January – September 2005 interim report for the Cybercom Group

Continued growth with strong profit

January – September 2005 interim report

- Sales rose 18% to SEK 342.7 million (291.4)
- Profit after tax was SEK 15.6 million (6.5)
- Profit per share was SEK 1.33 (0.61)
- Earnings before interest and taxes (EBIT) jumped to SEK 20.8 million (8.7)

Q3, July – September 2005

- Sales rose 15% to SEK 103.0 million (89.7)
- Profit after tax was SEK 3.5 million (1.0)
- Earnings before interest and taxes (EBIT) rose to SEK 6.3 million (2.6)
- Growth with strong equity/assets ratio

Cybercom is a high-tech consulting company that offers business-critical IT solutions within telecom and selected technologies. Cybercom was launched in 1995; since 1999, it has been quoted on the Stockholm stock exchange's O list (*Stockholmsbörsen*). The Group has operations in Europe and Asia, and offices in Denmark, Norway, Singapore, Sweden, and the UK. Cybercom currently employs about 400 people (who have an average of 13 years' consulting experience).

THE MARKET

IT consulting market trends are still positive. Demand for IT solutions is particularly high for creating competitiveness and for cost-cutting support systems. For market segments in which the IT market has matured, many companies are investigating opportunities to standardise maintenance and development processes.

Telecom drives the market – thanks to high demand and continued growth. Manufacturers' investments in mobile handsets and terminals constitute one driving force. Operators' investments in growth, such as comprehensive network expansions, push telecom outside Europe.

To be competitive and efficient, customers in all markets demand mobile-solution development and implementation, which benefits niche consultancies specialised in telecom. Consultancies, which offer specialised services, operate within a wider price range. In general, price levels are stable on a market that's still highly competitive.

Market conditions on the market in the Öresund region (southern Sweden and Denmark) are still highly advantageous. The rest of Scandinavia is mainly unchanged. The UK is on the right track, with increasing demand.

CYBERCOM GROUP

The Netcom Consultants integration led to excellent effects (Cybercom bought Netcom, which was consolidated into Cybercom's Sweden division in May). New customers, such as Millicom, Tele2, and Telenor were acquired, and they granted renewed confidence. Cybercom's telecom-management offering strengthens and complements its other areas of operation.

Netcom Consultants' operation in Stockholm moved into Cybercom's office on Fleminggatan. Thanks to the Singapore office, Cybercom has new business opportunities with international customers and presence on the strong Asian market.

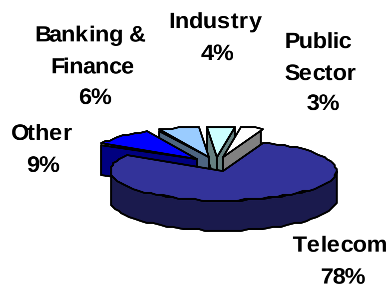
Cybercom's strategy to focus on telecom and selected technologies remains. The results are increasingly evident penetration and a stronger position. In Q3 2005, sales increased 15% compared with Q3 2004.

Cybercom's expertise in telecom management, portals, mobile solutions, billing, e-commerce, and embedded systems also leads to projects in companies that are not telecom operations. Its customer base is also widened through its focus on selected technologies.

Examples of new customers include:

- Collectum, the ITP pension fund's administration company in Sweden
- PFA, a pension company in Denmark
- Statnett, an electrical power company in Norway
- O_2, an operator in the UK.

Cybercom's sales per industry:



For many areas in which the IT market achieved maturity, the trend is clearly moving toward industry standards – particularly for development, application management, testing, and verification. These processes can be standardised and work content can be planned for the long term. Consequences for IT companies are that work in assignments is done locally or outsourced to low-salary countries. Cybercom has these types of projects with larger international customers, and is working with local staffing firms and partners in India and the Baltics.

Many of Cybercom's assignments are turnkey projects that are run in close co-operation with customers. They are year-long contracts and during the period, many were extended. About 40% of sales were turnkey projects (e.g., application management) during the first nine months of 2005.

Sony Ericsson, Ericsson, Tele2, TeliaSonera, Nokia, Reuters, Teracom, Millicom, ASSA ABLOY, Telenor, SEB, and Regeringskansliet are Cybercom's largest customers. The 10 largest customers accounted for 79% of Cybercom's sales during the first nine months of 2005.

THE GROUP

SALES

Jan-Sept 2005 sales reached SEK 342.7 million (291.4) [1] – an 18% increase compared to Jan-Sept 2004.

JAN-SEPT 2005 PROFIT

Compared to Jan-Sept 2004, operating profit jumped considerably, and reached SEK 20.8 million (8.7), which yields a 6.1% margin (3.0%).

Net financial income – which benefited from an exchange-rate gain of SEK 3.5 million – reached SEK 3.1 million (1.0). Profit after net financial expense rose to SEK 23.9 million (9.7), which yields a 7.0% net margin (3.3%).

A one-time cost of SEK 3 million for consolidation of the Swedish business divisions burdened Q1 2005. Excluding this cost, Jan-Sept 2005 operating profit reached SEK 23.8 million, which yields a 6.9% margin and a 7.8% net margin.

The number of employees is 411. At period's end, Cybercom engaged 460 persons, including subcontractors.

Sales by division, in SEK million and percent of total sales.[2]

	Jan-Sept 2005	Jan-Sept 2005	Jan-Sept 2004	Jan-Sept 2004
Sweden	308.0	90%	251.7	86%
International	51.9	15%	51.7	18%

Third quarter (Q3)

Q3 2005 Group sales reached SEK 103.0 million (89.7), a 15% increase compared to Q3 2004. The Group's operating profit rose to SEK 6.3 million (2.6), which yields a 6.1% margin (2.9%).

Sweden division

Sales rose to SEK 308.0 million (251.7) – 22% more than in Jan-Sept 2004. Operating profit reached SEK 20.1 million (12.1), which yields a 6.5% margin (4.8%). The division has 329 employees (279).

Q3 2005 sales reached SEK 91.1 million (79.0), a 15% increase compared to Q3 2004. Operating profit reached SEK 4.6 million, which yields a 5.0% margin (5.4%). The division's operations primarily target telecom; this operation grew considerably compared with Q3 2004.

Much of the Swedish operation is involved with turnkey projects or long-term partnerships that are renewed annually. During Jan-Sept 2005, many of these were further extended for one or two years.

The operation in southern Sweden demonstrates excellent growth. Many projects are still involved with development of embedded systems for mobile terminals and support systems for these systems. Cybercom also has support agreements for device management applications.

International division

Sales reached SEK 51.9 million (51.7) for Cybercom's operations in Denmark, Norway, and the UK. Operating profit was SEK 3.7 million (1.0), which yields a 7.2% margin (1.9%). The division has 61 employees (62).

Q3 2005 sales reached SEK 16.5 million (16.3). Operating profit was SEK 1.8 million (0.2), which widens the margin to 10.9% (1.2%).

The Danish operation continues to demonstrate good results and growth. New customers include PFA, which is one of Denmark's largest pension companies. The UK operation continues its positive trend with new customers and good results for the period. An adverse market situation still affects the operation in Norway.

PERSONNEL

During Jan-Sept 2005, the average number of full-time employees in the Group was 355 (322). At the period's end, the number of employees in the Group was 411 (371), of which 87 are women.

More than 70 new employees have joined Cybercom Group during the first nine months 2005. Cybercom's recruitment efforts yield good results. However, organic growth was somewhat affected by last year's consolidation, when the Financial Services division was integrated with the Sweden division that concentrates on telecom and selected technologies.

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[1] Profit/loss for the same period in 2004 is shown in parentheses/brackets; these comparison figures are recalculated as per the International Financial Reporting Standards (IFRS).
[2] Elimination of internal invoicing and parent company sales is not reported.

INVESTMENTS

On 30 September 2005, investments in property, plant, and equipment stood at SEK 4.8 million (4.0). During the period, investments in intangible assets totalled SEK 2.8 million (6.4).

In April, Cybercom bought Netcom Consultants. The fixed purchase price was SEK 35 million, which was partly paid with 1,125,402 newly issued Cybercom shares and partly with SEK 2.5 million in cash. Depending on sales during 2005, a supplementary purchase price of at most SEK 6 million might be paid.

During Q2, executives in Cyber Com Consulting A/S exercised their warrants to buy 3.3% of the shares in the Danish subsidiary. During Q2, the Group bought back these shares for SEK 3.7 million, which led to goodwill of SEK 3.4 million.

CASH AND CASH EQUIVALENTS

On 30 September 2005, the Group's cash and cash equivalents stood at SEK 51.8 million (SEK 35.3 million on 30 September 2004). During Jan-Sept 2005, cash flow was SEK 25.2 million, before a working capital change. The working capital change is SEK -20.8 million. In total, cash flow from running operations was SEK 4.0 million (-12.5).

FINANCIAL POSITION

On 30 September 2005, equity stood at SEK 229.3 million (160.5), which yields a 71.8% equity/assets ratio (67.6%). Equity per share reached SEK 18.61 (15.04).

TAX

During Jan-Sept 2005, the tax rate was 34.8% (32.8%). Tax expense is based on current tax for the parent company and for each subsidiary. Temporary differences and existing deficit deductions are reported.

THE PARENT COMPANY

The parent company primarily manages Group-wide staff functions, such as finance, IS/IT, marcom, administration, and investor relations. At period's end, the parent company employed 21 (25) persons. The average number of employees during the period was 18 (17).

Jan-Sept 2005 sales reached SEK 25.0 million (22.1). Operating loss stood at SEK 3.3 million (-4.1). Loss after financial items was SEK 1.9 million (-2.7). On 30 September 2005, the parent company's cash and cash equivalents stood at SEK 36.7 million (42.4). Investments in computers and other equipment totalled SEK 2.1 million (0.4).

OUTLOOK

The outlook is positive for Cybercom's services within telecom and selected technologies. Cybercom intends to grow organically and through acquisitions and to strengthen its international presence.

Before year-end 2006, the company intends to achieve an operating margin of at least 10% and sales of SEK 750 million; 25% of the sales will occur outside Sweden.

THE GROUP

SEK million	Jan-Sept 2005	Jan-Sept 2004	Q3 2005	Q3 2004	Q2 2005	Q1 2005	Jan-Dec 2004	Oct 2004 - Sept 2005
Sales	342.7	291.4	103.0	89.7	124.7	114.9	405.3	456.5
Operating profit, EBIT	20.8	8.7	6.3	2.6	9.3	5.2	15.1	27.3
Operating margin,%	6.1%	3.0%	6.1%	2.9%	7.5%	4.5%	3.7%	6.0%
No. of employees at period's end	411	371	411	371	408	370	375	411

THE BUSINESS DIVISIONS

Sweden SEK million	Jan-Sept 2005	Jan-Sept 2004	Q3 2005	Q3 2004	Q2 2005	Q1 2005	Jan-Dec 2004	Oct 2004 - Sept 2005
Sales	308.0	251.7	91.1	79.0	112.5	104.3	354.8	411.1
Operating profit, EBIT	20.1	12.1	4.6	4.3	9.6	5.9	21.2	29.2
Operating margin,%	6.5%	4.8%	5.0%	5.4%	8.5%	5.6%	6.0%	7.1%
No. of employees at period's end	329	279	329	279	329	286	285	329

International SEK million	Jan-Sept 2005	Jan-Sept 2004	Q3 2005	Q3 2004	Q2 2005	Q1 2005	Jan-Dec 2004	Oct 2004 - Sept 2005
Sales	51.9	51.7	16.5	16.3	18.1	17.3	68.5	68.7
Operating profit, EBIT	3.7	1.0	1.8	0.2	1.2	0.7	2.0	5.0
Operating margin,%	7.2%	1.9%	10.9%	1.2%	6.6%	4.0%	2.9%	7.3%
No. of employees at period's end	61	62	61	62	56	56	60	61

CONDENSED INCOME STATEMENT

SEK million	Note	Jan-Sept 2005	Jan-Sept 2004	Q3 2005	Q3 2004	Q2 2005	Q1 2005	Jan-Dec 2004	Oct 2004 - Sept 2005
Sales		342.7	291.4	103.0	89.7	124.7	114.9	405.3	456.5
Operating costs									
Other external costs		-106.7	-88.6	-31.0	-29.2	-37.1	-38.5	-123.9	-141.9
Staff costs		-210.7	-188.0	-64.1	-56.0	-76.6	-70.0	-258.1	-280.7
Depreciation and impairment loss of property, plant, equipment and intangible assets	1	-4.5	-6.1	-1.6	-1.9	-1.7	-1.2	-8.2	-6.6
Operating profit, EBIT		**20.8**	**8.7**	**6.3**	**2.6**	**9.3**	**5.2**	**15.1**	**27.3**
Financial items									
Interest and similar income		4.5	3.4	0.5	0.5	2.9	1.1	4.3	5.3
Interest cost & similar items		-1.4	-2.4	-0.6	0.5	-0.6	-0.2	-2.1	-1.1
Profit after financial items		**23.9**	**9.7**	**6.2**	**3.6**	**11.6**	**6.1**	**17.3**	**31.5**
Tax *)		-8.3	-3.2	-2.7	-2.6	-3.7	-1.9	-6.1	-11.2
Profit for the period		**15.6**	**6.5**	**3.5**	**1.0**	**7.9**	**4.2**	**11.2**	**20.3**
*) *current tax*		*-4.3*	*-0.5*	*4.0*	*-0.4*	*-6.7*	*-1.6*	*-1.1*	*-5.1*
deferred tax		*-4.0*	*-2.7*	*-6.7*	*-2.2*	*3.0*	*-0.3*	*-5.0*	*-6.1*

SHARE INFORMATION

	Jan-Sept 2005	Jan-Sept 2004	Jan-Dec 2004
Before dilution			
Profit per share, SEK	1.33	0.61	1.05
Equity per share, SEK	18.61	15.04	16.08
No. of shares at period’s end	12 321 757	10 672 468	11 196 355
Average no. of shares	11 759 056	10 672 817	10 716 125
After dilution			
Profit per share, SEK	1.32	0.58	1.05
Equity per share, SEK	18.31	14.55	16.08
No. of shares at period’s end	12 521 757	11 034 951	11 196 355
Average no. of shares	11 859 056	11 146 411	10 716 125

Dilution effect isn’t calculated if the subscription rate’s present value is higher than the ordinary share’s actual value. Dilution effects are only accounted for when they have an adverse effect on profit per share or equity.

CONDENSED BALANCE SHEET

SEK million	Note	30 September 2005	30 September 2004	31 December 2004
Assets				
Intangible assets		123.8	74.3	93.8
Property, plant, and equipment		11.5	10.5	10.7
Financial assets		8.9	14.3	11.8
Current assets excl. cash and cash equivalents		123.3	102.9	108.7
Cash and cash equivalents		51.8	35.3	47.7
Property, plant, and equipment – hold for sale	4	-	-	-
Total assets		**319.3**	**237.3**	**272.7**
Equity and liabilities				
Equity	2	229.3	160.5	180.1
Long-term liabilities		9.1	9.5	4.9
Current liabilities		80.9	67.3	87.7
Total equity and liabilities		**319.3**	**237.3**	**272.7**
Pledged assets		None	None	None
Contingent liabilities		None	None	None

CONDENSED CASH FLOW STATEMENT

SEK million	Jan-Sept 2005	Jan-Sept 2004	Jan-Dec 2004
Cash flow from operating activities			
Cash flow before changes in operating capital	25.2	8.2	22.3
Change in operating capital	-21.2	-20.7	-11.2
Cash flow from operating activities	4.0	-12.5	11.1
Cash flow from investing activities *)	-36.6	-10.4	-41.3
Cash flow from financing activities	36.0	-15.7	4.0
Changes in cash and cash equivalents	3.4	-38.6	-26.2
Cash and cash equivalents at period's start	47.7	74.1	74.1
Translation difference	0.7	-0.2	-0.2
Cash and cash equivalents at period's end	51.8	35.3	47.7
*) Subsidiary acquisition affected the Group's cash and cash equivalents by	-38.7	0.0	-26.5

KEY FIGURES

	Jan-Sept 2005	Jan-Sept 2004	Jan-Dec 2004
Operating margin (EBIT), %	6.1%	3.0%	3.7%
Net margin, %	7.0%	3.3%	4.3%
No. of employees at period's end	411	371	375
Average no. of employees	355	322	325
Sales per employee, in SEK thousand	965	905	1 247
Return on equity, %	7.7%	3.2%	6.8%
Return on used capital, %	9.9%	7.1%	11.1%
Equity/assets ratio, %	71.8%	67.6%	66.0%

CHANGE IN EQUITY AND OTHER ITEMS

Amount in SEK million	30 September2005	30 September 2004	31 December 2004
Starting equity	180.1	149.5	149.5
Effect from changed accounting principle	-0.6	-	-
New issue shares	32.5	4.0	19.8
Issue costs	-	-	-
Translation differences	1.7	0.5	-0.4
Profit for the period	15.6	6.5	11.2
Minority holdings	-	0.0	-
Closing equity	**229.3**	**160.5**	**180.1**
No. of shares at year's start	11 196 355	9 451 777	9 451 777
New issue shares	1 125 402	1 220 691	1 744 578
No. of share's at period's end	**12 321 757**	**10 672 468**	**11 196 355**
No. of outstanding warrants at year's start	162 483	862 483	862 483
Distribution of warrants, previously custodial	200 000	-	-
Non-exercised warrants	- 162 483	-500 000	-500 000
Deducted warrants, custodial	-200 000		-200 000
No. of outstanding warrants at period's end	**0**	**362 483**	**162 483**

Forthcoming financial reports

7 February 2006	Year-end 2005 report
28 April 2006	AGM

The company's auditor did not review this report.

Stockholm, 20 October 2005

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ACCOUNTING PRINCIPLES

Jan-Sept 2005 report complies with IAS 34 (*interim financial reporting*). As of 1 January 2005, Group reporting is based on the International Financial Reporting Standards (IFRS). Through 2004, Cybercom applied the Swedish Financial Accounting Standards Council's rules and regulations. Reporting principle changes because of the transition to IFRS and transition effects on the Group's financial statements are reported below; this information was in Cybercom's 2004 annual report. The following information also describes exceptions from total retroactive application, which the company chose to implement. The below-stated effects are preliminary and might change because during 2005, some IAS-IFRS stipulations are still being reviewed and additional IFRIC stipulations are expected. In addition, application of new standards, which are due to go into effect on 1 January 2006, might be implemented earlier.

IFRS EFFECTS ON PROFIT

Effect on profit for July-September 2004	**Note**	**SEK in thousands**
Profit/loss for July-September 2004 as per previous principles		-653
Cancellation of goodwill amortisation	1	1 517
Cancellation of amortisation: goodwill arising from purchase of a business' net assets	1	237
Tax effect above		-66
Profit for July-September 2004 as per IFRS		**1 035**

Effect on profit for January-September 2004	**Note**	**SEK in thousands**
Profit for Jan-Sept 2004 as per previous principles		1 691
Cancellation of goodwill amortisation	1	4 474
Cancellation of amortisation: goodwill arising from purchase of a business' net assets	1	484
Tax effect above		-135
Profit for January-September 2004 as per IFRS		**6 514**
Profit per share for Jan-Sept 2004 as per previous principles, SEK		0.17
Profit per share for Jan-Sept 2004 as per IFRS, SEK		0.61

Effect on profit for all of 2004	**Note**	**SEK in thousands**
Profit for 2004 as per previous principles		4 349
Cancellation of goodwill amortisation	1	6 275
Cancellation of amortisation: goodwill arising from purchase of a business' net assets	1	843
Tax effect above		-236
Profit for all of 2004 as per IFRS		**11 231**
Profit per share for Jan-Dec 2004 as per previous principles, SEK		0.41
Profit per share for Jan-Dec 2004 as per IFRS, SEK		1.05

IFRS EFFECTS ON EQUITY

Effect on equity 30 September 2004	Note	SEK in thousands
Equity on 30 September 2004 as per previous principles		155 735
Adjusted for minority shares	2	-
Cancellation of goodwill amortisation	1	4 823
Equity on 30 September 2004 as per IFRS		**160 558**

Effect on equity, 31 December 2004 and 1 January 2005	Note	SEK in thousands
Equity on 31 December 2004 as per previous principles		173 210
Adjusted for minority shares	2	-
Cancellation of goodwill amortisation	1	6 882
Equity on 31 December 2004 as per IFRS		**180 092**
Effect from IAS 39 implementation on 1 January 2005	3	-619
Equity on 1 January 2005 as per IFRS		**179 473**

NOTES

Note 1 Goodwill amortisation

As per IFRS 3 (*business combinations*), goodwill amortisation may not be implemented. Instead, the carrying amount must be tested each year or more often – if circumstances indicate impairment.

January – September 2004 goodwill amortisation of SEK 4.474 million and goodwill amortisation for all of 2004 of SEK 6.275 million were cancelled. No write-down requirements were necessary.

Amortisation of SEK 484,000 for the January – September 2004 period and amortisation of SEK 843,000 for all of 2004 were cancelled, and tax burdened the profit and loss statement.

Note 2 Minority's share of equity

On 31 March 2004, there was an SEK 186,000 debt to the minority. The debt was redistributed to equity. The minority received no dividends from the period's profit, so there was no effect on the income statement.

Note 3 Financial instruments

IAS 32 and 39 financial instruments were applied on 1 January 2005. With support from IFRS 1, the company chose not to recalculate corresponding figures for 2004 regarding financial instruments, as per IAS 39 principles.

On 1 January 2005, the company implemented reclassification and revaluation of assets and liabilities, which must be reported as per IAS 39. Consequently, financial instruments are reported in corresponding figures for 2004 as per previously applied principles. Revaluation was done on short-term investments in bonds and hedging.

The difference in the reported value between IAS 39 and previously applied principles is SEK 619,000, which is balanced directly against equity on the 1 January 2005 balance sheet.

Note 4 Cash flow

Group cash flow accounting and reporting didn't change with the IFRS transition.