

Significant profit growth



Cybercom Group
Q2 report
17 August 2006

January – June 2006

Sales +14% to
SEK 274.1 million (239.6)

EBIT +49% to SEK 21.6 million (14.5)

Profit after tax SEK 14.7 million (12.1)

Profit per share SEK 1.19 (1.05)

April - June 2006

Sales +12% to
SEK 139.7 million (124.7)

EBIT +22% to SEK 11.3 million (9.3)

Profit after tax SEK 7.5 million (7.9)

Profit per share SEK 0.60 (0.68)

Key contract with Sony Ericsson

Expanded customer base

Cybercom is a high-tech consulting company that offers business-critical IT solutions and consulting within telecom and selected technologies. With its extensive experience of the industry and business know-how, the company offers technological expertise for development of network and terminals. Cybercom specialises in portals and mobile solutions, e-commerce and billing, embedded systems, and telecom management and networks. Cybercom was founded in Sweden in 1995 and has been quoted on the Stockholm stock exchange's O list since 1999. The Group accepts projects worldwide and has offices in Denmark, India, Norway, Singapore, Sweden, and the UK. Cybercom currently employs more than 435 people. Find out more at www.cybercomgroup.com.

KEY DATA

	Jan-Jun	Jan-Jun		Q2 06	Q2 05	2005	2004
Cybercom Group	2006	2005	Increase				
Sales in SEK million	274.1	239.6	14%	139.7	124.7	476.2	405.3
Operating profit EBIT, in SEK million	21.6	14.5	49%	11.3	9.3	31.8	15.0
Operating margin, %	7.9	6.0	32%	8.1	7.5	6.7	3.7
Profit in SEK million	14.7	12.1	21%	7.5	7.9	24.5	11.2
Number of employees at period's end	437	408	7%	437	408	426	375

THE MARKET

General market conditions are excellent for IT and telecom consulting companies. Cybercom's marketing efforts yield results. During Q2, Cybercom received many more requests for proposals on all markets where it operates. Growth is still strongest in the Öresund region, where Cybercom has offices in Malmö, Lund, and Copenhagen. Activities steadily increased on the Stockholm market, which is still very competitive. Positive trends in the UK continued. And there's high demand in the telecom management area, particularly on markets outside Europe.

Decisions regarding purchases of IT services more frequently occur on a higher management level, are often part of decisions based on the big picture, and include for example, business development, cost-cutting, and concentration on core business. IT projects are becoming more complicated. Standard products are available within certain, more standardised areas such as finance and business systems. And in several other areas, products are complemented with sophisticated, customer-specific development and implementation efforts – to meet customers' unique requirements. Here, Cybercom's offerings are attractive, and its experience and expertise are increasingly in demand.

Within IT and telecom, focus strongly remains on frame agreements that involve large companies commissioning fewer suppliers. Tendering competition has become considerably tougher. And offshore solutions are becoming increasingly decisive. Customers demand 24/7 commitments from global suppliers, i.e., service and efficiency as well as competitive prices.

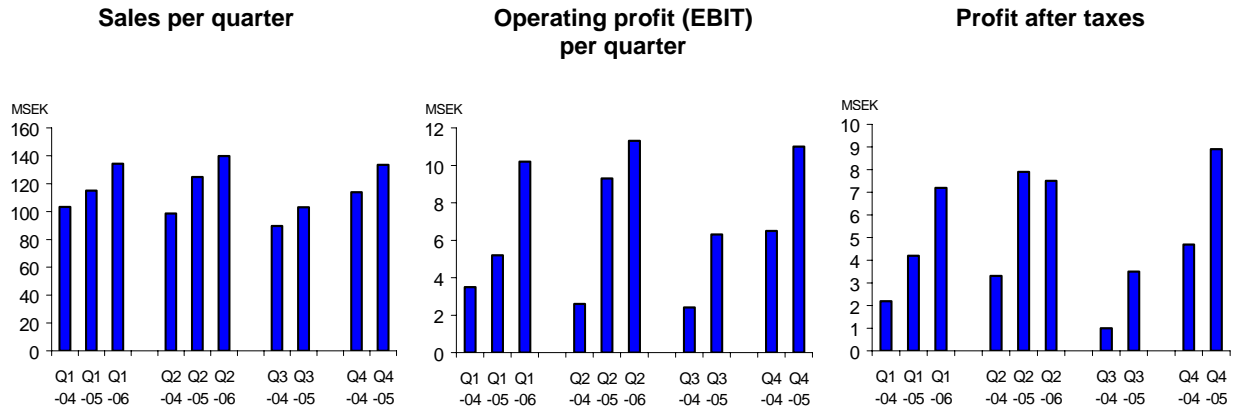
A global market with stable growth is clearly visible. Globalisation leads to increased dynamics, and this creates opportunities and challenges for the consulting market in Sweden. The trend is for companies to increasingly select outsourcing for certain types of services within mature, standardised processes for development and administration/management. The traditional consulting role in western Europe is affected. Many project or assignment configurations change, and many work packages can become large turnkey projects – if consulting companies win the deals.

Rising demand in all telecom-services sectors is obvious. Generally, many specialists are sought for system architecture and integration of architectures such as enterprise service bus (ESB) and service-oriented architecture (SOA). Testing and quality assurance verification are prioritised when companies purchased projects.

Telecom players continue to demonstrate investment appetite, with focus on expansion and taking market shares. The positive market climate is also noticeable among international operators that continue to invest in network expansion and in developing new business areas and services. Operators in the Nordics are consolidating to cut operating costs – change initiatives are the result. Investments are being made in support systems for broadband and mobile services such as mobile TV and other entertainment sector solutions.

Prices tend head upward and were somewhat higher during Q2 2006, compared with Q1. A price range primarily exists within specialised services and within projects that involve turnkey and leadership responsibilities.

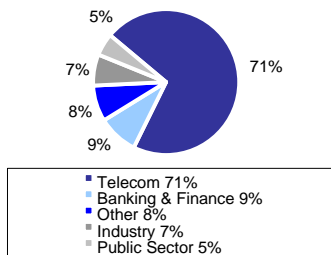
CYBERCOM GROUP



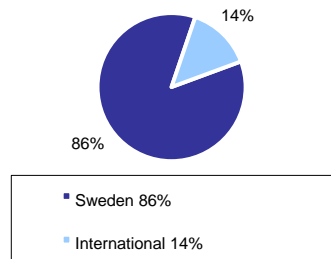
CUSTOMERS AND ASSIGNMENTS

Cybercom serves these and other key customers: Sony Ericsson, Ericsson, Tele2, Teliasonera, Nokia, Reuters, Teracom, Millicom, ASSA ABLOY, IBM, PFA, and SEB. During H1 2006, the 10 largest customers accounted for 75% of sales and the telecom industry for 71%. Much of Cybercom's operation involves solution-providing turnkey projects – plus offshore and application management (AM) projects. These stabilise the operation and add value for customers. During H1 2006, turnkey projects accounted for 43% of sales.

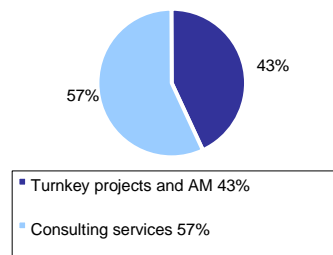
H1 2006 sales by industry



H1 sales by business division



H1 sales by assignments



In June, Cybercom signed a contract with Sony Ericsson for a large, offshore project that involves management of Sony Ericsson's external web sites. The contract ends on 1 December 2008 and covers application responsibilities, development, and testing of Sony Ericsson's external web sites and associated functions. This is an expanded assignment based on earlier AM projects; a multi-phase transfer period is progressing as planned and is expected to end in October. The Swedish operation manages business contacts, so the project is included in the Swedish operation's result.

Cybercom is expanding its territory through commitments to customers outside telecom – thanks to its technological expertise and operations areas such as portals, mobile services, embedded systems, billing, and e-commerce. For example, during H1, Cybercom was commissioned to take responsibility for the architecture in an IP telephony integration project for a Swedish bank and to lead a large, real-time information project. The company was also asked to work with an internal, IBM WebSphere Commerce-based purchasing portal solution for a UK fashion-industry company. Cybercom entered assignments for SAAB Tech for a new, attractive, embedded systems project. Other new key customers include Lavastorm, UPC in Norway, OMX, and several key projects with Ericsson, Tele2, and FMV.

Through an intensified partnership with Quest Software, Cybercom's operation in Denmark was commissioned to function as implementation consultant for projects in northern Europe. The partnership covers Quest Software's total product line, with accompanying consulting services, e.g., live database replication, security, and monitoring within technologies such as Java, .Net, and Oracle. The partnership resulted in and may lead to new, key, strategic customers.

Cybercom strengthened its international presence, primarily through operators' investments outside Europe – in projects that deal with audits of operators' operations. Via its Singapore office, Cybercom acquired attractive projects with customers such as Paktel in Pakistan and Hutchinson in India.

Requests for consulting services are rolling in – thanks to fixed and mobile convergence. Operators want to be able to offer all or similar services via one service platform – regardless of the access technology to which users are connected. The result? Significant activities within the next-generation network area, which drives demand for new architectures and solutions. Within mobile systems, architectures are developing, e.g., through introduction of the IP multimedia subsystem (IMS) – an architecture that supports implementation of purely IP-based services.

SALES AND PROFIT

THE GROUP

SEK million	Jan-Jun 2006	Jan-Jun 2005	Q2 2006	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Jan-Dec 2005	Jul 05 -Jun 06
Sales	274.1	239.6	139.7	124.7	103.0	133.5	134.3	476.2	510.6
Operating profit, EBIT	21.6	14.5	11.3	9.3	6.3	11.0	10.2	31.8	38.9
Operating margin, %	7.9	6.0	8.1	7.5	6.1	8.3	7.6	6.7	7.6
No. employees at period's end	437	408	437	408	411	426	435	426	437

H1 2006

H1 2006 sales were SEK 274.1 million (239.6), a 14% increase compared to H1 2005. Operating profit rose 49% compared to 2005 and totalled SEK 21.6 million (14.5); which yields an improved 7.9% margin (6.0%). Both business divisions account for the positive trend.

Cybercom's organic growth in existing operations is 4%. Growth occurs among the company's existing major telecom clients, and in other industries that increasingly require Cybercom's expertise. This reflects Cybercom's strategy of developing spin-off business outside telecom.

Net financial income/expense totalled SEK -0.7 million (3.2). Profit after net financial items rose to SEK 20.9 million (17.7), which yielded a 7.6% net margin (7.4%). The Cybercom Group has 437 employees. At period's end, Cybercom was engaging the services of about 500 persons, including subcontractors.

Q2 2006

Q2 2006 sales totalled SEK 139.7 million (124.7), which improved growth by 12% compared to Q2 2005. Organic growth is 7%. The Group's operating profit rose 22% and totalled SEK 11.3 million (9.3) – yielding an improved 8.1% operating margin (7.5%).

Net financial income/expense stood at SEK -0.8 million (2.3). Profit after net financial items was SEK 10.5 million (11.6), which yields a 7.5% net margin (9.3%).

The narrower margin reported for Q1, due to the completion of some major projects, has been restored through new assignments. Capacity utilisation for the entire Group is now very good.

In April, Cybercom established a joint venture company in Mumbai, India, with Datamatics Ltd, an IT company. Each company owns 50% of the new company. Establishment in India is aligned with the company's strategy to grow internationally and to develop its offshore offering. Globalisation, evident within the industry in recent years, is leading to increased dynamics, and Cybercom estimates that within a three-year period, offshore operations will generate 15-20% of its revenue. Start-up costs are accounted for in Q2. The company, which is jointly owned with Datamatics, will use proportional consolidation, so Cybercom's share of assets, liabilities, income, and expenses will be accounted for with equivalent items in the Group's income statement and balance sheet.

SWEDEN DIVISION¹

SEK million	Jan-Jun 2006	Jan-Jun 2005	Q2 2006	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Jan-Dec 2005	Jul 05 -Jun 06
Sales	240.6	216.8	123.4	112.5	91.1	114.2	117.2	422.2	445.9
Operating profit, EBIT	18.9	15.5	9.5	9.6	4.6	7.5	9.4	27.6	31.0
Operating margin, %	7.9	7.1	7.7	8.5	5.0	6.6	8.0	6.5	7.0
No. employees at period's end	359	329	359	329	329	348	351	348	359

H1 2006 sales for Cybercom's operation in Sweden, including its Singapore subsidiary, rose to SEK 240.6 million (216.8), i.e., 11% higher than in H1 2005. Operating profit reached SEK 18.9 million (15.5), which yielded a stronger margin of 7.9% (7.1%). The division had 359 employees (329) at period's end. Operations in southern Sweden are primarily reporting strong growth.

Q2 2006 sales were SEK 123.4 million (112.5), a comparative improvement of 9.7%. Operating profit reached SEK 9.5 million (9.6) and the operating margin was 7.7% (8.5%).

The Stockholm operation will be reorganised in early autumn. Operations, with focus on IT, will be organised into one company to improve sales co-ordination, business development for offshore projects, and professional development. No structural costs have been calculated for the changes, but the synergies that will occur are expected to have a positive effect.

INTERNATIONAL DIVISION

SEK million	Jan-Jun 2006	Jan-Jun 2005	Q2 2006	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Jan-Dec 2005	Jul 05 -Jun 06
Sales	39.3	35.4	19.3	18.1	16.5	20.9	20.0	72.8	76.7
Operating profit, EBIT	3.1	2.2	1.7	1.2	1.8	1.5	1.4	5.2	6.4
Operating margin, %	7.9	6.2	8.8	6.6	10.9	7.2	7.0	7.1	8.3
No. employees at period's end	57	56	57	56	61	56	62	56	57

H1 2006 sales reached SEK 39.3 million (35.4) for Cybercom's operations in Denmark, Norway, and the UK – an 11% increase compared to H1 2005. Operating profits rose to SEK 3.1 million (2.2) – yielding a 7.9% margin (6.2%). The division has 57 employees (56).

Q2 2006 sales were SEK 19.3 million (18.1). Operating profits rose to SEK 1.7 million (1.2), which yielded an improved 8.8% margin (6.6%).

All operations reported fine or stable growth, with greater involvement with existing customers, as well as assignments from new customers.

PERSONNEL

Cybercom continues recruiting in Sweden, Denmark, the UK and Singapore. Efforts have been successful, and the Group hired 60 new employees in H1 2006. The labour market continues to be active, which is a natural result of a general industry upswing. For example, Danish companies that use an aggressive recruiting strategy, expose Swedish companies to competition. As a result of the improved economic situation, there has been a tendency toward wage adjustments during hiring. In H1 2006, the average number of employees (full-time positions) in the Group was 408 (352). At period's end, the total number of employees in the Group was 437 (408), of which 88 were women.

INVESTMENTS

On 30 June 2006, net investments in property, plant, and equipment totalled SEK 1.8 million (4.8). Net investments in intangible assets totalled SEK 1.2 million (3.0) for the period.

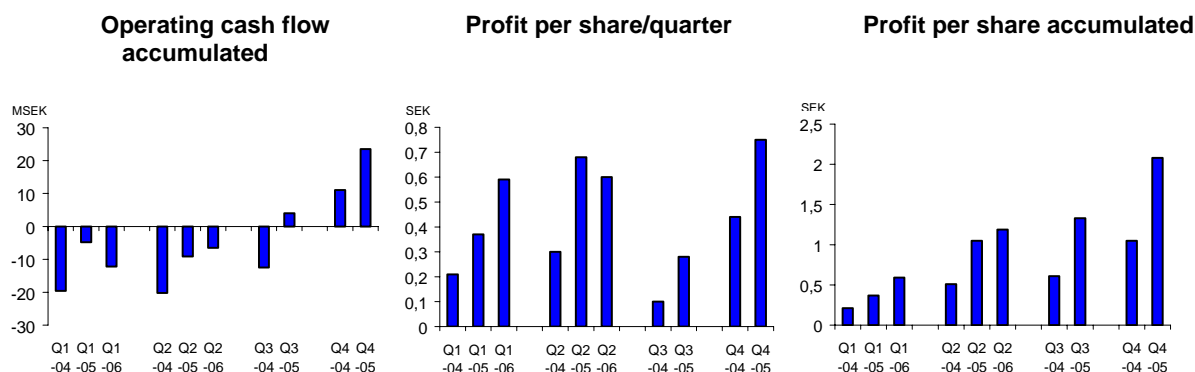
¹ Operations within Cybercom Netcom Consultants will be accounted for in their entirety under the Sweden Division.

CASH AND CASH EQUIVALENTS

On 30 June 2006, the Group's cash and cash equivalents stood at SEK 45.4 million, compared to SEK 38.0 million on 30 June 2005. For the January to June 2006 period, cash flow before change in working capital was SEK 22.8 million. Change in working capital for the same period is SEK -29.3 million, which is partly due to payment of current liabilities from year's end and partly to an increase in accounts receivable with longer terms of payment. In total, cash flow from operating activities was SEK -6.5 million (-9.1).

FINANCIAL POSITION

On 30 June 2006, equity totalled SEK 251.8 million (226.6), which corresponds to a 68.4% equity/assets ratio (66.3%). Equity per share totalled SEK 20.44 (18.39).



TAX

During the period, the tax rate was 29.6% (31.6%). Tax expense is based on current tax for the parent company and for each subsidiary. Temporary differences and existing deficit deductions are taken into account.

THE PARENT COMPANY

The parent company primarily manages Group-wide staff functions, such as finance, PR and marketing communications, administration, and internal systems. At period's end, the parent company employed 21 persons (23). The average number of employees during the period was 19 (18).

H1 2006 sales were SEK 22.6 million (16.1). Operating loss was SEK 0.5 million (-3.3). Loss after financial items was SEK 0.8 million (-2.4). On 30 June 2006, the parent company's cash and cash equivalents totalled SEK 28.2 million (12.9). Net investments in property, plant, and equipment and intangible fixed assets totalled SEK 1.1 million (2.1).

OUTLOOK

The market outlook for Cybercom's services within telecom and selected technologies is favourable. Cybercom will continue to focus on growth within technology and telecom. Through organic growth and acquisitions, the company will expand its services offerings in more market segments and geographic areas.

The company's financial goals are to achieve an operating margin of at least 10% by the close of 2006. The company expects organic growth of 10% for 2006. In addition, Cybercom's objective is to continue its acquisition strategy to achieve its previously stated goal of SEK 750 million in sales.

ACCOUNTING POLICIES

This interim report complies with IAS 34 (*interim financial reporting*) and the Swedish Financial Accounting Standards Council's RR 31 recommendation (*group interim reporting*). Accounting policies and valuation methods are unchanged from those used in the 2005 annual report.

CONDENSED INCOME STATEMENT

SEK million	Jan-Jun 2006	Jan-Jun 2005	Q2 2006	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Jan-Dec 2005	Jul 05-Jun 06
Sales	274.1	239.6	139.7	124.7	103.0	133.5	134.3	476.2	510.6
Operating expenses									
Other external expenses	-81.9	-75.4	-42.9	-36.9	-31.0	-37.3	-39.0	-143.7	-150.2
Staff costs	-167.4	-146.3	-83.9	-76.3	-64.1	-84.1	-83.5	-294.5	-315.6
Depreciation, amortisation and impairment loss of property, plant and equipment, and intangible assets	-3.2	-3.4	-1.6	-2.2	-1.6	-1.1	-1.6	-6.2	-5.9
Operating profit, EBIT	21.6	14.5	11.3	9.3	6.3	11.0	10.2	31.8	38.9
Financial income	3.2	4.0	2.6	2.9	0.5	2.4	0.7	6.9	6.1
Financial expenses	-3.9	-0.8	-3.4	-0.6	-0.6	-1.0	-0.5	-2.4	-5.5
Profit before tax	20.9	17.7	10.5	11.6	6.2	12.4	10.4	36.3	39.5
Tax *)	-6.2	-5.6	-3.0	-3.7	-2.7	-3.5	-3.2	-11.8	-12.4
Profit for the period	14.7	12.1	7.5	7.9	3.5	8.9	7.2	24.5	27.1
*) <i>Current tax</i>	-5.2	-8.3	-2.8	-6.7	4.0	0.3	-2.4	-4.0	-0.9
<i>Deferred tax</i>	-1.0	2.7	-0.2	3.0	-6.7	-3.8	-0.8	-7.8	-11.5
Profit per share (SEK) before dilution	1.19	1.05	0.60	0.68	0.28	0.75	0.59	2.08	2.22
Profit per share (SEK) after dilution	1.18	1.03	0.60	0.66	0.29	0.75	0.58	2.07	2.22

CONDENSED BALANCE SHEET

SEK million	30 June 2006	30 June 2005	31 December 2005
<u>Assets</u>			
Goodwill	130.4	119.1	129.8
Other intangible assets	6.1	4.5	6.0
Property, plant, and equipment	11.3	12.0	12.2
Financial assets	0.5	0.4	0.4
Deferred tax assets	4.6	14.8	5.2
Current assets excl. cash and cash equivalents	170.0	152.9	142.6
Cash and cash equivalents	45.4	38.0	55.5
Total assets	368.3	341.7	351.7
<u>Equity and liabilities</u>			
Equity	251.8	226.6	238.2
Non-current liabilities, interest-bearing	5.3	4.9	5.3
Non-current liabilities, non-interest-bearing	2.6	0.6	5.3
Current liabilities, non-interest-bearing	108.6	109.6	102.9
Total equity and liabilities	368.3	341.7	351.7
Pledged assets	None	None	None
Contingent liabilities	None	None	None

CONDENSED CASH FLOW STATEMENT

SEK million	Jan-Jun 2006	Jan-Jun 2005	Jan-Dec 2005
Cash flow from operating activities			
Cash flow before changes in working capital	22.8	11.7	38.8
Change in working capital	-29.3	-20.8	-15.3
Cash flow from operating activities	-6.5	-9.1	23.5
Cash flow from investing activities *)	-3.2	-0.8	-16.9
Cash flow from financing activities	-	-	-
Changes in cash and cash equivalents	-9.7	-9.9	6.6
Cash and cash equivalents at period's start	55.5	47.7	47.7
Translation difference	-0.4	0.2	1.2
Cash and cash equivalents at period's end	45.4	38.0	55.5
*) Acquisition of subsidiary affected the Group's cash and cash equivalents by:	-	-9.8	-18.7

KEY FIGURES

	Jan-Jun 2006	Jan-Jun 2005	Jan-Dec 2005
Operating margin (EBIT), %	7.9	6.0	6.7
Net margin, %	7.6	7.4	7.6
Number of employees at period's end	437	408	426
Average number of employees	408	352	365
Sales per employee, SEK thousand	672	681	1 305
Equity/assets ratio, %	68.4	66.3	67.7

CHANGES IN EQUITY

SEK million	Jan-Jun 2006	Jan-Jun 2005	Jan-Dec 2005
Opening equity	238.2	180.1	180.1
Effect from changed accounting policy	-	-0.6	-0.6
New issue of shares	-	32.5	32.5
Translation differences	-1.1	2.5	1.7
Profit for the period	14.7	12.1	24.5
Closing equity	251.8	226.6	238.2

SHARE INFORMATION

	Jan-Jun 2006	Jan-Jun 2005	Jan-Dec 2005
Before dilution			
Profit per share, SEK	1.19	1.05	2.08
Equity per share, SEK	20.44	18.39	19.33
Number of shares at period's start	12 321 757	11 196 355	11 196 355
New issue of shares	-	1 125 402	1 125 402
Number of shares at period's end	12 321 757	12 321 757	12 321 757
Average number of shares	12 321 757	11 571 489	11 759 056
After dilution			
Profit per share, SEK	1.18	1.03	2.07
Equity per share, SEK	20.11	18.10	19.02
Number of shares at period's end	12 521 757	12 521 757	12 521 757
Average number of shares	12 521 757	11 771 489	11 859 056

The dilution effect is not calculated if the subscription rate's present value is higher than the ordinary share's fair value. Dilution effects are only accounted for when they have an adverse effect on profit per share or equity per share.

Warrants	Jan-Jun 2006	Jan-Jun 2005	Jan-Dec 2005
Number of outstanding warrants at year's start	30 000	162 483	162 483
Warrants, custodial	170 000	200 000	200 000
Non-exercised warrants	-	- 162 483	- 162 483
Deducted warrants, custodial	-120 000	-200 000	-170 000
No. of outstanding warrants at period's end	80 000	0	30 000

The company's auditor did not review this report.

Stockholm, 17 August 2006

The board and CEO of Cybercom Group Europe AB (publ.)

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Forthcoming reports

18 October 2006	January-September report 2006
8 February 2007	2006 year-end financial report