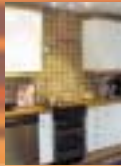


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#### DATES FOR FINANCIAL INFORMATION

##### Future Reports

1st QUARTER 24 April 2001

ANNUAL GENERAL MEETING 10 May 2001

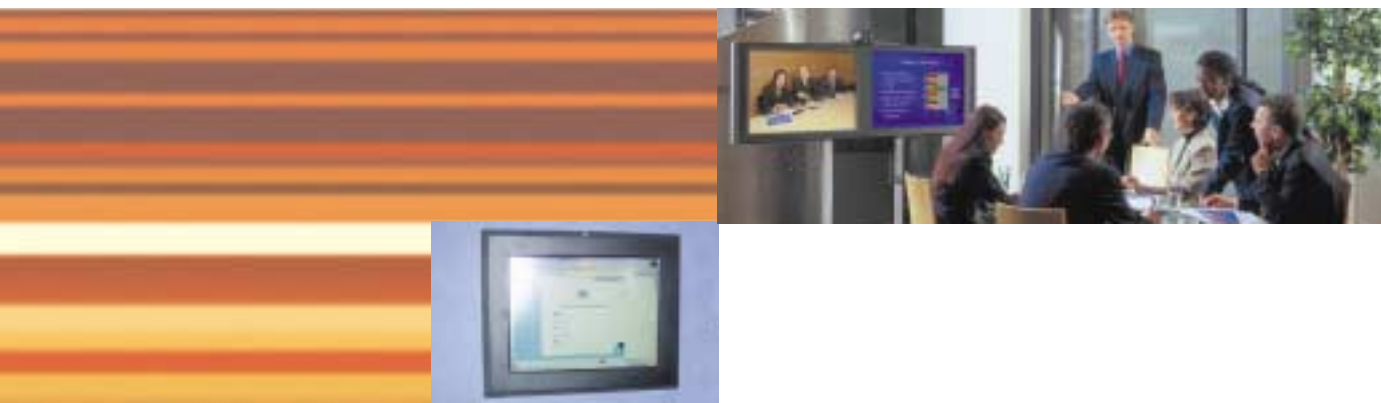
2nd QUARTER 21 August 2001

3rd QUARTER 23 October 2001

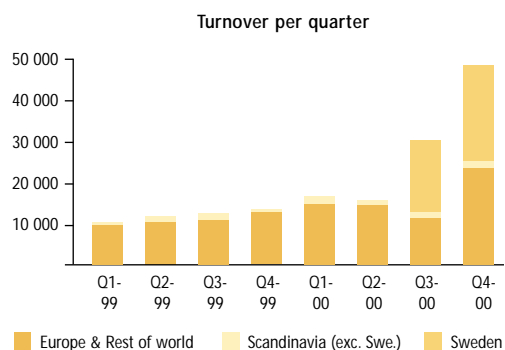
YEAR-END REPORT 21 February 2002

**ANNUAL GENERAL MEETING** The Annual General Meeting is being held at 10 a.m. on Thursday 10 May 2001 at Frontyard's premises on Anders Carlssons gata 14, Gothenburg, Sweden.

**ENTITLEMENT TO ATTEND THE AGM** Stockholders wishing to attend the AGM must have had their names entered in the share register kept by VPC AB (the Swedish Securities Register Centre) no later than 30 April 2001, and give notice of their attendance to Frontyard AB, Anders Carlssons gata 14, SE-417 55 Gothenburg, tel. +46 (0)31-744 24 00, fax +46 (0)31-744 24 99 or at [ir@frontyard.com](mailto:ir@frontyard.com) by Friday 4 May 2001 at the latest. The application must include name, address, telephone number, social security or corporate identity number and the registered stockholdings. Stockholders who have had their shares registered as held in trust by a nominee must have them temporarily re-registered in their own name at VPC in order to be able to exercise their voting right at the AGM. This registration must be carried out no later than 30 April 2001.



- Group changes name to Frontyard (formerly Daltek).  
New President & CEO and management appointed. Activities reorganized into three business areas.
- Frontyard changes business focus towards Intelligent Internet Services – with the main concentration on Intelligent Living and Video Communication.
- Through acquisitions of more product companies, investment in Research and Development and closing down consultancy activities, the Group has positioned itself as a refined product company.
- Internationalization initiated. At the year-end over half of the sales were generated outside Sweden, a result of the international venture initiated by Frontyard during the year. The venture will continue in order to afford Frontyard presence on more geographical markets.
- Turnover increased to MSEK 104.6 (61.2).
- Profit/loss after financial items excluding items affecting comparability increased to MSEK –7.2 (MSEK –17.2).
- Goodwill heavily amortized (MSEK 226.1).



Frontyard can look back on an exciting year. The last quarter of 2000 was the strongest in the Group's history. During the year, the company shifted the focus of its operation. We are now concentrating on Video Communication and products and services for Intelligent Living. The consultancy business has been wound down. Considerable investments have been made within Research and Development, which has changed Frontyard into a pure product company.

The year 2000 has seen an intensified focus on internationalization. At the end of the year, half of the income was generated outside Sweden.

Despite high one-off expenses for refinement, research and development and internationalization, the operating result improved compared with 1999. During the fourth quarter the Group reported an operating profit before goodwill amortization.

Our strategy – focusing on a growth market and wider geographic presence – has paid off. Today Frontyard is a leading player within Intelligent Living in Europe and Video Communication in Scandinavia.

Frontyard is now an international Group. This, combined with the refinement towards a product company, has produced results in the form of a profitable business, which was demonstrated in the final quarter. The refinement has also aided recruitment, and investors have shown greater interest.

During the year we have consciously built up the operation and delivered the expansion, turnover and results we promised. We have created unique technology and expanded internationally, which unfortunately has not been fully recog-

nized. Frontyard therefore aims to increase its market communication and to convey information about the Group in a clear way.

Expansion of broadband, via both cable and mobile systems, will also increase the need for Frontyard's products and services. Video Communication and Intelligent Living are examples of services that will be important within mobile Internet.

The Nordic region is a pioneering market for the mobile Internet and broadband. Our experience and competence yield significant competitive advantages. We are already working with leading telecommunications operators and major companies within these areas.

Frontyard is a product company, specializing in software applications. The conditions are good for high margins. The goal is to achieve a net margin of 15–25% within two years.

It is pleasing to see losses become profits, and the fact that Frontyard has shown that the long-term goal of growth above 50% and high margins is within reach.

Business is progressing well and the figures are moving in the right direction:

- The operating profit improved considerably during the year 2000. We achieved a positive operating result during the fourth quarter (EBITA).
- During the fourth quarter, sales rose by an entire 165% to MSEK 45.1.
- Sales of products increased during the final quarter by 193% compared with the corresponding period last year.

Our market is still in its infancy. As technology is refined the market will grow significantly. However, it is important to stress that Frontyard's current customer offer is aimed at people using the Internet via modems, ISDN, broadband and mobile telephony.

The majority of sales are generated outside Sweden via our own companies, that were in part acquired during the second half of 2000. Frontyard has its own representatives on markets spanning some one hundred million people. The potential is very high. The goal is to achieve equally good results on these markets as in Sweden, while at the same time working to expand our market share in Sweden.

All in all, the outlook for 2001 is bright. Frontyard is looking forward to continued international expansion and further improvements in results.



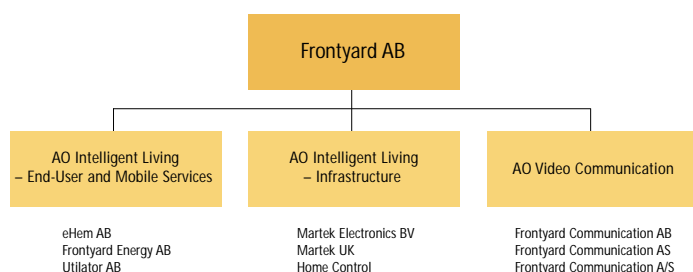
Jan Engström, President & CEO



**Frontyard is an international group** focusing on product sales. We are a market leader within products and services for Intelligent Living in Europe and Video Communication in Scandinavia.

Frontyard develops and sells software supplied in combination with third party hardware from our partners. The products and services we supply provide the fixed and mobile networks with content – useful services that give customers added value.

Frontyard has companies in five countries and is represented in a further 20 or so countries through retailers. Our software is now available in three languages and is used in 22 countries. As of January 2001, the operation is run under three business areas: Intelligent Living – End-User & Mobile Services, Intelligent Living – Infrastructure, and Video Communication.



### INTELLIGENT LIVING

Intelligent homes and smart housing have been discussed a great deal in the media during the past year. Frontyard is one of the players that have been involved in this and has coined the phrase intelligent homes. However, development is progressing rapidly, and today talk is not only of intelligent homes, but also an intelligent life. It's about the car, the career, the vacation home and the children. About communication between family, neighbors and friends. It's about Intelligent Living.

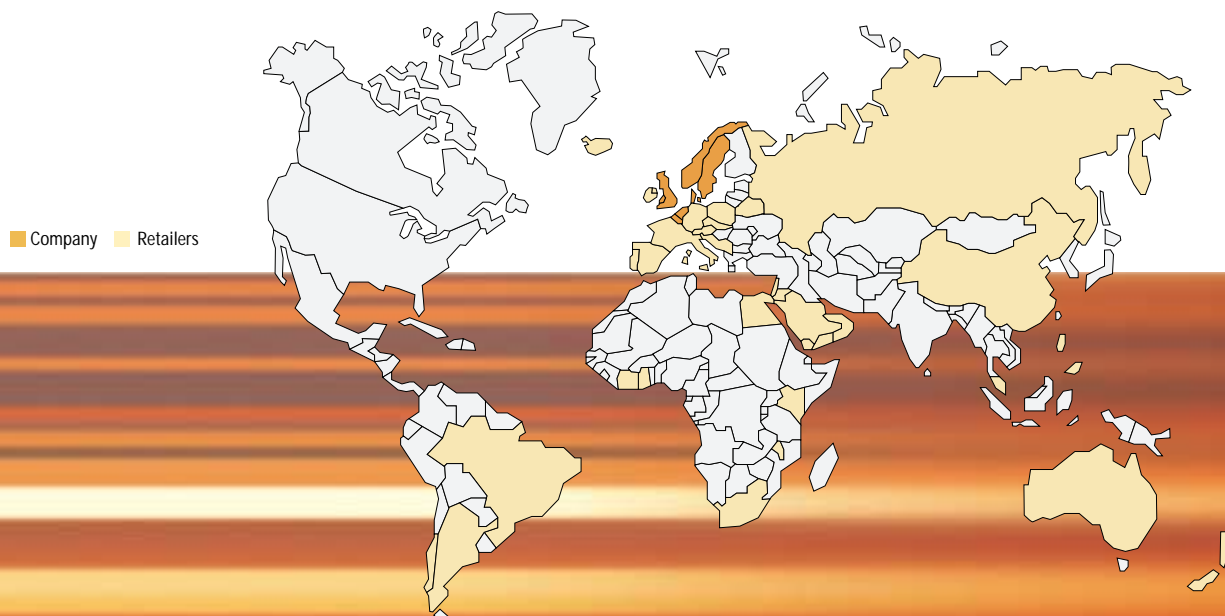
Frontyard has decided to divide business within Intelligent Living into two areas – End-User & Mobile Services, and Infrastructure. The business area End-User & Mobile Services

handles the development and sale of software and systems, while Infrastructure mainly deals with sales of ready-made packages and products.

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

Frontyard develops software and systems for Intelligent Living. Products that make it possible to control the home or vacation home, or to know where the children are. In 1999, we were the first company to make it possible for everyday people to control their homes via the Internet or mobile telephony. We have a broad range of expert knowledge in, for example, x-10, EIB, LonWorks, Windows and Linux, and our products are unique to the market as they support more than one standard. Our customers are mainly real estate and energy companies.

**Business area Intelligent Living – Infrastructure**  
Based in the Netherlands and with offices in the UK, this business unit sells and markets Frontyard products that create new opportunities in the home. We are the leading supplier of hardware



for automated homes in Europe, and are a partner of American company x-10. A partnership that means we are responsible for selling x-10 products in all countries with a 220-volt power supply. These products are currently sold via retailers in some 20 countries.

Frontyard's products are for control and monitoring, security, safety, convenience and entertainment. They are sold by large chains, as well as local stores and companies.

#### Business area Video Communication

Within video communication, Frontyard is a total supplier of services and third party products, and the leading supplier of multi-party meetings in northern Europe. A complete package that has made us a market leader in Scandinavia. We work together with such companies as ezenia!, PictureTel, TANDBERG and VTEL. Through research and development, Frontyard has built up a unique competence within TCP/IP-based video-streaming. This venture is important to be able to

develop the products and services of the future. Our customers are primarily international Groups with offices in several different locations.

#### FRONTYARD'S UNIQUE POSITION

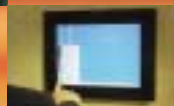
Today, Frontyard has a unique position on the market. We are a total supplier with international presence, our own products and unique expertise. Frontyard was the first company to bring Intelligent Homes to everyday consumers. We are also a total supplier within video communication and have 70% of the market for multi-party meetings in Sweden. By working with several different technologies such as x-10, EIB, LonWorks, GSM, GPRS, IP and Linux, we can offer products to suit most target groups.

We are entering the future with several large framework agreements and new partnerships. Cooperation that has already today given us customers and users in 22 countries and made us Europe's leading supplier.





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



#### VISION

Our private and our working lives are changing as new communication opportunities emerge. Opportunities generated as new fixed and mobile communication networks are built.

Communication networks that present new business opportunities and new ways of providing information, controlling, communicating and monitoring. Frontyard's products and services will be the preferred choice in this new world. Products and services that give added value and benefit to the individuals and companies we work with.

At the same time as new communication networks are built for fixed and mobile communication, a totally new infrastructure within homes and properties is being developed. This infrastructure is already a standard today for some real estate builders, and will be standard in all newly constructed buildings in the future.

The new infrastructure is opening up com-

pletely new opportunities. Services that used to be for the privileged few can now be enjoyed by the general public. Video communication, movies, games, alarms, heating regulation, light-

#### BUSINESS CONCEPT

"Frontyard's business concept is to be the leading supplier of products and services that take advantage of the latest communication technology to end consumers and companies in Europe, and to help our corporate customers increase their added value for the end consumer."

ing services and much more will be available and will simplify everyday life for ordinary people.

Frontyard develops products with an emphasis on software. We sell these products together with products from partners in order to provide companies with a functioning holistic solution. These companies then use Frontyard's products and services to reduce their costs and/or increase their revenue by supplementing their own cus-



tomer offer and creating a better, longer lasting relationship with them.

#### GOALS

Frontyard aims to:

- Deliver products and services to companies and end consumers
- Be market leader in Europe for Intelligent Living products
- Expand internationally
- Be an attractive workplace with satisfied personnel
- Further develop our cutting-edge expertise
- Achieve net margins for our own products of 25% within a two-year period
- Grow by more than 50% per year
- Yield an above-average return in the long term for our stockholders.

#### STRATEGIC CHOICES

Frontyard has made certain strategic choices. These choices affect our business and aim to help us quickly achieve our goals.

##### Frontyard develops its own products

By developing a large proportion of products in-house, focusing on software, Frontyard can create high margins in its operation. While enabling high margins, the focus on product development also entails a risk.

##### Total supplier for faster time-to-market

We complement Frontyard's own products with third party products in order to offer our customers a holistic solution.

#### Partnerships

Frontyard has several partnerships with different companies. Partnerships that mutually help us grow more quickly and compete more powerfully. Partnerships that help Frontyard achieve its set goals.

##### Standards and open interfaces

Frontyard bases its software development on standards and open interfaces and works with several leading technologies. We regard this as absolutely essential in order to fulfill our customers' requirements today and in the future.

##### Customers with customers

Frontyard's customers are mainly large organizations, real estate and energy companies. By focusing on these customers, Frontyard can quickly reach large numbers of end users, such as apartment dwellers and electricity customers.

#### Operator

Frontyard has decided to also work as an operator in order to ensure all customers have the opportunity to use Frontyard's products.

##### Direct contact with end customers

Frontyard has direct contact with end customers via the systems operated by Frontyard. This contact is important for developing future products.

#### International presence

Frontyard is an international Group. Through representation in different countries, we reach a larger customer base while our sales are less exposed to economic fluctuations.

We live in an age where processors can be found in most products, from cars to washing machines. For these products to work and communicate, software and services are required. Software and services that give the products intelligence and their owners a more trouble-free life. Products and services that Frontyard delivers.

### INTELLIGENT LIVING

Frontyard uses the term Intelligent Living. Our goal is to make everyday life easier. Our services not only involve controlling and monitoring the home, but also making information available to the whole family whether they are at work, in the car, at home or in town. All that is required is Internet access – via a modem, broadband or mobile phone.

In 1999, Frontyard was the first company to make it possible for everyday people to control their homes via the Internet. Today, Frontyard works with third generation systems and has users in 22 countries. Users who want to control their homes, monitor their vacation homes or check that the children are at home.

### INTELLIGENT INTERNET SERVICES

Frontyard today has a basic service offer encompassing around twenty different services that meet most of our customers' various needs. The services are intended for private individuals and companies. Common to all the services is that they create increased security, convenience or better economy for their users.

Frontyard develops products and services based on the latest technology. We develop client software and complete systems. Our guiding principle is open, flexible systems. Systems that can be developed and adapted to market require-

ments and technological progress. Systems that currently support standards such as EIB, LonWorks and x-10. We support communication protocols such as TCP/IP, SMS and WAP, while also offering products for both Windows and Linux. Something that has already proved a winning concept.

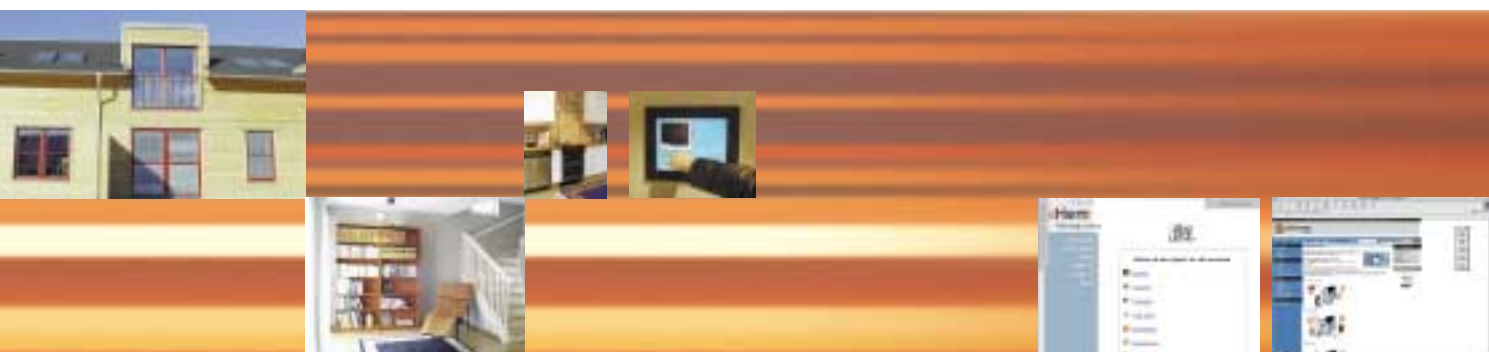
### INTELLIGENT BUILDINGS

Frontyard offers complete solutions that incorporate more efficient real estate management and services centering on the occupiers' convenience, safety and security. Solutions that help reduce operating costs and increase added value. These services include collecting and presenting flow data and temperatures for individual distribution of costs for power, water and heating etc. Services that can increase the occupiers' awareness of what their consumption is actually costing.



Gulltman Foto

Picture from the building of the housing exhibition Bo01, where Frontyard is working together with MKB Fastighets AB who are building 29 intelligent apartments.



Frontyard has products both for older existing properties and new buildings. Products that target real estate companies and occupiers alike. Products and services that, for example, fill the broadband network with a valuable content.

#### FRONTYARD – A TOTAL SUPPLIER

Frontyard delivers products and services developed in-house combined with products from other suppliers. By assuming total responsibility we can guarantee the customer receives a working solution. All to give our customers the best service imaginable and to enable us to grow on a rapidly developing market. Frontyard's customers are mainly energy companies, real estate firms, house-builders, Internet operators and web portals. Customers that reach a high number of end users.

By focusing on research and development, Frontyard has built up unique expertise within the field of Intelligent Living. Experience from Sweden and further afield, from security to user-

friendliness, from Linux to Windows and from components to complete systems, enables Frontyard to meet customer requirements in the best possible way. This experience is an important competitive advantage for Frontyard.

Frontyard also works as an operator, and manages the operation of the systems we deliver. Everything to make the products and services accessible to as many customers as possible, today. Systems are currently operating in three different languages. These systems come into contact with the users via seven different user interfaces, depending on which partner they are a customer of. Flexibility few can beat.

#### Frontyard works with the following standards

X-10	Linux	GPRS
EIB	TCP/IP	OSGi
LonWorks	SMS	UPnP
Windows	WAP	



**Making the Intelligent Living vision** possible calls for a completely new type of infrastructure. An infrastructure with communicable power systems, Residential Gateways and other products that control and gather information. An infrastructure that is starting to become the standard for newly produced houses and other buildings. An infrastructure that Frontyard sells in countries with a 220-volt power supply worldwide.

In the Intelligent Living – Infrastructure business area, Frontyard sells and markets products that create new opportunities in the home. Products for transferring light and images wirelessly, alarm systems for increased safety and security, and communicable electrical equipment for controlling, monitoring and automating the home. Products that will soon be commonplace in everyone's home.

Frontyard currently sells packages and products for Intelligent Living in some 20 countries. The majority of the products are based on the x-10 standard. x-10 is a leading standard within the automation of existing buildings. x-10 products communicate via the home's existing power grid. This makes installation very simple and no new cabling is needed. The products are for controlling and monitoring the home, safety/security, convenience/entertainment and economy,

and are sold by large chains, as well as local stores and companies.

### SALES OF PACKAGES AND PRODUCTS

Communicable power switches, wireless video links and various alarm and security systems are some of the products sold by Frontyard. The products are packaged to suit different markets and customer segments. The products are linked via Frontyard's software which enables the computer, power supply, stereo and TV to communicate with each other.

Frontyard also develops its own products for controlling energy, providing greater comfort and lower heating costs. Frontyard's regulatory equipment can be linked together with other products, which for example allows heat regulation from a distance.



#### STRONG BRANDS IN SWEDEN, THE UK AND BENELUX COUNTRIES

Frontyard currently works with three brands. Brands that strengthen Frontyard's presence on each market. We work with the eHem brand in Scandinavia, Home Control in the UK and Marmitek in the Benelux countries.

#### WORLDWIDE PARTNER OF X-10

Frontyard is a partner of the American company x-10. The partnership means that Frontyard handles sales of x-10 products on all 220-volt markets worldwide. Today there is a network of retailers spanning some 20 countries. The majority of sales are currently generated in Europe, although sales are increasing on growth markets such as Africa, Asia, Australia and South America.

Frontyard's products are currently sold by large established retail chains and local electrical and computer stores. Large chains such

as Dixons and Homebase in the UK and Clas Ohlson in Sweden are examples of retailers that sell various products from Frontyard's range. Frontyard's products are also sold over the Internet in most European countries.

#### PRODUCTS FOR REAL ESTATE

We also deliver products aimed exclusively at companies. Examples of these products include gateways, a dedicated computer that ensures a building is in constant contact with the world around, and loggers that make it possible to gather information and measurement data from a distance. Products that are now gradually becoming the standard in new buildings and conversions.

**Distance communication** by voice or image is increasingly becoming a natural part of our everyday lives.

The services are used today by international companies to improve communication and reduce costs. At the same time a completely new infrastructure is being built that opens up new opportunities for companies and private individuals to communicate with sound and image in fixed and mobile systems. Opportunities that need Frontyard's products and services in order to work.

Frontyard is a total supplier of video communication and the leading supplier of multi-party meetings. By packaging Frontyard's own products and services with products from leading suppliers, the company has taken a market-leading position as a total supplier in Scandinavia.

We create long-term relations with our customers, and being a global partner for our suppliers makes us part of a worldwide network. We can therefore support our customers all over the world. Frontyard invests in research and development in order to maintain a leading market position. For example, we have built up unique competence in order to develop the products and services of the future that utilize the infrastructure currently being established in the form of broadband and 3g networks.

### PRODUCTS

Frontyard is a flexible total supplier that offers products for both the workstation and boardroom through its local presence. Frontyard's products are suitable for most companies and institutions. Products that reduce the travel requirement while improving contact between

people at the various offices, whether communicating with the small local branch or the major international office. Whether communicating between offices, for telemedicine or distance learning, we can meet our customers' demands.

We complement our own services such as MultiMöte, service, support and training with products from the biggest suppliers in the industry including ezenia!, PictureTel, TANDBERG and VTEL. At present we have offices in Borlänge, Gothenburg, Copenhagen, Malmö, Oslo and Stockholm, and are also part of the suppliers' global support organizations, which means we are included in a global network of partners and retailers. Being a total supplier with local and international presence has enabled Frontyard to take a leading market position.

### MULTIPOINT

– OUR SERVICE FOR MULTI-PARTY MEETINGS  
Frontyard MultiPoint is the name of our service for multi-party video conferencing. This type of conference entails three or more geographically separated participants meeting in a single video conference. They may be in different locations and in different countries.





A multi-party meeting requires a special computer, called a bridge, which links together the participants.

Frontyard MultiPoint enables us to handle users from all over the world 24 hours a day. Many customers take advantage of our subscription packages as they hold video conferences regularly. MultiPoint is one of the largest service providers of virtual multi-party meetings for video conferencing in northern Europe, and has a market share of a full 70% in Sweden.

For instance we are suppliers to Telia and produce their Telia Multi-party service.

#### UNIQUE EXPERTISE FOR THE FUTURE

Frontyard is working to develop the next generation products and services for video conferencing, video-streaming, multi-party meetings and real-time image communication for the broadband network now being created and tomorrow's mobile 3g networks.

We develop services based on the TCP/IP protocol and are currently already involved with the leading tele-operators and companies in the field.





**Frontyard is active on a market** currently in its infancy but experiencing strong growth. The market for content services in broadband and mobile systems such as GPRS and UMTS is in an early stage. As the technology is refined the market will grow significantly. It is however important to emphasize that Frontyard already delivers products and services intended for target groups on the market that use the Internet via modems or mobile phones.

The market for video communication now amounts to around MSEK 300 per year in Scandinavia. The technology is relatively complex, which is why its use is restricted to companies. As the technology is adapted more in line with consumers, Frontyard's products and services will be crucial to the Internet and mobile phone operators that deliver solutions containing video communication. Once the technology becomes consumer technology the market will be far larger.

### INCREASED INTERNATIONALIZATION

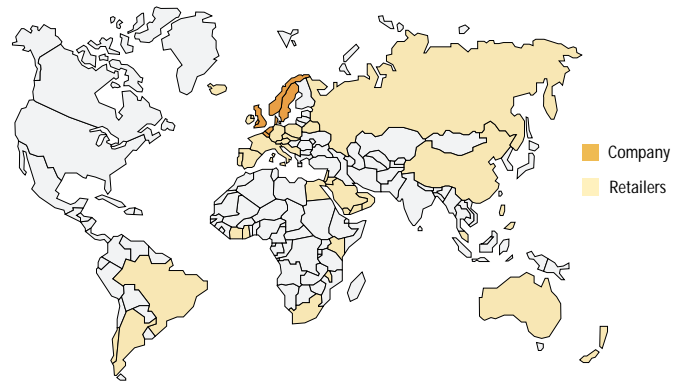
At the end of year 2000, over 50% of Frontyard's income was generated outside Sweden, a result of the venture initiated by Frontyard during the year. This venture will continue. Frontyard's goal is partly to increase our presence on the markets where we are already active, and to be active on more geographical markets.

Frontyard has its own representatives on markets spanning some one hundred million people. The goal is to achieve equally good results on these markets as in Sweden and the potential is very high.

### MARKET DEVELOPMENT

Technology is developing rapidly. For example, a completely new infrastructure including communicable power systems is becoming standard in our homes. The company Modulenthus have made intelligent buildings into a standard product, and more house-builders are following suit. A similar development is evident for properties where the infrastructure and services for intelligent homes are starting to become standard.

Several analysts are drawing the conclusion that IT development in the home will be similar to that in the car over the past decade. New cars have everything from computers to advanced communication networks on board. The development now being witnessed in the home is that communicable power systems are becoming standard, and more and more products are becoming communicable. A development that is generating major opportunities and needs for Frontyard's software and services.



Frontyard's international presence

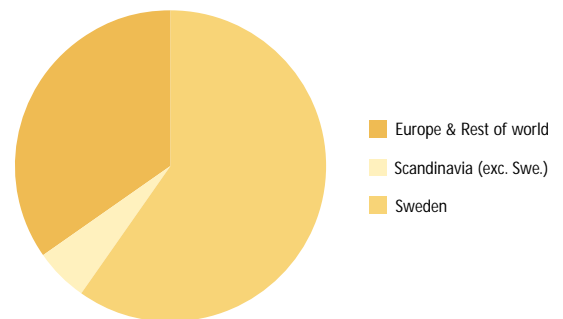


International sales by market in 1999

Third generation mobile telephony systems are currently expanding rapidly in Europe. Systems that are opening up new services and fields of application. One of the most important services in the new networks is communication with sound and image, an area where Frontyard has a great deal of experience and unique expertise.

#### COMPETITION

Frontyard was the first company to make the intelligent home possible. Today we deliver products to real estate companies and entire housing areas. Frontyard is unique in delivering competitive solutions to both real estate companies and end consumers. Frontyard has built up a leading position by offering cost-effective, flexible solutions.



International sales by market in 2000



"Skogsbo outside Gothenburg is Sweden's first intelligent and almost maintenance-free town house area. Construction contractors Markvärden are building 39 town houses in collaboration with Frontyard and HemEI."

**Frontyard's business places high demands** on our personnel's knowledge and efforts. We work with products and services at the forefront of technology and with customers who place high demands on service and accessibility. We develop and supply products and services created by our personnel. Personnel are Frontyard's most important asset.

### COMPETENCE FOR THE FUTURE

Frontyard develops software at the very forefront of technology. In 1999, we were the first company to deliver products that made it possible to control homes via the Internet or mobile telephony. Today we develop third generation systems, which requires sound knowledge and experience. In order to meet the demands placed by our program development, most of our employees have university-level or other higher education. At the same time competence development is extremely important for maintaining and developing our personnel. Our personnel and their cutting-edge expertise are of the utmost importance for enabling Frontyard to maintain its leading position on a rapidly developing market.

We work in a high-tech field with several different standards and development environments. Research and development is a natural part of our business, both in terms of developing new services for video communication in broadband networks, and developing products that communicate with new standards such as Bluetooth. Frontyard is a relatively small company. This makes it particularly important

that personnel have broad-ranging competence, work well together and move in the same direction.

### COMMUNICATION WITHOUT BOUNDARIES

In order to exploit the synergetic effects within the Group, communication between the companies is of the utmost importance. To enable the best possible communication between different companies, Frontyard has the policy that all Group companies in the same location should be based in the same offices. This fosters communication and opportunities to develop new ideas, while also ensuring cost-efficiency.

Naturally we use our own products for video communication and multi-party meetings, which reduces the travel requirement while improving the quality of communication. This is beneficial from an environmental and cost perspective, as we can handle large parts of our communication from a distance.

### INTEGRATION BETWEEN COMPANIES

The Group has expanded strongly during 2000 through acquisitions in Sweden and internationally. In order to take advantage of the competence and synergetic effects within the different parts of the Group, the integration process has been an important aspect of new acquisitions. This has placed high demands on personnel

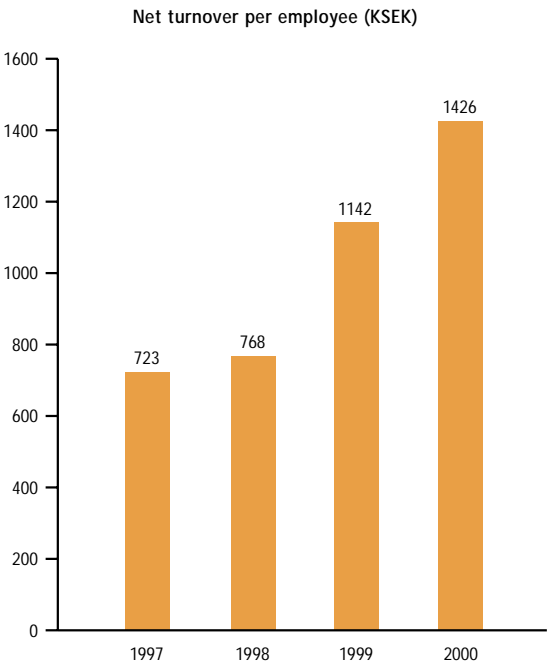


and management alike. The integration process between Frontyard's various units has been in progress during the fall, and despite being a difficult and challenging task we have been successful.

**RECRUITMENT**

It is important for Frontyard that personnel can work and perform well in the Group for long periods. Frontyard therefore has an express ambition to maintain a balance between working life and private life. With the various activities, fitness measures etc. it offers, Frontyard has become an attractive workplace. Despite times when there have been many attractive offers on the labor market, Frontyard's personnel turnover has remained low.

The fact that Frontyard works with new products, advanced technology and interesting work tasks affords us good recruitment conditions. Conditions that make it easy to recruit new personnel as the organization grows.



## STOCK UNIT & OWNERSHIP STRUCTURE

**Frontyard's class B stock unit** is listed on the Nordic Growth Market, formerly SBI Marknadsplats. The unit has been listed since 23 March 1998 under the name Daltek. The maximum price in 2000 was SEK 95 on 30 March, and the lowest was SEK 10 on 28 December. The price at year-end was SEK 11. A round lot amounts to 200 shares.

### CAPITAL STOCK

Capital stock in Frontyard AB on 31 December 2000 amounted to SEK 40,308,080. The number of stock units amounted to 8,061,616, of which 100,000 were class A and 7,961,616 class B stock units. The nominal amount is SEK 5. Each class A stock unit entitles the holder to one vote and each class B unit entitles the holder to a tenth of a vote. All stock units have equal rights to the company's profits and assets.

### STOCK UNIT ISSUES

In accordance with Board authorization, two stock unit issues have been decided which were not registered by the end of the period. A new stock unit issue of 200,000 class B units has been made at a price of SEK 25, and 300,000 class B stock units have been issued for the acquisition of Utilator AB. The number of stock units after the transactions amounts to 8,561,616, of which 100,000 are class A and 7,961,616 class B stock units.

### OWNERSHIP SITUATION AND CHANGES

On 31 December 2000, the total number of registered stockholders amounted to 938 (802). The largest stockholders in terms of votes are The SCH Group (31%), Willem/Gert Bok through its companies (8%) and Alliance Capital Partners AB/Alliance Stakeholders (7%). After the end of

the period, Alliance Capital Partners AB has reduced its holding to 465,400 stock units.

### DIVIDEND POLICY

Frontyard's Board has stated that the magnitude of the dividends should reflect Frontyard's profit level, opportunities for expansion and financial position. The company's results over the next few years will have to be allocated to developing new services, software products and launches on new markets. The Board does not consider that a dividend will be forthcoming for the next few years. The Board proposes that no dividend be paid for the year 2000.

### STOCKHOLDER CONTACT

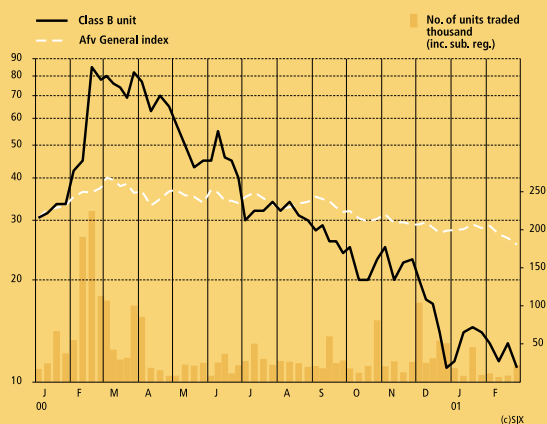
Frontyard has an explicit goal to conduct ongoing dialogue with the media and capital market. Frederik Gustafsson is responsible for these contacts. Frontyard's press releases are distributed through BIT and are available at [www.bit.se](http://www.bit.se) and [www.frontyard.com](http://www.frontyard.com) as they are published.

The management can be contacted on +46 (0)31-744 24 00 or at [ir@frontyard.com](mailto:ir@frontyard.com) regarding any queries.

Financial information can be ordered from Frontyard AB by telephone on +46 (0)31-744 24 00, fax +46 (0)31-744 24 99 or e-mail [ir@frontyard.com](mailto:ir@frontyard.com).

Financial information may also be obtained in electronic format at [www.frontyard.com](http://www.frontyard.com).

## Price Development



## The largest owners on 31 December 2000

	Number Class A stock units	Number Class B stock units	Share of capital	Share of votes
1 SCH Active Investment	70,000	2,079,034	27 %	31 %
2 Alliance Capital Partners*	—	811,500	10 %	9 %
3 Gert/Willem Bok	—	802,954	10 %	9 %
4 Sethia International Ltd	—	459,459	6 %	5 %
5 Karl-Erik Rasmusson (and family)	—	276,328	3 %	3 %
6 Frederik Gustafsson	—	250,000	3 %	3 %
7 Johan Isaksson	—	215,000	3 %	3 %
8 Prome Ltd	—	202,703	2 %	2 %
9 LRF Livförsäkrings AB and associated companies	—	195,500	2 %	2 %
10 Other stockholders	30,000	2,669,138	34 %	33 %
	100,000	7,961,616	100 %	100 %

## Stockholders by Holding (as of 31 December 2000)

Holding	No. stock units	Share in %
1–1,000	309,425	3.8 %
1,001–10,000	514,622	6.4 %
10,001–50,000	573,560	7.1 %
50,001–100,000	645,039	8.0 %
100,001–	6,018,970	74.7 %
Total	8,061,616	100 %

## Key Ratios

	2000	1999	1998	1997
Growth of turnover (%)	65.1 %	43.2 %	22.2 %	–5.3 %
Operating margin (%)	neg	neg	5.4 %	11.9 %
Profit margin (%)	neg	neg	5.7 %	7.1 %
Equity/assets ratio (%)	43.9 %	12.2 %	50.1 %	21.0 %
Debt/equity ratio, times	0.4	2.4	0.3	1.7
Rate of capital turnover, times	1.4	3.3	1.3	2.5
Profit/stock unit	–28.2	–17.4	2.0	2.9
No. stock units	8,561,616	1,252,000	1,200,000	30,000

## Capital Stock Development

Year/Transaction	Change in no. of stock units	Nominal value SEK	Total no. of stock units	Total capital stock SEK
1985/Company established	1,000	50	1,000	50,000
1986/New stock issue	39,000	50	40,000	2,000,000
1991/Write-down	30,000	50	10,000	500,000
1991/New stock issue	20,000	50	30,000	1,500,000
1997/New stock issue	40,000	50	70,000	3,500,000
1998/Split 10:1	630,000	5	700,000	3,500,000
1998/New stock issue	500,000	5	1,200,000	6,000,000
1999/New stock issue	52,000	5	1,252,000	6,260,000
2000/Utilization of subscription options	1,600	5	1,253,600	6,268,000
2000/Issue for non-cash consid.	5,513,850	5	6,767,450	33,837,250
2000/Issue for non-cash consid.	802,954	5	7,570,404	37,852,020
2000/Issue for non-cash consid.	21,317	5	7,591,721	37,958,605
2000/Issue for non-cash consid.	229,895	5	7,821,616	39,108,080
2000/New stock issue	240,000	5	8,061,616	40,308,080
2001/Ongoing issue for non-cash consid.	300,000	5	8,361,616	41,808,080
2001/Ongoing new stock issue	200,000	5	8,561,616	42,808,080

\* ACP reduced its holding after the end of the period. Holding after sale amounts to 465,400 class B stock units.

# ADMINISTRATION REPORT

All amounts in thousands of Swedish kronor unless otherwise stated.

## INFORMATION ABOUT THE OPERATION

During 2000, the Group has conducted operations within two business areas: Information Systems and Products. The Group has changed the focus of its activities in 2000, and is now mainly focused on products and services for Intelligent Living and Video Communication. The parent company's operation has encompassed Group-wide functions for management, administration, finance, IR and PR.

## OPERATIONS DURING 2000

During the year, the Group has undergone major changes. For example, subsidiaries and operations have been acquired and a decision to close the IT consultancy operation has been taken. There has also been a name change, a change of President, relocation of the head office and a new business focus.

### Acquisition of subsidiaries

The Annual General Meeting on 27 April 2000 decided to acquire subsidiary eHem AB through an issue for non-cash consideration. At the same time, the Board authorized a new stock unit issue, partly for further corporate acquisitions.

During the year, the companies Martek Holding B.V. and Utilator AB have been acquired. Both acquisitions have taken place through an issue of corporate stock units.

### Acquisition of Telia Multimöte

On 1 July, Telia Multimöte was acquired from Telia. Telia Multimöte is a service provider of virtual multi-party meetings, and is part of Frontyard Communications AB.

### Name change and relocation of head office

It was decided at an extraordinary stockholders' meeting to change the name of the parent company from Daltek AB to Frontyard AB. At the same time it was decided to relocate the company to Gothenburg. Since 1 October, the head office has been situated in Gothenburg.

### Change of President in the parent company

On 21 September, the Board appointed Jan Engström as the new President of the parent company and CEO of the Frontyard Group.

## New business focus

The company has changed its business focus in 2000, and now primarily works with products and services for Intelligent Living and Video Communication.

## Phasing-out consultancy business

It has been decided to phase-out IT consultancy activities. Subsidiary company Syntell has been sold to the company's President, Mats Björkeröth. Business in subsidiary company Frontyard Systems has been transferred to eByrån Triona AB. The closure has been carried out in its entirety as of 1 January 2001.

## Ownership situation

The following owners have (as per 31 December 2000) over 10% of the capital or votes: SCH Active Investment AB 27% of capital and 31% of votes.

## GROUP STRUCTURE

The company is the parent company of a Group with wholly-owned subsidiaries Frontyard Communications AB, Frontyard Systems AB, Syntell AB, Martek Holding B.V., Utilator AB, Frontyard Bildcom AB and Frontyard RTV AB, as well as partly-owned subsidiary eHem AB (99.7%). Frontyard Bildcom AB and Frontyard RTV AB are dormant companies..

The newly acquired companies have been consolidated from the following dates:

- eHem AB (1 June 2000)
- Martek Holding B.V. (1 July 2000)
- Utilator AB (1 October 2000)

## FINANCIAL DEVELOPMENT

### Group

Group turnover increased in 2000 by 41% to 104,636 (61,219). Results net of financial items amounted to -236,740 (-21,874). Results have been burdened by costs for amortization of goodwill by 226,138. Write-down refers to changed market conditions, which have led to the results and cash flow for eHem AB being revised downwards for the next few years.



### TARGETED ISSUES AND AUTHORIZATION

At the AGM of Frontyard AB on 27 April 2000, an issue for non-cash consideration of a maximum of 5,762,186 class B stock units was decided on for acquiring eHem AB. At the same time the Board was authorized to decide on an issue for non-cash consideration of a maximum of 500,000 class B units for acquiring stock units or participations in companies.

At an extraordinary stockholders' meeting on 13 June 2000, the Board was authorized to decide on a new stock issue of 2,000,000 class B units and on an issue for non-cash consideration of a maximum of 2,000,000 class B stock units for corporate acquisitions.

On 17 July 2000, the Board decided on an issue for non-cash consideration of 802,954 class B units for the acquisition of Martek Holding B.V.

On 22 September 2000, the Board decided on a targeted new stock issue of 240,000 class B units at a price of SEK 25.

The Board decided on 9 November 2000 on an issue for non-cash consideration of 300,000 class B units for the acquisition of Utilator AB.

On 14 November 2000, the Board decided on a targeted new stock issue of 200,000 class B units at a price of SEK 25.

### WORK OF THE BOARD OF DIRECTORS

Frontyard AB's Board of Directors comprises four members. A new Board was selected at the extraordinary stockholders' meeting on 28 February 2000. During the year, the Board has held 16 minuted meetings. Issues discussed include corporate acquisitions, quarterly reports, the year-end report, financing, budget, Board agenda and instructions for the President & CEO, as well as the customary follow-up of Group activities. A report is made annually by the company's auditors in person to the Board. This deals in part with observations regarding internal monitoring and accounting.

### RESULTS AND POSITION

The results of Group and parent company operations and the financial position at the end of the fiscal year are otherwise shown by the following income statements and balance sheets with notes.

### PROPOSED DISTRIBUTION OF THE ACCUMULATED DEFICIT

#### Group

The Group's accumulated deficit according to the consolidated balance sheet amounts to -237,921.

#### PARENT COMPANY

The AGM has the following profits at its disposal:

Profit brought forward	700,000.00 kr
Deficit for the year	-229,568,870.20 kr
	<hr/>
	-228,868,870.20 kr

The Board of Directors and CEO propose that the deficit be dealt with so that the loss is covered by utilizing the stock premium reserve.

228,868,870.20 kr
<hr/>
228,868,870.20 kr

### FUTURE DEVELOPMENT

The Group's new business focus and operational refinement implemented in 2000 mean that the Frontyard Group is well-positioned for the future. The Board considers that the Group's existing core business will report a positive result for the year 2001. Through further acquisitions the company will strengthen its positions and generate a considerably improved result.

## INCOME STATEMENTS

KSEK	Note	2000 Group	1999 Group	2000 Parent company	1999 Parent company
<b>Operating income etc.</b>					
Net turnover	1, 2	104,636	61,219	9,125	7,433
Change in inventories of work in progress, finished goods and work on contract		-562	554	-135	371
Work performed by the company for its own use and capitalized		-	55	-	55
Other operating income		227	1,596	27	700
<b>Net Sales etc.</b>		<b>104,301</b>	<b>63,424</b>	<b>9,017</b>	<b>8,559</b>
<b>Operating expenses</b>					
	2, 3, 4				
Raw materials and necessities		-5,388	-3,590	-2,541	-2,763
Goods for resale		-31,880	-17,501		
Other external costs		-29,155	-14,675	-5,305	-6,219
Personnel costs	5	-41,194	-33,964	-2,341	-6,495
Depreciations and write-downs of tangible and intangible fixed assets	6	-3,035	-7,282	-156	-2,046
Write-downs of current assets in excess of normal write-downs		-	-2,322	-	-2,322
Items affecting comparability	7	-229,563	-4,656	-2,497	-4,656
Other operating expenses		-90	-130	-63	-
<b>Total operating expenses</b>		<b>-340,305</b>	<b>-84,120</b>	<b>-12,903</b>	<b>-24,501</b>
<b>Profit/loss</b>		<b>-236,004</b>	<b>-20,696</b>	<b>-3,886</b>	<b>-15,942</b>
<b>Results from financial investments</b>					
Results from participations in Group companies	8	-83	898	-225,798	-4,841
Results from other securities and receivables accounted for as fixed assets	9	225	-1,330	512	-1,330
Other interest income and similar profit/loss items	10	59	106	175	612
Interest expense and similar profit/loss items		-937	-852	-572	-596
<b>Total results from financial investments</b>		<b>-736</b>	<b>-1,178</b>	<b>-225,683</b>	<b>-6,155</b>
<b>Profit/loss after financial items</b>		<b>-236,740</b>	<b>-21,874</b>	<b>-229,569</b>	<b>-22,097</b>
Tax on profit for the year		-4,325	-		
Deferred tax		-42	101		
Minority shares in the year's results			37	-	
<b>Net profit/loss for the year</b>		<b>-241,070</b>	<b>-21,773</b>	<b>-229,569</b>	<b>-22,097</b>

KSEK	Note	2000 Group	1999 Group	2000 Parent company	1999 Parent company
<b>ASSETS</b>					
<b>Fixed assets</b>					
<b>Intangible fixed assets</b>					
Capitalized expenditure for research and					
Capitalized expenditure for research and	11	4,570	–		
Goodwill	12	45,066	4,480		
		<b>49,636</b>	<b>4,480</b>		
<b>Tangible fixed assets</b>					
Equipment, tools, fixtures and fittings	13	3,814	1,700	425	422
<b>Financial fixed assets</b>					
Participations in associated/Group companies	14, 24, 25	56		76,880	8,843
Receivables from associated/Group companies	26	950		1,500	–
Other securities held as fixed assets	16	1,121	11,259	1,056	11,259
Other long-term receivables	17	1,782	1,099	1,659	900
		<b>3,909</b>	<b>12,358</b>	<b>81,095</b>	<b>21,002</b>
<b>Total fixed assets</b>		<b>56,903</b>	<b>18,538</b>	<b>81,520</b>	<b>21,424</b>
<b>Current assets</b>					
<b>Inventories etc.</b>					
Raw materials and necessities		775	–		
Finished products and goods for resale		24,322	6,160	26	–
Work on contract		–	604		
Advance payments to suppliers		2,635	–	–	161
		<b>27,732</b>	<b>6,764</b>	<b>26</b>	<b>161</b>
<b>Current receivables</b>					
Accounts receivable – trade		20,852	12,681	–	601
Receivables from other Group companies		5,052	786	7,794	2,721
Other current receivables		1,798	2,550	1,051	1,876
Prepaid expenses and accrued income	18	9,068	2,653	474	1,342
		<b>36,770</b>	<b>18,670</b>	<b>9,319</b>	<b>6,540</b>
<b>Cash and bank</b>		<b>4,646</b>	<b>1,309</b>	<b>1,813</b>	<b>5</b>
<b>Total current assets</b>		<b>69,148</b>	<b>26,743</b>	<b>11,158</b>	<b>6,706</b>
<b>TOTAL ASSETS</b>		<b>126,507</b>	<b>45,281</b>	<b>92,678</b>	<b>28,130</b>

## BALANCE SHEET ON 31 DECEMBER

KSEK	Note	2000 Group	1999 Group	2000 Parent company	1999 Parent company
<b>EQUITY AND LIABILITIES</b>					
<b>Stockholders' equity</b>	19				
<b>Restricted equity</b>					
Capital stock		40,308	6,260	40,308	6,260
New stock issue being registered				8,150	–
Stock premium reserve				249,065	18,141
Restricted reserves		264,769	18,925	341	341
		<b>305,077</b>	<b>25,185</b>	<b>297,864</b>	<b>24,742</b>
<b>Accumulated deficit</b>					
Profit or loss brought forward		–10,992	1,694	700	6,842
Profit/loss for the year		–241,070	–21,773	–229,569	–22,097
		<b>–252,062</b>	<b>–20,079</b>	<b>–228,869</b>	<b>–15,615</b>
<b>Total equity</b>		<b>53,015</b>	<b>5,106</b>	<b>68,995</b>	<b>9,127</b>
<b>Minority stockholding</b>		420	–		
<b>Long-term liabilities</b>					
Promissory note combined with option	27			20	20
Bank advances	20	7,947	6,960	1,750	1,467
Liabilities to Group companies				–	329
Liabilities to credit institutions		1,375	4,844	1,375	4,844
Other long-term liabilities		10,025	1,489	10,000	1,463
Deferred tax		60	–		
<b>Total long-term liabilities</b>		<b>19,827</b>	<b>13,293</b>	<b>13,145</b>	<b>8,123</b>
<b>Current liabilities</b>					
Liabilities to credit institutions		875	975	875	625
Advance payments from customers		18	576		
Accounts payable – trade		20,112	10,887	2,986	3,038
Bills payable		350	–		
Income tax liability		6,714	7		
Other current liabilities		11,913	2,901	1,254	266
Accrued expenses and prepaid income	21	13,683	11,536	5,423	6,951
<b>Total current liabilities</b>		<b>53,665</b>	<b>26,882</b>	<b>10,538</b>	<b>10,880</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>126,507</b>	<b>45,281</b>	<b>92,678</b>	<b>28,130</b>
Pledged assets	22	19,662	30,992	10,162	23,267
Contingent liabilities	23	Inga	Inga	3,000	3,000

## CASH FLOW ANALYSIS

KSEK	Note	2000 Group	1999 Group	2000 Parent company	1999 Parent company
<b>Cash flow from ongoing operations</b>					
Results net of financial items		-236,740	-21,874	-229,569	-22,097
Adjustment for items not included in the cash flow		229,705	13,286	226,559	13,289
		-7,035	-8,588	-3,010	-8,808
Paid tax		2,339	-70	-	-
<b>Cash flow from ongoing operations before change in working capital</b>		<b>-4,696</b>	<b>-8,658</b>	<b>-3,010</b>	<b>-8,808</b>
<b>Cash flow from change in working capital</b>					
Decrease in inventories (+)				135	598
Increase in inventories (-)		-9,357	-1,094		
Increase in operating receivables (-)		-8,380	-666	-1,579	14,908
Decrease in operating liabilities (-)				-301	-8,690
Increase in operating liabilities (+)		-3,919	3,176		
<b>Cash flow from ongoing operations</b>		<b>-26,352</b>	<b>-7,242</b>	<b>-4,775</b>	<b>-1,992</b>
<b>Investment activity</b>					
Acquisition of subsidiaries	24	8,325	-		
Acquisition of fixed assets		-1,387	-1,893	-245	-1,153
Sale of fixed assets			1,302	23	1,950
Acquisition of financial assets				-9,687	-
Sale of financial assets		16,808		9,287	-
<b>Cash flow from investment activity</b>		<b>23,768</b>	<b>-591</b>	<b>-622</b>	<b>797</b>
<b>Financing activity</b>					
New stock issue		10,090	-	11,914	-
Loans raised		-	7,449	283	2,395
Amortization of loans		-4,169	-	-5,012	-
Paid dividend		-	-1,200	-	-1,200
<b>Cash flow from financing activity</b>		<b>5,921</b>	<b>6,249</b>	<b>7,185</b>	<b>1,195</b>
<b>Cash flow for the year</b>		<b>3,337</b>	<b>-1,584</b>	<b>1,808</b>	<b>-</b>
<b>Liquid funds, at start of year</b>		<b>1,309</b>	<b>2,893</b>	<b>5</b>	<b>5</b>
<b>Liquid funds, at year-end</b>		<b>4,646</b>	<b>1,309</b>	<b>1,813</b>	<b>5</b>

### ACCOUNTING CONCEPT

The accounting concepts applied comply with the Swedish Annual Accounts Act regulations and generally accepted accounting principles. The company follows the recommendations and statements of the Swedish Financial Accounting Standards Council.

As of the fiscal year 2000, Frontyard is applying Swedish Financial Standards Council recommendations RR 1:00 Consolidated Accounts, RR 15 Intangible Assets, RR 16 Provisions, Contingent Liabilities and Assets, and RR 17 Write-downs. These recommendations must be applied as of 1 January 2002, however earlier compliance is encouraged by the Swedish Financial Standards Council. According to RR 1:00, the purchase price, on issuing own quoted securities, is the market value at the time of the transaction. The previous practice was to apply the average market value ten days before the transaction was made public. Acquisitions carried out during the year have been recalculated in accordance with RR 1:00, which entails the acquisition value for goodwill acquired during the year amounting to MSEK 268, compared to MSEK 456 if the former practice had been applied.

Otherwise the accounting concepts remain unchanged compared with the previous year.

### Consolidated accounts

The consolidated accounts include subsidiaries where the parent company directly or indirectly holds over 50% of the votes.

The Group's financial statements are prepared in accordance with the purchase method, which means that the subsidiaries' stockholders' equity at the time of acquisition, established as the difference between the assets' and liabilities' actual value, is completely eliminated. Group equity includes only that part of the subsidiaries' equity that has accrued since the acquisition.

If the Group acquisition value of the stock units exceeds the value of the subsidiary's net assets as specified in the acquisition analysis, the difference is entered as goodwill.

Companies acquired/sold during the year were included in the consolidated income statements with amounts referring to the period before/after the sale/acquisition.

Figures for foreign subsidiaries, all of which are classified as independent, are translated in accordance with the current method. This entails assets and liabilities being translated at the closing exchange rate at year-end, and income and expenses at the average exchange rate for the year. Exchange differences arising from the translation are reported directly against equity in the consolidated balance sheet.

In the event of different valuations of assets and liabilities at Group and company level, the tax effects are taken into account and reported as deferred tax claims or deferred tax liability. Deferred tax claims for accrued or acquired deductible deficiency are considered to the extent they are judged to be possible to

utilize. Internal profits within the Group are completely eliminated, without taking into account minority holdings.

In the consolidated income statements, the minority share is reported under profit/loss for the year. The minority share in the subsidiary's capital is reported as a separate item in the consolidated balance sheet.

### Costs for product development

Expenditure for product development mainly comprises premises, personnel and computer costs. Expenditure related to product development is expensed normally as it occurs. Capitalization in the balance sheet under intangible assets will take place when it is likely that future financial advantages will accrue to the company and the acquisition cost can be calculated in a reliable way.

As the time when the financial advantages can mainly be assessed coincides with products' launch on the market, no capitalization has taken place. Capitalized product development in acquired companies is reported in the balance sheet under intangible assets and amortized over an assessed utilization period.

### Group and stockholders contribution

Group and stockholder contributions are reported in accordance with the Swedish Financial Standards Council's statement 'Reporting Group and stockholder contributions'. This entails the Group contribution not being reported in the income statements, but rather directly against equity. Stockholder contributions are reported in the relevant company as an increase in acquisition cost for the stock units.

### Receivables

Receivables are entered at the amount which after individual assessment is expected to be received.

### Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are valued according to the closing exchange rate at year-end. In the event of hedging, e.g. forward cover, the forward rate is used. Gains and losses on receivables and liabilities of an operating nature are reported net among other operating income or other operating expenses.

### Inventories

Inventories are valued by applying the first-in-first-out principle, at the lowest of 97% of the acquisition value and the actual value at year-end.

The acquisition value for semi-finished and finished goods manufactured within the Group is calculated at the goods' production costs including a reasonable share of indirect production costs.

### Fixed assets

Tangible and intangible fixed assets are written down systemati-

## NOTES, FOR PARENT COMPANY AND GROUP

cally over the assessed economic life. The following write-down periods apply:

	No. of years
Intangible assets	5
Group goodwill	10
Equipment, tools, fixtures and fittings	5

Goodwill regarding the acquisitions of eHem AB, Martek Holding B.V. and Utilator AB is amortized according to plan at 10% per year. The write-down plans have been selected taking into consideration that the acquired companies' market position and brands should have a life cycle of at least ten years. The acquisitions are moreover important to the Group's strategic venture within the Intelligent Living business area. Goodwill arising through supplementary purchase sums, whose size could not previously be determined with certainty, is amortized according to a plan that ends ten years after the original time of acquisition.

### NOTES, FOR PARENT COMPANY AND GROUP

#### NOTE 1 Turnover by geographic market

Group	2000	1999
Sweden	63,277	56,321
Scandinavia (exc. Sweden)	5,820	4,898
Rest of world	35,539	–
	104,636	61,219

#### NOTE 2 Purchases and sales between Group companies

Parent company	2000	1999
Of the company's net turnover, sales to subsidiaries constitute (%)	73	18
Of the company's purchases, purchases from other Group companies constitute (%)	9	13

#### NOTE 3 Fees and expense remuneration to auditors

Group	2000	1999
Öhrlings PriceWaterhouseCoopers, Lindebergs & KPMG Bohlin Audit assignment	417	141
Parent company		
Öhrlings PriceWaterhouseCoopers resp. KPMG Bohlin Audit assignment	60	45

#### NOTE 4 Ongoing legal processes

Frontyard AB is currently involved in a court case regarding disputed receivables and damages. In the balance sheet, the value of these receivables has been entered as SEK 0, all known costs for the legal process to date have burdened the results up to and including 2000.

#### NOTE 5 Average number of employees,

##### wages, other remuneration and social security charges

Details about benefits to the Board and President & CEO.

Remuneration amounting to 266 (266), of which 80 (80) to the Chairman of the Board, has been expensed for Board members in the parent company. During the year, wages and remuneration for the President & CEO amounted to 837 (893). On termination of employment on the part of the company, remuneration to the President & CEO is equivalent to six months' salary. The customary pension terms apply to the President & CEO.

Parent company	2000	1999
Wages and remuneration amount to		
Board and President & CEO	1,133	1,160
Other employees	914	3,286
Total wages and remuneration	2,047	4,446
Social security charges stipulated by legislation	548	1,419
and contracts Pension costs (of which for Board and President & CEO 95 (113))	166	415
Total wages, remuneration, social security charges and pension costs for the parent company	2,761	6,280

#### Group

Wages and remuneration by country and between Board etc. and other employees

#### Parent company

##### Sweden

Board and President & CEO	1,133	1,160
Other employees	914	3,286
	2,047	4,446

#### Subsidiaries

##### Sverige

Board and President & CEO	2,276	2,277
Other employees	21,574	14,751
Total wages and remuneration	23,850	17,028

#### Norge

Board and President & CEO	–	–
Other employees	813	770
Total wages and remuneration	813	770

#### Danmark

Board and President & CEO	–	–
Other employees	414	542
Total wages and remuneration	414	542

#### Holland

Board and President & CEO	17	–
Other employees	259	–
Total wages and remuneration	276	–
Group total	27,400	22,786



	2000	1999	NOTE 7 Items affecting comparability		
Social security charges stipulated by legislation and contracts	8,690	7,145	<b>Group</b>	<b>2000</b>	<b>1999</b>
Pension costs (of which for Board and President 326 (509))	2,497	2,240	SPP surplus	1,806	–
	11,187	9,385	Royalty liability provision	–	–1,646
Total wages, remuneration, social security charges and pension costs for the Group	38,587	32,171	Restructuring costs	–	–385
			Arbitration lawsuit costs	–1,375	–
			Lawsuit damages provision	–	–370
			Amortization of goodwill	–226,138	–
			Severance pay for the former President & CEO	–3,856	–2,255
			Total	–229,563	–4,656
Average number of employees	<b>2000</b>	<b>1999</b>	<b>Parent company</b>	<b>2000</b>	<b>1999</b>
<b>Parent company</b>			SPP surplus	1,806	–
Sweden			Royalty liability provision	–	–1,646
Female	–	2	Restructuring costs	–	–385
Male	2	9	Arbitration lawsuit costs	–1,375	–
<b>Subsidiaries</b>			Damages provision	–	–370
Sweden			Severance pay for the former President & CEO	–2,928	–2,255
Female	10	8	Total	–2,497	–4,656
Male	50	40	eHem AB develops products that are very advanced in terms of technical development. The commercial success of these products is however dependent on an infrastructure such as broadband and mobile telecom. Compared with the assumptions that could be made in connection with the acquisition of eHem in spring 2000, expectations concerning expansion of broadband have been sharply adjusted downwards and postponed. As a result of changed external factors, forecasts of eHem's results and cash flows for the next few years have been revised downwards. The parent company's stock units in eHem AB have been written down by 215,421 and goodwill relating to the acquisition of eHem has been amortized by 213,871 in the consolidated accounts. The magnitude of the write-down has been established based on a calculation of the utilization value using a discount factor of 20%.		
Netherlands					
Female	1	–			
Male	1	–			
Norway					
Female	–	–			
Male	2	2			
Denmark					
Female	–	–			
Male	1	1			
Group total	67	60			
<b>NOTE 6 Depreciation</b>			<b>NOTE 8 Results from participations in Group companies</b>		
<b>Group</b>	<b>2000</b>	<b>1999</b>	<b>Group</b>	<b>2000</b>	<b>1999</b>
Capitalized expenditure for research and development	667	1,183	Capital gain/loss from sales	–83	898
Write-down of capitalized development work	–	3,645	Total	–83	898
Concessions, patents, licenses, trademarks etc.	–	241	<b>Parent company</b>		
Write-down of concessions, patents, licenses, trademarks etc.	–	970	Dividends	500	500
Goodwill	1,349	484	Capital gain/loss from sales	–83	309
Equipment, tools, fixtures and fittings	1,019	759	Write-downs	–226,215	–5,650
	3,035	7,282	Total	–225,798	–4,841
<b>Parent company</b>			<b>NOTE 9 Results from securities and receivables accounted for as fixed assets</b>		
Capitalized expenditure for research and development	–	478	<b>Group</b>	<b>2000</b>	<b>1999</b>
Write-down of capitalized development work	–	1,351	Stock unit dividend	58	325
Equipment, tools, fixtures and fittings	156	217	Capital gains	915	–
	156	2,046	Capital losses	–748	–
			Amortization of promissory notes	–	–1,655
			Total	225	–1,330

**Parent company**

Stock unit dividend	58	325
Capital gains	915	–
Capital losses	–461	–
Amortization of promissory notes	–	–1,655
Total	512	–1,330
Of which relating to Group companies	–	–

**NOTE 10 Other interest income and similar profit/loss items**

Group	2000	1999
Interest	59	106
Total	59	106

**Parent company**

Interest	175	612
Total	175	612
Of which relating to Group companies	140	592

**NOTE 11 Capitalized expenditure for research and development**

Group	2000-12-31	1999-12-31
Opening acquisition values	–	8,367
Change over the year		
Purchases	5,237	–
Capitalized expenditure	–	55
Sales and disposals	–	–8,422
Closing accumulated acquisition values	5,237	–
Opening depreciations	–	–3,448
Change over the year		
Sales and disposals	–	8,296
Depreciations	–667	–1,203
Write-downs	–	–3,645
Closing accumulated depreciations	–667	–
Closing residual value according to plan	4,570	–

**Parent company**

Opening acquisition values	–	2,336
Change over the year		
Capitalized expenditure	–	55
Sales and disposals	–	–2,391
Closing accumulated acquisition values	–	–
Opening depreciations	–	–562
Sales and disposals	–	2,391
Depreciations	–	–478
Write-downs	–	–1,351
Closing accumulated depreciations	–	–
Closing residual value according to plan	–	–

**NOTE 12 Goodwill**

Group	2000-12-31	1999-12-31
Opening acquisition values	4,837	5,152
Change over the year		
Acquisitions	268,073	450
Sales	–	–765
Closing accumulated acquisition values	272,910	4,837
Opening depreciations	–357	–638
Change over the year		
Sales	–	765
Depreciations	–1,349	–484
Write-downs	–226,138	–
Closing accumulated depreciations	–227,844	–357
Closing residual value according to plan	45,066	4,480

**NOTE 13 Equipment, tools, fixtures and fittings**

Group	2000-12-31	1999-12-31
Opening acquisition values	5,385	4,930
Change over the year		
Purchases	3,206	1,136
Sales and disposals	–564	–681
Closing accumulated acquisition values	8,027	5,385
Opening depreciations	–3,685	–3,464
Change over the year		
Sales and disposals	491	538
Depreciations	–1,019	–759
Closing accumulated depreciations	–4,213	–3,685
Closing residual value according to plan	3,814	1,700
Parent company		
Opening acquisition values	2,098	1,941
Change over the year		
Purchases	245	184
Sales and disposals	–551	–27
Closing accumulated acquisition values	1,792	2,098
Opening depreciations	–1,676	–1,490
Change over the year		
Sales and disposals	465	31
Depreciations	–156	–217
Closing accumulated depreciations	–1,367	–1,676
Closing residual value according to plan	425	422

**NOTE 14 Participations in associated companies**

Details of associated companies' corporate identity numbers and locations.

Corp. ID	Location
Marmitek B.V.	– Eindhoven, Netherlands
2000-12-31	1999-12-31
Opening acquisition values	–
Change over the year	
Purchase of participations	56
Closing accumulated acquisition values	56
Closing book value	56

NOTE 14 Fortsättning	Share of capital %	Share of votes %	Book value	No. of shares	Book value in the Group
Marmitek B.V.	33	33	56	1,400	56
<b>Total</b>			<b>56</b>		<b>56</b>
<b>NOTE 15 Receivables from associated companies</b>			<b>Parent company</b>		
<b>Group</b>	<b>2000-12-31</b>	<b>1999-12-31</b>	Opening acquisition values	900	1,855
Opening receivables	–	–	Change over the year		
Additional receivables	950	–	Additional receivables	1,459	700
	950	–	Deductible receivables	–	–
			Reclassifications	–700	–
			Write-downs	–	–1,655
<b>NOTE 16 Other securities held as fixed assets</b>			Closing accumulated acquisition values	1,659	900
<b>Group</b>	<b>2000-12-31</b>	<b>1999-12-31</b>	Closing book value	1,659	900
Opening acquisition values	11,259	11,292			
Change over the year			<b>NOTE 18 Prepaid expenses and accrued income</b>		
Additional securities	65	–	<b>Group</b>	<b>2000-12-31</b>	<b>1999-12-31</b>
Deductible securities	–10,203	–33	Prepaid rent	447	560
Closing accumulated acquisition values	1,121	11,259	Interest income	216	103
Closing book value	1,121	11,259	Other items	8,405	1,990
Of which listed securities			Total	9,068	2,653
Book value	1,056	11,171	<b>Parent company</b>		
Market value	699	10,497	Prepaid rent	169	377
<b>Parent company</b>			Accrued interest income	214	900
Opening acquisition values	11,259	11,292	Other items	91	65
Change over the year			Total	474	1,342
Additional securities	–	–			
Deductible securities	–10,203	–33	<b>NOTE 19 Change in equity</b>		
Closing accumulated acquisition values	1,056	11,259	<b>Group</b>	<b>2000-12-31</b>	<b>1999-12-31</b>
Closing book value	1,056	11,259	<b>Restricted equity</b>		
Of which listed securities			<b>Capital stock</b>		
Book value	1,056	11,171	Amount at start of year	6,260	6,000
Market value	699	10,497	New stock issue	34,048	260
			Amount at year-end	40,308	6,260
<b>NOTE 17 Other long-term receivables</b>			<b>Restricted reserves</b>		
<b>Group</b>	<b>2000-12-31</b>	<b>1999-12-31</b>	Amount at start of year	18,925	17,867
Opening acquisition values	1,099	1,855	New stock issue	246,539	1,426
Change over the year			New stock issue being registered	8,150	–
Additional receivables	1,459	899	Shift between restricted and non-restricted equity	–8,845	–368
Deductible receivables	–76	–	Amount at year-end	264,769	18,925
Reclassifications	–700	–	Total restricted equity at year-end	305,077	25,185
Write-downs	–	–1,655	<b>Accumulated deficit</b>		
Closing accumulated acquisition values	1,782	1,099	Amount at start of year	–20,079	3,007
Closing book value	1,782	1,099			
			Shifts between restricted and non-restricted equity	8,845	368

Stock unit dividend	–	–1,200
Exchange rate differences	242	–481
Profit/loss for the year	–241,107	–21,773
Amount at year-end	–252,062	–20,079

#### Parent company

#### Restricted equity

#### Capital stock

Amount at start of year	6,260	6,000
New stock issue	34,048	260
New stock issue being registered	8,150	–
Amount at year-end	48,458	6,260

#### Stock premium reserve

Amount at start of year	18,141	16,715
New stock issue	246,539	1,426
Loss coverage	–15,615	–
Amount at year-end	249,065	18,141

#### Statutory reserve

Amount at start of year	341	341
Amount at year-end	341	341
Total restricted equity at year-end	297,864	24,742

#### Accumulated deficit

Amount at start of year	–15,615	7,682
Loss coverage	15,615	–
Group contributions received	700	–
Stock unit dividend	–	–1,200
Profit/loss for the year	–229,569	–22,097
Amount at year-end	–228,869	–15,615

#### NOTE 20 Bank advances

Bank advances granted amount to 15,544 (7,560) in the Group and 1,810 (1,810) in the parent company.

#### NOTE 21 Accrued expenses and prepaid income

Group	2000-12-31	1999-12-31
Accrued interest expense	148	90
Accrued vacation pay	1,837	1,498
Accrued social security charges	1,181	1,151
Other items	10,517	8,797
Total	13,683	11,536

#### Parent company

Accrued interest expense	147	92
Accrued vacation pay	195	592
Accrued social security charges	100	314
Other items	4,981	5,953
Total	5,423	6,951

#### NOTE 22 Pledged securities

Group	2000-12-31	1999-12-31
For provisions and own liabilities		
Regarding liabilities to credit institutions		
Chattel mortgages	15,500	13,750
Securities	1,056	11,171
Liquid funds	1,806	–
Stock units in subsidiaries	1,300	6,071
Total for provisions and own liabilities	19,662	30,992
Total pledged assets	19,662	30,992

#### Parent company

For provisions and own liabilities		
Regarding liabilities to credit institutions		
Chattel mortgages	6,000	6,000
Securities	1,056	11,171
Liquid funds	1,806	–
Stocks in subsidiaries	1,300	6,096
Total regarding own liabilities and provisions	10,162	23,267
Total pledged assets	10,162	23,267

#### NOTE 23 Contingent liabilities

Group	2000-12-31	1999-12-31
Parent company	–	–
Contingent liabilities benefiting subsidiaries	3,000	3,000
Total contingent liabilities	3,000	3,000

#### NOTE 24 Acquisition of Group companies

Sub-group eHem AB was acquired on 1 June, sub-group Martek Holding B.V. was acquired on 1 July, and on 1 October subsidiary Utilator AB was acquired. In the consolidated income statements 4,718 of net turnover and -233,349 of the year's results relates to business within the eHem Group, 35,539 of net turnover and 6,585 of the year's results relates to sub-group Martek, and 2,673 of net turnover and -233 of the year's results relates to Utilator.

The total value of acquired assets and liabilities, purchase amounts and affect on the Group's liquid assets for all subsidiaries acquired in 2000 is as follows:

	KSEK
Intangible fixed assets	5,237
Goodwill	267,519
Tangible fixed assets	1,930

Financial fixed assets	8,009		2000-12-31	1999-12-31
Inventories and work in progress	11,611	Opening acquisition values	8,843	9,637
Other current assets	9,720	Change over the year		
Liquid funds	8,326	Purchases	288,647	647
Provisions	-18	Sales	-	-941
Long-term liabilities	-10,183	Stockholders' contributions	5,605	5,150
Current liabilities	-23,502	Write-downs	-226,215	-5,650
Minority stockholding	-456	Closing accumulated acquisition values	76,880	8,843
<b>Total purchase price</b>	<b>278,647</b>	Closing book value	76,880	8,843
Actual value of stocks issued	-278,647			
Liquid funds in the acquired companies	-8,325			
<b>Affect of the year's acquisitions on Group liquid funds</b>	<b>-8,325</b>			
<b>Total cash flow relating to investments in subsidiaries</b>	<b>-8,325</b>			

On the acquisition of Utilator AB, it was agreed that the supplementary purchase price should be payable based on the company's results and order stock on 30 June 2001. Moreover, the supplementary purchase price will be payable depending on the price of the Frontyard stock unit on 31 October 2001 and 31 December 2001 respectively. A maximum of a further 360,000 stock units may be issued as funds for acquiring Utilator AB. Since the supplementary purchase prices cannot be reliably estimated these were not considered in the acquisition value on 31 December 2000. In the case of more stock units being issued the acquisition value will not be adjusted, but will instead be entered under equity.

#### NOTE 25 Shares in Group companies

	Corp. ID	Location
Frontyard Systems AB	556105-4221	Göteborg
Syntell AB	556481-5776	Stockholm
eHem AB	556349-5349	Göteborg
Utilator AB	556524-7888	Gävle
Frontyard Bildcom AB	556288-5292	Göteborg
Frontyard RTV AB	556476-4487	Göteborg
Frontyard Communications AB	556530-0406	Göteborg
Martek Holding B.V.	-----	Netherlands

A complete list of shares in Group companies has been sent to the Patent and Registration Office and is available at Frontyard AB's offices.

	Capital,%	Votes,%	No. of shares	Book value
Frontyard Systems AB	100	100	5,000	500
Frontyard Communications AB	100	100	1,000	101
Syntell AB	100	100	10,000	1,300
eHem AB	99.7	99.7	11,487,490	40,000
Utilator AB	100	100	10,000	3,900
Martek Holding B.V.	100	100	40	30,877
Frontyard Bildcom AB	100	100	1,000	150
Frontyard RTV AB	100	100	1,000	52
Summa				76,880

#### NOTE 26 Receivables from Group companies

Parent company	2000	1999
Opening receivables	-	-
Additional receivables	1,500	-
	1,500	-

#### NOTE 27 Promissory note combined with option

Comprises two promissory notes combined with option. A loan of SEK 10,000 was agreed in 1998 by Frontyard Systems AB, the second loan of SEK 10,000 was agreed in 1999 by Frontyard Communications AB. The loans bear floating interest rates linked to the official discount rate and are due for payment on 31 January 2001 and 31 December 2001 respectively. The loans include separable warrants entitling the holder to subscribe to new stock units. The warrants may be converted into stock units until 31 January 2001 and 31 December 2001 respectively. The conversion rates are SEK 54 and SEK 56 respectively, a maximum of 200,000 new class B stock units may be issued.

Göteborg, 21 March 2001, Board of Directors of Frontyard AB (publ.)

Thommy Nilsson, Chairman

Jan Engström, President & CEO   Karl-Erik Rasmusson   Lars Josefsson   Allan Karlsson

My audit report was submitted on 30 March 2001.

Claes Thimfors  
Authorized public accountant

I have audited the annual accounts, consolidated accounts, the accounting records and the administration of the Board of Directors and President & CEO of Frontyard AB for the year 2000. These accounts and the administration are the responsibility of the Board of Directors and the President & CEO. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

The audit has been conducted in accordance with generally accepted auditing standards in Sweden. This entailed me planning and performing the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes examining, on a test basis, the accounting concepts used and their application by the Board of Directors and the President & CEO, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President & CEO. I have also examined whether any Board member or the President & CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the Group's results and financial position in accordance with generally accepted accounting principles in Sweden.

I recommend to the Annual General Meeting of stockholders that the income statements and balance sheets of the parent company and the Group be adopted, that the loss of the parent company be dealt with in accordance with the proposal in the administration report, and that the members of the Board of Directors and the President & CEO be discharged from liability for the fiscal year.

Göteborg, 30 March 2001

Claes Thimfors  
Authorized public accountant

## BOARD OF DIRECTORS



### STYRELSE

**Thommy Nilsson, Chairman of the Board, born 1949**  
Member since 2000. CEO KappAhl, Chairman of the Board Friluftsbolaget AB, Blic AB, Upright AB etc. Holding 7,000 class B stock units.

**Karl-Erik Rasmusson, born 1943**  
Member since 2000. Chairman of the Board of Viking Telecom AB, Office Väst AB and Wipcore AB. Board member SYSteam AB. Holding (with family) 276,328 class B stock units.

**Lars Josefsson, born 1947**

Member since 2000. Investment Manager in SCH Active Investment AB, member of the Board of Mentice AB. Former CEO of Horisonten AB (now part of Cell Network). Holding 2,500 class B stock units.

**Allan Karlsson, born 1945**

Member since 1999. Director IT Infrastructure, Stora Enso Group. Holding 1,000 class B stock units.

**Photo (left to right):** Lars Josefsson, Jan Engström, Karl-Erik Rasmusson, Allan Karlsson and Thommy Nilsson.



### SENIOR EXECUTIVES

Jan Engström, born 1960

President & CEO. Employed since 2000.

Holding 5,000 class B stock units.

Willem Bok, born 1955

President of Martek Electronics B.V. Employed since 2000. Holding (via company) 562,068 class B stock units.

Frederik Gustafsson, born 1967

Director of Communications, Frontyard AB. Employed since 1999. Holding 250,000 class B stock units.

Johan Isaksson, born 1968

Director of Development, eHem AB. Employed since 1999. Holding 215,000 class B stock units.

Anders Lindfors, born 1961

President of Utilator AB. Employed since 2000. Holding (via company) 195,000 class B stock units.

Ulf Lundén, born 1960

President of Frontyard Communications AB, Frontyard Communications AS and Frontyard Communications A/S. Employed since 2000. Holding 0.

Erik Nordén, born 1956

CFO, Frontyard AB. Employed since 1999. Holding 0.

Niclas Perkman, born 1966

President of eHem AB. Employed since 2000. Holding 100 class B stock units.

### AUDITORS

Claes Thimfors, regular, born 1956

Company's auditor since 2000. Authorized public accountant, Öhrlings Pricewaterhouse Coopers AB.

Lennart Wiberg, deputy, born 1946

Deputy auditor since 2000. Authorized public accountant, Öhrlings Pricewaterhouse Coopers AB.

## GLOSSARY & DEFINITIONS

### GLOSSARY

#### Broadband

Fixed Internet connection with high capacity that can quickly transfer large quantities of information.

#### Bluetooth

A global specification for wireless communication over short distances.

#### EIB

European Installation Bus. European standard for controlling equipment in the home.

#### Gateway

See Residential Gateway

#### GPRS

General Packet Radio Service. Standard for high-speed communication via mobile phones

#### GSM

Global standard for mobile communication.

#### IT

Information technology.

#### Linux

Operating system used in some equipment with high demands on operational security, for example a Residential Gateway.

#### Logger

A product that fetches measured values and stores them on a continuous basis. Used for example in conjunction with remote readings.

#### LonWorks

Standard for controlling equipment in the home. More appropriate for controlling larger real estate systems than homes.

#### Operator

Companies that deliver mobile telephony or Internet access, for example.

#### OSGi

Open Services Gateway Initiative. Independent organization that drives work to create a standard for communication with gateways.

#### Processor

The computer's 'brain'.

#### Residential Gateway

A dedicated computer that only the operator can control and monitor. Handles various services and functions with high operational security.

#### SMS

Short Messaging Service. Protocol for sending messages to and from mobile phones.

#### TCP/IP

Transmission Control Protocol/Internet Protocol. Standardized protocol for how the information is sent over the Internet.

#### UMTS

Universal Mobile Telecommunications System. An international standard for third generation (3G) mobile communication systems that makes it possible to use the mobile networks for sound and image.

#### UPnP

Universal Plug and Play. Initiative to create a standard for connecting products from different suppliers.

#### WAP

Wireless Application Protocol. Protocol for accessing the Internet via mobile phones.

#### Windows

Microsoft's operating system for servers and computers.

#### X-10

American standard for the intelligent home which makes it possible to control and monitor various types of equipment.

### DEFINITIONS

#### Rate of capital turnover

Operating income/Capital employed on closing day.

#### Operating margin

Operating result after depreciation/Income.

#### Debt/equity ratio

Interest-bearing liabilities/Equity.

#### Equity/assets ratio

Equity/Equity and liabilities.

#### Capital employed

Assets less non interest-bearing liabilities and deferred income tax liability.

#### Profit margin

Profit net of financial items/Income.

## SWEDEN

Head office  
Frontyard AB  
Anders Carlssons Gata 14  
SE-417 55 Göteborg  
Tel +46 (0)31 744 24 00  
Fax +46 (0)31 744 24 99  
Video conferencing  
+46 (0)31 850276

Anderstorpsvägen 12, 2<sup>nd</sup> floor.  
SE-171 54 Solna  
Tel +46 (0)8 568 441 00  
Fax +46 (0)8 568 441 01  
Video conferencing  
+46 (0)8 448 80 12

Carlskatan 12a  
SE-211 20 Malmö  
Tel +46 (0)40 127310  
Fax +46 (0)40 126940  
Video conferencing  
+46 (0)40 170138

## Utilator AB

Norra Strandgatan 9  
SE-803 20 Gävle  
Postal address  
Box 1405  
SE-801 38 Gävle  
Tel +46 (0)26 54 66 80  
Fax +46 (0)26 54 66 81

## NORWAY

Sandviksveien 26  
NO-1363 Høvik  
Tel +47 67 83 06 82  
Fax +47 67 12 18 65  
Video conferencing  
+47 67 11 09 71  
+47 67 58 22 58

## DENMARK

Vesterbrogade 149  
DK-1620 Copenhagen  
Tel +45 70 25 63 85  
Fax +45 70 25 63 86  
Video conferencing  
+45 33 21 32 47

## NETHERLANDS

Martek Electronics B.V.  
Grotestraat 55a  
4264 RJ VEEN  
Netherlands  
Tel +31 416 69 26 70  
Fax +31 416 69 31 34

## UK

Martek (UK) Ltd.,  
Unit 2, Lodge Works  
The Gershom Centre  
Great Ashfield  
IP31 2HA Suffolk  
United Kingdom  
Tel +44 (0)1359 25 99 30  
Fax +44 (0)1359 25 80 05

Home Control plc  
Unit 1, Old Station Yard  
Cawston, Norwich  
NR10 4BG Norfolk  
United Kingdom  
Tel +44 (0) 1603 879080  
Fax +44 (0) 1603 879083

