

Technology NEXUS AB (publ)  
Corporate ID no. 556410-9758

## Interim Report

January - June 2002

### THE PERIOD IN BRIEF

- **Net sales decreased by 4% to SEK 238.8 million (247.5)**
- **The result before depreciation totalled ./ SEK 3.8 million (26.7). The result before depreciation for the second quarter totalled ./ SEK 0.9 million.**
- **The result after financial items totalled ./ SEK 19.4 million (SEK 14.1 million)**
- **The order book at the end of the period totalled SEK 576.6 million (431.1)**
- **Orders received during the period totalled SEK 363.2 million (283.6)**
- **Liquidity, unaccounted credit, totalled SEK 37.4 million (35.2) at the end of the period**
- **The number of employees at the end of the period was 406 (363)**
- **Acquisition of Blueice Research AB**
- **Extensive outsourcing agreement with Sonera Smarttrust AB**
- **High level of orders received within Secure Messaging**

## **The CEO's Comments on Developments During the Period**

Development has not been satisfactory during the first half of the year. The Company's sales have been at the same level as last year, but with a considerably lower profit level.

The second quarter saw better development than the first, in terms of both sales and profit. Moreover, the level of orders received developed very positively and was the highest the Company has ever noted for a single quarter.

The sluggish and uncertain market, which the Company felt during the first quarter, remained. The previously announced delays in serial deliveries are expected to continue throughout 2002.

The market for more refined Security Solutions developed more positively and it is also within this segment that the majority of orders have been received. Within two of the Company's core areas, Secured Messaging and PKI solutions (Public Key Infrastructure or certificate solutions), extensive agreements have been signed with several new customers, in both Scandinavia and the rest of Europe.

Nexus has thereby further anchored its position as a market leader in these growth segments.

The result improvement program that the Company initiated in April has been implemented according to plan and at the cost level it was judged to entail.

## **Market Developments**

The market continued to be characterised by a low level of activity during the first half of the year. Many larger projects and installations, for which preliminary studies and analyses have been carried out, have been postponed.

The tougher pricing climate experienced by the Company earlier also continued. The Company has also noted a general deterioration in willingness to pay, among both smaller and larger customers.

The market for more specific security solutions has fared better in terms of development, primarily towards the end of the period. However, even this market is affected by customers' hesitance to make larger investments.

The PKI market also developed more positively, not least through the initiative of Statskontoret (*The Swedish Agency for Public Management*) and the banks within the consortium for Bankernas ID-tjänst (BIDT, *The Banks' ID Services*).

## **Result Improvement Program**

The program announced in conjunction with the Company's report for the first quarter was implemented during the period. The program has gone according to plan and in line with the cost levels previously communicated. The time plan has been set back a little, but the desired result improvements are assessed to be generally attainable, even if slightly delayed until the fourth quarter.

The costs for winding down operations will be charged to the income statement on a continual basis and will affect both the third and fourth quarters.

The Company's management and Board regularly assess developments and are prepared for any necessary complementary activities.

Furthermore, the Company works continually with a number of activities in order to increase efficiency, not least with consideration for the low level of market activity. This process is being carried out parallel to focusing even more intensely on the markets in which the Company has its strongest position, Secured Solutions, with an emphasis on PKI Solutions, Secured Messaging, and Product Supply for customers with strict security requirements.

## **Our Customers**

The Company has a continued strong relation with its customers and the percentage of returning customers is constantly high. The maintenance and support operations run by the Company gain increasingly more appreciation and contribute substantially to the Company's profitability.

During the period, the Company signed a number of agreements, the majority within the PKI Implementation and Secure Messaging segment.

## **Acquisitions**

Towards the end of the period, the Company entered an agreement with the majority owners of Blueice Research AB, a PKI-focused firm with eleven employees. This further strengthens the Company's position and ability to deliver.

This acquisition had no effect on sales or profit for the period.

## **Sales and Results**

The Company's net sales totalled SEK 238.8 million (247.5).

The result totalled ./. SEK 3.8 million (26.7), before depreciation.

The result after financial items for the period totalled ./. SEK 19.4 million (14.1).

The Group's liquid funds totalled SEK 37.4 million at the end of the period. In addition, there are approved, unutilised checking account facilities totalling SEK 20.0 million.

Solidity at the end of the period was 78% (76%).

Investments during the period totalled SEK 8.9 million (26.3), of which SEK 0.8 million are attributable to goodwill and SEK 8.1 million to machinery and equipment.

## **Goodwill**

The Company's goodwill totals SEK 301.0 million. The Company's solidity including goodwill is 78%. Excluding goodwill, solidity is 55%.

The Company's management and Board continually assess the value of the goodwill item in both the long and the short term.

## **Employees**

At the end of the period, the Company employed 406 (363) persons. Personnel turnover was 1.5% (8.5).

The reductions in the number of staff that have been carried out will affect personnel turnover during the third and fourth quarters.

## **Forecast for the Rest of the Year**

The outlook for the rest of the year continues to be marked by the general uncertainty in the market and continued tougher pricing.

The market segment Secured Solutions (PKI, Secured Messaging, and Product Supply) is expected to experience more positive development. Within this segment, the Company holds strong positions in Scandinavia and a number of interesting European markets.

The Company's order book and the level of orders received both developed strongly during the second quarter, and this is expected to continue during the second half of the year.

The Company therefore forecasts sales somewhat higher than the previous year and its goal is to achieve a positive result for the year after financial items.

Despite the result for the period, the Company views its future economic development with confidence and has not changed its goal to attain, within three years, a margin after goodwill of 10% and annual growth of 30%.

## **Next Financial Report**

The quarterly report for January-September will be made public on October 24, 2002.

For the Board:

Linköping, Sweden, August 21, 2002

Technology Nexus AB (PLC)

Mikael Jacobsson  
Chief Executive Officer

We have performed an overall review of this quarterly report in accordance with the recommendations of the Swedish Institute of Authorised Public Accountants (Föreningen Auktoriserade Revisorer, FAR). An overall review is considerably more limited than an audit. We have found nothing that would indicate that the quarterly report does not meet the requirements of the Swedish Accounting Act.

Linköping, Sweden, August 21, 2002

Jüri Pundi  
Authorised Accountant

Tom Skarin  
Approved Accountant

# Nexus

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Consolidated Income Statement (amounts in SEK thousands)	2002-01-01 -2002-06-30	2001-01-01 -2001-06-30	2001-01-01 -2001-12-31	2002-04-01 -2002-06-30	2001-04-01 -2001-06-30
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<b>Net sales</b>	<b>238,816</b>	<b>247,477</b>	<b>505,416</b>	<b>122,330</b>	<b>125,821</b>
Other operating income	0	0	879	0	0
<b>Total:</b>	<b>238,816</b>	<b>247,477</b>	<b>506,295</b>	<b>122,330</b>	<b>125,821</b>
Operating costs	-242,613	-220,786	-458,031	-123,254	-114,046
<b>Operating profit before depreciation (EBITDA)</b>	<b>-3,797</b>	<b>26,691</b>	<b>48,264</b>	<b>-924</b>	<b>11,775</b>
Depreciation, goodwill	-11,532	-9,708	-20,541	-5,766	-4,896
Depreciation, other	-4,122	-3,708	-7,837	-2,099	-1,862
<b>Operating profit after goodwill depreciation</b>	<b>-19,451</b>	<b>13,275</b>	<b>19,886</b>	<b>-8,789</b>	<b>5,017</b>
Result from financial investments	70	821	1,724	185	339
<b>Result after financial items</b>	<b>-19,381</b>	<b>14,096</b>	<b>21,610</b>	<b>-8,604</b>	<b>5,356</b>
Taxes (1)	-2,017	-7,321	-9,558	-1,224	-3,455
<b>Profit/loss for period</b>	<b>-21,398</b>	<b>6,775</b>	<b>12,052</b>	<b>-9,828</b>	<b>1,901</b>

Consolidated Income Statement quarterly (amounts in SEK thousands)	12 months July - June	Q3 2001	Q4 2001	Q1 2002	Q2 2002
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<b>Net sales</b>	<b>496,755</b>	<b>113,104</b>	<b>144,835</b>	<b>116,486</b>	<b>122,330</b>
Other operating income	879	0	879	0	0
<b>Total:</b>	<b>497,634</b>	<b>113,104</b>	<b>145,714</b>	<b>116,486</b>	<b>122,330</b>
Operating costs	-479,858	-105,289	-131,956	-119,359	-123,254
Operating profit before depreciation (EBITDA)	17,776	7,815	13,758	-2,873	-924
Depreciation, goodwill	-22,365	-5,829	-5,004	-5,766	-5,766
Depreciation, other	-8,251	-1,947	-2,182	-2,023	-2,099
<b>Operating profit after goodwill depreciation</b>	<b>-12,840</b>	<b>39</b>	<b>6,572</b>	<b>-10,662</b>	<b>-8,789</b>
Result from financial investments	973	965	-62	-115	185
Adjustment, acquired result	0	0	0	0	0
<b>Result after financial items</b>	<b>-11,867</b>	<b>1,004</b>	<b>6,510</b>	<b>-10,777</b>	<b>-8,604</b>
Taxes	-4,254	-1,834	-403	-793	-1,224
<b>Profit/loss for period</b>	<b>-16,121</b>	<b>-830</b>	<b>6,107</b>	<b>-11,570</b>	<b>-9,828</b>

Share data (amounts in SEK)	June 2002	June 2001	December 2001
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No. shares	20,358,681	17,682,021	19,598,321
No. shares incl. outstanding warrants	22,079,629	19,912,619	21,934,019
Net earnings per share (2)	neg	0.38	0.61
Net profit per share incl. outstanding warrants	neg	0.34	0.55
Equity per share (3)	20.46	19.54	20.81

Consolidated Balance Sheet  
(amounts in SEK thousands)

2002-06-30

2001-06-30

2001-12-31

<b>ASSETS</b>			
Intangible fixed assets	300,957	304,686	311,669
Tangible and financial fixed assets	19,438	19,215	15,751
Other current assets	220,211	155,718	188,968
Liquid funds	37,412	35,191	72,729
<b>Total assets</b>	<b>578,018</b>	<b>514,810</b>	<b>589,117</b>
<b>EQUITY AND LIABILITIES</b>			
Equity (4)	451,853	389,042	456,424
Interest-bearing liabilities	0	0	0
Operating liabilities and provisions	126,165	125,768	132,693
<b>Total equity and liabilities</b>	<b>578,018</b>	<b>514,810</b>	<b>589,117</b>

Cash Flow Statement  
(amounts in SEK thousands)2002-01-01  
-2002-06-302001-01-01  
-2001-06-302001-01-01  
-2001-12-31

Cash flow from current operations before changes in working capital	-14,588	25,302	51,570
Change in working capital	-27,219	-14,518	-43,874
Cash flow from current operations	-41,807	10,784	7,696
Cash flow from investment activities	-8,563	-22,317	-38,411
Cash flow from current operations after investments	-50,370	-11,533	-30,715
Cash flow from financing activities	15,053	9,840	66,560
<b>Change in liquid funds</b>	<b>-35,317</b>	<b>-1,693</b>	<b>35,845</b>

## Key Ratios

June 2002

June 2001

December 2001

Operating margin, % (5)	neg	10.8%	9.5%
Profit margin, % (6)	neg	5.7%	4.3%
Return on equity, % (7)	neg	8.1%	7.8%
Return on capital employed, % (8)	neg	11.7%	10.2%
Solidity, % (9)	78%	76%	77%
No. of employees on balance sheet date	406	363	404
Average no. employees	408	340	358
Sales per average no. employees on annual basis	1,171	1,456	1,412



## Definitions

- 1) Standard tax rate of 28% has been charged to the profit for the period.
- 2) The net result for the period divided by the number of outstanding shares on balance sheet date including and excluding outstanding warrants.
- 3) Equity in relation to the total number of shares on balance sheet date including outstanding warrants.
- 4) Specification change, Equity

	Share capital	Restricted reserves	Profit b/f	Profit for year
At beginning of year	987	458,164	-2,727	0
New stock issue	31	16,796		
Displacement between restricted and non-restricted				
Profit for year				-21,398
At end of period	1,018	474,960	-2,727	-21,398

- 5) The result for the period before depreciation as a percentage of net sales for the period.
- 6) The result for the period after financial items as a percentage of net sales for the period.
- 7) The result for the period after tax adjusted for goodwill depreciation as a percentage of the average adjusted equity excluding average accumulated goodwill depreciation. For comparable periods shorter than 12 months, the earnings trend is assumed to be linear throughout the year.  
The calculation is based on equity at the end of each quarter. Comparative figures may, therefore, have been adjusted.
- 8) The result for the period before goodwill plus financial income and structural costs as a percentage of the average capital employed excluding average accumulated goodwill depreciation. For comparable periods shorter than 12 months, the earnings trend is assumed to be linear throughout the year. The calculation is based on equity at the end of each quarter.  
Comparative figures may, therefore, have been adjusted.
- 9) Equity in relation to the balance sheet total.