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PRESS RELEASE

Effnet issues profit warning

In light of postponed orders from customers, the board of directors and new management of Effnet Group AB do not believe the company will achieve its previously announced goal of positive monthly results during the last quarter of the year. Consequently, the company will immediately begin implementing cost-cutting measures.

“The market for the company’s products continues to be weak. Customers in the mobile 3G area are postponing implementation of these networks. As a consequence of these delays, Effnet must also modify its business plan. Under the current market conditions the business’s costs are unacceptably high and a restructuring appears inevitable,” says Effnet’s new CEO, Göran E Larsson in a commentary.

In spite of the fact that our customers are deferring their orders, we are still seeing a great deal of interest in our products. Effnet will be positioned well with a product that is in demand when the market rebounds. But despite the board’s long-range faith in the product, we have an articulated short-term goal of adapting the company’s costs to its revenues,” says Effnet Chairman, Magnus Ryde.

About Effnet

Effnet develops and sells embedded software that increases the efficiency, speed and security of IP traffic on fixed and mobile networks to manufacturers of network products. Effnet techniques enable optimal performance for IP packet processing. The company was founded by leading researchers in the Header Compression field and has operations in Stockholm, Sweden and Tucson, Arizona. Effnet Group AB is quoted on the New Market in Sweden (symbol: EFFN). More information can be found at www.effnet.com.

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