

Interim report for the period January 1 – June 30, 1999

Strong growth and improved results

Frontec Nordic's net sales rose by 54% to SEK 550 million (357), 24% of which was organic growth. Nordic's operating profit amounted to SEK 40 million (13). Efforts to profile the Technical Systems and IT business areas led to their positive development, with a further improvement in operating margins. Frontec Nordic's operating margin was 7.3% (3.6). Frontec Nordic's good growth is expected to continue during the second half of the year, with a positive profitability trend.

Software-AMT was repositioned with the new name Viewlocity and the integration product AMTriX was expanded with applications for logistics synchronization. Viewlocity's net sales rose by 49% to SEK 76 million (51). Its operating loss amounted to SEK -68 million (-39), which includes a significant investment build up and strengthening of the organization made possible by the \$10 million proceeds from the earlier share issue.

- **Consolidated net sales for the first half of 1999 rose by 50 to SEK 640 million (427).**
- **The consolidated result after net financial items was SEK -6 million (-31). Net profit amounted to SEK 8 (-32).**
- **The efforts to seek a NASDAQ listing before year-end 2000 are in progress.**
- **Earnings per share amounted to SEK 0.28 (-1.38).**

Kontor även i:

Boden
Eskilstuna
Göteborg
Jönköping
Kalmar

Linköping
Luleå
Malmö
Norrköping
Sundsvall

Pajala
Piteå
Trollhättan
Västerås

Australien
Belgien
Danmark
England
Holland

Kina
Norge
Singapore
Tyskland
USA

Frontec Group

Revenue and results

During the first six months of 1999 net sales rose by 50% to a total of SEK 640 million (427), with a result after net financial items of SEK -6 million (-31). Net profit was SEK 8 million (-32). The restructuring provisions of SEK 14 million include severance pay for the former president and other senior executives of Frontec AB.

Frontec's second-quarter net sales rose by 48% to SEK 337 million (227). The loss after net financial items during the second quarter was SEK -25 million (-15).

Earnings per share after calculated tax amounted to SEK 0.28 (-1.38).

Major developments after June 30, 1999

To consolidate its leading position in product and production development, Frontec has established the Frontec Institute of Science with the assistance of Professor Stig Ottosson. The mission of the Institute is to promote the development of skills and methods with the help of a network of researchers from within Frontec and independent Swedish and international researchers in the field, in the process strengthening the resources available to Frontec's customers.

Employees

During the first six months 183 (102) new employees were hired by the Group. As of June 30, 1999 there were a total of 1,288 Group employees (934), of whom 188 (146) were outside Sweden. The employee turnover rate was 7.7% (8.5).

Liquid assets

The Group's liquid assets, including short-term investments, amounted to SEK 154 million (55) as of June 30, 1999.

Investments

The Group's net investments for the period amounted to SEK 16 million (16), of which SEK 1 million was consolidated goodwill.

Frontec share

As of June 30, 1999, 567,328 class C shares had been converted to class B shares. At the same time 706,720 new B shares were subscribed for by C shareholders who exercised their subscription rights upon each conversion. The remaining number of C shares thereafter amounts to 827,315. The number of shares after the conversion of all outstanding warrants is estimated at 28,438,596.

Frontec Nordic

Revenue and results

For the six months of 1999 net sales rose by 54% to SEK 550 million (357), 24% of which was organic growth. Profit after net financial items amounted to SEK 40 million (13).

Frontec Nordic (consulting operations) raised its second-quarter net sales by 55% to SEK 289 million (186). Profit after net financial items for the quarter was SEK 23 million (6).

Employee turnover was 6.9% (8.0) during the first half year.

Market

Frontec Nordic's two business areas - Technical Systems and IT – have continued to develop successfully. Within the IT area, the emphasis has been on electronic commerce and Internet Commerce where the majority of customer solutions are Internet-based. Within Technical Systems, concepts for targeted the automotive and telecommunications industries have been established. Demand is high in both of Frontec's areas, with good capacity utilization.

The second quarter's major business developments were as follows:

- Frontec and Ericsson Telecom signed a four-year operations agreement for two subsystems used in Ericsson's AXE.
- As of mid-year Frontec had framework agreements with ten of Sweden's largest industrial companies and eight in the public sector. The role of framework agreements is increasing in importance, and the agreement with Volvo, for example, has proven very valuable.
- Frontec supplied an advanced Internet based business gateway to Post Danmark (the Danish postal service) for such Internet customers as Lego.
- Collins & Aikman, one of the world's leading subcontractors to the automotive industry, expanded its AMTriX cooperation to include support for an EDI system in Europe.
- Frontec took over Motorola's training for PowerPC processors for the entire Scandinavian region, consolidating its position as a center of expertise for PowerPC.
- Hewlett Packard expanded its support agreement with Frontec to include Denmark and Norway.

Frontec Maintenance Systems (FMS)

Revenue and results

During the first half of 1999 net sales amounted to SEK 31 million (30). The loss after net financial items for the first six months was SEK -3 million (2).

Second-quarter net sales for Frontec FMS (maintenance systems) amounted to SEK 18 million (18), with a loss after net financial items of SEK -1 million (4).

Market

FMS' applications for maintenance of industrial facilities are marketed primarily in Europe. Sales of licenses to new customers have declined because of market hesitance due to Y2K concerns. This decline has been compensated by an increase in consulting services among the existing customer base. This has led to lower margins.

Major orders were received from, among others, Van Genechten Biermans for installation at eight plants in Europe, as well as from Stadtwerke Jena and Rieber & Son Toro A/S.

Viewlocity (formerly Software-AMT)

Revenue and results

Viewlocity, which is 77% owned by Frontec, reported net sales of SEK 76 million (51) during the first six months of 1999. The loss after net financial items for the first six months was SEK -68 million (-39).

During the second quarter net sales rose by 49% to SEK 40 million (27), with a loss after net financial items of SEK -47 million (-21). The cost increase is attributable to the repositioning of the operations and to significant investment build up and strengthening of the organization.

Market

Viewlocity's eBusiness solutions, which enable trading communities to Connect, Communicate and Collaborate, drive dynamic and adaptive supply chains by increasing the velocity of goods, information and assets. Sales are done via Viewlocity's own offices and partners around the world.

During the second quarter Viewlocity expanded its presence as a global supplier in electronic commerce, logistics and electronic marketplaces. New customers include Wyle Electronics in the U.S., Unilever in Europe and Ericsson in Australia. A global contract was signed with Carrefour in France for installations in more than 25 countries. DHL has expanded their existing installations. Hong Kong-based Arena has selected AMTriX for an electronic marketplace.

Expansion

Due to the move of the company's headquarters to Atlanta and the build up efforts, the number of U.S. employees increased, to 56. In Germany, operations were expanded through the acquisition of Lehnert GmbH, and in France Viewlocity established its own subsidiary.

Financing

Fully diluted by outstanding options, Frontec's ownership will be 56%. Frontec's intention is to provide further financing of Viewlocity through expanding the owner structure on Viewlocity's own merits. Secondary financing rounds are planned. Preparations for a NASDAQ listing for Viewlocity before year-end 2000 are in progress.

Full-year 1999

Frontec Nordic expects further volume growth, with a continued focus on improved profitability.

Information

The nine-month interim report will be released on November 1, 1999.

Solna, August 25, 1999

Frontec AB (publ)
Board of Directors

This report has been reviewed by the company's auditors.

Further information: A telephone conference will be held on Thursday August 26 at 3 pm CET - 16.00 Swedish Time. Please call +46 8 598 009 34 a few minutes before the start of the conference.

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