acandofrontec

INTERIM REPORT

FOR THE PERIOD JANUARY 1 – SEPTEMBER 30, 2005

Positive development in Stockholm market

The first nine months of 2005 compared with the first nine months of 2004

- **Net sales rose to SEK 446 million (441).**
- **Operating profit rose to SEK 24 million (18), an increase of 30%.**
- **Profit after tax amounted to SEK 24 million (8), an increase of 200%.**
- **Earnings per share for the period amounted to SEK 0.41 (0.13).**
- **Cash flow from operating activities amounted to SEK 7 million.**
- **Acquisition of shares in WMG AS, a partnership for growth in Eastern Europe.**

Third quarter 2005 compared with third quarter 2004

- **Quarterly net sales amounted to SEK 121 million (115)**
- **Operating profit was SEK 3 million (3).**
- **Major agreements signed with Gambro, the City of Stockholm and Volvo. New strategic partnership agreement with AstraZeneca.**

"Seasonal variations in 2005 are following the pattern from 2004, which means a low level of revenue in July and August, which then significantly increases during the period September – December. We are pleased that the Stockholm market has now stabilized and is seeing good demand," says Lars Wollung, President and CEO of AcandoFrontec.

For more information, please contact

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AcandoFrontec is a consulting company that works together with customers to identify and implement performance improvements with the help of information technology. Measurable improvements are achieved by enhancing processes, organizations and IT solutions. Our consultants are technology experts, but our passion is to improve our customers' businesses. We are recognized for a focus on the bottom line and responsibility for ensuring that customers quickly receive the outcomes they expect. Customers should see AcandoFrontec as a local partner who can handle projects both simple and complex.
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.

The first nine months of the year in summary

Operations

The level of demand was stable during the first half year. A slowdown during the vacation period July – August was followed by a significant gain in September. It is noteworthy that demand improved in the Stockholm region, where it previously had been lower than the rest of the country. This is an important factor, since nearly half of AcandoFrontec's operations are Stockholm-based.

Demand for competencies and packaged offerings in SAP, Business Intelligence and Integration is increasing. AcandoFrontec is strengthening its resources in these areas through competence renewal and recruitments.

Partnership agreements with major customers will lead to more strategic projects that involve us closely in our customers' operations. At the beginning of the year two important agreements were signed with Volvo, after which revenues from this customer have increased. During the third quarter a partnership agreement was signed with AstraZeneca, which will give AcandoFrontec the opportunity to raise revenues from this customer as well.

Operations in Malmö have undergone a restructuring and the unit is again growing. A new local manager has been recruited.

Prices as a whole are stagnant, though the trend is slightly upward.

The profit margin was 5.5% during the first nine months of the year.

Market development

Activity in the market rose following the vacation period.
Customers are mainly interested in expertise in evaluations, project management and architecture. The introduction of SOX (Sarbanes Oxley) is one reason for increased demand for this category of consultants. AcandoFrontec currently has around 30 consultants who work on SOX projects for customers such as Volvo, AstraZeneca, SKF and Ericsson.

During the third quarter AcandoFrontec signed a number of strategic agreements, including:

- For Ericsson Business Unit Systems, AcandoFrontec is creating a system to analyze and monitor the entire value chain, all the way from the supplier's suppliers to end customer. The Business Intelligence solution is based on QuickValue™. Ericsson expects to improve delivery precision and eliminate errors in its logistics chain.

- The City of Stockholm has hired AcandoFrontec to analyze potential administrative efficiencies, especially in finance and personnel functions. The project, which began in September 2005 and continues until March 2006, is managed by a team of consultants from AcandoFrontec in close cooperation with the customer's personnel.

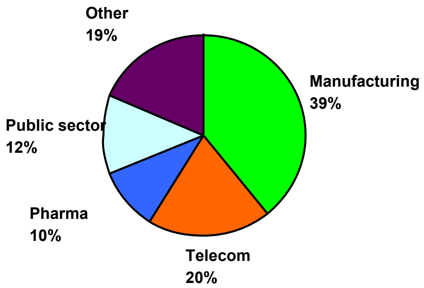
- The National Tax Board has selected AcandoFrontec to introduce an electronic archive for public documents. The solution is based on the product Documentum from EMC.

- The Stockholm County Council has selected AcandoFrontec to supply an electronic archive for medical data. AcandoFrontec has previously supplied an electronic long-term solution to the County Archive. The project began in August and continues until December 2005.

- During the period AcandoFrontec finalized delivery of a portion of a major Business Intelligence project for Arctic Paper. At the same time AcandoFrontec was contracted to supply another portion of the project.

- Through its recently signed partnership agreement with AstraZeneca, AcandoFrontec has strengthened its position with this major customer.

- Gambro selected AcandoFrontec for a major system development project. The project is slated to begin in August, continue throughout 2006 and conclude in 2007.



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

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

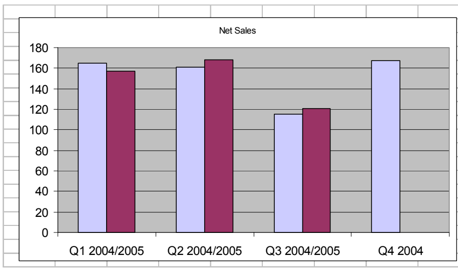
AcandoFrontec has a strong position in the Telecom and Manufacturing sectors and is growing in both.

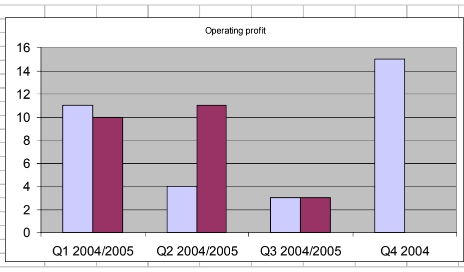
Telecom accounts for 20% of sales, Pharmaceuticals for 10% and other Manufacturing industry for 39%. The Public Sector accounts for 12% of sales.

Sales and profit for first nine months of 2005

Consolidated net sales for the first nine months amounted to SEK 446 million (441).
Operating profit before goodwill amortization (EBITA) amounted to SEK 24 million (18).
The operating margin (EBITA) was 5.5%.
Profit after tax for the report period amounted to SEK 24 million (8).

Net sales and operating profit by quarter (SEK million)





Net sales for the third quarter 2005 amounted to SEK 121 million (115) with operating profit before goodwill amortization (EBITA) of SEK 3 million (3). The utilization rate was low from August until mid-September, after which it returned to the same high level as in the first half year.

Financial position and cash flow

The Group's liquid assets, including short-term investments, amounted to SEK 69 million (61) as of September 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 67.1% (63.2) on September 30.
Cash flow from operating activities before changes in working capital amounted to SEK 28 million (-20) and after changes in working capital SEK 7 million (-28).
The Group's total cash flow for the report period amounted to SEK 0 million (-28).
Working capital rose by SEK 16 million in the third quarter, which had a negative effect on cash flow for the quarter and report period. The increase in working capital is temporary and is expected to return to a normal level in the next quarter.

Employees

The average number of employees during the report period was 528 (564). The comparison with the year-on-year period was affected by the action program adopted in 2003 and completed in 2004, which eliminated 91 employees.

Investments

The Group's net investments in tangible assets amounted to SEK 5 million (1) 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 -1 million (-3).
The Parent Company's net investments amounted to SEK 5 million during the report period. The Parent Company's liquid assets as of September 30, 2005 amounted to SEK 50 million (45).

Important events following the conclusion of the period

AcandoFrontec has signed an agreement to acquire 27% of the shares in the Estonian IT company WMG AS and signed an option agreement with the right to acquire the remaining shares by March 2010.
WMG AS is the parent company of a group with 150 employees in Estonia, Lithuania and Finland. Recently it established operations in Rumania and Serbia as well. The group's main business at present is the Estonian subsidiary Webmedia

AS, which focuses on system development projects for large Estonian customers in telecommunications, the public sector and banking & finance.
The purpose of this acquisition is to create a fixed base in the Baltic countries from which to offer combined teams for large system development projects in Sweden and the Baltic countries. Through WMG, AcandoFrontec strategically shifts its growth toward markets in the "new Europe," which are expected to see significantly higher growth than in Sweden with higher margins.

Future outlook

The market for management and IT consulting services is expected to remain positive through the rest of 2005, although price competition will continue.
The current priorities are to further strengthen relationships with major customers and to boost growth in areas that are performing well, such as SAP, Integration and Business Intelligence.
Profit before tax for the full-year 2005 will significantly exceed the 2004 level.

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.

Nomination Committee

In accordance with the instruction for the Nomination Committee, the Chairman of the Board will seek the advice of the company's largest shareholders during the fourth quarter on the appointment of the Nomination Committee prior to the Annual General Meeting. As soon as the Nomination Committee has been named, an announcement will be made in a press release. Shareholders may contact the Chairman of the Board with their opinions.

Information

Upcoming financial reports
The year-end report for 2005 will be published on February 8, 2006.

Stockholm, October 28, 2005

AcandoFrontec AB (publ)
The Board of Directors

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Consolidated income statement

(SEK million)	3 mos. July-Sept 2005	3 mos. July-Sept 2004**	3 mos. July-Sept 2004	9 mos. Jan-Sept 2005	9 mos. Jan-Sept 2004**	9 mos. Jan-Sept 2004	12 mos. Jan-Dec 2004**	12 mos. Jan-Dec 2004
Net sales	121	115	115	446	441	441	608	608
Other operating income	5	2	2	8	9	8	16	15
Total sales	**126**	**117**	**117**	**454**	**450**	**449**	**624**	**623**
Personnel costs	-83	-75	-75	-308	-291	-291	-408	-408
Other operating expenses	-39	-37	-37	-118	-133	-133	-173	-173
Depreciation of tangible fixed assets	-1	-2	-2	-4	-7	-7	-9	-9
Goodwill amortization	0	0	-2	0	0	-6	0	-9
Operating profit, EBIT	**3**	**3**	**1**	**24**	**19**	**12**	**34**	**24**
Financial income	0	0	0	0	0	1	0	1
Financial expenses	0	0	0	0	-1	-1	-1	-1
Profit before tax	**3**	**3**	**1**	**24**	**18**	**12**	**33**	**24**
Tax***	0	-2	-2	0	-4	-4	3	3
Net profit for the period	**3**	**1**	**-1**	**24**	**14**	**8**	**36**	**27**
Earnings per share before dilution	**0.05**	**0.02**	**-0.02**	**0.44**	**0.26**	**0.14**	**0.66**	**0.49**
Earnings per share after dilution *	**0.05**	**0.02**	**-0.02**	**0.41**	**0.24**	**0.13**	**0.61**	**0.45**
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)	Sept 30 2005	Sept 30 2004**	Sept 30 2004	Dec 31 2004**	Dec 31 2004
Assets					
Fixed assets					
Intangible fixed assets	89	78	72	89	80
Tangible fixed assets	7	6	6	6	6
Financial fixed assets	44	36	36	44	44
Total fixed assets	**140**	**120**	**114**	**139**	**130**
Current assets					
Long-term receivables	1	0	0	0	0
Current receivables	152	126	126	161	161
Cash and bank balances, incl. short-term investments	69	61	61	69	69
Total current assets	**222**	**187**	**187**	**230**	**230**
Total assets	**362**	**307**	**301**	**369**	**360**
Shareholders' equity and liabilities					
Shareholders’ equity (Note 1)					
Restricted equity	175	175	175	175	175
Non-restricted equity	68	22	16	43	34
Long-term interest-bearing liabilities	7	7	7	7	7
Current liabilities	112	103	103	144	144
Total shareholders’ equity and liabilities	**362**	**307**	**301**	**369**	**360**

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

Consolidated statement of cash flows

(SEK million)	3 mos. July-Sept 2005	3 mos. July-Sept 2004**	3 mos. July-Sept 2004	9 mos. Jan-Sept 2005	9 mos. Jan-Sept 2004**	9 mos. Jan-Sept 2004	12 mos. Jan-Dec 2004**	12 mos. Jan-Dec 2004
Operating activities								
Profit before tax	3	3	1	24	18	12	33	24
Adjustments for non-cash items, etc.	0	-8	-8	0	-47	-47	-70	-70
Depreciation	1	2	4	4	8	14	10	19
Tax paid	0	1	1	0	1	1	0	0
Cash flow from operating activities before change in working capital	**4**	**-2**	**-2**	**28**	**-20**	**-20**	**-27**	**-27**
Net change in working capital	-20	-4	-4	-21	-8	-8	5	5
Cash flow from operating activities	**-16**	**-6**	**-6**	**7**	**-28**	**-28**	**-22**	**-22**
Cash flow from investing activities	-3	0	0	-7	0	0	1	1
Cash flow from financing activities	0	0	0	0	0	0	1	1
Cash flow for the period	**-19**	**-6**	**-6**	**0**	**-28**	**-28**	**-20**	**-20**
Liquid assets at beginning of period	**88**	**67**	**67**	**69**	**89**	**89**	**89**	**89**
Liquid assets at end of period	**69**	**61**	**61**	**69**	**61**	**61**	**69**	**69**

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

Shareholders' equity (Note 1)

(SEK thousand)	Sept 30 2005	Sept 30 2004**	Sept 30 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	24,442	14,554	8,056	36,467	27,215
At end of period	**243,265**	**196,910**	**190,412**	**218,823**	**209,571**

* 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.
** Comparative figures according to IAS/IFRS

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					24,442
Closing balance Sept. 30, 2005	69,573	105,763	43,487	0	243,265

Key ratios (SEK million)	3 mos. July-Sept 2005	3 mos. July-Sept 2004**	3 mos. July-Sept 2004	9 mos. Jan-Sept 2005	9 mos. Jan-Sept 2004**	9 mos. Jan-Sept 2004	12 mos. Jan-Dec 2004**	3 mos. April-June 2005
Results								
Net sales	121	115	115	446	441	441	608	608
Operating profit, EBITA	3	3	3	24	19	18	34	33
Operating profit, EBIT	3	3	1	24	19	12	34	24
Profit before tax	3	3	1	24	18	12	33	24
Margins								
Operating margin, %, EBITA	2.6	2.8	2.8	5.5	4.5	4.3	5.6	5.4
Operating margin, %, EBIT	2.6	2.8	0.9	5.5	4.5	2.8	5.6	3.9
Profitability								
Return on capital employed, %	N/A	N/A	N/A	N/A	N/A	N/A	16.3	12.1
Return on equity, %	N/A	N/A	N/A	N/A	N/A	N/A	18.2	13.9
Financial position								
Equity/assets ratio, %	67.1	64.0	63.2	67.1	64.0	63.2	59.2	58.2
Interest coverage ratio	19	23	20	50	23	15	32	23
Per share								
Equity per share, SEK	4.04	3.18	3.18	4.04	3.18	3.18	3.64	3.48
Cash flow per share, SEK	-0.32	-0.10	-0.10	0.00	-0.47	-0.47	-0.33	-0.33
Earnings per share, SEK	0.05	0.02	-0.02	0.41	0.24	0.13	0.61	0.45
Employees								
No. of employees at end of period	523	507	507	523	507	507	532	532
Average number of employees	528	511	511	528	564	564	576	576
Net sales per employee, SEK 000	229	225	225	845	782	782	1,056	1,056
Net investments, SEK million	3	1	1	5	1	1	0	0

** Comparative figures according to IAS/IFRS

Review report

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

ATTACHMENT

Detailed description of the transition to IAS/IFRS

The new rules with the greatest impact on the Group's reporting are IFRS 3, Business Combinations and 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.