



Radians Innova AB (publ)

Org. No. 556196-4403

Interim Report 1 January – 31 December 2002

Radians Innova develops, manufactures and markets optronic systems for test and measurement of fibre optic telecommunications components and systems. Radians Innova is at the cutting edge of technology within the laser, optics, electronics and precision mechanics segments.

- Sales for 2002 amounted to SEK 4.3M (6.6)
- Invoiced sales relates mostly to Radians PICO™
- The operating result amounted to SEK –40.4M (-64.7) and the result after financial items was SEK –40.3M (-64.6)
- The costs for product development of new versions of Radians PICO™ amounts to SEK 7.1M, which have been capitalised. This years result has been charged with depreciation of SEK 7.6M of earlier capitalised product development costs.
- The telecommunications market is still weak. During 2002 a reduction in number of employees has been done to adapt to the lower sales volume.
- The sales volume is expected to increase during 2004.
- A new round of capital increase is presently under way through an issue of 4.2M shares.

Operations

Radians Innova AB develops, manufactures and markets tunable lasers for fiber optics within the telecommunication industry. Primarily they are used as a very precise laser source in optical instruments for measuring purposes, where they can sweep over large wavelength areas and thereby facilitate fast testing of optical components. The products are based on Radians unique capability to integrate optics, precision mechanic and electronics. This capability makes Radians PICO™ to the most effective instrument in the market.

During autumn 1998, extensive development work was started to produce a new generation of tunable laser systems, Radians PICO™. At the same time, an expansion of the organisation and production for serial production of the laser systems was initiated. Production of PICO was started in June 2001, serial deliveries to customers has been performed during 2001 and 2002. At present 5 customers are using PICO as laser source in their test and measurement systems. The 2002 delivery volume has been low due to the weak telecommunications market. A reduction in number of employees has been performed to adapt to the lower sales volume. The growth within the sector of Radians is expected to return during 2004, during this year the delivery volume is expected to increase.

Design and development work of new versions of PICO was started during 2002. Radians is engaged in the development of a low noise PICO as well as miniaturized, cheaper version of PICO. These new products, which will be launched at the OFC exhibition in Atlanta in March 2002, will further strengthen Radians competitiveness. Both these new products will give Radians access to a larger market.



Market

Radian's prime customers are leading companies manufacturing testing and measuring instruments for the fibre optics segment and components for the telecom market. The customers are mainly located in the North America, Europe and Asia.

The total market for these components is expected to be approximately USD 2.8B. During 2001-2002 the market has decreased but is expected to increase again in 2004. Demand for optical components is a result of the need for increased transfer of information in the fibre optic networks. The information volume is not only increasing because new users have been added but also because the information becomes more complex and requires more space. In order to meet the demand for higher information volume both the number of channels and the transfer speed in the individual channel in the fibre optics networks are increased. This trend forces the development of new components with higher performance. This puts high technical demands on testing and measuring equipment in the manufacturing stage.

Radians Innova's PICO, which is one of the most efficient laser instruments in the market for measuring and testing telecom components, allows for shorter testing and measuring times for the component manufacturing companies. The need for testing and measuring is also driven by the fact that one puts higher and higher quality requirements on the optical components, which has lead to that now each individual component is tested on a more frequent basis than before. Today's market for test and measurement equipment is estimated to be approx. USD 1.5B, of which the market for tunable lasers amounts to USD 0.1B.

Sales

Radians strategy is to work closely with customers, who integrate PICO into their test and measurement systems. PICO, being a highly advanced product, is built into our customer's products, which requires a close technical relation between Radians and our customers. This gives a rather long lead-time from the time of decision on the customer side till when deliveries start taking place. This time is normally between 6 to 9 months. It is normal in this context, when customers are modifying their products to allow for PICO to be built-in, to sign up for a long-term contract with Radians covering prices as well as supply volumes.

At present 5 customers are using PICO as a laser source in their test and measurement systems. JDS Uniphase (Canada) is using PICO in their new platform. An OEM agreement has been signed with JDSU. Fiberpro (Korea) and Apex (France) are using PICO in their products and will market these products during 2003. Sunrise (US) is adapting the sunlab product to include PICO, this product will be released at the OFC exhibition in Atlanta in March 2003. Orders have been received during 2002 from Luna Technologies Inc. (US). Luna is the biggest customer of Radians and further orders is expected during 2003.

Forth quarter 2002

During the period October 1 to December 31, 2002, sales amounted to SEK 0.8M (1.8). The invoicing related mainly to deliveries of the new instrument, PICO, to customers in the US. The operating result amounted to SEK -10.1M (-24.5) and the result after financial income and expenses was SEK -10.5M (-24.7).



The operating result includes costs for amortisation of goodwill of SEK 0.0M (-1.6) and furthermore write offs of capitalised product development costs with SEK 0.0M (-0.4), patents SEK 0.0M (-0.2) and goodwill SEK 0.0M (-0.8).

January - December 2002

During the period January 1 to December 31, 2002, sales amounted to SEK 4.3M (6.6). The operating result amounted to SEK -40.4M (-64.7) and result after financial items was SEK -40.3M (-64.6). The operating result includes costs for amortisation of goodwill of SEK 0.0M (-1.6) and furthermore write offs of capitalised product development costs with SEK 0.0M (-38.2), patents SEK 0.0M (-0.6) and goodwill SEK 0.0M (-0.8).

As for the parent company, sales amounted to SEK 4.3M (6.6). The operating result amounted to SEK -40.4M -58.9) and result after financial items was SEK -41.5M (-60.0).

Personnel

On December 31, 2002, the number of employees was 32 (40), of whom 8 (10) were women. The average number of employees during 2002 was 41 (36), of whom 9 (10) were women.

Capital expenditure in intangible fixed assets

Radians expenditure for product development in 2002 amounted to SEK 26.9M (39.8) of which SEK 7.1M (30.0) was capitalised. These expenditures were fully related to the development of new versions of PICO.

Depreciation according to plan amounted to 7,6 MSEK. Total capitalised development expenditures amounted per December 31, 2002 to gross SEK 83,5 (76.4)M. The closing residual value amounted to SEK 37,6 (38,2) M.

Capital expenditure in tangible fixed assets

Capital expenditure in fixed assets amounted to SEK 0.5M (3.6). Of this amount, investment in manufacturing equipment represented SEK 0.2M (0.8), R&D equipment SEK 0.2M (0.5) and in premises for production and other investments SEK 0.1M (2.3). Radians Innova AB has during 2002 leased equipment amounting to SEK 0.0M (5.0).

Liquidity and financial position

In 2002 the company issued 2 199 718 new shares which generated SEK 44,0M in new capital. The total number of shares amounted on December 2002 to 6 955 942 ordinary shares. The number of shareholders are presently 229.

There are presently 406 716 outstanding options which at full conversion gives the same number of ordinary shares. The options correspond to 5.5% of now existing shares and options.

Issued convertible debentures will increase the number of shares by 427 111. The debentures can be converted until December 31, 2003.

After full conversion of options and convertibles the number of shares increases to 7 789 769.

On December 31, 2002, net disposable funds including current interest-bearing investments amounted to SEK 11.7M (31 December, 2001 SEK 2.7M). On the same date, the Group's net cash holding amounted to SEK -10,7M (31 December, 2001 SEK -17.3M).



Because of the fact that Radians has a negative cash flow 2003 the company has a need for new external funds. At an extra general meeting in October 2002 the board was authorized to issue maximum 4.2 million new shares at market conditions. In the meantime the present main shareholders have given Radians a short-term loan of SEK 10.2M.

On December 31, 2002, the Group's shareholders' equity was SEK 33.1M (December 31, 2001 29.4M) and the Group's equity ratio 54 per cent (December 31, 2001, 49 per cent).

Prospects for the future

Radians' sales in 2003 are expected to increase as a result of higher delivery volume. The management believes that the operational result for 2003 will be improved compared to the one of 2002. Radians is however expected to reach cash flow break-even during 2004.

Göteborg, March 5, 2003

Radians Innova AB (publ)

The Board of directors

Future information dates

The complete annual statement for Radians Innova AB (publ) will be at disposal at the end of March 2003 at Radians Innova, Mölndalsvägen 1, Gothenburg. It will at the same time be distributed to the shareholders.

Interim report Q1 2003	April 25, 2003
Interim report Q2 2003	July 30, 2003
Interim report Q3 2003	October 24, 2003

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GROUP

INCOME STATEMENT MSEK	Oct-Dec 2002	Oct-Dec 2001	Jan-Dec 2002	Jan-Dec 2001
Sales	0,8	1,8	4,3	6,6
Operating expenses	-7,3	-14,3	-33,0	-24,3
Depreciation excl. goodwill and development	-1,6	-1,0	-4,0	-3,5
Goodwill amortisation		-0,4		-1,6
Depreciation of development works	-2,0		-7,7	
Write-down of expenditure for development works		-9,6		-38,2
Write-down of patents		-0,2		-0,6
Write-down of goodwill		-0,8		-3,1
Operating results	-10,1	-24,5	-40,4	-64,7
Resultat of financial investments	-0,4	-0,2	0,1	0,1
Result after financial investments	-10,5	-24,7	-40,3	-64,6
Income taxes for the year				
Net loss of the period	-10,5	-24,7	-40,3	-64,6

BALANCE SHEET MSEK	31-12-2002	31-12-2001
Assets		
Fixed assets	44,4	48,5
of which capitalised development costs	37,6	38,2
of which goodwill	0,0	0,0
Current assets	17,0	11,3
of which liquid funds	11,7	2,7
Total assets	61,4	59,8
Shareholders' equity and liabilities		
<i>Restricted equity</i>		
Share capital	34,8	23,8
Restricted reserves	157,3	123,7
Total restricted equity	192,1	147,5
<i>Accumulated loss</i>		
Loss brought forward	-118,7	-53,5
Net loss for the period	-40,3	-64,6
Total accumulated loss	-159,0	-118,1
Total equity	33,1	29,4
Convertible debenture	11,5	11,5
Long-term liabilities	0,1	2,2
Current liabilities	16,6	16,7
Total equity and liabilities	61,4	59,8

CASH FLOW ANALYSIS
MSEK

	Jan-Dec 2002	Jan-Dec 2001
Operational result before depreciation and write-downs	-28,8	-17,7
Result of financial investments	0,1	0,1
Change of operating capital	3,2	6,6
Cash flow from current operations	-25,5	-11,0
Investments	-7,5	-33,6
Cash flow from investments operations	-7,5	-33,6
Change of long-term liabilities	-2,0	10,7
New share issue	44,0	0,1
Cash flow from financial operations	42,0	10,8
The year's cash flow	9,0	-33,8
Liquid funds at start of period	2,7	36,5
Liquid funds at period end	11,7	2,7

CHANGE IN SHAREHOLDERS' EQUITY

GROUP MSEK	Jan-Dec 2002	Jan-Dec 2001
Amount on 1 January	29,4	93,9
New share issue	44,0	
Payment for warrant programme		0,1
The period's loss	-40,3	-64,6
Amount on period end	33,1	29,4