

FRAMTIDSFABRIKEN

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Interim Report 1 January – 30 June 1999

Framtidsfabriken AB (publ)

Continued strong and profitable growth

- **Operating profit after depreciation of tangible fixed assets in the first half of 1999 amounted to SEK 22.8 (5.9) million, an increase of 288 percent over the same period 1998.**
- **Profit after financial items in the first half of 1999 amounted to SEK 19.0 (4.9) million, corresponding to a profit margin of 16,9 (11.1) percent.**
- **Sales increased by 155 percent to SEK 112.0 (43.9) million. Pro-forma¹ sales amounted to SEK 151.7 (83.9) million in the first half of 1999.**
- **Cash flow from current operations amounted to SEK 19.8 (0.7) million in the first six months.**
- **In the first half of 1999, the number of employees rose from 145 to 364, an increase with 219.**
- **All companies within the group are profitable.**
- **Framtidsfabriken believes that strong growth with profitability will continue throughout 1999.**

Result and financial position

January – June 1999

Operating profit after depreciation of tangible fixed assets in the first half of 1999 increased to SEK 22.8 (5.9) million, corresponding to a margin of 20.4 (13.4) percent. The operating profit includes capital gains of SEK 3.5 million from the sale of 80 percent of the shares in Bredbandsbolaget. The operating margin after depreciation of tangible fixed assets, less the referenced capital gains, was 17.8 (13.4) percent.

Profit after financial items amounted to SEK 19.0 (4.9) million, which corresponds to a profit margin of 16.9 (11.1) percent. The profit margin, less the referenced capital gains, was 14.3 (11.1) percent.

All companies within the group are profitable.

Sales increased by 155 percent to SEK 112.0 (43.9) million.

SEK million	Group Jan-Jun 1999	Group Jan-Jun 1998
Sales	112.0	43.9
Sales growth	155.2 %	
Operating profit after depreciation of tangible fixed assets	22.8	5.9
Operating margin after depreciation of tangible fixed assets	20.4 %	13.4 %
Operating profit	18.6	5.1
Operating margin	16.6 %	11.5 %
Profit after financial items	19.0	4.9
Profit margin	16.9 %	11.1 %

The Group's liquid assets amounted to SEK 238.7 (5.0) million as of 30 June 1999. Through a new stock offering in conjunction with Framtidsfabriken's listing on the Stockholm Stock Exchange, the company raised SEK 171.1 million after expenses related to the issue in the first half of 1999. In July 1999, a new stock offering generated a further SEK 60.3 million, utilising the over-allotment option granted upon listing.

Shareholders' equity amounted to SEK 473.5 million as of 30 June 1999, yielding an equity/assets ratio of 86.3 (54.9) percent. Interest-bearing liabilities amounted to SEK 12.0 (0.6) million.

Despite strong expansion and associated investments, Framtidsfabriken showed positive cash flow from current operations amounting to SEK 19.8 (0.7) million in the first half of 1999.

Investment in tangible fixed assets amounted to SEK 4.3 (2.9) million in the period. This relatively low investment volume is explained by Framtidsfabriken assigning the purchase of computers to operating expenses. In the first half of 1999, expensed computer equipment has been acquired to the amount of SEK 3.4 million. If this computer equipment had been capitalised in the balance sheet, the gross margin would have increased from 21.5 percent to 24.6 percent.

In the first half of 1999, Framtidsfabriken acquired 100 % of shares in Netsolutions and Networkers as well as 70 % of shares in M.O.R, which involved investment in goodwill totalling SEK 187.0 million. These companies are included in the Group financial statements as of 1 May 1999.

In the first half of 1999, the number of employees rose from 145 to 364, an increase with 219. In the period, the average number of employees was 222.

January – June 1999 pro-forma¹

The pro-forma operating profit after depreciation of tangible fixed assets increased to SEK 22.2 (8.6) million in the first half of 1999, which corresponds to a margin of 14.6 (10.2) percent. The operating profit includes capital gains of SEK 3.5 million arising from the sale of 80 percent of the shares in Bredbandsbolaget. The pro-forma operating margin after depreciation of tangible fixed assets, less the referenced capital gains, was 12.6 (10.2) percent.

The pro-forma profit after financial items amounted to SEK 11.5 (-1.3) million, yielding a pro-forma profit margin of 7.6 (-1.6) percent. The pro-forma profit margin, less the referenced capital gains, was 5.4 (-1.6) percent.

Pro-forma sales in the first half of 1999 amounted to SEK 151.7 (83.9) million.

1) The pro-forma financial statements comprise the present companies of the Framtidsfabriken group, i.e. Framtidsfabriken, Netsolutions, Networkers, M.O.R and a small number of dormant subsidiaries. In contrast to the formal Group financial statements, in which Netsolutions, Networkers and M.O.R. were consolidated as of 1 May 1999, these companies were consolidated as if they had been part of the Group throughout the period covered by the pro-forma financial statements. The pro-forma financial statements have nevertheless been prepared on the basis of acquisition analyses carried out at the actual time of each acquisition. Framtidsfabriken's current accounting principles have been applied in the pro-forma financial statements.

When comparing with the pro-forma financial statements in the prospectus, which were prepared in connection with Framtidsfabriken's listing on the Stockholm Stock Exchange, it should be noted that M.O.R was not included in the financial statements in the prospectus.

Market and sales

The market for Internet consulting services is expanding very rapidly. The ambition level in corporate Internet commitment continues to grow, resulting in increasingly complex projects. Framtidsfabriken is today one of only a few European Internet consulting firms with the resources and expertise to meet the demands of clients requiring a strategic total solution supplier.

Sales volume in the first half of 1999 grew as a result of new sales as well as increasing investments by existing customers. The sales strategy of prioritising long-term collaboration with leading multinational corporations, which Framtidsfabriken has followed internationally, has proven successful. The strategy has resulted in larger clients, more demanding assignments and sustained growth with profitability.

One example of an agreement focusing on the development of trademark recognition and business on the Internet is SJ Cargo Group, a new strategic client with whom Framtidsfabriken has signed a three-year contract.

A long-term framework agreement has also been concluded with Bredbandsbolaget in combination with a letter of intent with Ericsson regarding development of interactive broadband services. The agreement is expected to generate additional sales of approx. SEK 10 million in the second half of 1999.

New international clients include Universal and Goodyear.

Acquisitions

In April, Framtidsfabriken entered a phase of accelerated growth by acquiring all the shares in Netsolutions through a directed new share issue. In May, 70 percent of the shares in the interactive advertising agency M.O.R. and 100 percent of the shares in the Danish Internet consulting firm Networkers were acquired through directed new share issues. In addition, a letter of intent was signed with the London-based Internet consulting firm Vivid Edge, which on completion of a GBP 240,000 new share issue will give Framtidsfabriken a 51 percent holding in the company with the option of acquiring a further 40 percent in May 2000. The final agreement with Vivid Edge was signed in August 1999.

In August, a letter of intent was signed for acquisition of the French Internet consulting firm Wcube. The initial investment will give Framtidsfabriken ownership of 95 percent of Wcube shares with the option of acquiring the remaining shares in the first quarter of 2001. Wcube has approx. 40 employees.

While these acquisitions will provide synergistic effects in the form of more efficient use of resources, their primary contribution is in the form of complementary expertise. Netsolutions offers leading-edge expertise in project management and the building of structure capital; Networkers is one of Northern Europe's most knowledgeable companies in the building of trademarks on the Internet, while M.O.R was one of the first Swedish

advertising agencies to work with interactive media. Vivid Edge and Wcube add important client contacts and provide bridgeheads for continued European expansion.

Sale of Bredbandsbolaget

Bredbandsbolaget should be regarded as a result of Framtidsfabriken's ambition to seize and realise new business opportunities. The operation will in the near future require very extensive capital investments. In the context of the merger with Netsolutions, the Board decided that Bredbandsbolaget's operations were not compatible to Framtidsfabriken's business concept. Accordingly, in May 1999, 80 percent of Bredbandsbolaget shares were sold for SEK 8.0 million. In June, Carlyle, Investor and companies associated with the Hans Rausing family invested in Bredbandsbolaget, thereby reducing Framtidsfabriken's ownership to approx. ca 9 percent. In August, Intel became shareholder in Bredbandsbolaget.

Corporate expansion

In addition to the referenced acquisitions, new offices were established in Linköping, Lund and Malmö in the first half of 1999.

Share data

Profit after tax in the first six months amounted to SEK 12.8 (3.1) million, which corresponds to SEK 1.52 (0.52) per share. Shareholders' equity per share was SEK 39.28 (4.45) as of 30 June.

The parent company had 12,053,426 registered shares as of 30 June 1999. In the first half of 1999, the number of shares increased by a total of 5,046,645 through non-cash issues in conjunction with the acquisition of Netsolutions (2,536,687 shares), Networkers (900,000 shares) and M.O.R (109 958 shares) and through a new stock offering in connection with Framtidsfabriken's listing on the stock exchange (1,500,000 shares).

In July 1999, the number of shares increased by 500,000 to 12,553,426 by exercising the over-allotment option issued in connection with Framtidsfabriken's listing on the stock exchange. Exercising outstanding warrants will increase the number of shares by 800,000 to 13,353,426.

Ownership structure

Framtidsfabriken was listed on the Stockholm Stock Exchange on 23 June 1999. Very heavy interest resulted in fourteen-fold subscription of the offering. As of 30 June 1999, foreign shareholders controlled approx. 35 percent of the company.

Board of directors

At the Annual General Meeting in April 1999, Carl Wilhelm Ros was elected Chairman of the Board. Other Board members include Jonas Birgersson, Ken Ceder, Paul Saffo, Sven Skarendahl, Bertil Villard and Johan Wall.

Outlook for 1999

The current order stock and expansion rate suggests continued strong growth with profitability in 1999. The time required to locate and rapidly integrate competent personnel into the operation is the primary challenge to a sustained high growthrate.

Parent company

In the first half of 1999, the parent company showed net sales of SEK 83.6 (0.3) million. The profit after financial items was SEK 21.2 (0.0) million. Investments totalled SEK 4.3 (2.4) million. As of 30 June 1999, the parent company's liquid assets amounted to SEK 209.9 (0.1) million.

Next report

Interim Report for the nine-month period January – September 1999 is estimated to be published on 28 October 1999.

Stockholm, 24 August 1999

Framtidsfabriken AB (public corporation)
The Board of Directors

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

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Framtidsfabriken's business concept is to create new business for the evolving Internet economy through digital and interactive services.

Framtidsfabriken today has 470 employees divided between eleven offices located in Copenhagen, Gothenburg, Linköping, London, Lund, Malmö, Paris and Stockholm.

Framtidsfabriken is the general supplier of Internet services to Volvo Car Corporation, the National Power Administration, IKEA and Electrolux. Among our other clients are AstraZeneca, GE Capital, the SAAB Group, Tele Danmark and Unibank.

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Summary income statement for the first six months

SEK million	Group Jan-Jun 1999	Group Jan-Jun 1998	Pro-forma¹ Jan-Jun 1999	Pro-forma¹ Jan-Jun 1998
Net sales	108,5	43,7	148,2	83,7
Other operating income	3,5	0,2	3,5	0,2
Sales	112,0	43,9	151,7	83,9
Operating expenses	-87,9	-37,7	-127,5	-74,5
Operating profit before depreciation	24,1	6,2	24,2	9,4
Depreciation of tangible fixed assets	-1,3	-0,3	-2,0	-0,8
Operating profit after depreciation of tangible fixed assets	22,8	5,9	22,2	8,6
Amortisation of goodwill	-4,1	-0,8	-10,6	-10,2
Amortisation of other intangible fixed assets	-0,1	-	-0,5	-
Operating profit	18,6	5,1	11,1	-1,6
Financial net	0,4	-0,2	0,4	0,3
Profit after financial items	19,0	4,9	11,5	-1,3
Taxes	-6,5	-1,8	-6,0	-2,9
Minority shares	-0,1	-	-0,2	-0,2
Profit for the period	12,4	3,1	5,3	-4,4

1) The pro-forma financial statements comprise the present companies of the Framtidsfabriken group, i.e. Framtidsfabriken, Netsolutions, Networkers, M.O.R and a small number of dormant subsidiaries. In contrast to the formal Group financial statements, in which Netsolutions, Networkers and M.O.R. were consolidated as of 1 May 1999, these companies were consolidated as if they had been part of the Group throughout the period covered by the pro-forma financial statements. The pro-forma financial statements have nevertheless been prepared on the basis of acquisition analyses carried out at the actual time of each acquisition. Framtidsfabriken's current accounting principles have been applied in the pro-forma financial statements.

When comparing with the pro-forma financial statements in the prospectus, which were prepared in connection with Framtidsfabriken's listing on the Stockholm Stock Exchange, it should be noted that M.O.R was not included in the financial statements in the prospectus.

Summary income statement for the second quarter

SEK million	Group Apr-Jun 1999	Group Apr-Jun 1998	Pro-forma¹ Apr-Jun 1999	Pro-forma¹ Apr-Jun 1998
Net sales	76,4	21,2	86,0	44,5
Other operating income	3,5	0,2	3,5	0,2
Sales	79,9	21,4	89,5	44,7
Operating expenses	-62,2	-23,2	-72,9	-44,3
Operating profit before depreciation	17,7	-1,8	16,6	0,4
Depreciation of tangible fixed assets	-0,9	-0,2	-1,1	-0,0
Operating profit after depreciation of tangible fixed assets	16,8	-2,0	15,5	0,4
Amortisation of goodwill	-3,7	-0,4	-5,3	-5,1
Amortisation of other intangible fixed assets	-0,2	-	-0,1	-
Operating profit	12,9	-2,4	10,1	-4,7
Financial net	0,2	-0,2	0,2	0,2
Profit after financial items	13,1	-2,6	10,3	-4,5
Taxes	-4,8	0,3	-4,3	-0,5
Minority shares	-0,1	-	-0,2	-0,2
Profit for the period	8,2	-2,3	5,8	-5,2

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Summary income statement for the first quarter

SEK million	Group Jan-Mar 1999	Group Jan-Mar 1998	Pro-forma¹ Jan-Mar 1999	Pro-forma¹ Jan-Mar 1998
Net sales	32,1	22,5	62,1	39,2
Other operating income	-	-	0,0	0,0
Sales	32,1	22,5	62,1	39,2
Operating expenses	-25,7	-14,5	-54,6	-30,2
Operating profit before depreciation	6,4	8,0	7,5	9,0
Depreciation of tangible fixed assets	-0,4	-0,1	-0,9	-0,8
Operating profit after depreciation of tangible fixed assets	6,0	7,9	6,6	8,2
Amortisation of goodwill	-0,4	-0,4	-5,3	-5,1
Amortisation of other intangible fixed assets	-	-	-0,3	-
Operating profit	5,6	7,5	1,0	3,1
Financial net	0,2	-0,0	0,2	0,1
Profit after financial items	5,8	7,5	1,2	3,2
Taxes	-1,6	-2,1	-1,7	-2,4
Minority shares	-	-	-0,0	0,0
Profit for the period	4,2	5,4	-0,5	0,8

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Summary balance sheet

SEK million	Group 1999-06-30	Group 1998-06-30	Group 1998-12-31
Assets			
Goodwill	204,6	16,0	15,2
Other intangible fixed assets	1,4	-	-
Tangible fixed assets	12,8	2,6	4,2
Financial fixed assets	2,6	-	0,0
Total fixed assets	221,4	18,6	19,4
Accounts receivable	51,8	14,3	41,4
Other current assets excl. liquid assets	38,0	10,3	9,8
Liquid assets	238,7	5,0	38,0
Total current assets	328,5	29,6	89,2
Total assets	549,9	48,2	108,6
Shareholders' equity and liabilities			
Restricted equity capital	451,6	22,6	74,4
Non-restricted reserves	9,5	0,8	1,3
Profit for the period	12,4	3,1	6,8
Total equity capital	473,5	26,5	82,5
Minority interests	1,3	-	-
Provisions	7,0	0,9	1,4
Interest-bearing liabilities	12,0	0,6	0,2
Long-term, non-interest bearing liabilities	0,0	-	0,0
Current, non-interest bearing liabilities	56,1	20,2	24,5
Total liabilities	76,4	21,7	26,1
Total shareholders' equity and liabilities	549,9	48,2	108,6

Summary cash flow statement

SEK million	Group Jan-Jun 1999	Group Jan-Jun 1998	Pro-forma¹ Jan-Jun 1999	Pro-forma¹ Jan-Jun 1998
Cash flow from current operations before changes in working capital	18,4	5,1	17,5	7,4
Changes in working capital	1,4	-4,4	0,9	-5,9
Cash flow from current operations	19,8	0,7	18,4	1,5
Acquisition of subsidiaries ²	14,7	-	-1,6	-
Cash flow from other investment activities	-6,1	-19,7	-7,0	-20,6
Cash flow before financing	28,4	-19,0	9,8	-19,1
Cash flow from financing activities	172,3	23,9	170,5	29,2
Cash flow for the period	200,7	4,9	180,3	10,1
Exchange rate differences in liquid assets	0,0	-	0,0	-
Liquid assets, end of period	238,7	5,0	238,7	26,7

1) The pro-forma financial statements comprise the present companies of the Framtidsfabriken group, i.e. Framtidsfabriken, Netsolutions, Networkers, M.O.R and a small number of dormant subsidiaries. In contrast to the formal Group financial statements, in which Netsolutions, Networkers and M.O.R. were consolidated as of 1 May 1999, these companies were consolidated as if they had been members of the Group throughout the period covered by the pro-forma financial statements. The pro-forma financial statements have nevertheless been prepared on the basis of acquisition analyses carried out at the actual time of each acquisition. Framtidsfabriken's current accounting principles have been applied in the pro-forma financial statements.

When comparing with the pro-forma financial statements in the prospectus, which were prepared in connection with Framtidsfabriken's listing on the Stockholm Stock Exchange, it should be noted that M.O.R was not included in the financial statements in the prospectus.

2) The subsidiaries Netsolutions, Networkers and M.O.R were primarily acquired through directed new share issues stock to the owners of the respective companies. Acquisition of Netsolutions also involved a cash payment of approx. SEK 1.6 million. Liquid assets in subsidiaries Netsolutions, Networkers and M.O.R at the time of acquisition amounted to approx. SEK 16.3 million. The net increase in Group liquid assets through acquisitions thus amounted to SEK 14.7 million.

Key ratios

	Group Jan-Jun 1999	Group Jan-Jun 1998	Pro-forma¹ Jan-Jun 1999	Pro-forma¹ Jan-Jun 1998
Sales growth, %	155,2 %		80,8 %	
Gross margin, %	21,5 %	14,0 %	15,9 %	11,2 %
Operating margin after depreciation of tangible fixed assets, %	20,4 %	13,4 %	14,6 %	10,2 %
Operating margin, %	16,6 %	11,5 %	7,3 %	-1,9 %
Profit margin, %	16,9 %	11,1 %	7,6 %	-1,6 %
Equity/assets ratio, %	86,3 %	54,9 %	86,3 %	85,6 %
Return on capital employed, %	6,7 %	18,9 %	3,0 %	-0,4 %
Return on shareholders' equity, %	4,5 %	11,7 %	1,4 %	-1,8 %
Average number of employees	222	91	318	171
Employees at end of period	364	106	364	199
Sales per employee, SEK thousand	972 ³	-	898 ³	-
Profit per employee, SEK thousand	212 ³	-	126 ³	-

3) Based on last twelve months.

Definitions

Return on shareholders' equity: Profit after financial items, less deduction for full tax, divided by average shareholders' equity.	Operating margin after depreciation of tangible fixed assets: Operating profit after depreciation of tangible fixed assets as a percentage of sales.
Return on capital employed: Profit after financial items, plus financial expenses, divided by average capital employed.	Operating margin: Operating profit as a percentage of sales.
Gross margin: Operating profit before depreciation as a percentage of sales.	Equity/assets ratio: Shareholders' equity, including minority interest, as a percentage of total assets.
Shareholders' equity per share: Shareholders' equity divided by the number of outstanding shares.	Capital employed: Total assets reduced by non-interest bearing liabilities including deferred tax liability.
Sales per employee: Sales divided by the average number of full-time employees.	Profit margin: Profit after financial items as a percentage of sales.
Profit per employee: Operating profit after depreciation of tangible fixed assets divided by the average number of full-time employees.	Profit per share: Profit for the period after full tax divided by the average number of shares.