

January - June 05

**framfab**

# Interim report

## January - June 2005

Framfab AB (publ)

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## Framfab Boosts Revenue and Doubles Profit

*- prepared in accordance with IFRS*

- **Net revenue** for January-June was SEK 205.7 million (169.9), an increase of 21% from the same period of 2004. Net revenue for the second quarter of SEK 118.1 million (82.4) was 43% higher than the corresponding period of 2004. Net revenue per employee on an annual basis for January-June was SEK 1,091 thousand (966), up 13% from January-June 2004. Organic revenue growth based on net revenue for comparable units was 6.5% for the first half of the year.
- **The profit after tax** increased from January-June 2004 by 124% to SEK 13.0 million (5.8). The profit after tax rose from the second quarter of 2004 by 111% to SEK 7.4 million (3.5). The January-June operating profit (EBIT) was up by 136% from 2004 to SEK 13.9 million (5.9), while the second quarter operating profit was up by 226% from 2004 to SEK 8.8 million (2.7). Operating margins were 7% in the period from January-June 2005 compared to 3% for the same period last year. Framfab has posted an operating profit for the sixth quarter in succession.
- **Earnings per share** came to SEK 0.01 (0.01) for January-June and SEK 0.01 (0.00) for the second quarter.
- Framfab acquired Oyster Partners Ltd in London and consolidated the company with effect 1<sup>st</sup> of May. The integration of Oyster's operations with Framfab UK has created the biggest integrated interactive marketing and web consulting business in the UK, employing a total of 185 people.
- Cash flow from operating activities was SEK 8.6 million (-19.4) for the first half of the year and SEK 2.4 million (10.1) for the second quarter. Including partial payment for Oyster of SEK 121.7 million, cash flow was SEK -115.3 million (124.6) for January-June and SEK -121.1 million (158.2) for the second quarter. Liquid funds were SEK 46.2 million as of June 30.
- Jesper Andersen, MD of Framfab Denmark and Sweden, is appointed Executive Vice President of Framfab AB.
- The June 21 general shareholder meeting approved Katarina Bonde and Steve Callaghan as newly appointed board members in Framfab AB.

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Framfab is a leading European Interactive Marketing and Web Consulting Business. Framfab's customers are large international companies, including 3M, American Express, AXA, Barclays Capital, Cadbury Schweppes, Carlsberg Breweries, the Coca-Cola Company,

Danske Bank, DuPont, Ericsson, Hydro Texaco, Kellogg's, Kraft Food International, Nike, Nobel Biocare, Philip Morris International, Philips, Postbank, Rezidor SAS, SAAB, Sara Lee Douwe Egberts, Schering AG, Swedish Match, Vodafone, Volvo Car Corporation, Volvo

Group and UBS. Framfab operates in Denmark, Germany, the Netherlands, Switzerland, Sweden and the United Kingdom. The company is quoted on the O-list, Attract 40 of Stockholmsbörsen (ticker symbol FRAM). For additional information, see [www.framfab.com](http://www.framfab.com).

## A word from the CEO

The most significant event of the second quarter was our acquisition of the London based Oyster Partners business. Strategically this has catapulted Framfab to the market leading position in the UK, and the deal has significantly contributed to our ongoing profitability. We have now delivered our sixth consecutive quarter of profitability with operating profits at the highest levels since 2000. Our objective is to continue to improve profitability as both organic developments accelerate and identified synergies from acquisitions are realized. Cash flow is solid, the balance sheet is in great shape, and motivation is high.

We can report that the UK integration plans are about two months ahead of schedule; we have co-located all UK colleagues in a single building under single management structure making Framfab UK both the largest Framfab subsidiary and the definitive market leader in our sector in the UK. The number of new client wins recorded in the UK since the deal closed is also impressive reflecting deep talent, tenacious opportunity development, and scale effects. Among the new clients are Deutsche Bank, Kodak, Samsung and Schering AG.

Elsewhere in the business we have developed further momentum and maintained our focus. In Denmark and Sweden we continued to deliver world class results under Jesper Andersen's leadership who is now appointed Executive Vice President of the company. Jesper's principle roles are unchanged as MD of both Swedish and Danish operations, but ongoing he will also work more on specific group activities. In Germany we have appointed Arne Westphal as MD. Arne has been with Framfab for over 4 years and has worked closely with me since I took over the German subsidiary in Q4 2003; the fact that the level of profitability has improved in our German subsidiary can be directly attributed to his team's efforts. In the Netherlands Helga Gerritzen is now running the Dutch business; Helga has been at Framfab in the Netherlands for nearly two years as operations director. I can report that cost measures taken in the second quarter will have full effect in the third quarter. We further expect the Netherlands operations to be profitable in the third quarter.

Consistent with our strategy we continue to evaluate potential acquisitions and other corporate development opportunities; however, organic growth and sustained profitability are our highest operational priorities for the remainder of the year. As inter-country collaboration increases we have the opportunity to extend the scale and range of services being provided to our major clients. We intend to fully exploit this market opportunity and to deliver integrated end-to-end pan European client services. Framfab is uniquely positioned to provide such services.

Steve Callaghan  
Chief Executive Officer and President

## Market

The key market trends identified in our last report continue to demonstrate positive impact in the market regarding demand for our services. According to market intelligence agency IDC, broadband penetration in Western Europe reached 20% of all households at the end of 2004 and is set to rise to 46% (representing 83 million residential connections) by 2009<sup>1</sup>. Likewise, the shift of advertising spend from traditional channels to digital has become still more apparent; the IPA's Q2 Bellwether report for 2005 shows that digital and direct marketing expenditure remain in the ascendant, and now account for 4% of all advertising spend<sup>2</sup>.

In recent months, the effect of these trends on the service provider market has fuelled rapid consolidation and a convergence of offerings. The broadband effect has created a landscape which sees telecommunications players extend their business into 'broadcast' through IPTV and video-on-demand services, ISPs

entering the domestic telephony market, and traditional media owners step up investment activity in online communities. Indeed, market activity such as News Corp's \$580 million acquisition of InterMix (owners of community site MySpace), and Yahoo's purchase of online photo sharing site Flickr for a sum in the region of \$35 million would evidence levels of corporate activity not seen since the dotcom era.

The difference this time around is maturity; technologies and infrastructure are now in place to enable experiences across increasingly pervasive digital devices which deliver real value and services to users beyond their PCs - notably in the new breed of mobile phone handsets<sup>3</sup>.

Finally the interactive sector continues to consolidate; deals announced since our last report include the Aegis acquisition of Glue in London, our own acquisition of Oyster Partners in London, and LB Icon's acquisition of Digital Age Design in Belgium. Framfab remains well positioned to capitalise on these on-going market trends.

<sup>1</sup> Western European Broadband Access Market Analysis, 2004-2009, IDC, June 2005

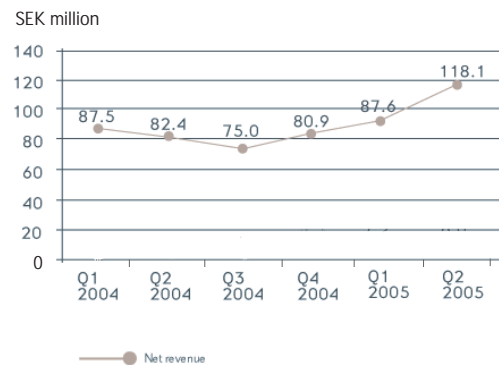
<sup>2</sup> Institute of Practitioners in Advertising, Q2 Bellwether report 2005

<sup>3</sup> Jupiter Research, European Digital Life Index, March 2005

## Operations

### The Group

Net revenue for the first half of the year was SEK 205.7 million (169.9), an increase of 21% from the same period of 2004. Oyster Partners Ltd, acquired by Framfab and consolidated as of 1<sup>st</sup> May, contributed SEK 30.9 million to net revenue and SEK 3.7 million to operating profit in two months. Net revenue per employee on an annual basis grew by 13% from the first half of 2004 to SEK 1,091 thousand (966). Organic revenue growth based on net revenue for comparable units was 6.5% for the first half of the year.



Net revenue for the second quarter amounted to SEK 118.1 million (82.4), an increase of 43% from the same period of 2004. The net revenue figure included SEK 30.9 million from Oyster. Net revenue per employee on an annual basis was up by 17% from the second quarter of 2004 to SEK 1,131 thousand (970).

Framfab posted a profit for both the first half of the year and the second quarter in Denmark, Germany (including Switzerland), Sweden and the UK. The Group as a whole operated in the black for the sixth successive quarter. The profit after tax increased from January-June 2004 by 124% to SEK 13.0 million (5.8). The profit after tax was up from the second quarter of 2004 by 111% to SEK 7.4 million (3.5). The January-June operating profit rose by 136% from 2004 to SEK 13.9 million (5.9), while the second quarter operating profit increased by 226% from 2004 to SEK 8.8 million (2.7). Operating margins for the period January-June are 7% compared to 3% for the same period last year. The improvement is due to increased marketing efforts, operational training, focus on key client development, improved capacity management and utilization, as well as slightly improving market conditions. Activities to turn the Netherlands operation profitable received top priority during the first half of the year and are set to pay off in the third quarter.

Amortization of intangible assets totaled SEK 1.5 million (0.2) for January-June, while the profit after financial items was SEK 13.6 million (5.8).

Employee-related costs, 9% (10) of which related to subcontractors, came to 73% (72) of total costs in January-June. While costs for subcontractors can generally change with less than one month's notice, costs for employees are ordinarily adjustable after four months.

The Oyster acquisition boosted the number of Group employees by 115 full-time equivalent employees. Employees totaled 448 (338) as of June 30, compared to 327 at the beginning of the year.

### **Denmark**

Framfab Denmark posted an operating profit for the eleventh straight quarter. The January-June operating profit was SEK 10.6 million (5.7), up 86% from 2004, while the operating margin was 22%. The second quarter operating profit was SEK 5.1 million (1.8), while the operating margin was 22%. Net revenue for January-June was SEK 47.3 million (42.0), representing 13% growth from the first half of 2004. Net revenue rose by 17% from the second quarter of 2004 to SEK 22.7 million (19.4). The company obtained six new clients during the first half of the year. Employees totaled 81 (72) as of June 30, compared to 77 at the beginning of the year.

### **Germany**

Framfab Germany, including Switzerland, posted an operating profit of SEK 2.0 million for January-June, up SEK 1.2 million from the same period of 2004, and an operating margin of 8%. The second quarter operating profit was SEK 1.6 million (1.2), and the operating margin was 12%. Net revenue increased by 10% from the first half of 2004 to SEK 24.6 million (22.4). Net revenue for the second quarter was SEK 13.1 million (10.9), up 20% from the same period of 2004. The company won six new clients – including Metro Group, Triumph International and Vöslauer Mineralwasser AG – during the first half of the year. Arne Westphal took over as Framfab Germany MD in the second quarter having been a Framfab employee for over four years. Employees totaled 53 (46) as of June 30, compared to 58 at the beginning of the year.

### **The Netherlands**

Activities to improve profitability in the Netherlands were a top priority during the first half of the year and accordingly operating earnings have improved. The operating loss for January-June was SEK -1.0 million, which was SEK 4.6 million better than the first half of 2004, while the operating margin was -15%. The second quarter operating loss was SEK -0.5 million (-2.5), and the operating margin was -17%. Measures taken during the second quarter are expected to have their full impact and generate an operating profit in the third quarter. January-June net revenue was unchanged from 2004 at SEK 6.5 million (6.5). Net revenue for the second quarter was SEK 3.0 million (3.2), down 6% from the same period of 2004. Helga Gerritzen took over as Managing Director Framfab Netherlands in the second quarter having formerly been in charge of operations there for the past two years. Employees totaled 17 (21) as of June 30, unchanged from the beginning of the year.

### **Sweden**

The January-June operating profit was SEK 7.6 million (4.8), up 58% from 2004, while the operating margin was 15%. The second quarter operating profit was SEK 3.6 million (1.5), and the operating margin was 13%. Net revenue for January-June was SEK 50.9 million (54.0), representing 6% growth from the first half of 2004. Net revenue was unchanged from the second quarter of 2004 at SEK 26.7 million (26.7). The company won one new client during the first half of the year. Employees totaled 103 (131) as of June 30, unchanged from the beginning of the year.

### **UK**

Framfab acquired Oyster Partners Ltd in London in early May. The incorporation of Oyster's operations into Framfab UK has created the largest integrated interactive marketing and web consulting business in the UK, employing 185 people, and Framfab's largest subsidiary. Further cost synergies will have their full impact of GBP 0.8-1.0 million as of the second quarter of 2006. The synergies are related primarily to the costs of administration and premises.

Framfab UK reported an operating profit of SEK 4.7 million (5.9) and an operating margin of 6% for January-June. The second quarter operating profit was SEK 2.8 million (3.6), and the operating margin was 5%. Oyster accounted for SEK 3.7 million of the operating profit for both the first half of the year and the second quarter.

Net revenue in Framfab UK rose by 70% from the first half of 2004 to SEK 76.5 million. Net revenue for the second quarter was SEK 52.7 million (22.2), up 137% from the same period of 2004. Oyster accounted for SEK 30.9 million of the net revenue for both the first half of the year and the second quarter. Framfab UK, including Oyster, won 12 new clients – among which were Deutsche Bank, Kodak, Samsung and Schering AG – in January-June. Framfab UK, including Oyster, had 185 (59) employees as of June 30, compared to 63 at the beginning of the year.

### Operations by country

SEK million	Denmark	Germany	Netherlands	Sweden	UK	Parent com-pany & elim.	Total
<b>January - June 2005</b>							
External net revenue	47.2	24.6	6.5	50.9	76.5	0.0	<b>205.7</b>
Operating earnings	10.6	2.0	-1.0	7.6	4.7	-10.0	<b>13.9</b>
Operating margin	22%	8%	-15%	15%	6%	n/a	<b>7%</b>
Investments	0.0	0.4	0.0	0.1	1.9	0.1	<b>2.5</b>
No. of employees	81	53	17	103	185	9	<b>448</b>
<b>January - June 2004</b>							
External net revenue	42.0	22.4	6.5	54.0	45.0	0.0	<b>169.9</b>
Operating earnings	5.7	0.8	-5.6	4.8	5.9	-5.7	<b>5.9</b>
Operating margin	14%	-4%	-86%	9%	13%	n/a	<b>3%</b>
Investments	0.0	0.0	0.0	0.3	0.3	0.0	<b>0.6</b>
No. of employees	72	46	21	131	59	9	<b>338</b>

## Financial position

Cash flow from operating activities was SEK 8.6 million (-19.4) for the first half of the year and SEK 2.4 million (10.1) for the second quarter. Cash flow totaled SEK -115.3 million (124.6) for January-June and SEK -121.1 million (158.2) for the second quarter. Framfab paid SEK 121.7 million in the second quarter as part of the purchase sum and other acquisition costs for Oyster Partners Ltd. Liquid funds were SEK 46.2 million as of June 30.

Trade accounts receivable as of June 30 were up from the end of 2004 by SEK 26.7 million to SEK 100.8 million. Trade accounts receivable decreased from 92% of the latest quarter's revenue on December 31 to 85% on June 30. Including work-in-progress and net advance payments from clients, the corresponding figures were 90% at the end of December and 114% at the end of June.

Excluding current investments and liquid funds, working capital rose from SEK 17.5 million on December 31 to SEK 32.0 million on June 30, 2005. The equity/assets ratio was 62% as of June 30. Approximately SEK 1.3 billion in unutilized tax loss carry-forwards remain for Swedish operations and is not included in the balance sheet.

Framfab acquired Paregos Mediadesign AB in January 2004. The agreement specified payment of an additional purchase sum based on Paregos's financial performance in 2004. No additional purchase sum has yet been determined.

Framfab signed an agreement in early May to acquire Oyster Partners Ltd. The initial purchase sum of SEK 156.2 million was broken down into SEK 123.9 million cash and SEK 32.3 million in newly issued Framfab shares. The stamp duty and other acquisition costs amounted to SEK 3.9 million. The agreement specified that a deferred purchase sum of GBP 1.0 million be paid in the third quarter of 2005 and that additional sums be payable by means of shares and instruments of debt if certain predetermined earnings criteria are met in 2005 and 2006. The additional purchase sums have a ceiling and are estimated at GBP 1.5 million

for 2005 and GBP 4.5 million for 2006. Including estimated additional purchase sums, the Oyster acquisition has been reported at SEK 258.3 million. For further information about the acquisition, see Appendix 1, Changed Accounting Principles in Compliance with IFRS.

The bonus arrangements for the CEO and CFO in Framfab AB were changed during the reporting period, and the maximum bonus allowable changed from 40% to 70% of base salary for 2005.

## Share data

Earnings after tax were SEK 13.0 million (5.8) for January-June and SEK 7.4 million (3.5) for the second quarter, while earnings per share came to SEK 0.01 (0.01) in January-June and SEK 0.01 (0.00) in the second quarter. Shareholders' equity per share was SEK 0.29 (0.23) at the end of June. The parent company had 1,200,435,981 registered shares as of June 30, 2005.

As authorized by the March 25, 2004 annual general meeting, the board resolved on May 4 to carry out a non-cash issue of 50,903,077 Framfab AB shares. Those entitled to subscribe were the sellers of Oyster Partners Ltd, who paid for all by means of Oyster Partners Ltd shares. The issue was registered with the Swedish Companies Registration Office on May 17, 2005.

The March 25, 2004 annual general meeting resolved to issue up to 6,000,000 purchase (employee stock) options in accordance with the global option plan adopted by the October 11, 2000 extra general meeting of shareholders. The company had issued 1,950,000 of these options as of June 30. To enable the issue of the remaining 4,050,000 options, the board was authorized to issue one or more instruments of debt until the next annual general meeting consisting of up to 4,050,000 detachable warrants. Departing from the right of priority of shareholders, the entitlement to sign the instruments of debt accrues to wholly owned subsidiaries of the Group. If fully exercised, the authorization would dilute total capital and votes by 0.34%.

## Parent Company

Net revenue for January-June totaled SEK 5.9 million (4.8), of which SEK 5.9 million (4.8) was for internal invoicing. Including distributions and write-downs of shares in subsidiaries in the amount of SEK 6.1 million (0.0), the loss after financial items came to SEK -2.0 million (-8.6). Total investments in financial fixed assets amounted to SEK 258.3 million (14.7). Liquid funds were SEK 12.9 million and shareholders' equity was SEK 256.8 million as of June 30.

## Accounting Policies

This interim report has been prepared in compliance with IAS 34, Interim Financial Reporting, which adheres to Recommendation 31, Interim Financial Reporting for Groups, of the Swedish Financial Accounting Standards Council. Note 1 of the Group's 2004 annual report describes the accounting principles employed by this interim report. The note states that International Financial Reporting Standards (IFRS) are to be complied with as of 2005 and that comparative information for 2004 is to be recalculated in accordance with the new principles.

Appendix 1 of this interim report indicates the impact of the recalculation on shareholders' equity at the beginning of the year, as well as earnings and shareholders' equity by quarter for 2004.

## Upcoming Financial Reports

### Schedule for 2005

- The interim report for January-September 2005 will be released on October 21.
- The interim report for January-December 2005 will be released in late January or early February 2006.

Stockholm, August 25, 2005

Board of Directors

The company's auditors have not reviewed this report.

### For additional information, go to [www.framfab.com](http://www.framfab.com) or contact

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## Income Statement Summary

SEK million	Jan-Jun 2005	Jan-Jun 2004	Jan-Dec 2004	Apr-Jun 2005	Apr-Jun 2004
Services Revenue	204.6	169.2	324.7	117.5	82.0
Other operating revenue	1.1	0.7	1.1	0.6	0.4
<b>Net revenue</b>	<b>205.7</b>	<b>169.9</b>	<b>325.8</b>	<b>118.1</b>	<b>82.4</b>
Costs of operation	-187.6	-161.6	-307.9	-106.3	-78.6
<b>Operations earnings before depreciation and amortization</b>	<b>18.1</b>	<b>8.3</b>	<b>17.9</b>	<b>11.8</b>	<b>3.8</b>
Depreciation / write-downs of tangible assets	-2.7	-2.2	-3.9	-1.6	-1.0
Amortization / write-down of intangible assets	-1.5	-0.2	-0.4	-1.4	-0.1
<b>Operating earnings</b>	<b>13.9</b>	<b>5.9</b>	<b>13.6</b>	<b>8.8</b>	<b>2.7</b>
Result from shares in Group companies	-	-	2.0	-	-
Net financial items	-0.3	-0.1	1.6	-0.8	0.8
<b>Earnings after financial items</b>	<b>13.6</b>	<b>5.8</b>	<b>17.2</b>	<b>8.0</b>	<b>3.5</b>
Tax	-0.6	-	7.9	-0.6	-
<b>Earnings for the period</b>	<b>13.0</b>	<b>5.8</b>	<b>25.1</b>	<b>7.4</b>	<b>3.5</b>
<b>Earnings per share, SEK</b>	<b>0.01</b>	<b>0.01</b>	<b>0.03</b>	<b>0.01</b>	<b>0.00</b>

## Balance Sheet Summary

SEK million	Jun 30 2005	Dec 31 2004	Jun 30 2004
<b>Assets</b>			
Intangible assets	255.5	80.0	86.9
Tangible assets	16.3	6.3	5.0
Financial fixed assets	64.6	18.2	10.3
<b>Total fixed assets</b>	<b>336.4</b>	<b>104.5</b>	<b>102.2</b>
Trade accounts	100.8	74.1	40.3
Other current assets	76.9	23.0	31.5
Liquid funds	46.2	159.5	180.0
<b>Total current assets</b>	<b>223.9</b>	<b>256.6</b>	<b>251.8</b>
<b>Total assets</b>	<b>560.3</b>	<b>361.1</b>	<b>354.0</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity <sup>1</sup></b>	<b>346.7</b>	<b>278.9</b>	<b>267.4</b>
Long-term interest-bearing liabilities	1.0	0.9	0.9
Long-term non-interest-bearing liabilities	63.8	1.3	2.3
Short-term interest-bearing liabilities	3.0	0.4	0.3
Short-term non-interest-bearing liabilities	145.8	79.6	83.1
<b>Total liabilities</b>	<b>213.6</b>	<b>82.2</b>	<b>86.6</b>
<b>Total shareholders' equity and liabilities</b>	<b>560.3</b>	<b>361.1</b>	<b>354.0</b>
<b><sup>1</sup> Shareholders' Equity</b>			
At beginning of the year	278.9	83.9	83.9
Issue of new shares	32.3	172.4	173.5
Translation differences	22.5	-2.5	4.2
Earnings for the period	13.0	25.1	5.8
<b>At end of the period</b>	<b>346.7</b>	<b>278.9</b>	<b>267.4</b>

The Group's contingent liabilities (guarantees and sureties) increased by SEK 1.0 million from December 31, 2004 to SEK 9.3 million as of June 30. The parent company's contingent liabilities decreased by SEK 1.7 million from December 31, 2004 to SEK 1.3 million as of June 30, 2005.

## Cash Flow Summary

SEK million	Jan-Jun 2005	Jan-Jun 2004	Jan-Dec 2004	Apr-Jun 2005	Apr-Jun 2004
Cash flow from operations	19.0	8.4	20.1	12.1	3.4
Changes in working capital	-10.4	-27.6	-56.6	-9.7	6.7
<b>Cash flow from operating activities</b>	<b>8.6</b>	<b>-19.4</b>	<b>-36.5</b>	<b>2.4</b>	<b>10.1</b>
Acquisition/divestment of subsidiaries	-121.7	-4.6	-2.6	-121.7	-0.6
Cash flow from other investing activities	-2.2	-0.6	-2.3	-1.8	-0.5
<b>Cash flow before financing</b>	<b>-115.3</b>	<b>-24.6</b>	<b>-41.4</b>	<b>-121.1</b>	<b>9.0</b>
Cash flow from financing activities	0.0	149.2	146.0	0.0	149.2
<b>Cash flow for the period</b>	<b>-115.3</b>	<b>124.6</b>	<b>104.6</b>	<b>-121.1</b>	<b>158.2</b>
Liquid funds at beginning of the period	159.5	55.0	55.0	165.7	22.2
Translation differences in liquid funds	2.0	0.4	-0.1	1.6	-0.4
<b>Liquid funds at end of the period</b>	<b>46.2</b>	<b>180.0</b>	<b>159.5</b>	<b>46.2</b>	<b>180.0</b>

## Quarterly Summary

SEK million	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Net revenue	118.1	87.6	80.9	75.0	82.4	87.5
Operating earnings before depreciation	11.8	6.3	6.2	3.4	3.8	4.5
Operating earnings	8.8	5.1	5.3	2.4	2.7	3.2
Earnings after financial items	8.0	5.6	8.3	3.1	3.5	2.3
Total growth, Q/Q	35%	8%	8%	-9%	-6%	25%
No. of employees at end of period	448	334	327	334	319	362

## Key Ratios

SEK million	Jan-Jun 2005	Jan-Jun 2004	Jan-Dec 2004	Apr-Jun 2005	Apr-Jun 2004
Change in net revenue	21.1%	28.5%	27.3%	43.4%	38.1%
Operating margin before depreciation of tangible assets	8.8%	4.9%	5.5%	10.0%	4.6%
Operating margin	6.7%	3.5%	4.2%	7.4%	3.3%
Profit margin	6.6%	3.4%	5.3%	6.8%	4.3%
Equity/assets ratio	61.9%	75.5%	77.2%	61.9%	75.5%
Return of capital employed <sup>1</sup>	9.6%	-34.0%	9.4%	9.6%	-34.0%
Return of shareholders' equity <sup>1</sup>	11.1%	-36.4%	12.6%	11.1%	-36.4%
Average No. of employees	377	352	346	418	340
No. of employees at end of the period	448	338	327	448	338
of which, outside Sweden	336	198	215	336	198
Revenue per empl., SEK thousand <sup>2</sup>	1,091	966	943	1,131	970
Earnings per empl., SEK thousand <sup>2</sup>	82	35	40	97	33
No. of shares at end of the period	1,200,435,981	1,149,532,904	1,149,532,904	1,200,435,981	1,149,532,904
Average No. of shares	1,162,188,365	806,131,244	978,770,330	1,174,704,755	837,660,908
Shareholders' equity per share, SEK	0.29	0.23	0.24	0.29	0.23
Cash flow per average No. of shares, SEK	-0.10	0.15	0.11	-0.10	0.19

<sup>1</sup> Rolling 12-months

<sup>2</sup> Annual rate

## Appendix 1 Changed Accounting Principles in Compliance with IFRS

### Reporting Previous Acquisitions

Framfab adheres to IFRS 3, Business Combinations, for acquisitions after January 1, 2004. When applicable, a larger percentage of the purchase sum must now be allocated to identifiable intangible assets, such as customer relationships, licenses and brands. The assets must be reported at market value as of the date of acquisition based on discounted cash flow forecasts and amortized over their expected life. As was the case previously, the remaining portion of the purchase sum is reported as goodwill, classified as an asset with indeterminate useful life and thereby not amortized. Its value is examined instead by means of discounted cash flow forecasts once a year, or more often if a decline is suspected. An examination of the value of existing goodwill as of January 1 and December 31, 2004 did not identify any need for a write-down. The reversal of amortization of goodwill with some impact on translation differences for shareholders' equity, as well as allocation of customer relationships to intangible assets, has led to the following adjustments for 2004.

By quarter SEK million	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Full-year 2004
<b>Earnings after tax</b>						
Previously GAAP		0.3	1.4	1.1	14.2	17.0
Adj. amortization of intangible assets		2.0	2.1	2.0	2.0	8.1
<b>Adj. earnings in accordance with IFRS</b>		<b>2.3</b>	<b>3.5</b>	<b>3.1</b>	<b>16.2</b>	<b>25.1</b>
Accumulated SEK million	Full-year 2003	Jan-Mar 2004	Jan-Jun 2004	Jan-Sep 2004	Jan-Dec 2004	Full-year 2004
<b>Earnings after tax</b>						
Previously GAAP		0.3	1.7	2.8	17.0	17.0
Adj. amortization of intangible assets		2.0	4.1	6.1	8.1	8.1
<b>Adj. earnings in accordance with IFRS</b>		<b>2.3</b>	<b>5.8</b>	<b>8.9</b>	<b>25.1</b>	<b>25.1</b>
SEK million	Dec 31 2003	Mar 31 2004	Jun 30 2004	Sep 30 2004	Dec 31 2004	
<b>Shareholders' equity</b>						
Previously GAAP	83.9	98.0	263.3	260.5	271.2	
Adj. amortization of intangible assets	-	2.0	4.1	6.1	8.1	
Change in translation difference	-	-	-	-0.1	-0.4	
<b>Adjusted shareholders' equity in accordance with IFRS</b>	<b>83.9</b>	<b>100.0</b>	<b>267.4</b>	<b>266.5</b>	<b>278.9</b>	

### Reporting Acquisitions for the Year

Framfab acquired London-based Oyster Partners Ltd in its entirety in early May and included its earnings as of May 1, 2005. Oyster reported net revenue of SEK 130.2 million and an operating profit of SEK 15.4 million in 2004. Following the consolidation of Oyster into Framfab's UK operations, Framfab is the largest interactive marketing and web consultancy in the UK.

The initial purchase sum was SEK 156.2 million, broken down into SEK 123.9 million cash and 50,903,077 newly issued Framfab AB shares worth the equivalent of SEK 32.3 million. Other acquisition costs amounted to SEK 3.9 million. In accordance with the balance upon acquisition, Oyster had liquid funds of SEK 6.7 million. The deferred purchase sum in 2005 is GBP 1.0 million, while additional purchase sums will be payable in 2006 and 2007 by means of shares or instruments of debt in accordance with predetermined earnings criteria for 2005 and 2006. The additional purchase sums have a ceiling and are estimated at GBP 1.5 million for 2005 and GBP 4.5 million for 2006. Framfab AB is reporting the year's deferred purchase sum and additional purchase sums as current non-interest-bearing liabilities in the amount of SEK 35.3 million and long-term non-interest-bearing liabilities in the amount of SEK 63.5 million.

In accordance with IFRS 3, customer relationships have been identified and valued as of the acquisition date. Including goodwill, intangible assets totaled SEK 166.5 million as of June 30. In addition, deferred tax claims have been valued and reported. Because the acquisition was carried out recently, initial reporting is preliminary.