

## **Year-end report for the abbreviated fiscal year January 1 – June 30, 2000**

- ◆ **Consolidated net sales amounted to SEK 533 million (640: proforma 571).**
- ◆ **The consolidated loss after net financial items was SEK -26 million (-6) after the nonrecurring effects of the SPP refund.**
- ◆ **The loss after minority shares and tax was SEK -80 million (8).**
- ◆ **The loss per share was SEK -2.82 (0.28).**
- ◆ **Viewlocity registered a preliminary prospectus for a listing in the U.S.**
- ◆ **Frontec Technical Services changed its name to BlueLabs.**

The reorganization of Frontec accelerated during the period. New strategic partners were added by Viewlocity, in which Frontec's ownership interest is now less than 50%. Consequently, only the share of equity in Viewlocity – and not its income and expenses - is reported in the consolidated income statement. In August, Viewlocity filed a preliminary application with the Securities and Exchange Commission to list the company on a U.S. stock exchange.

In the area of eBusiness, major restructurings have been implemented and resources have been allocated to create a competitive unit with a totally new organization as of September 1.

BlueLabs is preparing for a listing on the Stockholm Stock Exchange.

**Kontor även i:**

Boden  
Eskilstuna  
Göteborg  
Jönköping  
Kalmar

Linköping  
Luleå  
Malmö  
Norrköping  
Sundsvall

Pajala  
Piteå  
Trollhättan

Australien  
Belgien  
Danmark  
England  
Holland

Kina  
Norge  
Singapore  
Tyskland  
USA

## **Frontec Group**

### **Sales and results**

As Frontec's ownership interest is now less than 50%, only the share of equity in Viewlocity is reported in the consolidated income statement, in accordance with the equity accounting method.

Frontec's net sales totaled SEK 533 million (640) during the abbreviated fiscal year.

The consolidated loss after net financial items was SEK -26 million (-6). The result was affected positively by new share issues implemented by Viewlocity and a subsequent dilution gain of SEK 97 million, but was charged with SEK -93 million for the share of equity in Viewlocity.

The operating loss after goodwill amortization amounted to SEK -16 million (-52), including Group amortization of SEK 17 million (29), of which SEK 5 million (5) is amortization of intangible assets.

During the second quarter, the establishment of separate units for eBusiness and BlueLabs as well as preparations for listings of BlueLabs and Viewlocity were again charged against the Group's results.

Net financial items amounted to SEK -14 million (1). Tax for the year, including the change in deferred tax, was SEK -54 million (-1). Frontec's transfer of the AMT division to Viewlocity in 1999 resulted in a taxable capital gain for Frontec. The deferment of taxation on the gain expired in the fiscal year January-June 2000, when Viewlocity went from being a subsidiary to being an associated company, resulting in a tax charge of SEK 53 million.

The loss after tax amounted to SEK -80 million (8) and the loss per share to SEK -2.82 (0.28).

During the second quarter, the Group's net sales amounted to SEK 258 million (337), while the quarterly profit after net financial items was SEK 26 million (-25).

The surplus insurance refund from SPP, which amounts to SEK 40 million for the Group, is reported in operating results among items affecting comparability.

### **New management**

On June 1, Per Tjernberg took over as President and Chief Executive Officer. In August, Björn Sandberg was appointed Chief Financial Officer, succeeding Anders Stensson, who assumed the post of Financial Manager at BlueLabs. The organization was also strengthened through the addition of Mats Modéen as Group Controller.

### **Employees**

During the first six months, 154 (183) new employees were hired by the Group. As of June 30, 2000, the Group had 1,215 (1,288) employees, of whom 55 (188) were outside Sweden. Employee turnover was 9% (8).

### **Liquid assets**

The Group's liquid assets, including short-term investments, amounted to SEK 77 million (154) as of June 30, 2000. The difference is primarily due to Viewlocity's SEK 74 million in liquid assets as of June 30, 1999.

### **Investments**

The Group's net investments for the period amounted to SEK -4 million (16), of which SEK 0 million (1) consists of Group goodwill.

### **Frontec share**

The number of class A shares amounts to 2,640,000. During the period, 800,000 class A shares were restamped as class B shares. The number of class B shares amounts to 23,966,050 and the number of class C shares to 509,186. The number of shares after the conversion of all outstanding warrants is estimated at 28,430,121.

The number of shareholders rose by more than 4,000 during the period and is now up to 22,804 as of June 30, 2000. More than 85% are Swedish shareholders and 90% own less than 1,000 shares.

## **Frontec eBusiness**

### **Sales and results**

Frontec eBusiness' net sales amounted to SEK 324 million (351). During the second quarter, net sales amounted to SEK 154 million (183).

Profit after net financial items was SEK 7 million (22).

During the second quarter, profit amounted to SEK 4 million (15).

The profit figure includes the refund from SPP of SEK 26 million.

### **Market**

The period was distinguished by a shift from traditional IT consulting to eBusiness solutions, resulting in expenses for both concept development and skills reinforcements, as well as a number of restructurings internally.

eMate, Frontec's image-creating unit, has strongly contributed to a change in image and demonstrated its quickness through intelligent ways of working and strong delivery capabilities.

During the period, eBusiness invested in FineTools, a toolbox for Intranet design, and eConnect, a network service for entrances and exists to e-commerce.

The efforts to promote ASP with the so-called Business Hotel, which offers small and medium-size clients access to SAP R/3 as a network service, have continued. To date, few deals have been completed, but great interest has been shown by the market. Similar tendencies are apparent in other markets, although in England, for example, business has picked up since the start of the year.

The importance of framework agreements increased during the period, particularly in the case of Volvo, where Frontec's strong position has led to projects in completely new areas. Volume also increased from other strategic clients. Demand for traditional consulting services has been normal, although product-based eBusiness units have experienced major difficulties securing new business since the start of the new millennium. Organic growth was intentionally kept low during the period, as management anticipated back in the autumn of 1999 that the market would be weaker in the spring of 2000.

During the second quarter, eBusiness:

- Continued to develop major eBusiness projects with clients such as Kronans Droghandel, Dahls and Heléns rör.
- Signed a framework agreement with the Swedish Agency for Administrative Development on the procurement of XML services and products.
- Assisted Latvia's immigration board with EU harmonization using a so-called Flight.

## **Employees**

At the end of the period, the total number of employees at Frontec eBusiness was 692 (649). Employee turnover was 7%.

## **BlueLabs (formerly Frontec Technical Systems)**

### **Sales and results**

BlueLabs' net sales rose by 3% compared with the previous year, to SEK 158 million (153). During the second quarter, net sales amounted to SEK 77 million (73).

Profit after net financial items amounted to SEK 12 million (18). During the second quarter, profit was SEK 6 million (5). This includes the SPP refund of SEK 7 million.

During the first quarter, Frontec Technical Services began a major restructuring, resulting in the establishment of BlueLabs as a high-technology consulting firm. A new name and identity, which stand for innovation through intelligent communication, were launched. The restructuring is now complete, and BlueLabs currently has operations in Stockholm, Gothenburg, Linköping and Pajala/Luleå.

The acquisition of Binomen AB was finalized as of June 30. With its expertise in Rational Software's systems development products, Binomen serves as the core of BlueLabs' Rational Competence Center.

### **Market**

The profiling of BlueLabs' areas of application - Mobile IT, Telecommunications, Automotive IT and Intelligent Homes - has continued and is receiving great interest from the market. Demand was good during the period.

By having the right competence in technical areas such as third-generation mobile telephony, Bluetooth, etc., BlueLabs is in a favorable market position and is creating good opportunities for the future.

Highlights during the second quarter:

- BlueLabs signed a framework agreement with Motorola and thus became the first company in Europe to be able to customize the internal microcode in Motorola's MPC8260 QUICC II TM processor.
- BlueLabs signed an agreement with Micronic AB on the development of a subsystem for pattern generators for the semiconductor market.

### **Employees**

At the end of the period, the total number of employees at BlueLabs was 315 (261). The acquisition of Binomen added 18 employees. Employee turnover was 8%.

Thanks the efforts to profile BlueLabs, its ability to attract skilled personnel has increased.

## **Frontec Maintenance Systems (FMS)**

### **Sales and results**

FMS' net sales amounted to SEK 27 million (31). During the second quarter, net sales amounted to SEK 13 million (18).

The loss after net financial items amounted to SEK -2 million (-3). During the second quarter, FMS reported a result of SEK 0 million (-1), which includes the refund from SPP of SEK 3 million.

## **Market**

FMS' applications for maintenance of industrial facilities are marketed primarily in Europe via its own sales companies and outside Europe by partners. The API system is being developed and marketed primarily for customers with NT or Unix platforms. The Idhammar 400 system is marketed for use with the IBM AS/400 platform and delivered in both client-server and character-based versions.

The market has remained weak since the millennium shift. Demand for consulting services has declined, while licensing sales are rising slightly. Orders received at the end of the period indicate a further improvement in licensing sales during the remainder of the year. A comprehensive cost-savings program was implemented in order to adapt to market conditions and raise profitability. The impact of this program is expected in the fourth quarter.

Significant orders were received during the period from, among others: Singapore's Ministry of the Environment, for one of the world's largest waste treatment plants; GKN Sintermetals GmbH in Germany; Fuji Hunt S.A. in Belgium; IEMANTS B.V. in Belgium; Bahama Electrical Corporation, Nassau; TCHIBO GmbH in Germany and Otto Sauer Achsenfabrik KG in Germany.

## **Employees**

At the end of the period, the total number of employees at FMS was 67 (67). Employee turnover was 10%.

## **Viewlocity**

### **Sales and results**

Viewlocity's net sales rose by 71% to SEK 130 million (76). During the second quarter, net sales rose by 81% to SEK 74 million (41).

The loss after net financial items amounted to SEK -209 million (-68). During the second quarter, the loss was SEK -117 million (-48)

Development is in line with the new management's plan.

## **Market**

Viewlocity develops and markets software and services for B2B e-commerce.

## **Financing**

Viewlocity's ownership base was further diversified through a SEK 215 million direct placement to, among others, DHL International Ltd, Deutsche Post International BV, Marconi Capital Ltd and SingTel Ventures Pte. Ltd.

Following the new issue, Frontec's ownership interest is 41%. After full dilution from outstanding warrants, the holding will be 34%.

The objective is to list Viewlocity on a U.S. stock exchange, and in August the company registered a preliminary prospectus with the Securities and Exchange Commission.

## **Information**

The next financial report will be released on November 9, 2000.

The next Annual General Meeting will be held on November 28.

The annual report for the abbreviated fiscal year will be distributed to shareholders in October upon request.

Sundbyberg, August 25, 2000  
Frontec AB (publ)

Board of Directors

For further information, please contact:

Per Tjernberg, President and CEO

telephone +46-8-733 7505

Björn Sandberg, CFO

telephone +46-8-733 7521

Carl-Erland Schröder,

Director of Communications

telephone +46-8-733 7509

Frontec invites you to a presentation of the year-end report for analysts and the media hosted by Finanstidningen at 8:00 a.m. on Monday, August 28 at Opera-terrassen in Stockholm.

RSVP to Fredrik Lovén at +46-8-506 245 51.

Further information also available at [www.frontec.se](http://www.frontec.se)





