

Stockholm 24 April 2003

## Interim report January – March 2003

- Net sales increased by 11 % in Q1 and came to SEK 25.2 million (SEK 22.8 m)
- Loss prior to goodwill amortisation in Q1 was SEK –16.3 million (SEK –22.8 m) of which SEK 7 million in restructuring costs. Net loss in Q1 came to SEK –15.5 million (SEK –23.1 m)
- Trio implements restructuring program that cuts costs by SEK 20 million on an annual basis. The impact on the loss in Q1 amounts to SEK 7 million and the break-even level is lowered to SEK 125 million in net sales
- The company is expecting a positive result and cash flow for the year
- An add-on order of SEK 2 million to Sonera was completed during Q1 and Telenor Mobil continued its expansion of ProffNett with an additional order of SEK 2.3 million
- Trio signed an agreement with FöreningsSparbanken in January of SEK 3 million regarding an upgrade of the "TeleBank" service based on Trio's TeleVoice CTI server
- As of 1 January 2003, Trio's accounts will cover two business areas – Trio Enterprise Division and Trio Mobile Office Division – compared with the three product areas previously reported
- In April, Trio has signed a marketing agreement with Nokia Networks for the product family Trio Mobile Office

SEK million	Q 1 2003	Q 1 2002	Full year 2002	Full year 2001
Inflow of orders	24.7	39.0	143.0	157.0
Net sales	25.2	22.8	142.6	165.2
Profit/loss prior to goodwill amortisation*	-16.3	-22.8	-40.7	-24.6
Profit/loss for the period	-15.5	-23.1	-48.7	-25.0

\* Restructuring costs of SEK 7 million impacts Q1 loss.

### The Operations

Trio is a telecommunications company that develops telephony systems designed to enhance internal efficiency and customer service levels and help companies gain greater control of their telephony costs. Some 2,000 systems have been delivered in the Nordic region to large and medium-sized businesses, as well as five leading mobile operators. Trio operates in the following two divisions:

**Trio Mobile Office Division.** Includes products within Trio Mobile Office that enables a complete transition from fixed to mobile telephony. The solutions are subscribed to as a service from mobile operators and can also be included as a component in Trio's integrated telephony.

**Trio Enterprise Division.** Includes products within Trio PresentOffice and Objecta TeleVoice. The Division offers integrated telephony and advanced call and message handling as well as solutions for customer support. Integrated telephony involves unifying companies' fixed, mobile and IP telephony to form a single virtual telephony system. The customer support system involves flexible call and contact centre, interactive voice response systems such as telephone banking and speech recognition.

## Sales and profit trend

The Trio Group's net sales in Q1 came to SEK 25.2 million (SEK 2.8 m). The increase in sales is related to increased sales in both Trio divisions.

Trio's loss in Q1 amounted to SEK -15.5 (SEK -23.1 m). The ongoing restructuring program impacts Q1 loss by SEK 7 million. The three-month result was positively affected by SEK 1.7 million through the profit share of the associated company Netwise, that is accounted for with a time lag of one quarter.

Net sales in Trio Mobile Office Division during Q1 amounted to SEK 7.7 million (SEK 6.6 m) and loss before goodwill amortisation amounted to SEK -6.4 million (SEK -7.0 m). Net sales in Trio Enterprise Division during Q1 amounted to SEK 17.5 million (SEK 16.2 m) and loss before goodwill amortisation amounted to SEK -2.9 million (SEK -15.8 m).

## Key events during the first quarter

Mobile operators in the Nordic countries offering services based Trio Mobile Office are Telia, Telenor Mobil, Sonera, TDC Mobil and Vodafone. Trio Mobile Office and parts of Trio's integration solutions are installed in the mobile network and sold as services to the operators' corporate customers. Within Trio Mobile Division, Telenor Mobil has signed an add-on order for its expansion of ProffNett of SEK 2.3 million and an add-on order to Sonera has been completed of around SEK 2 million during Q1.

Within Trio Enterprise Division an agreement of approximately SEK 3 million was signed in January with **FöreningsSparbanken** for its expansion of the service "TeleBank" based on Trio's TeleVoice CTI-server.

## Restructuring program lowers break-even level to SEK 125 million

In order to adapt the company's operations to the prevailing market climate, the Board of Trio has decided to implement a restructuring programme with the goal to attain a positive result and cash flow during the year. The level for break-even is reduced from SEK 150 million to SEK 125 million.

The restructuring programme is expected to reduce costs by a total of approximately SEK 20 million on an annual basis and will entail reducing staff numbers at the Group by 20 employees. When the program is fully implemented the number of employees will be around 70.

The background to the restructuring programme is mainly the general decline within the telecom sector and the fall in the level of customer investments.

Restructuring costs of SEK 7 million has impacted the Q1 loss and is accounted for under items affecting comparability.

## Gross Profit

The Group's gross profit increased by 9.6 per cent to SEK 11.4 million (SEK 10.4 m), giving a gross margin of 45.2 (45.6) per cent.

In the consolidated accounts, a principle is applied whereby the cost for products sold, in addition to covering material and product costs, also includes costs for installation staff, support staff and training staff.

### **Operating expenses**

Operating expenses during Q1 fell by 38.0 per cent compared to corresponding period last year and amounts to SEK 20.6 million (SEK 33.2 m), which was mainly a result of the restructuring program initiated during Q3 2002 that reduced costs substantially in Trio Enterprise Division.

## **Operating loss**

The period's operating loss prior to goodwill amortisation came to SEK –16.3 million (SEK –22.8 m). The lower loss is mainly explained by a reduction of costs.

## **Staff**

The number of employees at the Group at the end of the period was 90 (109).

## **Investments**

Investments in equipment and computers during Q1 totalled SEK 0.3 million (SEK 0.2 m). Planned depreciation including goodwill came to SEK 1.2 million (SEK 1.3 m).

## **Financial position and liquidity**

Liquid assets on 31 March 2003 totalled SEK 25.2 million (SEK 45.0 m). The Group's shareholders' equity on 31 March 2003 came to SEK 53.6 million (SEK 93.5 m), while the equity/assets ratio was 55 (65) per cent.

## **Outlook for 2003**

The interest shown by mobile operators in the solutions Trio offers within its Trio Mobile Office product area has increased. Purchasing behaviour has, however, featured a considerable degree of caution, as well as a significantly longer purchasing process than before. The launch of Trio Network Attendant performed in the autumn of 2002 will play a key role in 2003. At the same time, higher licensing revenues are expected now that Trio's mobile operator customers are attracting more end-customers keen to buy services based on Trio Mobile Office.

Some growth is expected within the Trio Enterprise Division, mainly as a result of the launch of PresentOffice 3.1 Mobile Edition. The system enables businesses to use their mobile phones just like fixed telephones in their existing switch-based telephony, and has generated considerable interest, mainly from Trio's existing corporate customers in the Nordic region.

The ongoing restructuring program lowers the break-even level for the Group to approximately SEK 125 million in net sales. The Board expects a positive result and cash flow for the full year.

## **Events since the end of the period**

In April, Trio has signed a marketing and promotion co-operation agreement with Nokia Networks for the Mobile Office line of products. Trio and Nokia Networks will co-operate in promoting Mobile Office solutions towards mobile operators. The companies see complementary synergies in their respective product portfolios and customer relations and have agreed to pursue this on the mobile operator market.

## **Dates for future financial information**

The Q2 Interim Report will be published on 24 July.

The Q3 Interim Report will be published on 23 October.

Stockholm 24 April 2003

Trio AB (publ)

The Board of Directors

For more information please contact, Sverker Hannervall, CEO, phone no +46 730 66 88 23 or Christian H. Thommessen, Chairman of the Board phone no +47 91 888 000.

The company's auditors have not subjected this report to a special review.

## Consolidated Income Statement and Balance Sheet (SEK m)

<i>Income Statement</i>		2003 1Q	2002 1Q	2002 Full Year	2001 Full Year
Net sales		25.2	22.8	142.6	165.2
Cost of products sold		-13.8	-12.4	-68.5	-67.0
<b>Gross Profit</b>		<b>11.4</b>	<b>10.4</b>	<b>74.1</b>	<b>98.2</b>
Selling expenses		-11.1	-14.8	-57.5	-61.6
Administrative expenses		-4.9	-9.3	-29.6	-31.5
Development cost		-4.6	-9.1	-26.6	-34.3
Other operation income		-0.1	–	1.1	0.1
Items affecting comparability		-7.0	–	-2.2	4.5
<b>Operating loss prior to goodwill amort.</b>		<b>-16.3</b>	<b>-22.8</b>	<b>-40.7</b>	<b>-24.6</b>
Goodwill depreciation		-0.8	-0.8	-3.0	-3.0
<b>Operating loss after goodwill amort.</b>		<b>-17.1</b>	<b>-23.6</b>	<b>-43.7</b>	<b>-27.6</b>
Result from associated companies		1.7	-0.1	-6.2	–
Financial income		0.0	0.7	1.5	
	3.1				
Financial expenses		-0.1	-0.1	-0.6	-0.5
<b>Loss after financial items</b>		<b>-15.5</b>	<b>-23.1</b>	<b>-49.0</b>	<b>-25.0</b>
Tax		–	–	0.3	
	–				
<b>Loss for the period</b>		<b>-15.5</b>	<b>-23.1</b>	<b>-48.7</b>	<b>-25.0</b>
<b>Key ratios (SEK)</b>					
		2003 1Q	2002 1Q	2002 Full Year	2001 Full Year
Profit/Loss per share prior to goodwill amort.		-0.25	-0.40	-0.65	-0.42
Net profit/loss per share before dilution		-0.24	-0.41	-0.78	-0.42
Net profit/loss per share following dilution		-0.24	-0.41	-0.78	-0.42
Shareholders' equity per share		0.84	1.46	1.08	1.76
Equity/assets ratio, %		55	65	63	68
Number of shares at the end of the period (thousands)		64,083	64,045	64,083	59,065
Average number of outstanding shares (thousands)		64,083	61,404	62,508	59,065
Average number of outstanding shares following dilution (thousands)		72,083	69,404	70,508	66,088
Holding of the company's own shares		–	–	–	
	–				

The calculation of the number of outstanding shares and the net profit/loss per share has been performed taking into account the outstanding warrants program and in accordance with RR18 Net profit/loss per share.

### Comments on the income statement

The cost for products sold includes material and product costs totalling SEK 4.5 million (SEK 3.2 m) as well as costs for product maintenance staff, installation staff, support staff and training staff amounting to SEK 9.3 million (SEK 9.2 m).

Items affecting comparability include restructuring expenses totalling SEK 7.0 million.

Costs for premises and internal systems have been distributed according to the utilisation of the function in question. Depreciation of tangible fixed assets totalled SEK 0.4 million (SEK 0.6 m) and has also been distributed according to the utilisation of the respective function.

The profit/loss from participations in associated companies relates to amortisation of goodwill and the share of associated company's result. The acquisition of Netwise shares took place in Q1 2002, and the profit/loss from this associated company is reported with a time lag of one quarter.

### ***Income Statement, breakdown by division (SEK m)***

	<b>2003 1Q *)</b>	<b>2002 1Q Pro forma</b>	<b>2002 Full Year Pro forma</b>	<b>2001 Full Year Pro forma</b>
<b><i>Trio Mobile Office</i></b>				
Net sales	7.7	6.6	60.9	58.7
<b>Operating profit/loss prior to goodwill</b>	<b>-6.4</b>	<b>-7.0</b>	<b>-11.0</b>	<b>1.8</b>
<b><i>Trio Enterprise</i></b>				
Net sales	17.5	16.2	81.7	106.5
<b>Operating profit/loss prior to goodwill</b>	<b>-2.9</b>	<b>-15.8</b>	<b>-22.0</b>	<b>-24.4</b>

\*) Operating loss prior to goodwill excluding restructuring expenses SEK 7 million.

As a consequence of the new organisation adopted during 2002, since 1 January 2003, Trio's accounts will cover two business areas – Trio Enterprise Division and Trio Mobile Office Division – compared with the three product areas previously reported.

**Trio Mobile Office Division.** Includes products within Trio Mobile Office that enables a complete transition from fixed to mobile telephony. The solutions are subscribed to as a service from mobile operators and can also be included as a component in Trio's integrated telephony.

**Trio Enterprise Division.** Includes products within Trio PresentOffice and Objecta TeleVoice. The Division offers integrated telephony and advanced call and message handling as well as solutions for customer support.

During 2002, Q3, development and sales of Trio Network Attendant have been transferred from Trio Enterprise to Trio Mobile Office. As a consequence of this, net sales and profit pro forma is accounted for in Trio Mobile Office and Trio PresentOffice in 2001 as well as for 2002. Following changes in operating profit/loss prior to goodwill have been recorded compared to previous reports:

#### ***Trio Mobile Office***

Change in Operating profit/loss prior to goodwill	-2.3	2.4	2.3
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#### ***Trio Enterprise***

Change in Operating profit/loss prior to goodwill	2.3	-2.4	-2.3
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<b>Balance sheet (SEK m)</b>	<b>2003-03-31</b>	<b>2002-03-31</b>	<b>2002-12-31</b>
Intangible fixed assets	17.1	17.8	16.4
Tangible fixed assets	2.6	3.8	2.7
Financial assets	15.2	18.3	13.6
Other current assets	37.7	58.5	47.6
Cash and bank	25.2	45.0	29.2
<b>Total assets</b>	<b>97.8</b>	<b>143.4</b>	<b>109.5</b>
Shareholders' equity	53.6	93.5	69.2
Provisions	7.0	0.1	–
Interest-bearing liabilities	4.5	0.6	3.3
Non interest-bearing liabilities	32.7	49.2	37.0
<b>Total Shareholders' equity and liabilities</b>	<b>97.8</b>	<b>143.4</b>	<b>109.5</b>

#### **Cash flow statement (SEK m)**

	<b>2003 1Q</b>	<b>2002 1Q</b>	<b>2002 Full Year</b>	<b>2001 Full Year</b>
Current operations prior to change in working capital	–8.3	–23.9	–44.3	–24.1
Change in working capital	5.5	5.7	7.3	–35.3
Investment operations	–2.4	1.5	1.2	4.6
Financing operations	1.2	–	3.3	–15.1
<b>Cash flow for the period</b>	<b>–4.0</b>	<b>–16.7</b>	<b>–32.5</b>	<b>–69.9</b>
<b>Liquid assets at the beginning of period</b>	<b>29.2</b>	<b>61.7</b>	<b>61.7</b>	<b>131.6</b>
<b>Liquid assets at the end of period</b>	<b>25.2</b>	<b>45.0</b>	<b>29.2</b>	<b>61.7</b>

#### **Changes in shareholders' equity (SEK m)**

	<b>2003 1Q</b>	<b>2002 1Q</b>	<b>2002 Full Year</b>	<b>2001 Full Year</b>
Shareholders' equity at the beginning of the period	69.2	103.7	103.7	127.6
New share issue	–	13.6	13.6	–
Option subscription	–	–	–	0.6
Translation differences, etc	–0.1	–0.7	0.6	0.5
Profit/Loss for the period	–15.5	–23.1	–48.7	–25.0
<b>Shareholders' equity at the end of the period</b>	<b>53.6</b>	<b>93.5</b>	<b>69.2</b>	<b>103.7</b>

#### **Accounting principles**

This interim report has been prepared pursuant to the Swedish Financial Accounting Standards Council's recommendation RR 20, Interim Financial Reporting. The same accounting principles and calculation methods have been used as in the last annual report, except where new recommendations have come into force. These are RR 22, Presentation of Financial Statements, RR 24, Investment Property, RR 25 Segment Reporting, RR 26, Events After the Balance Sheet Date, RR 27, Financial Instruments: Disclosure and Presentation as well as RR 28, Accounting for Government Grants and Disclosure of Government Assistance.