

26 July 2001

## Interim report January – June 2001

- Trio's net sales rose 33% to SEK 61.9 million (SEK 46.7 m)
- The loss for the first half-year was –SEK 26.1 million (-SEK 70.1 m)
- The second quarter saw an excellent inflow of orders, with an increase to SEK 75 million (SEK 15 m)
- Q2 net sales climbed 42% to SEK 30.9 million (SEK 21.8 m)
- Positive cash flow in Q2
- Strategic orders were signed with Telia and Telenor, amongst others
- A partnership agreement with Technology Nexus concerning development enables major business opportunities and cuts costs in the System Products business area
- The breakeven forecast for Q3 2001 remains in place

SEK million	Q2 2001	Q2 2000	6 month 2001	6 month 2000
Inflow of orders	75	15	95	35
Net sales	30.9	21.8	61.9	46.7
Total expenses	- 47.1	- 51.3	- 93.6	- 106.1
Loss prior to goodwill depreciation	-10.8	- 25.0	- 26.0	- 54.9
Loss for the period	-10.9	- 33.0	- 26.1	- 70.1
Cash flow for the period	15.0	- 32.1	- 32.9	- 48.7

### The operations

Trio is a telecommunications company that develops software and systems solutions with a focus on corporate telephony and value-added call handling. Customers are mobile operators, service providers, companies and organisations. A total of around 2,000 systems have been delivered in the Nordic region.

Trio's solutions enable companies to combine their existing telephony investments with 3G mobile telephony and IP telephony, or completely replace their fixed telephony with mobile telephony without affecting service standards. The solutions also enable combining existing telephony and web systems with advanced voice response solutions and contact centres.

Trio's solutions enhance the reachability of units and individuals within the company, thus enhancing the company's efficiency. Service levels also improve, which means that the company can boost customer relationships and sharpen its competitive edge.

## **A sharp rise in the inflow of orders**

Trio's initiative over recent years focusing on the development of systems for the integration of fixed, mobile and IP telephony accounts for the majority of the very strong inflow of orders during Q2 2001. Trio is now entering a phase that will see much larger deals, and it is expected that mobile operators will account for a large proportion of revenues.

The Trio group's net sales during Q2 amounted to SEK 30.9 million (SEK 21.8 m), and the inflow of orders amounted to SEK 75.3 million (SEK 14.7 m). At group level, total costs have been cut to SEK 47.1 million (SEK 51.3 m). The savings have mainly been achieved within Trio Information Systems AB, the Swedish operations of System Products. Total costs decreased by 8% in Q2, despite a much higher level in net sales (+44%) and the inflow of orders (+412%).

## **Significant orders during the quarter**

Last year, all the business areas incurred high development costs, enabling Trio to offer secure, future-proof systems today at the cutting edge of technology. Developmental costs were reduced during the quarter by 29% to SEK 9.8 million (SEK 13.8 m).

**Agreement with Telia Mobile regarding Trio's Mobile Office solution.** The total order value amounts to SEK 41.7 million excluding training and service. The target group consists of corporate customers that can choose to use mobile telephones alone. They nevertheless enjoy complete switch functionality, access and referral, message handling and a dynamic corporate directory. Trio's Mobile Office is based on solutions from the Operator Solutions and System Products business areas. The systems are to be installed in Telia Mobile's mobile telephony network in the autumn. Sonera and Telenor already offer Trio's Mobile Office solutions to their respective customers in Finland and Norway.

**Agreement with Telenor regarding a unique integration solution.** The agreement relates to the delivery of Trio PresentOffice to Telenor's new head office at Fornebu. The solution integrates existing telephone switches, mobile telephony and Telenor's IP telephony solution. The system will be used by up to 15,000 employees and 70 attendants within Telenor. The order value is SEK 2.9 million. The solution is the first of its kind in the market and will, for example, enable employees to choose freely between using fixed and mobile telephony while maintaining a very high functionality level. In addition, attendants can manage fixed and mobile telephony from the same ergonomic workstation. Diaries, the web and voice referral are also integrated into the system.

**Agreement with the National Board of Health and Welfare regarding IP telephony integration.** The agreement covers the integration of offices in Stockholm and Gothenburg by means of IP telephony, and has been established in association with Cygate, the systems integrator. The solution enables the use of existing IP networks for both data and traditional switch-based telephony. The integration will also enable attendants to serve both offices from one and the same workstation. All National Board of Health and Welfare regional offices will be gradually integrated. The solution is based on Cisco's IP telephony platform.

## **Partnership agreement with Technology Nexus concerning development**

Trio signed a partnership and outsourcing agreement with Technology Nexus concerning the development of Trio PresentOffice. The agreement involves the transfer of employees of Trio Business Technology (a Trio subsidiary) to Technology Nexus. However, they will mainly continue to work for Trio during the three-year term of the agreement. So far, Trio has received a cash payment in the amount of SEK 21 million. As a part of the deal, Trio undertakes to purchase services from Technology Nexus for a total of SEK 60 million over a three-year period.

The background is that larger deals relating to e.g. Trio's Mobile Office are based on a high degree of customer-financed development and adaptation. The collaboration will enable Trio to broaden its expertise quickly and offer the services of more development professionals in the context of projects conducted in close collaboration with customers.

The agreement also cuts the development costs considerably in the System Products business area. The estimation that costs within System Products will be reduced by just over SEK 15 million in 2001 remains in place. Savings generated by the current restructuring programme in the business area are also included in the assessment. The agreement does not affect Trio's two other business areas.

### **Staff**

The group employed 121 (188) people at the end of the quarter.

### **Investments**

Investments in equipment and computers amounted to SEK 0,4 million (SEK 1.3) in Q2

### **Financial status and liquidity**

At the end of the period, the equity/assets ratio was 55% (86%) and liquid assets amounted to SEK 98.7 million (SEK 26.1 m).

## Outlook for 2001

In 2000, there was a sharp drop in demand in the Nordic region, mainly within the System Products business area. In the first half of 2001, demand has risen, however.

The main reason for the much higher inflow of orders in Q2, however, is that as of this year, Trio can offer two qualified solutions for the integration of fixed, mobile and IP telephony. The first is Trio's Mobile Office, now being offered by the Nordic region's three leading mobile operators. The second is based on Trio PresentOffice, and is integrated with existing company switches. Telenor is the first customer and the installation is presented above.

Trio estimates that license revenues (and thus business volumes) in both the Nordic region and internationally will rise, in spite of a dip in the business cycle in 2001. The reason is that the integration solutions offered by Trio are powerful rationalisation tools that enhance internal efficiency and improve customer service. However, a higher proportion of major orders will involve greater quarterly fluctuations in terms of signed orders, net sales, costs and financial result.

It is expected that the majority of the increased revenues in 2001 will come from the Operator Solutions business area. It is expected that System Products will enjoy a higher level of net sales and that its financial result will improve significantly. It is expected that Customized Systems' financial result will improve during the second half of the year.

At group level, the company's assessment set forth in the preliminary year-end accounts for the 2000 entire year remains in place. Organic growth of at least 50% is expected as well as an operating profit prior to goodwill depreciation by Q3 2001 at the latest.

## Upcoming financial information

The nine-month interim report will be published on 25 October.

Stockholm

26 July 2001

Trio AB (publ)

The Board of Directors

For more information, please contact Sverker Hannervall, CEO, tel.: +46 8 457 30 00, or Ion Bogdaneris, Chairman of the Board, tel.: +47 23 11 70 00

This report has not been subject to a special review by the company's auditors.

*The Trio Group is a group of companies with 120 employees in Sweden, Finland, Norway and Denmark. Trio develops and markets systems for mobile and fixed telephony that are designed to enhance the information flow of organisations, increase the accessibility of employees and raise the service level. The systems include call and message handling, call charging, and fax solutions for networks, as well as voice response and call centre systems. Trio's shares are listed on the O-list of the Stockholm Stock Exchange. [www.trio.com](http://www.trio.com)*

## Consolidated Income Statement and Balance Sheet (SEK m)

<i>Income Statement</i>	<b>2001 Q2</b>	<b>2000 Q2</b>	<b>2001 6 month</b>	<b>2000 6 month</b>	<b>2000 Full year</b>
Net sales	30.9	21.8	61.9	46.7	104.0
Cost of products sold	-15.0	-13.7	-28.0	-30.4	-65.4
<b>Gross profit</b>	<b>15.9</b>	<b>8.1</b>	<b>33.9</b>	<b>16.3</b>	<b>38.6</b>
Selling expenses	-14.2	-16.6	-28.3	-32.2	-64.5
Administrative expenses	-8.1	-7.2	-16.7	-15.6	-30.6
Development cost	-9.8	-13.8	-20.3	-27.9	-53.6
Other operating income	-	4.5	-	4.5	5.6
Items affecting comparability	5.4	-	5.4	-	-20.1
<b>Operating loss prior to goodwill depr.</b>	<b>-10.8</b>	<b>-25.0</b>	<b>-26.0</b>	<b>-54.9</b>	<b>-124.6</b>
Goodwill depreciation	-0.7	-8.1	-1.5	-16.2	-32.4
Goodwill write-down	-	-	-	-	-116.4
<b>Operating loss after goodwill depreciation</b>	<b>-11.5</b>	<b>-33.1</b>	<b>-27.5</b>	<b>-71.1</b>	<b>-273.4</b>
Financial income	0.7	0.2	1.7	0.8	2.4
Financial expenses	-0.1	-0.1	-0.3	-0.1	-0.7
<b>Loss after financial items</b>	<b>-10.9</b>	<b>-33.0</b>	<b>-26.1</b>	<b>-70.4</b>	<b>-271.7</b>
Tax	-	-	-	0.3	0.1
<b>Loss for the period</b>	<b>-10.9</b>	<b>-33.0</b>	<b>-26.1</b>	<b>-70.1</b>	<b>-271.6</b>

### Comments on the Q2 income statement

In the cost of sold products, material and production costs in the amount of SEK 3.5 million (SEK 2.4 m) are included, as well as costs for product maintenance-, installation-, support- and training staff in an amount corresponding to SEK 11.5 million (SEK 11.4 m).

Costs for premises and internal systems have been distributed according to the utilisation of the function in question.

Depreciation of tangible fixed assets amounted to SEK 0.8 million (SEK 1.0 m), and is also distributed according to the utilisation of the function in question.

Items affecting comparability consist of the write-down of financial fixed assets in the amount of SEK 1.1 million (-) on the one hand, and of capital gain in the amount of SEK 6.5 million (-) relating to the sale of assets and liabilities in the development operations to Technology Nexus AB on the other. The calculation has taken into account the scope and price level of the undertaking relating to counter-purchasing.

<i>Balance sheet</i>	<b>2001-06-30</b>	<b>2000-06-30</b>	<b>2000-12-31</b>
Intangible fixed assets	20.3	154.5	21.8
Tangible fixed assets	4.2	7.1	5.4
Financial assets	3.9	0.0	4.2
Other current assets	56.8	36.6	41.2
Cash and bank	98.7	26.1	131.6
<b>Total assets</b>	<b>183.9</b>	<b>224.3</b>	<b>204.2</b>
Shareholders' equity	102.1	193.7	127.5
Provisions	0.3	0.3	0.1
Interest-bearing liabilities	1.7	2.5	16.2
Non interest-bearing liabilities	79.8	27.8	60.4
<b>Total Shareholders' equity and liabilities</b>	<b>183.9</b>	<b>224.3</b>	<b>204.2</b>

## Cash flow statement (SEK m)

	2001 Q2	2000 Q2	2001 6 month	2000 6 month	2000 Full year
Current operations prior to change in working capital	-29.7	-24.2	-42.9	-52.1	-107.4
Change in working capital	23.9	-6.7	4.8	-5.1	8.9
Investment operations	20.7	-1.1	20.4	-2.4	-6.7
Financing operations	-	-0.1	-15.2	10.9	162.0
<b>Cash flow for the period</b>	<b>15.0</b>	<b>-32.1</b>	<b>-32.9</b>	<b>-48.7</b>	<b>56.8</b>
<b>Liquid assets at the beginning of period</b>	<b>83.7</b>	<b>58.2</b>	<b>131.6</b>	<b>74.8</b>	<b>74.8</b>
<b>Liquid assets at the end of period</b>	<b>98.7</b>	<b>26.1</b>	<b>98.7</b>	<b>26.1</b>	<b>131.6</b>

## Comments on the cash flow statement

The Q2 cash flow includes a cash payment from Technology Nexus in the amount of SEK 21 million. Negative cash flow is predicted for Q3, the main explanation being a higher degree of capital immobilisation due to the current project with Telia Mobile. Positive cash flow is expected to return in Q4.

## Income Statement, breakdown by business area (SEK million)

	2001 Q2	2000 Q2	2001 6 month	2000 6 month	2000 Full year
<b>System Products</b>					
Net sales	19.9	14,7	38,3	33,3	55,1
<b>Operating loss prior to goodwill</b>	<b>-4.9</b>	<b>-23.6</b>	<b>-14.4</b>	<b>-46.5</b>	<b>-109.0</b>
<b>Operator Solutions</b>					
Net sales	6.7	0.5	11.2	0.5	22.4
<b>Operating loss prior to goodwill</b>	<b>-1.7</b>	<b>-6,9</b>	<b>-6.2</b>	<b>-14.4</b>	<b>-21.2</b>
<b>Customized Systems</b>					
Net sales	4.2	6.6	12.3	12.3	26.5
<b>Operating profit/loss prior to goodwill</b>	<b>-3.2</b>	<b>1.0</b>	<b>-4.3</b>	<b>-3.8</b>	<b>0.8</b>

### Key ratios (SEK)

	2001 Q2	2000 Q2	2001 6 month	2000 6 month	2000 Full year
Loss per share prior to goodwill depreciation	-0.18	-1.06	-0.44	-2.35	- 5.15
Net loss per share prior to dilution	-0.18	-1.40	-0.44	-3.00	-11.22
Net loss per share following dilution	-0.16	-1.36	-0.40	-2.94	-10.75
Shareholders' equity per share	1.73	9.61	1.73	9.61	2.16
Equity/assets ratio, %	55	86	55	77	62
Number of shares at the end of the period (thousands)	59,065	23,626	59,065	23,626	59,065
Average number of outstanding shares (thousands)	59,065	23,626	59,065	23,333	24,193
Average number of outstanding shares following dilution (thousands)	67,065	24,176	65,652	23,883	25,271
Holding of the company's own shares	-	-	-	-	-

The calculation of the number of outstanding shares and the net profit/loss per share has been performed taking into account the outstanding warrants programme as well as the new share issues carried out during the year, in accordance with SFF's recommendation.

### Changes in shareholders' equity (SEK million)

	2001 Q2	2000 Q2	2001 6 month	2000 6 month	2000 Full year
Shareholders' equity at the beginning of the period	112.9	227.0	127.5	253.0	253.0
New share issue	-	-	-	11.0	147.6
Translation differences, etc	0.1	-0.3	0.7	-0.2	-1.6
Loss for the period	-10.9	-33.0	-26.1	-70.1	-271.6
<b>Shareholders' equity at the end of the period</b>	<b>102.1</b>	<b>193.7</b>	<b>102.1</b>	<b>193.7</b>	<b>127.5</b>