



Year-end report

FOR THE PERIOD JANUARY 1 – DECEMBER 31, 2004

Higher profit and improved market position

January - December 2004 compared with the same period of 2003

- **Net sales amounted to SEK 608 million (499).**
- **Operating profit before goodwill amortization (EBITA) rose to SEK 33 million (-148), generating an operating margin of 5.4 % (-29.7).**
- **Profit after tax was SEK 27 million (-151).**
- **Earnings per share amounted to SEK 0.45 (-3.47).**
- **Cash flow from operating activities, excluding the liquidity effect of previous structural costs, amounted to SEK 35 million.**
- **Acquisitions of Edge Consulting and a unit of Flextronics Design.**

Fourth quarter 2004 compared with the same quarter of 2003

- **Quarterly net sales amounted to SEK 167 million (161), an increase of 9% for comparable units.**
- **Operating profit before goodwill amortization (EBITA) tripled to SEK 15 million (5).**
- **Positive cash flow.**
- **Important contracts signed with Volvo and Swedish Maritime Administration. New strategic cooperation with LogicaCMG.**

AcandoFrontec Consulting AB (formerly Acando AB) included as of July 1, 2003.

“We have reported a profit for the fifth consecutive quarter and achieved our main objective for 2004 – to establish a stable and profitable company. Our principal customers are active. The 10 largest have raised their purchases by 30% compared with 2003. Our brand recognition nearly doubled during the year, and we are at the top in terms of customer satisfaction, according to independent surveys,” says Lars Wollung, President and CEO of AcandoFrontec.

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AcandoFrontec is a management and IT consulting company that identifies and quickly implements performance improvements. Our consultants are business integration specialists who help customers to achieve improvements by developing processes, organizations and IT solutions. Our work is strongly focused on the bottom line and a responsibility for ensuring that customers quickly receive the improvements they expect from their investment. 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 year 2004 in summary

Operations

The merger between Acando and Frontec has succeeded well. AcandoFrontec is now one company with one mission, one strategy, one organization, one set of values and one market profile.

At the time of the merger, the combined company was losing about SEK 80 million annually before goodwill and tax. An improvement program was launched to integrate the two companies and create a single, profitable business. The program, implemented in the autumn of 2003, gradually took effect in 2004. Together with better customer demand, the result is significantly higher profit. The profit margin has improved by approximately 18 percent, with an operating profit before goodwill and tax of SEK 33 million during the past year.

The level of demand has been stable, which has led to a good inflow of orders. In several areas it was necessary to recruit competent, experienced employees to increase the company's capacity. Despite that prices remained largely unchanged, revenues per consultant rose during the year.

Two acquisitions were made during the autumn: Edge Consulting and a unit of Flextronics Design in Göteborg. Both are already fully integrated in AcandoFrontec and are expected to contribute to profitability in 2005.

Market development

The growth in the market that began in late 2003 continued in 2004. While demand is good, average prices remain low. A key reason is that large companies and public agencies continue to reduce the number of vendors they work with and instead sign general agreements with just a few. This trend continued in 2004, at the same time that customers have become better at ensuring compliance with their agreements, which generally keeps prices under pressure.

In a market that as a whole posted only a marginal increase in 2004, there is tight competition for customers, projects and consultants.

Sales trend and major customer agreements

In 2004 AcandoFrontec consolidated and strengthened its position as a preferred strategic provider of management and IT consulting services to Sweden's public and private sectors. During the year it signed many new, strategically important agreements, including:

Volvo – AcandoFrontec was one of two suppliers to sign agreements with Volvo IT for SAP-related consulting services. This makes AcandoFrontec a long-term partner at the strategic level for a range of competencies from process improvements to integration and technology. The agreement has led to the recruitment of additional SAP consultants for AcandoFrontec's office in Göteborg.

Mölnlycke Healthcare – signed an agreement with AcandoFrontec to improve its supply chain. The Basic Supply solution AcandoFrontec provided during the year led to a 30% improvement in delivery reliability, according to measurements.

Swedish Maritime Administration – AcandoFrontec received a contract to develop and introduce the agency's new system for monitoring sea transports. In addition to supplying the system, AcandoFrontec is providing a totally new integration platform.



Swedish Civil Aviation Administration - AcandoFrontec has been hired to work with the staff of this new government agency to consolidate, rationalize and implement its IT environment.

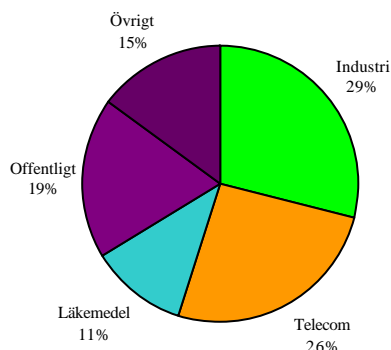
Volvo Cars – selected AcandoFrontec as an implementation partner for a new archival system using Documentum’s Content Management as a platform.

Insurance company If – selected AcandoFrontec as an implementation partner to develop its payment processing system.

Stora Enso – decided to expand its use of IPS, a solution for paper-less transport administration. AcandoFrontec, which has previously developed and implemented the system in Sweden and England, has been hired to design IPS for Stora Enso’s European transport flows.

TeliaSonera – AcandoFrontec was awarded a contract to quickly adapt and integrate TeliaSonera’s 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.

Further proof of AcandoFrontec’s strong market position is the large number of general agreements it has signed, despite a tendency among customers to reduce the number of vendors vying for such agreements. Agreements have been signed with Ericsson, AstraZeneca, Försäkringskassan (National Health Service), National Government Employee Pensions Board, Banverket (Swedish national railway) and Swedish Maritime Administration.



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

- Manufacturing: Volvo, Stora Enso, SAPA, Sandvik
- Telecom: Ericsson, TeliaSonera
- Pharmaceuticals: AstraZeneca, Mölnlycke Health Care
- Public Sector: Swedish Migration Board, Swedish Civil Aviation Administration, National Tax Board, National Government Employee Pensions Board

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

The Manufacturing segment (including automotive) is currently the largest, accounting for 29% of sales, followed by Telecom (26%) and Pharmaceuticals (11%). The Public Sector accounts for 19% of sales.

AcandoFrontec strengthened its position among key customers in 2004. Sales to the ten largest customers rose by 30 percent. At the same time risks were spread, and no customer currently accounts for more than 13 percent of sales.

Sales and results for January - December 2004



Consolidated net sales amounted to SEK 608 million (499), a gain of 22% compared with the same period of 2003.

Operating profit before goodwill amortization (EBITA) amounted to SEK 33 million, compared with a loss of SEK 148 million during the same period of 2003. Profit for 2003 was charged with structural costs totaling SEK 93 million. Adjusted accordingly, the profit improvement is SEK 88 million, corresponding to an increase in the EBITA margin from -11.0% to +5.4%. The improvement is largely due to higher sales per employee and major efficiency and structural improvements in connection with the merger of Acando and Frontec.

Profit before tax for the report period amounted to SEK 24 million (-151). Net profit was SEK 27 million (-151). The company reported no paid tax. Reported income tax is the net of reversed and capitalized tax assets. The company has tax loss carryforwards totaling SEK 430 million, of which the equivalent of SEK 148 million is attributable to deferred capitalized tax assets of SEK 41.5 million. Earnings per share amounted to SEK 0.45 (-3.47).

Net sales and EBITA by quarter (SEK million)



AcandoFrontec has generated a pre-tax profit for the fifth consecutive quarter. Net sales for the fourth quarter 2004 amounted to SEK 167 million (161) and operating profit before goodwill amortization (EBITA) was SEK 5 million (5). Half the profit improvement of SEK 10 million compared with the fourth quarter of 2003 is due to an improved consulting margin, and half to lower costs.

Financial position and cash flow

The Group's liquid assets, including short-term investments, amounted to SEK 69 million (89) as of December 31, 2004. In addition, the Group has available bank overdraft facilities of SEK 50 million.

The equity/assets ratio (shareholders' equity divided by total assets) was 58.2 % (47.1) as of December 31.

Cash flow from operating activities, excluding the liquidity effect from previous structural costs, amounted to SEK 35 million, of which SEK 6 million relates to the first quarter, SEK 13 million to the second quarter, SEK 1 million to the third quarter and SEK 15 million to the fourth quarter.

The Group's total cash flow during the year was SEK -20 million (-86), of which SEK -21 million relates to the first quarter, SEK -1 million to the second quarter, SEK -6 million to the third quarter and SEK +8 million to the fourth quarter.

As of the final quarter the Group's total cash flow was positive. The liquidity effect from previous structural costs was SEK -9 million during the last quarter, as a result of which the total cash flow effect of the action program adopted in the third quarter of 2003 has been achieved.



Employees

The average number of employees during the year was 576 (612). The number of employees at the end of the period was 532 (620). During the year 102 employees left the company as a result of the structural program from 2003. At the same the company again began to recruit new consultants after the summer.

In addition, 42 consultants were added through the acquisition of Edge Consulting AB and a consulting unit from Flextronics Design.

Investments

The Group's net investments in tangible assets amounted to SEK 0 million (3) during the report period.

Acquisitions and divestments

During the fourth quarter AcandoFrontec acquired the IT consulting company Edge Consulting, with a staff of 15. Edge Consulting specializes in system development for Microsoft's .Net platform, among others, in addition to IT management services. Its customers are mainly in banking and insurance in the Stockholm market.

AcandoFrontec also took over 27 IT consultants in Göteborg from Flextronics Design during the fourth quarter, thereby strengthening its market presence in Western Sweden and gaining a platform for development projects involving mobile applications.

The transaction with Flextronics Design gave rise to goodwill of SEK 2.2 million, while the acquisition of Edge Consulting generated goodwill of SEK 3.0 million.

These acquisitions had little impact on AcandoFrontec's profit and financial position in 2004. In the year ahead these operations are expected to produce a profit in line the company in general.

During fiscal year 2002 BlueLabs AB was sold to Flextronics Sweden AB, which subsequently put forth a claim of SEK 34 million for future provisions for Blue Labs' ITP pensions. In 2004 a settlement was reached on the outstanding points remaining after the acquisition, at which point Flextronics Sweden AB withdrew its claim.

Parent Company

The Parent Company's net sales for the fiscal year amounted to SEK 0 million (0). The operating loss for the period was SEK -3 million (-11).

Of the Parent Company's net sales, 99% are from other Group companies. The Parent Company's net investments amounted to SEK 0 million during the fiscal year. Liquid assets totaled SEK 74 million (67) at the end of the period.

Ownership structure

The number of shares as of December 31, 2004 was 55,658,810, of which 2,640,000 were Class A shares.

AcandoFrontec doubled its shareholders to 34,333 at year-end, mainly after Custos' distributed its AcandoFrontec holding to its shareholders during the year. Approximately 17% of the shares are owned outside Sweden, and 88% of all shareholders own fewer than 1,000 shares.

The largest owners as of December 31, 2004 were Svedulf Fastighet AB, Kinnevik, Orkla, Ulf J. Johansson and Svolder.



Highlights following the conclusion of the period

- AcandoFrontec recently signed an agreement with the National Health Service (Försäkringskassan) to introduce an ECM (Enterprise Content Management) concept for unstructured information for the service's 16,000 employees, based on Swedish Agency for Public Management's service procurement agreement. The solution utilizes products from Documentum. The agreement runs through 2007 with an option for a two-year extension.
- In a recently published IT survey for the spring 2005, AcandoFrontec received high scores, especially on questions involving customer satisfaction. In the category, "Implementation of standardized packages," AcandoFrontec was ranked number one. It also took the top spot in image values (competence, delivery content and delivery precision) in the category, "System development." AcandoFrontec's recognition has nearly doubled from 7% to 12% since the survey's most recent measurement in autumn 2004.

Future outlook

AcandoFrontec will continue to be regarded as one of Sweden's leading management and IT consulting companies. And it will continue to provide measurable improvements to customers.

The company has now created a stable organization and operations that can effectively focus on current and new customers.

The market for management and IT consulting services is expected to remain positive in 2005, with prices rising slightly. The focus will now be on raising growth by retaining employees and providing them with further development opportunities, as well as by recruiting new staff members.

In 2005 AcandoFrontec is expecting a continued positive profit trend, substantially improved cash flow and higher growth. Current market conditions could provide an opportunity for one or more acquisitions in 2005.

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 recommendation RR 29, which took effect in 2004, has not resulted in any changes in opening balances. In other respects, the accounting principles are the same as in the latest annual report.

Transition to IAS/IFRS

In accordance with the IAS regulation adopted by the EU in 2002, AcandoFrontec will apply the International Financial Reporting Standards (IFRS) in its consolidated accounts and reporting as of January 1, 2005. The interim report for the first three months of 2005 will be the first report based entirely on IAS/IFRS. In 2004 the company appointed a group under the direction of the CFO to follow IFRS developments, prepare for the transition to the new rules and ensure that the appropriate employees received training. Its efforts were successful.

The new rules with the greatest impact on the company's accounts are IFRS 3 Business Combinations and IAS 19 Employee Benefits.

Pursuant to IFRS 3, the company's goodwill from acquisitions will not be amortized according to plan. It will instead be tested annually for impairment.

Goodwill amortization, which amounted to SEK 9.2 million in 2004, therefore will



not affect profit for 2005. Opening balances will be adjusted to reverse the amortization in 2004.

In 2004 AcandoFrontec tested goodwill for impairment in accordance with the Swedish Financial Accounting Standards Council's recommendation on writedowns (RR 17) and applied generally accepted cash flow methods. The valuation confirmed that the book value of AcandoFrontec's goodwill is motivated by future profitability and cash flows.

IAS 19, like recommendation RR 29 from January 1, 2004, contains new rules for reporting defined-benefit pension commitments. Just over half the company's employees have pension insurance from Alecta (ITP), which can be considered a defined-benefit plan. In accordance with pronouncement URA 42 of the Swedish Emerging Issues Task Force, however, it is reported as a defined-contribution plan in 2004, as the necessary information is not available from Alecta.

AcandoFrontec therefore cannot estimate the effect of IAS 19 at present. Pension fees paid to Alecta in 2004 amounted to SEK 9 million.

Other IAS/IFRS rules are expected to have little or no effect on AcandoFrontec's accounts.

The effects of the transition to IFRS are preliminary and based on current standards, which could be modified by December 31, 2005.

Annual General Meeting

The Annual General Meeting will be held at 3:00 pm (CET) on Thursday, May 12, 2005 at Salénhuset, Norrlandsgatan 11, Stockholm.

Nomination Committee

The Chairman of the Board has requested suggestions from the company's principal shareholders for a nomination committee to convene prior to the Annual General Meeting. The nomination committee consists of Ulf J Johansson, Chairman of AcandoFrontec AB; Bengt Wallentin, President of M Holding AB; and Ulf Hedlundh, President of Svolder AB.

Proposed dividend

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2004.

Upcoming financial reports

Interim report January – March 2005	April 28, 2005
Interim report January – June 2005	August 17, 2005
Interim report January – September 2005	October 28, 2005
Year-end report for 2005	February 2006

Stockholm, February 17, 2005

AcandoFrontec AB (publ)
Board of Directors



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Ticker symbol: AFAB



Consolidated income statement (SEK million)

	3 mos. OCT-DEC 2004	3 mos. OCT-DEC 2003	12 mos. JAN-DEC 2004	12 mos. JAN-DEC 2003
Net sales	167	161	608	499
Other operating income	7	2	15	11
Total sales	174	163	623	510
Personnel costs	-117	-127	-408	-435
Other operating expenses	-40	-30	-173	-214
Depreciation of tangible fixed assets	-2	-1	-9	-9
Operating profit before goodwill amortization, EBITA	15	5	33	-148
Goodwill amortization	-3	-4	-9	-4
Operating profit, EBIT	12	1	24	-152
Result from participations in Group companies	-	-	-	-3
Financial income	-	2	1	6
Financial expenses	-	-1	-1	-2
Profit after net financial items	12	2	24	-151
Tax**	7	-3	3	0
Net profit for the year	19	-1	27	-151
Profit per share before dilution	0.34	-0.02	0.49	-3.47
Profit per share after dilution *	0.32	-0.02	0.45	-3.47
Average number of shares	55,658,810	55,658,810	55,658,810	43,635,104
Average number of shares after dilution	60,191,927	59,880,927	60,191,927	47,857,221

* The dilution effect is not taken into account in negative results
Dilution consists of 1,275,517 convertible rights (1,275,517) and 3,257,600 (2,946,600) options.

** The company reported no tax paid. Reported income tax is the net of reversed and capitalized tax assets. The company has tax loss carryforwards totaling SEK 430 million, of which the equivalent of SEK 148 million is attributable to deferred capitalized tax assets of SEK 41.5 million.



Condensed consolidated balance sheet

(SEK million)	Dec. 31, 2004	Dec. 31, 2003
Assets		
Fixed assets		
Intangible fixed assets	80	77
Tangible fixed assets	6	13
Financial fixed assets	44	41
Total fixed assets	130	131
Current assets		
Current receivables	161	164
Short-term investments	1	8
Cash and bank balances	68	81
Total current assets	230	253
Total assets	360	384
Shareholders' equity, provisions and liabilities		
Shareholders' equity (Note 1)		
Restricted equity	175	175
Non-restricted equity	34	7
Provisions	-	57
Long-term interest-bearing liabilities	7	6
Current liabilities	144	139
Total shareholders' equity, provisions and liabilities	360	384



Consolidated statement of cash flows

(SEK million)	3 mos.	3 mos.	12 mos.	12 mos.
	OCT-DEC	OCT-DEC	JAN-DEC	JAN-DEC
	2004	2003	2004	2003
Operating activities				
Profit/loss after net financial items	12	2	24	-151
Adjustments for non-cash items, etc.	-23	-28	-70	52
Depreciation	5	4	19	13
Tax paid	0	7	0	1
Cash flow from operating activities				
before change in working capital	-6	-15	-27	-86
Net change in working capital	12	-5	5	2
Cash flow from operating activities	6	-20	-22	-84
Cash flow from investing activities	1	-5	1	-5
Cash flow from financing activities	1	3	1	3
Cash flow for the period	8	-22	-20	-86
Liquid assets at beginning of period	61	111	89	175
Liquid assets at end of period	69	89	69	89

NOTE 1 - Shareholders' equity

(SEK 000)	Dec. 31, 2004	Dec. 31, 2003
At beginning of the fiscal year	182,110	202,384
New share issue	246	131,213
Profit for the year	27,215	-151,487
At end of fiscal year	209,571	182,110



Key ratios (SEK million)

	3 mos. OCT-DEC 2004	3 mos. OCT-DEC 2003	12 mos. JAN-DEC 2004	12 mos. JAN-DEC 2003
Results				
Net sales	167	161	608	499
Operating profit before goodwill amortization, EBITA	15	5	33	-148
Operating profit, EBIT	12	1	24	-152
Profit after net financial items	12	2	24	-151
Margins				
Operating margin, %, EBITA	9.0	3.1	5.4	-29.7
Operating margin, %, EBIT	7.2	0.6	3.9	-30.5
Profitability				
Return on capital employed, %			12.1	-75.4
Return on equity, %			13.9	-78.8
Financial position				
Equity/assets ratio, %	58.2	47.1	58.2	47.1
Interest coverage ratio	57	4	23	-86
Per share				
Equity per share, SEK	3.48	3.04	3.48	3.04
Cash flow per share, SEK	0.13	-0.37	-0.33	-1.97
Profit per share, SEK	0.32	-0.02	0.45	-3.47
Employees				
Number of employees at end of period	532	620	532	620
Average number of employees	520	632	576	612
Net sales per employee, SEK thousand	321	255	1,056	790
Net investments, SEK million	0	0	0	3

Audit report

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