million.

The equity/assets ratio (shareholders' equity divided by total assets) was 65.9 percent (60.0).

Cash flow from operating activities amounted to SEK -1 million (9). The negative cash flow from operating activities is temporary in nature and is due to the fact that a large payment of SEK 18 million was received after the conclusion of the quarter. Total cash flow amounted to SEK 0 million (8).

Employees

The average number of employees during the quarter was 866 (531). The number of employees at the end of the period was 1,048 (530).

Investments

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

Parent Company

The Parent Company's external net sales for the quarter amounted to SEK 0 million (0). The operating deficit for the period was SEK -1 million (-1).

The Parent Company's net investments amounted to SEK 1 million during the quarter. The Parent Company's liquid assets as of March 31, 2005 amounted to SEK 34 million (39).

Events after the balance sheet date

AcandoFrontec has renewed its general agreement with Volvo IT. AcandoFrontec will provide a range of qualified IT consulting services to Volvo IT and the Volvo group, from analysis and project management to integration and systems development. The agreement runs for two years through the first quarter of 2008. The Volvo group, through Volvo IT, is one of AcandoFrontec's largest and most important customers.

Future outlook

The market for management and IT consulting services is expected to remain good in 2006. Seasonally, however, the second quarter is weaker on a relative basis than the first quarter.

The focus during the year is to grow AcandoFrontec with increased profitability. Growth will be achieved organically and through acquisitions. Thanks to a well-functioning organization and internal processes, growth is expected without adding any major fixed costs. In other words, the combination of growth and increased profitability is realistic.



Accounting principles

AcandoFrontec prepares its consolidated accounts for 2006 according to the International Accounting Standards (IAS/IFRS) approved by the EU Commission.

This interim report is 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.

As a result of the acquisition of Resco, the following accounting principles will be applied within the Group:

- IAS 19 Employee benefits – pensions. This means that the value of future pensions is reported as a liability on the balance sheet. The calculation and payment of pensions is handled by PRI Pensionstjänst AB, and they are insured with Pensionsgaranti/FPG. The pensions are guaranteed by chattel mortgages. Resco no longer uses the FPG/PRI method for newly vested ITP and instead pays ITP premiums directly to Alecta. However, a pension liability from previously vested ITP remains on the balance sheet.

IAS 28 Investments in associates are reported in accordance with the equity method and are initially valued at cost. The Group's share of profit is reported in the income statement and its share of changes in shareholders' equity.

The application of IFRS otherwise agrees with the principles described in the 2005 annual report.



Audit report

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

Information

Upcoming financial reports

Interim report January – June 2006

August 16, 2006

Interim report January – September 2006

October 27, 2006

Year-end report for 2006

February 2007

Financial information is available in Swedish and English on AcandoFrontec's website, www.acandofrontec.com.

Stockholm, April 27, 2006

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Consolidated income statement

| (SEK million) | 3 mos. Jan-Mar 2006 | 3 mos. Jan-Mar 2005 | 12 mos. Jan-Dec 2005 |
|---------------------------------------|---------------------------|---------------------------|----------------------------|
| Net sales | 233 | 157 | 646 |
| Other operating income | 0 | 1 | 10 |
| Total sales | 233 | 158 | 656 |
| Personnel costs | -143 | -109 | -432 |
| Other operating expenses | -67 | -37 | -171 |
| Depreciation of tangible fixed assets | -2 | -2 | -5 |
| Operating profit, EBIT | 21 | 10 | 48 |
| Financial income | 0 | 0 | 1 |
| Financial expenses | 0 | 0 | -1 |
| Profit before tax | 21 | 10 | 48 |
| Tax 1) | 0 | 0 | 6 |
| Net profit for the period | 21 | 10 | 54 |

Attributable to:

| | | | |
|--------------------------------------|-----------|---|-----------|
| Parent Company's shareholders | 20 | - | 53 |
| Minority interests | 1 | - | 1 |

| | | | |
|--|-------------|-------------|-------------|
| Earnings per share before dilution | 0.35 | 0.18 | 0.96 |
| Earnings per share after dilution | 0.32 | 0.17 | 0.88 |
| Average number of shares before dilution | 59,006,341 | 55,658,810 | 55,658,810 |
| Average number of shares after dilution | 64,083,018 | 60,191,927 | 60,463,707 |
| Number of shares at end of period before dilution 2) | 58,398,810 | 55,658,810 | 55,658,810 |

Dilution consists of 1,275,517 (1,275,517) convertible rights and 3,801,160 (3,257,600) options.

1) The Group's reported tax for the period refers to the net of reversed and capitalized tax assets as well as restituted tax.

2) After the conclusion of the quarter another 14,382,015 shares were issued in connection with the acquisition of Resco. The number of shares outstanding before dilution thus amounts to 72,780,825.



Condensed consolidated balance sheet

| (SEK million) | March 31 2006 | March 31 2005 | Dec 31 2005 |
|--|------------------|------------------|----------------|
| Assets | | | |
| Fixed assets | | | |
| Goodwill | 348 | 90 | 100 |
| Other intangible fixed assets | 17 | 0 | 1 |
| Tangible fixed assets | 13 | 5 | 8 |
| Tax assets | 47 | 42 | 49 |
| Other financial fixed assets | 12 | 2 | 6 |
| Total fixed assets | 437 | 139 | 164 |
| Current assets | | | |
| Current receivables | 318 | 166 | 188 |
| Cash and bank balances, incl. short-term investments | 85 | 77 | 85 |
| Total current assets | 403 | 243 | 273 |
| Total assets | 840 | 382 | 437 |
| Shareholders' equity and liabilities | | | |
| Shareholders' equity (Note 1) | | | |
| Share capital | 91 | 69 | 69 |
| Other reserves | 334 | 106 | 106 |
| Retained earnings | 115 | 54 | 96 |
| Minority interests | 13 | - | 12 |
| Long-term interest-bearing liabilities | 19 | 7 | 7 |
| Current liabilities | 268 | 146 | 147 |
| Total shareholders' equity and liabilities | 840 | 382 | 437 |



Consolidated statement of cash flows

| | 3 mos. Jan-March 2006 | 3 mos. Jan-March 2005 | 12 mos. Jan-Dec 2005 |
|---|-----------------------------|-----------------------------|----------------------------|
| (SEK million) | | | |
| Operating activities | | | |
| Profit before tax | 21 | 10 | 54 |
| Deferred/capitalized tax | - | - | -6 |
| Tax paid | - | - | - |
| Adjustments for non-cash items | 2 | - | - |
| Depreciation | 2 | 2 | 5 |
| Cash flow from operating activities before change in working capital | 25 | 12 | 53 |
| Net change in working capital | -26 | -3 | -22 |
| Cash flow from operating activities | -1 | 9 | 31 |
| Cash flow from investing activities | 1 | -1 | -16 |
| Cash flow from financing activities | - | - | 1 |
| Cash flow for the period | 0 | 8 | 16 |
| Liquid assets at beginning of period | 85 | 69 | 69 |
| Liquid assets at end of period | 85 | 77 | 85 |

Shareholders' equity

| | March 31 2006 | March 31 2005 | Dec 31 2005 |
|--|------------------|------------------|----------------|
| (SEK thousand) | | | |
| At beginning of period | 283,561 | 218,823 | 218,817 |
| New share issue/bonus issue | 249,024 | - | 551 |
| Capital procurement cost | -2,558 | - | - |
| Exchange rate difference | 2,486 | - | 114 |
| Acquisition of minority | - | - | 10,790 |
| Profit for the period | 20,701 | 10,236 | 53,289 |
| At end of period | 553,214 | 229,059 | 283,561 |
| Closing shareholders' equity attributable to minority | 12,689 | - | 11,910 |
| Closing shareholders' equity attributable to Parent Company's share holders | 540,525 | 229,059 | 271,651 |



Specification of shareholders' equity for the period

| | Attributable to Parent Company's shareholders | | | | Total |
|--------------------------------|---|----------------|-------------------|--------------------|---------|
| | Share capital | Other reserves | Retained earnings | Minority interests | |
| Opening balance Jan. 1, 2006 | 69,573 | 106,428 | 95,650 | 11,910 | 283,561 |
| Capital procurement cost | | | -2,558 | | -2,558 |
| Non-cash issue | 21,403 | 227,621 | | | 249,024 |
| Exchange rate difference | | | 2,486 | | 2,486 |
| Profit for the period | | | 19,922 | 779 | 20,701 |
| Closing balance March 31, 2006 | 90,976 | 334,049 | 115,500 | 12,689 | 553,214 |

Key ratios

| (SEK million) | 3 mos. | 3 mos. | 12 mos. |
|-----------------------------------|--------------|--------------|--------------|
| | Jan-Mar 2006 | Jan-Mar 2005 | Jan-Dec 2005 |
| Results | | | |
| Net sales | 233 | 157 | 646 |
| Operating profit, EBITA | 21 | 10 | 48 |
| Operating profit, EBIT | 21 | 10 | 48 |
| Profit before tax | 21 | 10 | 48 |
| Margins | | | |
| Operating margin, %, EBITA | 8.9 | 6.6 | 7.4 |
| Operating margin, %, EBIT | 8.9 | 6.6 | 7.4 |
| Profitability | | | |
| Return on capital employed, % | N/A | N/A | 19.2 |
| Return on equity, % | N/A | N/A | 21.6 |
| Financial position | | | |
| Equity/assets ratio, % | 65.9 | 60.0 | 64.9 |
| Interest coverage ratio | 53 | 64 | 44 |
| Per share | | | |
| Equity per share, SEK | 8.63 | 3.81 | 4.70 |
| Cash flow per share, SEK | 0.00 | 0.13 | 0.26 |
| Earnings per share, SEK | 0.32 | 0.17 | 0.88 |
| Employees | | | |
| No. of employees at end of period | 1048 | 530 | 683 |
| Average number of employees | 866 | 531 | 608 |
| Net sales per employee, SEK 000 | 269 | 296 | 1063 |
| Net investments, SEK million | 1 | 1 | 6 |



Note 1

On March 1 e-motion technology was acquired and on March 15 Resco AB (publ) was acquired. Following is a preliminary calculation of their acquisition values and goodwill.

| | e-motion | Resco |
|---|------------|-------------|
| Newly issued shares | 2,740,000 | 14,382,015 |
| Share value, SEK | 15.30 | 14.40 |
| Non-cash value, SEK thousand | 41,922,000 | 207,101,016 |
| Estimated value of cash purchase after redemption of remaining shares, SEK thousand | - | 12,962,371 |
| Estimated acquisition value, SEK thousand | 41,922,000 | 220,063,387 |
| Estimated goodwill, SEK thousand | 31,658,000 | 167,961,000 |

At this stage approximately 5% of the shares in Resco remain to be acquired. Identification of “other intangible assets” is not complete. As a result, goodwill values may have to be adjusted. A more detailed specification of acquired assets and liabilities will be provided in future interim reports.