

Year-end report for 2003

This report covers the fourth quarter October 1, 2003 - December 31, 2003 and the fiscal year January 1, 2003 - December 31, 2003.

AcandoFrontec - positioned for profitability

- Net sales amounted to SEK 161 million (123) for the quarter and SEK 499 million (553)¹ for the fiscal year.
- Operating profit (EBIT) amounted to SEK 1 million (-13) for the quarter and SEK -152 million (-56) for the fiscal year.
- The loss after tax was SEK -1 million (-13) for the quarter and SEK -151 million (41) for the fiscal year. The loss per share amounted to SEK -0.02 (-0.39) for the quarter and SEK -3.47 (1.29) for the fiscal year.
- The result for the fiscal year was charged with costs of SEK 93 million for structural measures. The fourth quarter was free from structural costs.
- The Group's liquid assets, including short-term investments, amounted to SEK 89 million (175) at the end of the period. Operating cash flow was SEK +6 million during the last quarter.
- During the fourth quarter the improvement program from the previous quarter achieved its effect. This, together with higher market activity and a number of important customer orders, has led to a gradual improvement in results.

¹ Acando AB has been consolidated as of July 2003.

THE GROUP IN SUMMARY

	<u>3 MOS.</u>	<u>3 MOS.</u>	<u>12 MOS.</u>	<u>12 MOS.</u>
	<u>OCT – DEC</u>	<u>OCT – DEC</u>	<u>JAN – DEC</u>	<u>JAN – DEC</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net sales, SEK million	161	123	499	553
Operating profit/loss, EBIT, SEK million	1	-13	-152	-56
Profit/loss after net financial items, SEK million	2	-11	-151	42
Profit/loss after tax, SEK million	-1	-13	-151	41
Operating margin, %	1	-11	-30	-10
Return on capital employed, %	1	-7	-75	23
Return on equity, %	-1	-7	-79	23
Equity/assets ratio, %	47	62	47	62
Profit/loss per share after dilution, SEK*	-0.02	-0.39	-3.47	1.29
Average number of employees	632	492	612	736
No. of employees at end of period	620	510	620	510

* The dilution effect is not taken into account in negative results

AcandoFrontec after structural changes (pro forma)

	<u>3 MOS.</u>	<u>3 MOS.</u>	<u>12 MOS.</u>	<u>12 MOS.</u>
	<u>OCT – DEC</u>	<u>OCT – DEC</u>	<u>JAN – DEC</u>	<u>JAN – DEC</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net sales, SEK million	161	224	641	757
Operating profit/loss, EBIT, SEK million	1	-22	-158	-33
Profit/loss after net financial items, SEK million	2	-20	-159	64
Operating margin, %	1	-10	-25	-4
No. of employees at end of period	620	750	620	750

* In comparison with the previous year, BlueLabs is excluded and Acando included.

AcandoFrontec - positioned for profitability

2003 was a very eventful year for AcandoFrontec. Two have become one, and naturally the merger has affected the company in many ways. Throughout the integration process, we have maintained a clear focus on creating a new, shared base of operations in order to optimally serve the market. The merger was implemented during the third quarter of 2003, and operations are now fully focused on sales and customer projects.

During the last months of the year there was clearly a growing interest among customers in the form of new queries as well as concrete results through a number of new agreements. This is also proof that our offering fits what the market is demanding.

In the fourth quarter AcandoFrontec reported a positive operating result, an important trend breaking that clearly shows the improvement program we have implemented is achieving the desired effect.

Consequently, AcandoFrontec is confidently looking forward to 2004. With the efficiency improvements implemented in 2003, as well as a stronger, more comprehensive customer offering, we have created a solid platform for profitable growth. Although a number of signs indicate an overall recovery in the market in the year ahead, AcandoFrontec has dimensioned and planned its operations for 2004 to achieve profitability even if market conditions remain unchanged. The company's financial strength helps to give it freedom of action in a market facing consolidation and further structural changes.

Market development and customers

Although the consensus is that it is still too early to say with certainty that the market has bounced back, there has been an increased level of activity from customers. The number of procurements has risen, and great interest has been shown in IT support that improves operations. During the last quarter of 2003 AcandoFrontec signed a number of new agreements of strategic importance, including:

- A project for TeliaSonera to quickly adapt and integrate its customer service system, ISM, for two important improvement projects. The ISM system was previously developed by AcandoFrontec and supports customer service for Internet and broadband services. The project requires a staff of more than 30 consultants during the spring of 2004.
- For SKF, AcandoFrontec has been hired to design and establish completely new processes and forms for integration work.
- AcandoFrontec has received a contract to build a ship reporting system for the Swedish Maritime Administration as part of Europe's new maritime safety system, SafeSeaNet.
- Region Skåne has expanded its current project and hired AcandoFrontec to take part in the restructuring of its entire IT operations.

Another sign that the market has understood the advantages of AcandoFrontec's collective offering, where the focus is on rapid operational improvements with the help of business integration, is the large number of framework agreements the company has signed. AcandoFrontec has been selected as the supplier for the majority of the framework agreements that have recently been signed in its area of operations. Among the new and extended framework agreements were with Volvo, Sandvik, Schenker, Nordea, the City of Stockholm and the Swedish Board of Agriculture.

AcandoFrontec has a strong, well-established customer base. Industrial customers (manufacturing and automotive industries) are the largest segment, accounting for 29% of sales, followed by telecom with 16% and pharmaceuticals with 14%. Public sector customers account for 24%.

Among the largest customers in the business sector are Volvo, Ericsson, TeliaSonera, AstraZeneca, Mölnlycke Health Care, Johnson & Johnson and Stora Enso. In the public sector, most customers are state agencies, such as the Swedish Migration Board, the Swedish Civil Aviation Administration, the Swedish National Tax Board and SPV (the National Government Employee Administration Board).

In a recently conducted customer survey, AcandoFrontec received very high ratings. Among the best results were for its competence, reliability and customer relations. Customer loyalty is high at 94%.

Sales and results

Q4: October-December 2003

The result for the fourth quarter 2003 was positive. The Group's net sales amounted to SEK 161 million (123) and operating profit (EBIT) was SEK 1 million (-13). Operating profit after the reversal of depreciation (EBITDA) amounted to SEK 6 million (-9). The fourth quarter was free from items affecting comparability. The tax expense in the fourth quarter, which caused a negative result after tax, is an adjustment of the previous quarter's positive tax expense. The company has tax loss carryforwards that extend for a number of years into the future and therefore does not have any tax paid.

Twelve-month period January-December 2003

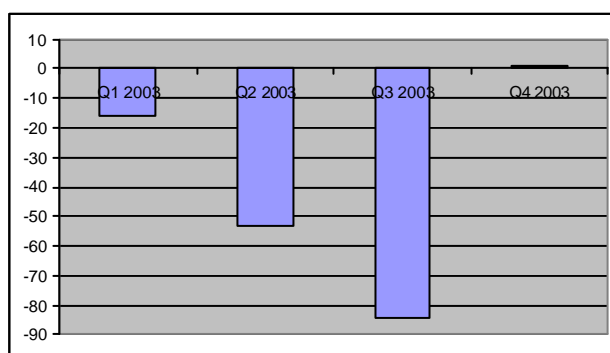
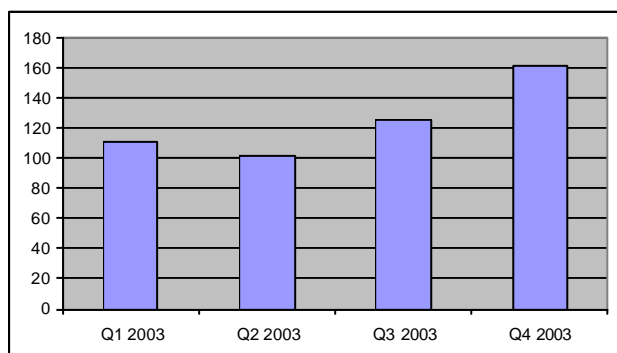
Acando AB was consolidated from July 2003, which means that the result for 2003 comprises the former Frontec Group for 12 months and the former Acando AB for six months.

The Group's net sales amounted to SEK 499 million (553) and the operating loss, EBIT, was SEK -152 million (-56). The operating result includes restructuring costs related mainly to employee severance and liquidation costs for premises of SEK 93 million. In addition to the integration between Acando and Frontec, these costs comprise the structural costs incurred by Frontec during the first half of 2003 (SEK 34 million). The operating result after reversal of depreciation and restructuring costs was SEK -46 million in 2003, against SEK -41 million in the previous year. The loss after tax was SEK -151 million (41).

During fiscal year 2002 BlueLabs AB was sold to Flextronics Sweden AB, which after the transaction put forth a claim for SEK 34 million for future provisions for Blue Labs' ITP pensions.

AcandoFrontec reports pensions in accordance with generally accepting auditing standards. Nothing further has arisen during fiscal year 2003 with regard to this claim, because of which AcandoFrontec is still of the opinion that it is unfounded. SEK 20 million of the purchase price that was deposited in a restricted account until the transaction is finalized was freed up in August, with the exception of SEK 0.4 million.

Net sales and results (EBIT) per quarter 2003 (million)



Employees

In a knowledge-intensive, competence-driven company like AcandoFrontec, employees are vital to its results. Prior to and following the merger, one of the main objectives has therefore been to ensure that no competence is lost and that the new company provides individuals the opportunity to develop.

Even though a number of positions were eliminated in connection with the merger due to redundancies, we feel today that AcandoFrontec is quickly developing into a homogenous company with a common vision. The integration process has exceeded expectations, which is confirmed in part by a low employee turnover but even more so by the response that our collective offering has received both internally and externally. Through complementary, combined competencies, the company has significantly strengthened its position in the market. There is a strong conviction that market success and financial strength create security, commitment and a sound corporate culture.

The average number of employees during the quarter was 632 (492). The number of employees at the end of the period was 620 (510).

Through the measures decided on as part of the improvement program, the number of employees will be reduced by 23 during the fourth quarter. Another 102 employees will leave the company during the first half of 2004 as a consequence of the decisions that were made as part of the improvement program.

Liquidity

The Group's liquid assets, including short-term investments, amounted to SEK 89 million (175) as of December 31, 2003. In addition, the Group has available bank overdraft facilities of SEK 50 million.

The Group's cash flow amounted to SEK -22 million (71) for the quarter and SEK -86 million (62) for the fiscal year.

During the fourth quarter the liquidity effect from previous structural costs was SEK -28 million and operating cash flow was SEK +6 million. The liquidity effect from remaining provisions for structural costs will arise primarily in 2004.

Investments

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

The AcandoFrontec share

The number of shares as of December 31, 2003 was 55,658,810, of which 2,640,000 were Class A shares. AcandoFrontec had 16,979 shareholders at year-end 2003. Approximately 24% of the shares have owners outside Sweden and slightly over 84% of all shareholders own fewer than 1,000 shares. The largest owners as of December 31, 2003 were Custos, Kinnevik, UBS AG, Ulf J. Johansson and Svolder.

Stock option program fully subscribed

During the third quarter the employees and management were offered a stock option program approved by the Annual General Meeting on June 30, 2003. The available allotment was fully subscribed.

The price per option was SEK 0.81 and share subscriptions are permitted through December 31, 2006 at a price of SEK 8.20 per share.

The 2003 option program, together with existing convertible program, potentially has a dilution effect of 7.5%.

Parent Company

The Parent Company's net sales amounted to SEK 0 million (1) for the fiscal year. The operating loss for the corresponding period was SEK -11 million (-12).

The Parent Company's net investments amounted to SEK 0 million during the fiscal year. Liquid assets totaled SEK 67 million (161) at the end of the period.

Highlights following the conclusion of the period

- AcandoFrontec's principal owner, Custos, has decided to distribute approximately 75% of its holding to its shareholders. Provided this is approved by the Annual General Meeting of Custos, it will mean that AcandoFrontec will have approximately 21,000 new shareholders.
- TeliaSonera has renewed its framework agreement with AcandoFrontec and activity between the two companies has increased in Sweden and other Nordic countries, resulting in a number of new projects.

Future outlook

Although there are now signs of positive development in the IT consulting industry, AcandoFrontec has dimensioned its operations for 2004 to achieve profitability even if market conditions remain unchanged.

Despite continued pressure on margins, the potential has been created for a positive operating result in 2004.

Accounting principles

AcandoFrontec's year-end report has been prepared in accordance with recommendation RR 20 of the Swedish Financial Accounting Standards Council.

Application of the Council's recommendations that took effect in 2003 has not resulted in any changes in opening balances. In other respects, the accounting principles are the same as in the latest annual report. The company's segment consists of one business area.

The merger between Frontec AB and Acando AB is accounted in this report according to the purchase accounting method, with Frontec AB as the purchaser. Amortization of the goodwill that has arisen has amounted to SEK 4 million.

Nomination Committee

A nomination committee has been appointed consisting of Chairman Ulf J. Johansson, Mikael Nachemsson, Bengt Wallentin and Ulf Hedlund.

Consolidated income statement (SEK million)

	3 MOS. OCT – DEC 2003	3 MOS. OCT – DEC 2002	12 MOS. JAN – DEC 2003	12 MOS. JAN – DEC 2002
Net sales	161	123	499	553
Other operating income	2	3	11	5
Total sales	163	126	510	558
Personnel costs	-127	-95	-401	-441
Other operating expenses	-30	-40	-155	-158
Restructuring expenses	-	-	-93	-
Operating loss before depreciation/amortization, EBITA	6	-9	-139	-41
Depreciation/amortization of tangible/intangible fixed assets	-5	-4	-13	-15
Operating loss, EBIT	1	-13	-152	-56
Result from participations in Group companies	0	-1	-3	101
Financial income and expenses	1	3	4	-3
Profit/loss after net financial items	2	-11	-151	42
Tax	-3	-2	-	-1
Net profit/loss for the period	-1	-13	-151	41
Earnings/loss per share before dilution	-0.02	-0.39	-3.47	1.32
Earnings/loss per share after dilution *	-0.02	-0.39	-3.47	1.29
Average number of shares	55,658,810	31,412,110	43,635,104	31,408,025
Average number of shares after dilution	59,880,927	32,687,627	47,857,221	32,045,784

* The dilution effect is not taken into account in negative results
Dilution consists of 1,275,517 convertible rights and 2,946,600 options.

Condensed consolidated balance sheet (SEK million)

	Dec. 31, 2003	Dec. 31, 2002
Goodwill	77	-
Tangible fixed assets	13	12
Financial fixed assets	41	2
Other current assets	166	137
Liquid assets and short-term investments	89	175
Total assets	386	326
Equity (Note 1)	182	202
Provisions	57	8
Interest-bearing liabilities	6	6
Non-interest-bearing liabilities	141	110
Total equity, provisions and liabilities	386	326
Equity/assets ratio	47%	2%

Consolidated statement of cash flows (SEK million)

	July 1, 2003	July 1, 2002	Jan. 1, 2003	Jan. 1, 2002
	Sep. 30, 2003	Sep. 30, 2002	Sep. 30, 2003	Sep. 30, 2002
Cash flow from operating activities	-24	-3	-84	-90
Cash flow from investing activities	-1	-5	-5	147
Cash flow from financing activities	3	-1	3	5
Cash flow for the period	-22	-9	-86	62
Liquid assets and short-term investments at beginning of period	111	184	175	113
Liquid assets and short-term investments at end of period	89	175	89	175

Notes**NOTE 1 - Equity (SEK 000)**

	January 1, 2003	January 1, 2002
	December 31, 2003	December 31, 2002
At beginning of the fiscal year	202,384	159,865
New share issue	131,213	1,591
The year's translation difference	-	-468
Profit/loss for the year	-151,487	41,396
At end of fiscal year	182,110	202,384

Audit report

We have reviewed this year-end report in accordance with the recommendations issued by the Swedish Institute of Authorized Public Accountants. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the year-end report does not comply with the requirements of the Securities and Clearing Operations Act and the Annual Accounts Act.

Stockholm, February 20, 2004

Bodil Björk and Hans Jacobsson
Authorized Public Accountants