

Interim Report

January – September 2002

THE PERIOD IN BRIEF

- Net sales decreased by 7.9 % to SEK 332.2 million (360.6)
- The result before depreciation totalled ././ SEK 30.8 million (34.5)
- The result after financial items totalled ././ SEK 317.8 million (15.1), of which items affecting comparability totalled ././ SEK 278.2 million, of which ././SEK 263.2 million were attributable to the write-down of goodwill and ././ 24 million restructuring costs
- The order book at the end of the period totalled SEK 599.4 million (425.5)
- Orders received during the period totalled SEK 479.5 million (390.7), primarily continued high order levels within the PKI and Secured Messaging segments
- Liquidity, unaccounted credit, totalled SEK 14.7 million (32.7) at the end of the period
- The Company is restructuring into three business areas and is reserving restructuring costs of SEK 15 million
- E-Tech Group and Blueice Research AB have been acquired
- A number of extensive agreements with customers within the Company's core expertise areas have been signed

The CEO's Comments on Developments During the Period

The Company's development during the first nine months has not been satisfactory.

Sales have been somewhat lower than for the same period last year while the earnings trend has been considerably poorer.

During the second quarter of the year, a certain stabilisation was noted after a very unsatisfactory first quarter. The level of orders received was high and the cost-savings program was implemented.

During the third quarter, normally the weakest, the level of orders received continued to be high while a few market-related events had a considerable negative effect on the result for the quarter and for the period as a whole. This concerns in part a number of comprehensive serial deliveries being postponed until the fourth quarter – and even 2003 – and in part consulting operations being negatively affected by generally low demand and the termination of several customer projects that were underway.

On the positive side, the level of orders received and growth within two of the Company's core areas, PKI and PKI-related projects (Public Key Infrastructure or certificate solutions) and Security, continued to develop well. The order book at the end of the period amounted to about SEK 600 million, the highest recorded value in the Company's history.

Despite the postponement of a number of serial delivery deals, the Company noted the beginning of increased activity within this area, which ought to benefit development in the immediate future.

Overseas operations continued to develop positively and are profitable.

The Company assesses that price levels have stabilised, even if at a lower level.

During recent months, the Company carried out a review of its strategy and organisation within the framework of a project called Focus. The conclusions of the project included a more pronounced focus of the Company's activities within Secured IT Solutions with the aim of yet further strengthening expertise and our ability to deliver within the field. Activities outside the core areas will be wound down.

In conjunction with this, the Company will be reorganised into three business areas. The costs for this restructuring are estimated at SEK 15.0 million, which will be charged in their entirety during the third quarter.

The new organisation will result in greater efficiency, which together with the already implemented cost reductions will considerably strengthen the Company for the year 2003.

As a step in this overhaul and adaptation of operations, the Board has also decided to write off a considerable sum of the Company's acquired goodwill. The result for the third quarter will therefore be charged with a goodwill write-down of SEK 263.2 million.

Market Developments

The market as a whole has experienced negative growth. Within the Company's core areas, however, development has been positive, even if the number of major implementation projects is still too low. The Company has, however, noted an increased level of activity within preliminary studies and planning. A number of major initiatives, such as Bankernas ID-tjänst (*BIDT, The Banks' ID Services*) and Statskontoret (*The Swedish Agency for Public Management*), are expected to enter the negotiation phase in the near future.

Another trend that was discerned during the third quarter is that to an increasing extent customers want to order project and product deliveries now, but with delivery in 2003.

Restructuring Operations

Parallel to the overhaul of the costs structure that was carried out in recent months, the Company has also reviewed its strategy and structure, in a project called Focus.

The conclusions of the project included a more pronounced focus in operations within Secured IT Solutions. Today, the Company has a leading position within this area and wants to concentrate its efforts on retaining and developing this position in close collaboration with both customers and partners.

The Company will concentrate its activities on PKI projects and products, Security Consultants, and Product Sourcing operations and the associated product development and serial deliveries.

Activities outside this market focus, where the Company is often also a more marginal supplier, will be wound down.

The Company is organising operations into three business areas, wherein expertise, offering, and ability to deliver will be strengthened. These business areas are as follows:

- Nexus Secured Business Solutions – gathers all operations within PKI projects and products, including Nexus International, which encompasses the Company's overseas operations.
- Nexus Security Consultants – consolidates all operations within the Security field, encompassing operational analysis and administrative and technical Information Security.
- Nexus Product Sourcing – where all activities concerning product development within Secured Products and serial deliveries will be concentrated.

Relevant issues and customer relations within the three respective business areas will be co-ordinated via Key Account Management and the management group.

The Company's management group is comprised of:

Mikael Jacobsson, CEO

Henrik Halvorsen, Deputy CEO

Gustaf Malmros, Deputy CEO and Head of Nexus Secured Business Solutions

Peter Galli, Head of Nexus Security Consultants

Ola Kjellstrand, Head of Nexus Product Sourcing

Lars Hedberg, CFO

The reorganisation will entail further improvements in efficiency and additional cost savings. The costs for this restructuring are estimated to be about SEK 15.0 million, which will be charged in their entirety during the third quarter as a restructuring reserve.

As of the third quarter 2002, financial reporting will be carried out at business area level.

Income statement – business area Secured Business Solutions quarterly (amounts in SEK thousands)	Q1 2002	Q2 2002	Q3 2002	Q1-Q3 2002
Sales	22,389	26,985	33,479	82,853
Operating profit (EBIDTA)	795	4,668	3,528	8,991
Margin, %	3.6%	17.3%	10.5%	10.9%

No. employees	104
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Income statement – business area Security Consultants quarterly (amounts in SEK thousands)	Q1 2002	Q2 2002	Q3 2002	Q1-Q3 2002
Sales	30,841	31,384	21,505	83,730
Operating profit (EBITDA)	-880	-12	-2,233	-3,125
Margin, %	-2.9%	0.0%	-10.4%	-3.7%
No. employees				123

Income statement – business area Product Sourcing quarterly (amounts in SEK thousands)	Q1 2002	Q2 2002	Q3 2002	Q1-Q3 2002
Sales	55,757	61,973	38,103	155,833
Operating profit (EBITDA)	-1,194	-438	-5,786	-7,418
Margin, %	-2.1%	-0.7%	-15.2%	-4.8%
No. employees				158

Income statement for units being wound down quarterly (amounts in SEK thousands)	Q1 2002	Q2 2002	Q3 2002	Q1-Q3 2002
Sales	7,599	1,988	256	9,743
Operating profit (EBITDA)	-1,594	-1,313	-2,322	-5,229
Margin, %	-21.3%	-66.0%	-907.0%	-53.7%

“Units being wound down” refers to operations that are not part of the Company’s core operations and which have been or will be wound down. The cost is accounted for as restructuring costs when notice has been given to employees.

Group items quarterly (amounts in SEK thousands)	Q1 2002	Q2 2002	Q3 2002	Q1-Q3 2002
Restructuring costs	0	-3,829	-20,163	-23,992
Goodwill write-off/down	-5,766	-5,766	-269,109	-280,641
Depreciation, other	-2,023	-2,099	-2,368	-6,490
Financial items	-115	185	4	74
Total:	-7,904	-11,509	-291,636	-311,049

Goodwill Write-down

During 1999 and 2000, Nexus made a number of both smaller and larger acquisitions, with the aim of increasing the Company’s expertise and delivery capacity. These acquisitions were mainly carried out as issues in kind, which entail the sellers receiving Nexus shares as compensation. In accordance with the applicable regulations, the acquired companies were accounted for at the market value of the shares issued by the Company.

As at these points in time the market valued companies with proven high and expected future growth in a different manner to today, substantial goodwill items were recorded in the Company’s balance sheet.

With the market’s altered valuation method in mind, the Board has decided to revalue and write down the goodwill item.

As a consequence, the third quarter will be charged with an additional write-down of SEK 263.2 million.

After this write-down, the remaining goodwill stands at SEK 36.6 million and goodwill depreciation per quarter will be SEK 0.9 million.

The Company’s equity will also be written down by SEK 263.2 million to SEK 153.5 million. Equity per share will then amount to about SEK 7.

The Company's solidity after this write-down will remain healthy at 53%.

Cash Flow

The Company's cash flow has been negative at SEK 58.0 million. A large part of this is attributable to a build up of accounts receivable. The Company's liquidity totalled SEK 14.7 million at the end of the period. No approved credit facilities were utilised.

Operations are expected to generate a positive cash flow during the rest of 2002, dependent on an improved earnings trend and the expectation that accounts receivable will be cleared up at a higher rate than previously, the latter based on signed agreements.

The Company assesses that all accounts receivable are secure and no reservations need to be made.

Acquisitions

As a step in the Company's continued expansion within the core area Secured Business Solutions, Blueice Research AB was acquired during the second quarter and E-Tech Group in Denmark was acquired from Lindhard A/S during the third quarter.

Blueice Research AB is a firm focused on PKI with 11 employees and a strong position, primarily within the finance sector of the Swedish market. Blueice made a positive contribution to operating profit during the third quarter.

E-Tech Group, with 10 employees, has long worked with PKI projects and has a leading position in the Danish market, with a number of major customers. This acquisition is expected to contribute positively to the result already during the final quarter and the goodwill item is limited in size.

Sales and Results

The Company's net sales totalled SEK 332.2 million (360.6).

The result before depreciation totalled ./ SEK 30.8 million (34.5). This result has been charged with restructuring costs totalling SEK 24.0 million, of which SEK 15.0 million comprise a restructuring reserve that was charged during the third quarter.

A goodwill write-down of SEK 263.2 million will take place, charged in its entirety to the third quarter. Write-downs/offs of goodwill total ./. SEK 280.6 million for the period.

The result after financial items for the period totalled ./. 317.8 (15.1)

The Group's liquid funds totalled SEK 14.7 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 53% (76%).

Investments during the period totalled SEK 15.7 million (32.7), of which SEK 5.6 million are attributable to goodwill and SEK 10.1 million to machinery and equipment.

Employees

At the end of the period, the company had 422 (381) employees. Personnel turnover was 9.3% (10.0).

The net increase in the number of employees is attributable to the acquisitions made and personnel taken onboard in conjunction with outsourcing agreements.

The reductions in the number of staff that have been carried out have primarily affected personnel turnover during the third quarter.

Forecast for the Rest of the Year

The prospects for the rest of 2002 and even next year are marked by the general uncertainty in the IT service market as a whole. In the market segments where the Company concentrates its operations, however, positive development is expected.

The reason for this more positive analysis is a number of major projects, such as Statskontoret's investment in the PKI field and the launch of the banks ID services (BIDT), entering the negotiation phase. The Company sees similar developments in a number of overseas markets, such as Germany and France. Given Nexus' strong market position within these segments, increased levels of activity and orders are expected for the Business Areas Secured Business Solutions and Security Consultants.

Further, the levels of activity and orders received among existing customers within the Business Area Product Sourcing has increased, which provides hopes for positive development within a few quarters. For 2002, the Company forecasts sales slightly below last year. In part this is the result of certain activities being wound down during the year.

The result for the entire year before depreciation will be negative as previous losses and the above-mentioned drop in sales during the third quarter cannot be recouped.

Operating profit for the fourth quarter is expected to be positive.

After the implementation of the cost-savings program and organisational adaptations, Nexus stands better equipped for the year 2003.

Next Financial Report

The Year-End Report for 2002 will be made public on February 14, 2003.

For the Board:

Linköping, Sweden, October 24, 2002

Technology Nexus AB (PLC)

Mikael Jacobsson
Chief Executive Officer

We have performed an overall review of this interim 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 interim report does not meet the requirements of the Swedish Accounting Act.

Linköping, Sweden, October 24, 2002

Jüri Pundi
Skarin
Authorised Accountant
Accountant

Tom
Approved

Nexus

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Consolidated Income Statement (amounts in SEK thousands)

2002-01-01
-2002-09-30

2001-01-01
-2001-09-30

2001-01-01
-2001-12-31

2002-07-01
-2002-09-30

2001-07-01
-2001-09-30

Net sales	332,159	360,581	505,416	93,343	113,104
Other operating income	0	0	879	0	0
Total:	332,159	360,581	506,295	93,343	113,104
Operating costs	-362,932	-326,075	-458,031	-120,319	-105,289
Operating profit before depreciation (EBITDA)	-30,773	34,506	48,264	-26,976	7,815
Depreciation, goodwill	-280,641	-15,537	-20,541	-269,109	-5,829
Depreciation, other	-6,490	-5,655	-7,837	-2,368	-1,947
Operating profit after goodwill depreciation	-317,904	13,314	19,886	-298,453	39
Result from financial investments	74	1,786	1,724	4	965
Result after financial items	-317,830	15,100	21,610	-298,449	1,004
Taxes (1)	-1,710	-9,155	-9,558	307	-1,834
Profit/loss for period	-319,540	5,945	12,052	-298,142	-830

Consolidated Income Statement quarterly (amounts in SEK thousands)

12 months
Oct - Sept

Q4 2001

Q1 2002

Q2 2002

Q3 2002

Net sales	476,994	144,835	116,486	122,330	93,343
Other operating income	879	879	0	0	0
Total:	477,873	145,714	116,486	122,330	93,343
Operating costs	-494,888	-131,956	-119,359	-123,254	-120,319
Operating profit before depreciation (EBITDA)	-17,015	13,758	-2,873	-924	-26,976
Depreciation, goodwill	-285,645	-5,004	-5,766	-5,766	-269,109
Depreciation, other	-8,672	-2,182	-2,023	-2,099	-2,368
Operating profit after goodwill depreciation	-311,332	6,572	-10,662	-8,789	-298,453
Result from financial investments	12	-62	-115	185	4
Adjustment, acquired result	0	0	0	0	0
Result after financial items	-311,320	6,510	-10,777	-8,604	-298,449
Taxes	-2,113	-403	-793	-1,224	307
Profit/loss for period	-313,433	6,107	-11,570	-9,828	-298,142

Share data (amounts in SEK)

September 2002

September 2001

December 2001

No. shares	20,358,681	17,716,521	19,598,321
No. shares incl. outstanding warrants	22,079,629	19,912,619	21,934,019
Net earnings per share (2)	neg	0.34	0.61
Net earnings per share incl. outstanding warrants	neg	0.30	0.55
Equity per share (3)	6.95	19.68	20.81

Consolidated Balance Sheet
(amounts in SEK thousands)

2002-09-30

2001-09-30

2001-12-31

ASSETS

Intangible fixed assets	36,585	303,725	311,669
Tangible and financial fixed assets	25,130	18,786	15,751
Other current assets	213,765	160,300	188,968
Liquid funds	14,688	32,708	72,729
Total assets	290,168	515,519	589,117

EQUITY AND LIABILITIES

Equity (4)	153,473	391,867	456,424
Interest-bearing liabilities	0	0	0
Operating liabilities and provisions	136,695	123,652	132,693
Total equity and liabilities	290,168	515,519	589,117

Cash Flow Statement
(amounts in SEK thousands)2002-01-01
-2002-09-302001-01-01
-2001-09-302001-01-01
-2001-12-31

Cash flow from current operations before changes in working capital	-41,239	32,836	51,570
Change in working capital	-20,235	-21,768	-43,874
Cash flow from current operations	-61,474	11,068	7,696
Cash flow from investment activities	-11,382	-28,739	-38,411
Cash flow from current operations after investments	-72,856	-17,671	-30,715
Cash flow from financing activities	14,815	13,495	66,560
Change in liquid funds	-58,041	-4,176	35,845

Key Ratios

September 2002 September 2001 December 2001

Operating margin, % (5)	neg	8.0%	9.5%
Profit margin, % (6)	neg	4.2%	4.3%
Return on equity, % (7)	neg	6.8%	7.8%
Return on capital employed, % (8)	neg	9.8%	10.2%
Solidity, % (9)	53%	76%	77%
No. of employees on balance sheet date	421	381	404
Average no. employees	416	353	358
Sales per average no. employees on annual basis	1,065	1,362	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	-14,779	12,052
New share issue	31	16,558		
Displacement between restricted and non-restricted Profit for year				-319,540
At end of period	1,018	474,722	-14,779	-307,488

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.