

Year-end report Financial Year 2000

THE EVENTS OF THE YEAR

- Net turnover increased by 347% to SEK 376.7 million (84.3).
- Profit before goodwill depreciation and restructuring costs of SEK 8 million amounted to SEK 34.4 million, (- 8.5), or 9.1%.
- SPP contributions of SEK 7.5 million are shown as a reduction in costs.
- Profit after net interest income/expenses amounted to SEK 14.2 million (SEK - 8.2 million).
- Order stock at the end of the year amounted to SEK 392.4 million (166.9).
- Orders received during the year amounted to SEK 572.8 million (246.0).
- At the turn of the year, liquid assets, excluding credits, amounted to SEK 39.9 million (12.0).
- The number of employees at the end of the year was 314 (100).
- Investments during the year amounted to SEK 310.5 million (11.0) and consisted primarily of the acquisition of DEVENATOR AB.
- After the end of the financial year, an agreement was signed with the National Tax Board/Post Office for the supply of the first national security scheme, based on a PKI solution using digital signatures.

COMMENTS ON THE FOURTH QUARTER OF 2000

- **Invoices with the value of SEK 123.1 million were issued during the fourth quarter.**
- **Profit before goodwill depreciation and restructuring costs amounted to SEK 12.3 million, or 10.0%.**
- **Profit after net interest income/expenses amounted to SEK 5.6 million.**
- **Orders received during the quarter amounted to SEK 153.5 million.**
- **A significant proportion of the assets and liabilities of Netsys AB, Miratek AB in Västerås and Network Management in Stockholm were acquired during the period.**
- **A major supply contract, worth SEK 35 million, was signed with AdTranz AB.**
- **An agreement was reached with the Postal Giro Centre/Bull AB for large-scale supply of products in return for secure payments over the Internet.**
- **A number of agreements with Ericsson and Nokia were concluded during the period.**

Managing Director's Comments on Developments

The company had a very successful year in 2000.

The market served by Nexus has experienced considerable growth. Demand for secure solutions has increased. We have an attractive client base, and their assignments placed with us are requiring increasing levels of competence. A major step during the year was an increased level of activities outside Sweden.

Nexus has succeeded in meeting stricter client requirements through continuous development of the company's business concept. This applies to complete business development assignments and smaller projects alike.

The proportion of complete assignments in which security is an important factor has increased significantly.

The company has grown through the recruitment of expert staff as well as acquisition of companies with a suitable profile.

The integration of all acquisitions has now been completed with good results.

The company's accounts show strong growth in turnover, profits and cash flow. All financial key figures are in line with or somewhat above the previously published forecast. The company's financial position is strong.

The new year has started well, and we take a positive view of the prospects for 2001.

Market Development

The market for IT security and secure solutions has continued to develop very positively, giving the company a strong position on the market.

The market for communications solutions, whether through broadband, mobile Internet, radio link or traditional methods, has also exploded.

These factors benefit the company, because IT security is a prerequisite in such areas as secure messaging, secure e-commerce, secure payment and secure services.

The market segment within which Nexus operates (secure solutions) is regarded as an extremely good growth prospect for at least the next three years.

- Requirements to open up internal and external systems and solutions to agents outside the company, as well as those within it require advance safeguarding of IT security.
- Customers developing products need to add security to their solutions, in particular those based on modern communication platforms, such as broadband, mobile Internet and other telecommunications solutions.

In order to supply these solutions with the high level of security and confidence that customers require, IT security – together with communications know-how – will be a decisive competition parameter.

The company feels that its competition in this segment is limited.

Our Clients

While closing its accounts, the company has extended or signed new agreements with a number of strategic clients, including:

- ABB Broad Band Solutions AB. Nexus has been a partner in ABB's development of a secure broadband solution which will be launched globally.
- Our extensive relationship with Ericsson has developed from the traditional consultancy role to now comprising a number of large projects with significant security content as well.
- A major outsourcing, development and supply contract for secure solutions has been concluded with TeleLarm Care AB. The value of these agreements is approx. SEK 250 million.

The company continued to be successful during 2001, with the following being worthy of special mention:

- A breakthrough in the Swedish PKI market, in which the company was commissioned, in a consortium with the Post Office, to implement the first nationwide security scheme based on digital signatures on behalf of the National Tax Board. The initial application is the option of submitting VAT and employer tax returns over the Internet. It is expected that this pioneering project will generate a number of interesting projects to come, not least in the public sector.

Organisational Development and Acquisitions

In 1999 the basis was established for repositioning the company from a mere product supplier into a dedicated supplier of secure solutions. We continued to focus on this in 2000, which led to strongly increasing demand for the company's solutions and services.

In order to enable us to meet the demands of our clients we made several acquisitions during the year. This has meant an enhancement of the company's overall skill base. Integration of the acquired units is now considered to be complete.

Acquisitions during the year (in chronological order):

- SID-Data AB with 16 employees was bought at the beginning of January. SID-Data AB has developed very well within Nexus and now forms the foundation of the company's business in Västerås.
- In January we acquired Unilog Systems AB, an Uppsala company with 13 employees specialising in security for various types of communication solutions.
- In March we acquired all shares in Devenator AB with 90 employees operating chiefly in the field of telecommunications and mobile solutions. This acquisition proved very fruitful for both parties, and Devenator AB increased both its turnover and profits after the acquisition.
- During October we acquired the assets and liabilities of NetSys AB, with operations in several European countries. Apart from the desirable geographical expansion, NetSys AB also contributed about 300 major international customers and a highly profitable business.
- In December we bought MiraTek AB, a company operating in Västerås, and Network Management AB in Stockholm. These acquisitions contribute to a further reinforcement of the company's profile and capacity to deliver in the field of security.

All acquisitions have developed at least as well as planned.

Integration of the acquired units has been completed at a cost of SEK 8 million, which is less than the forecast costs of SEK 10 million. The costs were carried as expenses during the course of 2000.

Staff

At the end of the year, the company had 314 (100) employees. The average number of staff for the year was 242 (92) persons. Staff turnover was 19.8% (13.1).

This figure was somewhat higher than in the past, because planned synergy effects generated in connection with acquisitions and rationalisations were great during this period.

Finances and Profitability

The company's net turnover was SEK 376.8 million.

The repayment of SPP contributions amounting to SEK 7.5 million is now shown as a reduction in personnel costs in line with standard accounting practice. Interim reports presented during the year included SPP contributions, resulting in a comparative turnover of SEK 383.6 million.

Turnover for the last quarter of the year was SEK 123.1 million, and orders received amounted to SEK 154 million.

Profit amounted to SEK 34.4 million before structural costs arising from the acquisition of Devenator AB and goodwill depreciation. This corresponds to an operating margin of 9.1% for the year as a whole.

The operating profit for the fourth quarter was 10%.

Profit after net interest income/expenses amounted to SEK 14.2 million for the year as a whole.

The company's cash flow during the year was very good.

Financial Position

At the turn of the year, the group's liquid assets amounted to SEK 39.9 million. In addition to this, the group has been granted, but has not utilised, bank overdraft facilities of SEK 6.5 million.

The equity ratio at the end of the year was 75% (59).

Investments in tangible and intangible fixed assets amounted to SEK 310.5 million during the year. Of these, SEK 14.7 million refers to machinery and equipment, and SEK 295.8 million to acquired goodwill.

Prospects for 2001

The business model and positioning which the company has worked hard on during the year have resulted in a positive development in both demand and price levels.

The company has already forecast that growth will be in the range of 30-50%, and for 2001, we take a positive view of our chances of reaching the upper level of this prognosis once again. This growth is primarily organic, although some contribution from acquisitions cannot be ruled out.

Turnover for the first quarter of 2001 is expected to be in line with the fourth quarter of 2000, mainly because settlement of certain project orders will not take place until the second quarter of 2001.

In terms of profits, the company has previously stated the following objectives:

- Short-term target of 5-8% for operating profit before goodwill depreciation and restructuring costs.
- Long-term target of 10% after goodwill depreciation and structural costs.

Our margins developed positively during 2000, and a further improvement towards the long-term target previously presented for the company is expected for 2001.

Increased cash flow is also expected for 2001 in line with the increased profits.

Quotation

The company has been quoted on the Stockholm Stock Exchange "O" List/Attract 40 since 22.12.1998.

The price of our shares developed positively during 2000 and rose by 86% compared to the OMX index of - 11.9%.

Dividend

The board proposes no dividend to the shareholders.

Reports during 2001

An annual general meeting will be held on 26 April 2001 in Linköping. Notice will be given in the daily newspapers.

The Nexus annual report will be available as of 1 April 2001.

Quarterly Report January-March 2001

Quarterly Report January-June 2001

Quarterly Report January-September 2001

The press release of figures for 2001 will be published in February 2002.

The company's auditors have audited the greater part of the annual accounts, but this process is not yet complete.

Linköping, 15 February 2001

Technology NEXUS AB (publ)

The Board

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CONSOLIDATED PROFIT AND LOSS ACCOUNT (SEK THOUSANDS)	01.01.2000- 31.12.2000	01.01.1999 31.12.1999
Net Sales	376 707	84 292
Other operating revenue (10)	144	6 500
Total:	376 851	90 792
Operating expenses (8)	-342 395	-99 287
Operating profit before goodwill depreciation	34 456	-8 495
Structural and integration costs	-8 000	0
Goodwill depreciation	-13 996	-913
Operating profit after goodwill depreciation	12 460	-9 408
Profit on financial investments	1 209	136
Adjustment for acquired profit (9)	539	1 090
Profit after financial items	14 208	-8 182
Tax	-5 549	151
Profit for the year	8 659	-8 031

CONSOLIDATED PROFIT AND LOSS ACCOUNT

QUARTERLY (SEK THOUSANDS)	Q1-00	Q2-00	Q3-00	Q4-00
Net Sales	53 437	118 936	81 270	123 064
Other operating revenue	0	0	57	87
Total:	53 437	118 936	81 327	123 151
Operating expenses	-51 634	-103 020	-76 861	-110 881
Operating profit before goodwill depreciation	1 803	15 916	4 466	12 270
Structural and integration costs	0	-5 000	-1 000	-2 000
Goodwill depreciation	-983	-3 921	-3 921	-5 171
Operating profit after goodwill depreciation	820	6 996	-455	5 099
Profit on financial investments	200	376	122	511
Adjustment for acquired profits	0	539	0	0
Profit after financial items	1 020	7 911	-333	5 610
Tax	0	-5 061	-1341	853
Profit for the period	1 020	2 850	-1 674	6 463

CONSOLIDATED BALANCE SHEET
(SEK THOUSANDS)

2000-12-31

1999-12-31

Assets

Assets

Fixed assets	311 578	16 382
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Fixed assets	311 578	16 382
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Other current assets	146 358	36 157
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Other current assets	146 358	36 157
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Liquid assets	39 884	12 006
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Total assets	497 820	64 545
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SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity	373 382	37 999
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Interest-bearing liabilities	0	0
Operating liabilities and allocations	124 438	26 546
Total shareholders' equity and liabilities	497 820	64 545

CASH FLOW ANALYSIS (SEK THOUSANDS)	01.01.2000 - 31.12.2000	01.01.1999- 31.12.1999
Cash flow from current operations before changes in working capital	29 493	-7 993
Change in working capital	-32 228	4 809
Cash flow from current operations	-2 735	-3 184
Cash flow from investment activities	-114 762	5 253
Cash flow from current operations after investments	-117 497	2 069
Cash flow from financing activities	145 375	0
Change in liquid resources	27 878	2 069

BUSINESS RATIO	DECEMBER 2000	DECEMBER 1999
Profit margin, % (1)	9,1%	Neg
Profit margin, % (2)	3,8%	Neg
Return on equity, % (3)	6,9%	Neg
Return on total assets, % (4)	5,3%	Neg
Equity ratio, % (5)	75%	59%
Number of staff on balance sheet date	314	100
Turnover per employee	1 557	922
SHARE DATA		
(SEK THOUSANDS)	DECEMBER 2000	DECEMBER 1999

Number of shares (11)	16 895 415	2 462 088
Number of shares including outstanding subscription options	19 330 040	2 762 088
Net profit per share (6)	0,45	neg
Shareholders' equity per share (7)	19,32	13,76

DEFINITIONS

- 1) Profit for the period before goodwill depreciation and structural costs as a percentage of turnover for the period.
- 2) Profit for the period after financial items as a percentage of net turnover for the period.
- 3) Profit for the period after financial items as a percentage of average adjusted shareholders' equity.

- 4) Profit for the period after financial items plus financial costs as a percentage of average balance sheet total.
- 5) Shareholders' equity in relation to balance sheet total.
- 6) Net profit for the period divided by number of outstanding shares of balance sheet date including outstanding subscription options.
- 7) Shareholders equity in relation to total number of shares on balance sheet date including outstanding subscription options..
- 8) Depreciation included in operating profit:

	<u>Dec 2000</u>	<u>Dec</u> <u>1999</u>
Machinery and equipment	6 236	2 350
Development expenditure	0	3 970
Total:	6 236	6 320

- 9) Acquired profit from Devenator AB for the period 01.01.00-31.03.00:

Net sales	29 994
Operating expenses	-30 505
Operating profit	-511
Financial items	-28
Profit after financial items	-539

- 10) Earlier in the year, SPP contributions were shown under other revenue. In line with new recommendations, these are now shown as a cost reduction under operating expenses (personnel costs). This has been adjusted with retroactive effect.
- 11) The number of shares is exclusive of the agreed but unrecorded issues currently registered with the Patent and Registration Office. The number of shares is 213,156.