





## THE QUARTER IN SUMMARY

# Frontyard is showing continued expansion and improved results. Streamlining produces results.

- Turnover up 64% to MSEK 27.6. (16.8).
- Operating profit after depreciation of tangible assets (EBITA) increased to MSEK 2.1 (0.2).
- Profit after net financial items increased to MSEK 1.7 (0.03).
- Sales outside Sweden totaled 62% (8%).
- Energy-saving operation sold.
- Turnover growth forecast in excess of 50% for 2001, and positive whole-year results net of financial items of MSEK 10–15.

The Group in Summary	January-March 2001	January-March 2000	Change
Net turnover	27,638	16,855	64 %
Profit before goodwill amortization	2,151	2,328	27 %
Profit after net financial items	1,731	30	5,670 %
Net profit	1,520	30	4,967 %
Profit per stock unit, SEK	0.18	0.02	645 %
Equity/assets ratio	48.0 %	13.2 %	264 %

All amounts in this interim report are in thousands of Swedish kronor unless otherwise stated. Figures in brackets refer to the same period last year



## **THREE-MONTH REPORT 2001**

Frontyard aims to be Europe's leading supplier of Intelligent Internet Services.

#### SUMMARY

January-March 2001 is the first quarter following completed restructuring and streamlining of the Group, a refinement that is now starting to produce results in the form of increased turnover and profit. Turnover rose by 64% compared with the same period last year, while operating results before goodwill amortization increased by just over 800%. The period's results are well in line with the company's whole-year forecast, taking quarterly variations into account.

The focus on products and a broader geographic market means that Frontyard is now expanding dramatically. Frontyard's market is showing clear signals of strong growth, and new contracts have been signed during the period to substantiate this. Frontyard's leading position also creates the right conditions for greater market shares in 2001.

Frontyard is looking forward to a continued rise in sales and further improvements in results in 2001. The Board of Directors believes the margins will improve during the year, and that the goal of net margins within 15–25% will be achieved as early as the end of 2001. The improvement in margins is an effect of increased revenue and reduced costs.

#### SIGNIFICANT EVENTS DURING THE PERIOD

During the period, the final parts of the streamlining program initiated during the fall have been completed. Frontyard Energy has been sold and some changes in management have been made in order to strengthen the company's future development.

During the period, Frontyard was involved in delivering Sweden's first area of intelligent town houses. The project was a collaboration with HemEl and others.

Frontyard has also decided to expand on the Norwegian market by launching the MultiPoint service in Norway. This new venture along with several new contracts puts Frontyard in a strong position for the future.

#### FINANCIAL DEVELOPMENT

The Group's total turnover for the period increased by 64% to MSEK 27.6 (16.8). Operating results after depreciation of tangible assets (EBITA) increased 827% to MSEK 2.1 (0.2). Results net of financial items increased to MSEK 1.7 (0.03).

All companies in the Group are showing strong growth in turnover. The units are also showing positive results adjusted for expenditure related to research and product development. Research and development costs have increased considerably due to increased focus on products, and amounted to MSEK 2.3 (0) for the period. All costs for product development, research and development within the Group are expensed directly in each subsidiary's figures and are included in the reported financial results. Group goodwill amortization amounts to approximately MSEK 1.1 per quarter, and is reported in the parent company costs.

The Group is currently experiencing dramatic growth, resulting in greater capital tied-up. This puts some strain on Group liquidity in the short term.

At the close of the period, the number of employees was 51 (53).

#### **ACOUISITIONS AND SALES**

#### Sales

The company Frontyard Energy was sold during the first quarter. The sell-off only affects the parts of the operation selling energy-saving products to end consumers. The company was sold as it was not in line with the Group's core offer of Intelligent Internet Services, nor did it fulfil the Group's yield requirements.

The sell-off was the final stage of the refinement and focus program initiated by the Board in fall 2000.

## Effects of acquisitions and sales

In 2000 as a whole, Frontyard Energy accounted for MSEK 3.2 of Frontyard's turnover and negatively affected the results by around MSEK 7.0. The sale therefore only marginally affects total turnover, while the effect on this year's results will be positive. The sold business has not been consolidated in the first quarter of 2001.

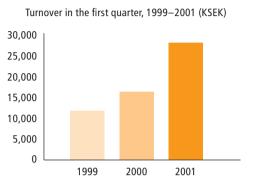
Frontyard AB Three-Month Report 2001

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## **THREE-MONTH REPORT 2001**

#### **OUARTERLY DEVELOPMENT**

Sales in the first quarter rose 64% to MSEK 27.6 (16.8).



Sales developed strongly during the quarter compared with the same period last year.

The table below shows Group turnover by quarter, as well as quarterly turnover based on a rolling average.



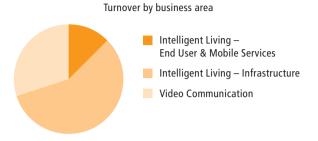
Note: The fourth quarter is usually the strongest due to seasonal variation.

#### **DEVELOPMENT BY BUSINESS AREA**

Business is conducted under three business areas: Intelligent Living – End User & Mobile Services, Intelligent Living – Infrastructure, and Video Communication.

The new business divisions came into force on 1 January 2001. There are therefore no historical figures for comparing the business areas as yet. All business areas primarily work with products.

Business area Intelligent Living – End User & Mobile Services accounts for 12% of total turnover, Intelligent Living – Infrastructure 57%, and Video Communication 31%.



## Business area Intelligent Living – End-User & Mobile Services

The business area comprises the companies eHem and Utilator. Activities in the business area include the Frontyard Group's product development focusing on software and system solutions for intelligent homes and buildings, etc.

There has been some change in the number of players on the market during the period, and Front-yard has therefore had the opportunity to increase its share of the Swedish market.

During the period, turnover amounted to MSEK 3.3 (0.8), and operating results to MSEK -2.0 (-1.3). These figures include R&D costs of MSEK 2.3. Organic growth within the business area was 307%.

# Business area Intelligent Living – Infrastructure

The business area comprises Martek with subsidiaries in the Netherlands and UK. Martek and subsidiaries are responsible for the Group's international retailer network. There are currently retailers in around 20 countries.

As the business area has a well-established operation with many retailers and interesting products, there is a strong foundation for high volumes and margins.

During the period, turnover amounted to MSEK 15.5 (13.3), and operating results to MSEK 4.2 (2.5). Organic growth within the business area was 16%.

## **Business area Video Communication**

Video Communication comprises Frontyard Communications with subsidiaries, including MultiPoint.

The sector is currently the leading total system supplier, with a market share of 70% in virtual multiparty meetings via the MultiPoint service.

The video communication market has developed well during the period, and several contracts have been signed with new customers. For example, several

## **THREE-MONTH REPORT 2001**

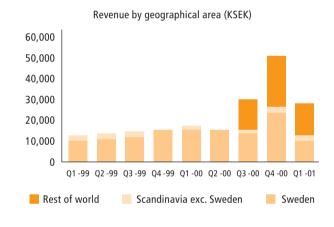
new deals have been made as a result of the national framework agreement signed in 2000.

During the period, turnover amounted to MSEK 8.3 (6.2), and operating results to MSEK 0.5 (-0.3). Organic growth within the business area was 34%.

#### **DEVELOPMENT BY GEOGRAPHIC MARKET**

Frontyard's principal market is Europe. The majority of the Group's sales are generated outside Sweden. Products are sold via Group companies in Sweden, Norway, Denmark, the Netherlands and the UK, and in a further 20 countries through retailers. Sales outside Sweden totaled MSEK 16.8 (1.3) during the period.

Of total Group sales during the first quarter, Sweden accounted for MSEK 10.2 (38%), the rest of Scandinavia for MSEK 1.4 (5%), and the rest of the world for MSEK 15.4 (57%). Sales in the rest of the world primarily refer to Europe.



## PROSPECTS FOR THE FUTURE

The Group's future prospects remain strong. Established business within Intelligent Living – Infrastructure and Video Communication is growing and showing improved margins, while development activities are also showing strong growth. The streamlining conducted during the winter has led to the selling-off of unprofitable sections, and a reduction in cost levels within the Group.

Altogether the Frontyard Group is in a strong position, with good products and presence in a variety of geographic markets. The combination of stable operations with good earning capacity, and high-potential development activities give Frontyard reason to face the future with confidence.

The Group's goal is to achieve a net margin in the subsidiaries of 15–25% within two years, and there is a sound foundation for this as Frontyard is a product company. The Board believes that these margins will be achieved as early as the end of 2001.

Frontyard expects turnover for 2001 to increase by at least 50% to MSEK 150, and results net of financial items to total MSEK 10–15.

Profit after tax is expected to be within the same range due to loss carry-forward from previous years.

#### STOCK TRADING

Frontyard AB's stock is listed on NGM Equity (previously the SBI stock list), FROY-B ticker.

## **OUTSTANDING STOCK UNITS**

At the end of the period, there were 8,561,616 (1,253,600) outstanding stock units. There were no changes during the quarter.

#### STOCKHOLDERS

The largest stockholders in terms of votes are The SCH Group (29%), Willem/Gert Bok through its companies (8%) and Alliance Capital Partner AB/ Alliance Stakeholders (5%).

#### ACCOUNTING CONCEPT

This interim report has been prepared in accordance with Recommendation 20 of the Swedish Financial Accounting Standards Council, relating to Interim Financial Reports. The same accounting concept and calculation methods have been used in this three-month report as in the latest Annual Report.

## AUDIT

The interim report has not been subject to examination by the company's auditors.

## **FUTURE REPORTS**

Annual General Meeting: 10 May 2001 2nd Quarter: 21 August 2001 3rd Quarter: 23 October 2001

Year-End Report 2001: 21 February 2002

Gothenburg, 24 April 2001

The Board of Directors of Frontyard AB (publ.)

Thommy Nilsson Jan Engström
Chairman of the Board President and CEO

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# THREE-MONTH REPORT 2001

Income Statements, KSEK	Jan-Mar 2001 Group	Jan-Mar 2000 Group	Jan-Mar 2001 Parent company	Jan-Mar 2000 Parent company
Net Sales	27,638	16,855	312	2,701
Operating expenses	-26,086	-16,475	-1,912	-2,719
Depreciation of fixed assets	-377	-148	-22	-43
Items affecting comparability	976		976	
Operating profit/loss before goodwill amortization	2,151	232	-646	-61
Goodwill amortization	-1,101	-121	_	-
Operating profit/loss	1,050	111	-646	-61
Net financial income /expense	681*	-81	-84	9
Profit/loss after financial items	1,731	30	-730	-52
Tax**	-211		-	-
Minority share	-	-		
Net profit/loss for the period	1,520	30	-730	-52
Balance Sheet, KSEK	31 Mar 2001 Group	31 Mar 2000 Group	31 Mar 2001 Parent company	31 Mar 2000 Parent company
Assets				
Intangible fixed assets	45,904	4,359	-	-
Tangible fixed assets	2,533	1,480	334	293
Financial fixed assets	4,712	8,512	79,783	17,153
Inventories etc.	31,572	5,871	26	85
Current receivables	30,981	16,656	15,000	5,585
Cash and bank	3,403	1,878	1,822	1,005
Total assets	119,105	38,756	96,965	24,121
Equity and liabilities				
Stockholders' equity	54,851	5,089	68,995	9,127
Minority stockholding	540			
Profit/loss for the period	1,520	30	-730	-52
Long-term liabilities	21,213	12,265	17,720	6,430
Current liabilities	40,981	21,372	10,980	8,616
Total equity and liabilities	119,105	38,756	96,965	24,121

# **THREE-MONTH REPORT 2001**

Cash flow analysis in brief, KSEK	Jan–Mar 2001 Group	Jan-Mar 2000 Group	Jan-Mar 2001 Parent company	Jan-Mar 2000 Parent company
Cash flow before change in working capital	-2,192	-349	-2,299	-592
Change in working capital	-2,079	-1,254	-3,052	-808
Cash flow from ongoing operations	-4,271	-1,603	-5,351	-1,400
Cash flow from investment activity	-347	3,987	1,379	4,018
Cash flow from financing activity	3,375	-1,815	3,981	-1,618
Cash flow for the period	-1,243	569	9	1,000
Liquid funds, at start of year	4,646	1,309	1,813	5
Liquid funds, at end of period	3,403	1,878	1,822	1,005
Key Ratios	31 Mar 2001 Group	31 Mar 2000 Group	31 Mar 2001 Parent Company	31 Mar 2000 Parent Company
Net sales per employee	521	318	156	675
Average number of employees	53	53	2	4
Earnings per stock unit, SEK***	0,18	0,02		
Profit margin, Group	6.3 %	0.2 %	neg	neg
Equity/assets ratio	47.8 %	13.2 %	70.4 %	37.6 %

<sup>\*</sup> Includes results from associated companies.

# FOR FURTHER INFORMATION, PLEASE CONTACT

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<sup>\*\*</sup> Tax is calculated at a standard rate

<sup>\*\*\*</sup> No. of stock units 8.561.616 and 1.252.000 respectively