



**Effnet Group AB (publ)**

**INTERIM REPORT**  
**January – September 2003**



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- Net sales for the period January–September amounted to MSEK 17.4 (3.5). The increase in the Group's sales is primarily due to that sales for this year also includes revenue generated by Factum Electronics AB, a subsidiary acquired at the end of last year.
- The Group's result after financial items for the nine-month period improved by more than SEK 30 million to MSEK -4.8 (-35.0), or SEK -0.09 (-0.64) per share.
- Sales were very weak during the third quarter and net sales totaled MSEK 2.7 (1.0).
- The result after financial items for the third quarter improved by SEK 8 million to MSEK -2.0 (-10.0).
- Liquid assets at the close of the period totaled MSEK 112.7 (MSEK 121.8 at year-end) or SEK 2.05 (2.22) per share. Stockholders' equity at the close of the period amounted to MSEK 106.5 (MSEK 111.0 at year-end) or SEK 1.94 (2.02) per share.

# Effnet Group AB (publ)

## INTERIM REPORT

### January – September 2003

#### BUSINESS OPERATIONS

Effnet Group AB (publ) is the parent company of a group of technology companies with operations within digital communications and data security. The parent company's primary task is to manage and develop these subsidiaries. Today the Group operates in three fields:

#### Header Compression

Effnet AB develops and sells the Header Compression application to network product manufacturers. Effnet Header Compression increases the efficiency, speed, and reliability of IP traffic in mobile, fixed, and satellite-based networks.

#### Digital Broadcasting

Factum Electronics AB develops and sells components and systems for digital audio broadcasting (DAB) and components for digital stereo sound in television broadcasting (NICAM). Its customers include radio and television stations and their network operators.

#### Copy Protection

Wkit Security AB develops and sells the copy protection system Don't Bother Burn (DBB) for CD-ROMs.

#### THIRD QUARTER 2003

Sales during the third quarter were very weak within the Group. Net sales totaled MSEK 2.7 (1.0). Operating expenses fell to MSEK 7.1 (12.7), of which MSEK 3.9 (8.4) was personnel costs. The operating loss was reduced by more than MSEK 7 to MSEK 4.4 (11.6). Net financial items totaled MSEK 2.4 (1.6), including a capital gain on an investment. The loss after financial items was MSEK 2.0 (10.0). Cash flow from current operations during the period was MSEK -1.5 (-10.8).

#### JANUARY – SEPTEMBER 2003

During the period January–September Group sales developed less favourably than expected.

Net sales amounted to MSEK 17.4 (3.5). The strong growth in Group sales for the period is primarily explained by the inclusion of sales generated by the subsidiary Factum Electronics AB, which was acquired at the end of 2002.

The Group acts in an international market and the majority of sales are exports.

<b>Sales</b>	<b>2003</b>	<b>2002</b>
<b>MSEK</b>	<b>Jan-Sep</b>	<b>Jan-Sep</b>
Europe	11.6	0.1
North America	2.7	2.4
Asia and rest of world	3.1	1.0
<b>Total net sales</b>	<b>17.4</b>	<b>3.5</b>

Operating expenses, although they also include Factum, fell to MSEK 26.5 (45.4), of which personnel costs comprised MSEK 12.2 (27.0). The cost reductions are the result of the implemented cost-savings program, which included the closure of U.S. operations. This closure alone has resulted in savings of about MSEK 6 per quarter compared to the previous year.

The operating loss was reduced by more than SEK 30 million and totaled MSEK 9.0 (39.5). The loss after financial items was MSEK 4.8 (35.0) or SEK 0.09 (0.64) per share. The Group does not expect to incur any income tax during the foreseeable future due to tax-loss carry-forwards.

#### Employees and investments

The average number of employees during the period was 27 (35). Only marginal investments in equipment were made during the period.

## Financial Position

The Group's stockholders' equity at the close of the period stood at MSEK 106.5 (MSEK 111.0 at year-end) or SEK 1.94 (2.02) per share. At the close of the period, the Group had MSEK 112.7 (MSEK 121.8 at year-end) in liquid assets, of which MSEK 112.0 (89.1) consisted of short-term investments. Cash flow from current operations for the period was MSEK -8.8 (-46.5) or SEK -0.16 (-0.85) per share.

## OUTLOOK FOR 2003

The Group's objective is to achieve a positive cash flow and profitability as soon as possible. However, as the telecom and broadcasting markets are recovering more slowly than expected, this objective will probably not be achieved during 2003.

Stockholm, October 21, 2003  
The Board of Directors

<b>Consolidated income statement, in summary, MSEK</b>	<b>2003 Jul-Sep</b>	<b>2002 Jul-Sep</b>	<b>2003 Jan-Sep</b>	<b>2002 Jan-Sep</b>	<b>2002 Jan-Dec</b>
Net sales	2.7	1.0	17.4	3.5	9.9
Capitalized development expenses (note 1)	-	-	-	1.4	-
Other operating income	0.0	0.1	0.1	1.0	1.5
<b>Total income</b>	<b>2.7</b>	<b>1.1</b>	<b>17.5</b>	<b>5.9</b>	<b>11.4</b>
External costs	-3.1	-3.8	-14.1	-16.3	-31.3
Personnel costs	-3.9	-8.4	-12.2	-27.0	-38.8
Depreciation and amortization	-0.1	-0.3	-0.2	-1.1	-2.8
Other operating expenses	-	-0.2	-	-1.0	-0.5
<b>Total operating expenses</b>	<b>-7.1</b>	<b>-12.7</b>	<b>-26.5</b>	<b>-45.4</b>	<b>-73.4</b>
<b>Operating result</b>	<b>-4.4</b>	<b>-11.6</b>	<b>-9.0</b>	<b>-39.5</b>	<b>-62.0</b>
Financial income/expense net	2.4	1.6	4.2	4.5	6.6
<b>Result after financial items</b>	<b>-2.0</b>	<b>-10.0</b>	<b>-4.8</b>	<b>-35.0</b>	<b>-55.4</b>
Tax	-	-	-	-	-
<b>RESULT FOR THE PERIOD</b>	<b>-2.0</b>	<b>-10.0</b>	<b>-4.8</b>	<b>-35.0</b>	<b>-55.4</b>
<b>Consolidated cash flow statement, in summary, MSEK</b>	<b>2003 Jul-Sep</b>	<b>2002 Jul-Sep</b>	<b>2003 Jan-Sep</b>	<b>2002 Jan-Sep</b>	<b>2002 Jan-Dec</b>
Cash flow before change in working capital	-2.0	-11.9	-4.4	-36.8	-57.5
Change in working capital	0.5	1.1	-4.4	-9.7	0.3
<b>Cash flow from current operations</b>	<b>-1.5</b>	<b>-10.8</b>	<b>-8.8</b>	<b>-46.5</b>	<b>-57.2</b>
Investments	-0.1	0.3	-0.2	0.1	-0.5
Financing activities	-	-	-	-	-
Exchange rate difference related to liquid assets	0.0	-0.1	-0.1	-0.3	-0.4
<b>CHANGE IN LIQUID ASSETS</b>	<b>-1.6</b>	<b>-10.6</b>	<b>-9.1</b>	<b>-46.7</b>	<b>-58.1</b>
Average no. of shares, thousands (note 2)	54,943	54,943	54,943	54,943	54,943
Earnings per share, SEK (note 2)	-0.04	-0.18	-0.09	-0.64	-1.01
Cash flow from current operations per share, SEK (note 2)	-0.03	-0.20	-0.16	-0.85	-1.04

<b>Consolidated balance sheet, in summary</b>	<b>2003</b>	<b>2002</b>	<b>2002</b>
<b>MSEK</b>	<b>Sep 30</b>	<b>Sep 30</b>	<b>Dec 31</b>
<b>ASSETS</b>			
Tangible fixed assets	0.9	1.3	1.4
Capitalized development expenses (note 1)	-	1.4	-
<b>Fixed assets</b>	<b>0.9</b>	<b>2.7</b>	<b>1.4</b>
Inventories	1.3	-	1.6
Current receivables	4.5	7.5	7.2
Liquid assets (note 3)	112.7	133.1	121.8
<b>Total current assets</b>	<b>118.5</b>	<b>140.6</b>	<b>130.6</b>
<b>TOTAL ASSETS</b>	<b>119.4</b>	<b>143.3</b>	<b>132.0</b>
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>			
Stockholders' equity	106.5	131.4	111.0
Provisions	3.7	-	4.4
Current liabilities	9.2	11.9	16.6
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>	<b>119.4</b>	<b>143.3</b>	<b>132.0</b>
<b>Changes in stockholders' equity</b>	<b>2003</b>	<b>2002</b>	<b>2002</b>
<b>MSEK</b>	<b>Jan-Sep</b>	<b>Jan-Sep</b>	<b>Jan-Dec</b>
Stockholders' equity at start of period	111.0	166.7	166.7
Loss for the period	-4.8	-35.0	-55.4
Translation difference	0.3	-0.3	-0.3
<b>Stockholders' equity at close of period</b>	<b>106.5</b>	<b>131.4</b>	<b>111.0</b>
No. of shares, thousands (note 2)	54.943	54.943	54.943
Stockholders' equity per share, SEK (note 2)	1.94	2.39	2.02
Liquid funds per share, SEK (note 2)	2.05	2.42	2.22
Stock exchange quotation at close of period, SEK	1.88	1.33	1.35
Quotation/stockholders' equity	97%	56%	67%
Market capitalization, MSEK	103.3	73.1	74.2
Debt/equity ratio	89%	92%	84%

### Accounting principles and notes

This Interim Report was prepared according to the Swedish Financial Accounting Standards Council's recommendation on interim reporting (RR20). The accounting and valuation principles are the same as those used for the 2002 Annual Report. Unless otherwise stated, all figures are in Swedish kronor, millions (MSEK).

Note 1) Product development is now customer related and thus is no longer capitalized.

Note 2) Dilution is only included in the conversion of key figures if it has a negative effect on earnings per share, which is not the case. Full dilution of all outstanding stock options adds 4,117,877 shares.

Note 3) Liquid assets include short-term investments and bank deposits.

<b>Quarterly data</b> (MSEK)	Q1	Q2	Q3	Q4	Whole year
Net sales					
2001	1.1	5.1	1.8	2.2	10.2
2002	1.8	0.7	1.0	6.4	9.9
2003	5.0	9.7	2.7		
Result after financial items					
2001	-28.3	-22.6	-27.7	-55.1	-133.7
2002	-11.9	-13.1	-10.0	-20.4	-55.4
2003	-2.2	-0.6	-2.0		
Cash flow from current operations					
2001	-27.2	-25.5	-19.6	-22.0	-94.3
2002	-16.8	-18.9	-10.8	-10.7	-57.2
2003	-5.7	-1.6	-1.5		

<b>The largest stockholders</b> of Effnet Group AB (publ), as per Sept 30, 2003	No. of stocks	Share of votes and capital
Four Invest AB	5,692,760	10.4%
Degermark, Mikael	2,166,025	3.9%
Pink, Stephen	1,866,050	3.4%
Carlsson, Svante	1,492,492	2.7%
SIS Segaintersettle AG	1,380,875	2.5%
Fastighetsbolaget Reglaget AB	1,300,000	2.4%
Credit Agricole Indosuez	1,111,678	2.0%
Enskilda Securities AB	871,458	1.6%
Akelius Insurance Ltd	507,500	0.9%
Fastighetsaktiebolaget Ladan	400,000	0.7%
JP Morgan Chase Bank	400,000	0.7%
Thorell, Johan	347,948	0.6%
Danske Bank International S.A.	327,325	0.6%
Niklasson, Bertil	300,000	0.6%
Stockholm Realty Alpha KB	280,000	0.5%
Total - the largest stockholders	18,444,111	33.5%
Other stockholders (11.239 holders)	36,498,539	66.5%
Total	54,942,650	100.0%

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This report has not been subject to review by the company's auditors.

The next report will be the Financial Statement for January 1-December 31, 2003, due for release on January 30, 2004.

Effnet Group AB (publ), corporate identity number 556520-0028, is located in Stockholm, Sweden.

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The company's stock was introduced on the New Market list in April 1999 and is traded on the Stockholm Stock Exchange.