

Stockholm 24 July 2003

## Interim Report January – June 2003

- **Positive profit in the second quarter despite a weak business cycle; second-quarter profits prior to goodwill amortisation were SEK 0.1 million (SEK 5.3 m). First half-year loss of SEK -16.2 million (SEK -17.4 m).**
- **Net sales amounted to SEK 27.7 million (SEK 57.4 m) in the second quarter; first half-year net sales were SEK 52.9 million (SEK 80.2 m).**
- **Continued successes with mobile operators; Trio Mobile Office agreements worth SEK 7.5 million reached with Vodafone companies, and with Telenor, worth SEK 1.9 million.**
- **Further Trio Mobile Office agreement with Vodafone in Sweden secured after the end of the period, worth SEK 2 million.**
- **Trio also reached an agreement with an additional mobile operator after the end of the period.**
- **Operating expenses during second quarter fell by 45 per cent compared to corresponding period last year and amounts to SEK 17.2 million (SEK 31.0 m), which was a result of the restructuring programs of the fall of 2002 and spring 2003.**
- **The Company's ambition is to generate a positive profit and cash flow in the year.**

MSEK	Q 2 2003	Q 2 2002	6 months 2003	6 months 2002	Full year 2002
Inflow of orders	32	38	57	77	143
Net sales	27.7	57.4	52.9	80.2	142.6
Profit/loss prior to goodwill amortisation	0.1	5.3	-16.2*	-17.4	-40.7
Profit/loss for the period	0.5	3.0	-15.0	-20.1	-48.7

\* Restructuring costs of SEK 7 million impacts 6 months 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 performance

In the second quarter, the Trio group's net sales were SEK 27.7 million (SEK 57.4 m); in semi-annual terms, sales were SEK 52.9 million (SEK 80.2 m).

Trio generated a net profit of SEK 0.5 million (SEK 3.0 m) in the second quarter; its first half-year loss was SEK -15.0 million (SEK -20.1 m) including SEK 7 million in restructuring costs. The interim half-year profits exerted a SEK 2.8 million positive profit impact through participation in associated company Netwise, accounted with a one-quarter delay.

**Trio Mobile Office Division:** second-quarter net sales amounted to SEK 9.8 million (SEK 34.7 m); the operating loss prior to goodwill amortisation was SEK -2.0 million (SEK 8.5 m).

This sales variation is partially due to a high proportion of the division's business last year being effected in the second quarter. Additionally, a higher share of large transactions with mobile operators implies greater quarterly variations, both in terms of inflow of orders and profit performance. Despite a persistently weak business cycle, Trio perceives increased interest in its Trio Mobile Office concept; the number of sales projects has increased significantly compared to the corresponding period of the previous year.

**Trio Enterprise Division:** second-quarter net sales were SEK 17.9 million (SEK 22.7 m); operating profit prior to goodwill amortisation stood at SEK 2.1 million (SEK -3.2 m). The Trio Enterprise Division has maintained stable progress, with cost control and healthy profit gains. The launch of Trio PresentOffice 3.2 Mobile Edition in the autumn will imply Trio further cementing its leadership in this segment. Forthcoming launches include new IP and mobile integration functionality.

The development and sale of Trio Network Attendant was transferred from Trio Enterprise to Trio Mobile Office in the third quarter 2002, with the implication that sales and profit for 2002 are accounted pro forma in the Trio Mobile Office and Trio Enterprise Divisions.

## Significant events in the second quarter

The **Trio Mobile Office Division** secured another order in the second quarter, with a Vodafone company, which simultaneously, marks a breakthrough for Trio's solutions outside Europe. The order implies Vodafone's mobile office services gaining the add-on of Trio Network Attendant, a high-functionality switchboard attendant and directory service solution, with call distribution functions and message management. This agreement is consistent with Trio's strategy of focusing on mature markets with high mobile telephony penetration. The order is worth SEK 7.5 million.

In June, Trio reached an agreement worth some SEK 1.9 million with Telenor Mobil regarding extended functionality of Proffnett, Telenor Mobil's mobile office solution for the Norwegian corporate market. This order is based on Trio Mobile Office, which enables customers to migrate wholly or partially from fixed to mobile telephony.

Several agreements were reached within the **Trio Enterprise Division** in the period:

- New customers include the Jämtland County Council and seven of its municipalities with over 6,000 extensions, where Trio Present Office comprises a key element of the solution. The total order value is SEK 1.5 million.
- KPMG, with a SEK 950,000 order for Trio PresentOffice with installations in Stockholm, Gothenburg and Malmö, is another new customer.

- Upgrades of existing Trio PresentOffice solutions were supplied to customers including the Municipality of Norrtälje, auto retailer Tage Rejmes Bil, Statistics Sweden, the Arken Tjänstecentrum business centre, the Municipality of Gislaved and others.
- Sales of the latest release of PresentOffice, 3.2, will begin this autumn, to the Municipalities of Nyköping and Kumla.
- Upgrades and extensions of Trio's Objecta TeleVoice software were sold to customers including Svenska Handelsbanken, for SEK 550,000, the Bonnier publishing house, for SEK 200,000 and the Swedish Patent and Registration Office, the Confederation of Swedish Enterprise and other customers.
- Orders were secured in Norway from customers including Den norske Bank (Nordlandsbanken) Bærum Hospital, Accenture and the Municipality of Sør Trøndelag.
- In Denmark, orders were placed by several municipalities, Navision Software (Microsoft) and haulier ASG.

### **Important co-operation agreements**

In April, Trio 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.

### **The Board re-elected**

The Board of directors was re-elected on the Annual General Meeting on April 24: Chairman of the Board Christian H Thommessen and the Board members Ion Bogdaneris, Tomas Duffy and Olof Englund.

### **Gross Profit**

The Group's gross profit amounted to SEK 17.6 million (SEK 29.6 m), giving a gross margin of 64 (52) 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 second quarter fell by 45 per cent compared to corresponding period last year and amounts to SEK 17.2 million (SEK 31.0 m), which was a result of the restructuring program initiated during the fall of 2002 and during spring 2003.

### **Operating loss**

The period's operating loss prior to goodwill amortisation came to SEK 0.1 million (SEK 5.3 m). Items affecting comparability that regarded sales of immaterial rights during 2002 mainly explain the change in results.

### **Staff**

The number of employees at the Group at the end of the period was 74 (109).

### **Investments**

Investments in equipment and computers during Q1 totalled SEK 0.2 million (SEK 0.2 m). Planned depreciation including goodwill came to SEK 1.1 million (SEK 1.4 m).

## **Financial position and liquidity**

Liquid assets on 30 June 2003 totalled SEK 24.6 million (SEK 43.0 m). The Group's shareholders' equity on 30 June 2003 came to SEK 54.1 million (SEK 96.5 m), while the equity/assets ratio was 60 (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 Company has set the goal of reporting a positive result and cash flow during the year.

## **Dates for future financial information**

The Q3 Interim Report will be published on 23 October.

Stockholm 24 July 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.

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

<i>Income Statement</i>	<b>2003 2Q</b>	<b>2002 2Q</b>	<b>2003 6months</b>	<b>2002 6months</b>	<b>2002 Full Year</b>
Net sales	27.7	57.4	52.9	80.2	142.6
Cost of products sold	-10.1	-27.8	-23.9	-40.6	-68.5
<b>Gross Profit</b>	<b>17.6</b>	<b>29.6</b>	<b>29.0</b>	<b>39.6</b>	<b>74.1</b>
Selling expenses	-10.1	-15.1	-21.2	-30.2	-57.5
Administrative expenses	-4.6	-9.3	-9.5	-17.7	-29.6
Development cost	-2.5	-6.6	-7.1	-15.9	-26.6
Other operation income	-0.3	0.9	-0.4	1.0	1.1
Items affecting comparability	—	5.8	-7.0	5.8	-2.2
<b>Operating profit/loss prior to goodwill depr.</b>	<b>0.1</b>	<b>5.3</b>	<b>-16.2</b>	<b>-17.4</b>	<b>-40.7</b>
Goodwill depreciation	-0.8	-0.8	-1.6	-1.6	-3.0
<b>Operating profit/loss after goodwill depr.</b>	<b>-0.7</b>	<b>4.5</b>	<b>-17.8</b>	<b>-19.0</b>	<b>-43.7</b>
Result from associated companies	1.1	-2.0	2.8	-2.1	-6.2
Financial income	0.2	0.4	0.2	0.9	1.5
Financial expenses	-0.1	-0.1	-0.2	-0.1	-0.6
<b>Profit/Loss after financial items</b>	<b>0.5</b>	<b>2.8</b>	<b>-15.0</b>	<b>-20.3</b>	<b>-49.0</b>
Tax	—	0.2	—	0.2	0.3
<b>Profit/Loss for the period</b>	<b>0.5</b>	<b>3.0</b>	<b>-15.0</b>	<b>-20.1</b>	<b>-48.7</b>

### *Key ratios (SEK)*

	<b>2003 2Q</b>	<b>2002 2Q</b>	<b>2003 6months</b>	<b>2002 6months</b>	<b>2002 Full Year</b>
Profit/Loss per share prior to goodwill amort.	0.00	0.08	-0.25	-0.28	-0.65
Net profit/loss per share before dilution	0.01	0.05	-0.23	-0.32	-0.78
Net profit/loss per share following dilution	0.01	0.04	-0.23	-0.32	-0.78
Shareholders' equity per share	0.84	1.51	0.84	1.51	1.08
Equity/assets ratio, %	60	65	60	65	63
Number of shares at the end of the period (thousands)	64,083	64,083	64,083	64,083	64,083
Average number of outstanding shares (thousands)	64,083	64,059	64,083	62,175	62,508
Average number of outstanding shares following dilution (thousands)	72,083	72,059	72,083	70,175	70,508
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 2.8 million (SEK 14.3m) as well as costs for product maintenance staff, installation staff, support staff and training staff amounting to SEK 7.3 million (SEK 13.5m).

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 0.3 million (SEK 0.6m) 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

	2003 2Q	2002 2Q Proforma	2003 6months	2002 6months Proforma	2002 Full Year Proforma
<b>Trio Mobile Office</b>					
Net sales	9.8	34.7	17.5	41.3	60.9
<b>Operating loss prior to goodwill</b>	<b>-2.0</b>	<b>8.5</b>	<b>-8.4</b>	<b>1.4</b>	<b>-11.0</b>
<b>Trio Enterprise</b>					
Net sales	17.9	22.7	35.4	38.9	81.7
<b>Operating loss prior to goodwill</b>	<b>2.1</b>	<b>-3.2</b>	<b>0.8</b>	<b>-18.8</b>	<b>-22.0</b>

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

As a consequence of the new organization 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:

	2003 2Q	2002 2Q Proforma	2003 6months	2002 6months Proforma	2002 Full Year Proforma
<i>Trio Mobile Office</i>					
Change in Operating profit/loss prior to goodwill		4.7		2.4	2.4
<i>Trio Enterprise</i>					
Change in Operating profit/loss prior to goodwill		-4.7		-2.4	-2.4

<b>Balance sheet</b>	<b>2003-06-30</b>	<b>2002-06-30</b>	<b>2002-12-31</b>
Intangible fixed assets	15.9	17.0	16.4
Tangible fixed assets	2.2	3.4	2.7
Financial assets	16.4	16.7	13.6
Other current assets	30.6	67.7	47.6
Cash and bank	24.6	43.0	29.2
<b>Total assets</b>	<b>89.7</b>	<b>147.8</b>	<b>109.5</b>
Shareholders' equity	54.1	96.5	69.2
Provisions	3.4	0.1	–
Interest-bearing liabilities	3.8	0.6	3.3
Non interest-bearing liabilities	28.4	50.6	37.0
<b>Total Shareholders' equity and liabilities</b>	<b>89.7</b>	<b>147.8</b>	<b>109.5</b>

<b>Cash flow statement</b>	<b>2003 2Q</b>	<b>2002 2Q</b>	<b>2003 6months</b>	<b>2002 6months</b>	<b>2002 Full Year</b>
Current operations prior to change in working capital	–1.8	2.0	–10.1	–21.9	–44.3
Change in working capital	2.6	–9.1	8.1	–3.4	7.3
Investment operations	–0.7	4.6	–3.1	6.1	1.2
Financing operations	–0.7	0.5	0.5	0.5	3.3
<b>Cash flow for the period</b>	<b>–0.6</b>	<b>–2.0</b>	<b>–4.6</b>	<b>–18.7</b>	<b>–32.5</b>
<b>Liquid assets at the beginning of period</b>	<b>25.2</b>	<b>45.0</b>	<b>29.2</b>	<b>61.7</b>	<b>61.7</b>
<b>Liquid assets at the end of period</b>	<b>24.6</b>	<b>43.0</b>	<b>24.6</b>	<b>43.0</b>	<b>29.2</b>

<b>Changes in shareholders' equity</b>	<b>2003 2Q</b>	<b>2002 2Q</b>	<b>2003 6months</b>	<b>2002 6months</b>	<b>2002 Full Year</b>
Shareholders' equity at the beginning of the period	53.6	93.5	69.2	103.7	103.7
New share issue	–	–	–	13.6	13.6
Translation differences, etc	–	–	–0.1	–0.7	0.6
Profit/Loss for the period	0.5	3.0	–15.0	–20.1	–48.7
<b>Shareholders' equity at the end of the period</b>	<b>54.1</b>	<b>96.5</b>	<b>54.1</b>	<b>96.5</b>	<b>69.2</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.