

# Interim Report 1 January–30 September 1999

## Framtidsfabriken AB (publ)

### **Continued strong and profitable growth during the third quarter**

- Operating profit after depreciation of tangible fixed assets for January - September 1999 amounted to SEK 36.5 (7.8) million, an increase of 370 percent compared with the same period in 1998. Corresponding profit for the third quarter of 1999 was SEK 13.7 (1.9) million.
- Profit after financial items for January - September 1999 amounted to SEK 29,0 (6.3) million, corresponding to a profit margin of 14.0 (9.3) percent.
- Sales increased during the first nine months of the year by 207 percent to SEK 206.9 (67.4) million.
- Cash flow from current operations amounted to SEK 4.2 (-3.2) million during the first three quarters of 1999.
- The number of employees rose during the first nine months of 1999 from 145 to 459, an increase of 314.
- Framfab is the company's new brand since 15 October 1999.
- Framfab believes that strong growth with profitability will continue throughout 1999.

## Results and financial position

### January – September 1999

Operating profit after depreciation of tangible fixed assets during January - September 1999 increased to SEK 36.5 (7.8) million, which corresponds to a margin of 17.6 (11.5) percent. Operating profit includes a capital gain of SEK 3.5 million from the sale in May 1999 of 80 percent of the shares in Bredbandsbolaget. The operating margin after depreciation of tangible fixed assets, excluding the capital gain, was 16.1 (11.5) percent.

Profit after financial items amounted to SEK 29.0 (6.3) million, which yields a profit margin of 14.0 (9.3) percent. The profit margin, less the referenced capital gain, was 12.4 (9.3) percent.

Sales increased by 207 percent to SEK 206.9 (67.4) million.

SEK million	Group Jan-Sep 1999	Group Jan-Sep 1998
<b>Sales</b>	<b>206,9</b>	<b>67.4</b>
Sales growth	206,8 %	
<b>Operating profit after depreciation of tangible fixed assets</b>	<b>36,5</b>	<b>7.8</b>
Operating margin after depreciation of tangible fixed assets	17,6 %	11.5 %
<b>Operating profit</b>	<b>26,9</b>	<b>6.5</b>
Operating margin	13,0 %	9.6 %
<b>Profit after financial items</b>	<b>29,0</b>	<b>6.3</b>
Profit margin	14,0 %	9.3 %

The Group's liquid assets amounted to SEK 248.8 (47.5) million as of 30 September 1999. Through a new share issue in conjunction with listing on the Stockholm Stock Exchange, Framfab raised SEK 229.2 million, after expenses related to the issue, during January – September 1999. During the same period the company raised SEK 6.5 million through payments of warrant premiums and exercising outstanding warrants.

Shareholders' equity amounted to SEK 540.9 million as of 30 September 1999, yielding an equity/assets ratio of 87.4 (74.2) percent. Interest-bearing liabilities amounted to SEK 18.0 (0.2) million.

Despite strong expansion and associated investments, Framfab showed positive cash flow from current operations amounting to SEK 4.2 (-3.2) million during the first nine months of 1999.

Investment in tangible fixed assets during the period amounted to SEK 6.8 (3.6) million. This relatively low investment volume is explained by Framfab's policy of assigning the purchase of computers to operating expenses. During the period, expensed computer equipment was acquired to the amount of SEK 9.2 million. Had this computer equipment been capitalised in the balance sheet, the gross margin would have increased from 18.8 percent to 23.3 percent.

During April and May 1999, Framfab acquired 100 percent of the shares in Netsolutions and Networkers, as well as 70 percent of the shares in M.O.R., which involved investments in goodwill totalling SEK 186.8 million. These companies were included in the Group financial statements as of 1 May 1999. In August 1999, a final agreement was signed for the acquisition of 51 percent of the shares in the London-based Internet consulting firm Vivid Edge. The acquisition entails an investment in goodwill of SEK 1.8 million. Vivid Edge was included in the group financial statements as of 1 September 1999.

The number of employees rose during the first nine months of 1999 from 145 to 459, an increase of 314. The average number of employees during the period was 285 (99). As of 27 October 1999, Framfab had approximately 590 employees, including employees of Wcube, Production Medialab and Avrita (see "Acquisitions" below).

### July – September 1999

Operating profit after depreciation of tangible fixed assets rose during the third quarter of 1999 to SEK 13.7 (1.9) million, which corresponds to an operating margin of 14.4 (8.0) percent. Profit after financial items amounted to SEK 10.0 (1.4) million, yielding a profit margin of 10,5 (6.0) percent. Sales increased by 303 percent to SEK 94.9 (23.6) million compared with the same period in 1998. Quarterly sales and profits for the group during 1998 and 1999 are summarised in the table below.

<b>Group SEK million</b>	<b>1998 Q 1</b>	<b>1998 Q 2</b>	<b>1998 Q 3</b>	<b>1998 Q 4</b>	<b>1999 Q 1</b>	<b>1999 Q 2</b>	<b>1999 Q 3</b>
Sales	22.5	21.4	23.6	36.9	32.1	79.9	94.9
Operating profit after depreciation of tangible fixed assets	7.4	-1.5	1.9	8.4	6.1	16.8	13.7
Operating profit	7.0	-2.0	1.5	8.0	5.6	13.0	8.3
Profit after financial items	7.0	-2.1	1.4	8.4	5.8	13.1	10.0

The preceding interim report for the first half of 1999 included pro forma financial statements for the companies included in the group at that time, i.e., Framtidsfabriken, Netsolutions, Networkers, M.O.R. and a small number of dormant subsidiaries. The purpose was to simplify comparison with the pro forma financial statements issued in the prospectus drawn up in May 1999 in connection with Framfab's listing on the Stockholm Stock Exchange. Beginning with this interim report, Framfab shall no longer present pro forma financial statements.

## Market and sales

The market for Internet consulting services is expanding very rapidly. Corporate Internet ventures continue to grow, projects are progressively becoming more business-critical and thus ever more complex: strategically, communicatively and technically. Increasing globalisation also contributes to greater complexity. Framfab is one of the few European Internet consulting firms with the resources, expertise, power of innovation and speed necessary to meet the demands of major multi-national clients on a strategic, total solution supplier.

The Company's sales strategy of prioritising long-term collaboration with leading multi-national companies and following them internationally has proven successful. The strategy has resulted in larger clients, more sophisticated assignments and maintained growth with profitability.

The third quarter was characterised by a continued very large demand for Framfab's services. Sales volume rose through new sales to companies such as Kellogg's (Scandinavia), Volvo Construction Equipment and Magasin (a larger Danish department store chain) and through intensified efforts among existing clients, such as IKEA, Volvo, Ericsson, Ikano, Tele Danmark, et al.

Project volume for Bredbandsbolaget has increased sharply. Projects span the range from broadband portals to administrative systems for managing services directed towards leaseholders and property owners.

## Acquisitions

In April/May, Framfab entered a phase of accelerated growth by acquiring all shares in Netsolutions and in Denmark's leading Internet consulting firm, Networkers, as well as 70 percent of shares in M.O.R., an advertising agency. These acquisitions were carried out through directed new share issues.

A final agreement was signed in August concerning the acquisition of 51 percent of the London-based Internet consulting firm Vivid Edge. The acquisition was effected through a subscription of newly issued shares in the amount of GBP 250 thousand. Framfab has the option to acquire an additional 40 percent of shares during the third quarter 2000. Vivid Edge has approximately 20 employees.

A final agreement was signed in late September concerning the acquisition of 95 percent of shares in the French Internet consulting firm Wcube. The purchase was settled through a directed new issue of 98,541 shares and a cash payment of FRF 25.7 million. Framfab has the option to acquire the remaining shares during the first half of 2001, at a price based upon Wcube's profitability and sales during 2000. Wcube has some 40 employees. Wcube will be included in the group financial statements beginning 1 October 1999.

A letter of intent to acquire Production Medialab in Gothenburg was signed in September. Production Medialab has some 30 employees and represents a reinforcement of competence within interactive new broadband services based on moving pictures and web technology.

A letter of intent was signed in October concerning the acquisition of operations in the consulting firm Avrita. The purchase price will be paid in cash. Avrita will contribute leading-edge competence in 3D real-time simulation. Avrita has nine employees.

## **Corporate expansion**

In addition to the referenced acquisitions, new offices were opened in Linköping, Lund, Malmö, Stockholm and Västerås during the first nine months of 1999. Today Framfab has 18 offices in four countries.

## **Share data**

Profit after tax for January – September 1999 was SEK 17,9 (4.0) million, which corresponds to SEK 1.86 (0.65) per share. Shareholders' equity per share was SEK 42.99 (10.70) as of 30 September 1999.

The parent company had 12,581,251 registered shares as of 30 September 1999. The number of shares has increased during 1999 by a total of 5,574,470 through non-cash issues in conjunction with the acquisition of Netsolutions (2,536,687 shares), Networkers (900,000 shares) and M.O.R. (109,958 shares); through a new issue in connection with Framfab's listing on the stock exchange (2,000,000 shares); and via exercise of warrants (27,825 shares).

The number of shares increased by 73,175 in October 1999 to 12,654,426 through exercise of warrants. Upon full exercise of outstanding warrants, the number of shares will increase by an additional 699,000.

A non-cash issue in conjunction with the acquisition of Wcube will increase the number of shares by 98,541.

## **Ownership structure**

Foreign ownership of Framfab increased during the third quarter of 1999 to more than 40 percent as of 30 September 1999.

## **General meeting**

An extraordinary general meeting will be held 4 November 1999. At the general meeting the following matters will be presented.

- Decision regarding a new incentive warrant programme.

- Decision concerning transfer of shares in the wholly owned subsidiary Framfab Innovation AB to employees.
- Board authorisation to issue shares in order to enable additional acquisitions.

## **Outlook for 1999**

The current order stock and expansion rate indicates continued strong sales growth and profitability in 1999. A lot of effort is put into locating and rapidly integrating competent personnel into the business. This is the primary challenge that must be met in order to sustain rapid growth.

## **Parent company**

During the first three quarters of 1999, the parent company showed net sales of SEK 147.8 (23.9) million. Profit after financial items was SEK 32.1 (1.9) million. Investments in tangible fixed assets amounted to SEK 5.9 (3.1) million. As of 30 September 1999, the parent company had liquid assets of SEK 217.8 (44.6) million.

## **Scheduled reports**

The next financial report will be released on 15 February 2000.

Stockholm, 28 October 1999

Framtidsfabriken AB (public corporation)  
The Board of Directors

## **Auditors' Review Report**

We have reviewed this Interim Report following the recommendation for reviewing interim reports issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is significantly less in scope than an examination in accordance with generally accepted auditing standards. During our review, nothing came to our attention that indicates that this report has not been prepared in accordance with the requirements for interim reports as set out in the Swedish Annual Accounts Act.

Stockholm, 28 October 1999

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**Framfab's** business concept is to create new business for the network economy through strategic consulting and digital services.

**Framfab** today has 590 employees divided among 18 offices located in Copenhagen, Gothenburg, Linköping, London, Lund, Malmö, Paris, Stockholm and Västerås.

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

**Framfab** is listed on the Stockholm Stock Exchange "O" list (ticker FTID).

## Summary income statement January – September and January – December 1998

SEK million	Group Jan-Sep 1999	Group Jan-Sep 1998	Group Jan-Dec 1998
Net sales	203,1	67,2	104,1
Other operating income	3,8	0,2	0,3
Sales	206,9	67,4	104,4
Operating expenses	-167,9	-59,1	-87,4
Operating profit before depreciation	39,0	8,3	17,0
Depreciation of tangible fixed assets	-2,5	-0,5	-0,8
Operating profit after depreciation of tangible fixed assets	36,5	7,8	16,2
Amortisation of goodwill	-9,3	-1,3	-1,7
Amortisation of other intangible fixed assets	-0,3	-	-
Operating profit	26,9	6,5	14,5
Financial net	2,1	-0,2	0,2
Profit after financial items	29,0	6,3	14,7
Taxes	-10,9	-2,3	-4,8
Minority shares	-0,2	-	-
Profit for the period	17,9	4,0	9,9



## Summary income statement July – September

SEK million	Group Jul-Sep 1999	Group Jul-Sep 1998
Net sales	94,6	23,6
Other operating income	0,3	-
<b>Sales</b>	<b>94,9</b>	<b>23,6</b>
Operating expenses	-80,0	-21,5
<b>Operating profit before depreciation</b>	<b>14,9</b>	<b>2,1</b>
Depreciation of tangible fixed assets	-1,2	-0,2
<b>Operating profit after depreciation of tangible fixed assets</b>	<b>13,7</b>	<b>1,9</b>
Amortisation of goodwill	-5,3	-0,4
Amortisation of other intangible fixed assets	-0,1	-
<b>Operating profit</b>	<b>8,3</b>	<b>1,5</b>
Financial net	1,7	-0,1
<b>Profit after financial items</b>	<b>10,0</b>	<b>1,4</b>
Taxes	-4,4	-0,5
Minority shares	-0,1	-
<b>Profit for the period</b>	<b>5,5</b>	<b>0,9</b>

## Summary balance sheet

SEK million	Group 1999-09-30	Group 1998-09-30	Group 1999-06-30	Group 1998-12-31
<b>Assets</b>				
Goodwill	199,8	15,7	204,6	15,2
Other intangible fixed assets	1,2	-	1,4	-
Tangible fixed assets	13,9	3,1	12,8	4,2
Financial fixed assets	36,2 <sup>1</sup>	0,0	2,6	0,0
<b>Total fixed assets</b>	<b>251,1</b>	<b>18,8</b>	<b>221,4</b>	<b>19,4</b>
Accounts receivable	68,6	15,1	51,8	41,4
Other current assets excl. liquid assets	51,7	19,7	38,0	9,8
Liquid assets	248,8	47,5	238,7	38,0
<b>Total current assets</b>	<b>369,1</b>	<b>82,3</b>	<b>328,5</b>	<b>89,2</b>
<b>Total assets</b>	<b>620,2</b>	<b>101,1</b>	<b>549,9</b>	<b>108,6</b>
<b>Shareholders' equity and liabilities</b>				
Restricted equity capital	514,6	66,1	451,6	74,4
Non-restricted reserves	8,4	4,9	9,5	-1,8
Profit for the period	17,9	4,0	12,4	9,9
<b>Total equity capital</b>	<b>540,9</b>	<b>75,0</b>	<b>473,5</b>	<b>82,5</b>
Minority interests	1,4	-	1,3	-
Provisions	10,2	1,5	7,0	1,4
Interest-bearing liabilities	18,0	0,2	12,0	0,2
Long-term, non-interest bearing liabilities	0,0	0,0	0,0	0,0
Current, non-interest bearing liabilities	49,7	24,4	56,1	24,5
<b>Total liabilities</b>	<b>79,3</b>	<b>26,1</b>	<b>76,4</b>	<b>26,1</b>
<b>Total shareholders' equity and liabilities</b>	<b>620,2</b>	<b>101,1</b>	<b>549,9</b>	<b>108,6</b>

- 1) SEK 33,8 million corresponding to FRF 25,7 million refers to cash payment in connection with the acquisition of Wcube, which will be included in the group financial statements as of 1 October 1999.

## Summary cash flow statement

SEK million	Group Jan-Sep 1999	Group Jan-Sep 1998	Group Jan-Dec 1998
Cash flow from current operations before changes in working capital	35,0	7,2	13,7
Changes in working capital	-30,8	-10,4	-26,7
<b>Cash flow from current operations</b>	<b>4,2</b>	<b>-3,2</b>	<b>-13,0</b>
Acquisition of subsidiaries <sup>2</sup>	13,9	-	-
Cash flow from other investment activities	-42,7 <sup>3</sup>	-20,5	-21,8
<b>Cash flow before financing</b>	<b>-24,6</b>	<b>-23,7</b>	<b>-34,8</b>
Cash flow from financing activities	235,3	71,1	72,7
<b>Cash flow for the period</b>	<b>210,7</b>	<b>47,4</b>	<b>37,9</b>
Exchange rate differences in liquid assets	0,0	-	-
<b>Liquid assets, end of period</b>	<b>248,8</b>	<b>47,5</b>	<b>38,0</b>

- 2) Net of cash acquisition payments (-) and acquired liquid assets (+). Non-cash issues have not been taken into account, as they don't have any effect on liquid assets.
- 3) SEK 33,8 million corresponding to FRF 25,7 million refers to cash payment in connection with the acquisition of Wcube, which will be included in the group financial statements as of 1 October 1999.

## Key ratios

	Group Jan-Sep 1999	Group Jan-Sep 1998	Group Jan-Dec 1998
Sales growth, %	206,8 %		
Gross margin, %	18,8 %	12,2 %	16,3 %
Operating margin after depreciation of tangible fixed assets, %	17,6 %	11,5 %	15,5 %
Operating margin, %	13,0 %	9,6 %	13,9 %
Profit margin, %	14,0 %	9,3 %	14,0 %
Equity/assets ratio, %	87,4 %	74,2 %	76,0 %
Return on capital employed, %	9,6 %	15,0 %	28,0 %
Return on shareholders' equity, %	6,1 %	9,2 %	18,5 %
Average number of employees	285	99	109
Employees at end of period	459	123	145
Sales per employee, SEK thousand	985 <sup>4</sup>	-	957
Profit per employee, SEK thousand	183 <sup>4</sup>	-	149

4) Based on last twelve months.

## Definitions

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