



Effnet Group AB (publ)

YEAR-END REPORT
January – December 2003



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- Net sales for the period January–December amounted to MSEK 20.8 (9.9). The Group's sales include revenues generated by Factum Electronics AB, a subsidiary acquired at the end of the previous year.
- The result after financial items for the full financial year improved by almost SEK 50 million to MSEK -7.0 (-55.4). The loss for the year after financial items was MSEK 6.9 (55.4) or SEK 0.12 (1.01) per share.
- Sales were weak during the fourth quarter and net sales totaled MSEK 3.4 (6.4).
- The result after financial items for the fourth quarter improved by more than SEK 18 million to MSEK -2.2 (-20.4).
- Liquid assets at the close of the period totaled MSEK 107.8 (121.8) or SEK 1.96 (2.22) per share. Stockholders' equity at the close of the period amounted to MSEK 104.2 (111.0) or SEK 1.90 (2.02) per share.

Significant events after the close of the period

- Kenneth Lundgren was appointed President of Factum Electronics AB in January 2004. Lundgren succeeds Johan Ericsson, who remains in the company as Vice President.

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BUSINESS OPERATIONS

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

Header Compression

Effnet AB develops and sells Header Compression software 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.

FOURTH QUARTER 2003

Sales during the fourth quarter amounted to MSEK 3.4 (6.4). Operating expenses fell to MSEK 6.7 (28.0), of which MSEK 5.2 (11.8) comprised personnel costs. The operating loss was reduced by almost MSEK 20 to MSEK 3.0 (22.5). Net financial income totaled MSEK 0.8 (2.1). The loss after financial items was MSEK 2.2 (20.4). Cash flow from current operations was MSEK -4.5 (-10.7).

JANUARY – DECEMBER 2003

Group sales during the year developed less favorably than expected. Net sales

amounted to MSEK 20.8 (9.9). The increase of Group sales is explained by the acquisition of Factum Electronics AB at the end of the previous year. Of the sales, MSEK 4.9 stemmed from Header Compression and Copy Protection and MSEK 15.9 from Broadcasting. The Group operates in an international market and the majority of sales are exports.

Sales MSEK	2003 Jan-Dec	2002 Jan-Dec
Europe	13.3	3.5
North America	4.1	3.5
Asia and rest of world	3.4	2.9
Net sales	20.8	9.9

Despite the inclusion of Factum total operating expenses fell to MSEK 33.2 (73.4), of which personnel costs comprised MSEK 17.4 (38.8). The reduction is 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.

The operating loss was reduced by more than SEK 50 million and totaled MSEK 12.0 (62.0). The loss after financial items was MSEK 7.0 (55.4). Thanks to tax-loss carry-forwards from previous years, the Group companies are not expected to incur any income tax in the foreseeable future. However, a provision for deferred tax liabilities was reversed in the amount of MSEK 0.1. The loss for the year was therewith MSEK 6.9 (55.4) or SEK 0.12 (1.01) per share.

Employees and investments

The average number of employees during the period was 27 (38). Only marginal investments in equipment were made during the period.

Financial Position

The Group's stockholders' equity at year-end stood at MSEK 104.2 (111.0) or SEK 1.90 (2.02) per share. At the close of the period, the Group had MSEK 107.8 (MSEK 121.8) in liquid assets, of which MSEK 105.1 (89.1) consisted of short-term investments. Cash flow from current operations for the year was MSEK -13.6 (-57.2) or SEK -0.24 (-1.04) per share.

OUTLOOK FOR 2004

The markets for the Group's products were weaker than expected during 2003.

The Group's objective continues to be to achieve a positive cash flow and profitability as soon as possible. The Effnet Group is now in a better position than ever and we see certain improvements in our two main markets.

Stockholm, January 29, 2004

The Board of Directors

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

Consolidated income statement, in summary, MSEK	2003 Oct-Dec	2002 Oct-Dec	2003 Jan-Dec	2002 Jan-Dec
Net sales	3.4	6.4	20.8	9.9
Capitalized development expenditure	0.3	-1.4	0.3	-
Other operating income	0.0	0.5	0.1	1.5
Total income	3.7	5.5	21.2	11.4
External costs	-1.4	-15.0	-15.5	-31.3
Personnel costs	-5.2	-11.8	-17.4	-38.8
Depreciation and amortization	-0.1	-1.7	-0.3	-2.8
Other operating expenses	-	0.5	-	-0.5
Total operating expenses	-6.7	-28.0	-33.2	-73.4
Operating result	-3.0	-22.5	-12.0	-62.0
Financial income/expense, net	0.8	2.1	5.0	6.6
Result after financial items	-2.2	-20.4	-7.0	-55.4
Tax	0.1	-	0.1	-
RESULT FOR THE PERIOD	-2.1	-20.4	-6.9	-55.4
Consolidated cash flow statement, in summary, MSEK	2003 Oct-Dec	2002 Oct-Dec	2003 Jan-Dec	2002 Jan-Dec
Cash flow before change in working capital	-4.4	-20.7	-8.8	-57.5
Change in working capital	-0.1	10.0	-4.5	0.3
Cash flow from current operations	-4.5	-10.7	-13.3	-57.2
Investments	-0.4	-0.6	-0.6	-0.5
Financing activities	-	-	-	-
Exchange rate difference related to liquid assets	0.0	-0.1	-0.1	-0.4
CHANGE IN LIQUID ASSETS	-4.9	-11.4	-14.0	-58.1
Average no. of shares, thousands (note 1)	54,943	54,943	54,943	54,943
Earnings per share, SEK (note 1)	-0.04	-0.37	-0.12	-1.01
Cash flow from current operations per share, SEK (note 1)	-0.08	-0.19	-0.24	-1.04

Consolidated balance sheet, in summary	2003	2002
MSEK	Dec 31	Dec 31
ASSETS		
Tangible fixed assets	0.8	1.4
Capitalized development expenditure	0.3	-
Fixed assets	1.1	1.4
Inventories	1.4	1.6
Current receivables	4.7	7.2
Liquid assets (note 2)	107.8	121.8
Total current assets	113.9	130.6
TOTAL ASSETS	115.0	132.0
STOCKHOLDERS' EQUITY AND LIABILITIES		
Stockholders' equity	104.2	111.0
Provisions	1.3	4.4
Current liabilities	9.5	16.6
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	115.0	132.0

Changes in stockholders' equity	2003	2002	2003	2002
MSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Stockholders' equity at start of period	106.5	131.4	111.0	166.7
Result for the period	-2.1	-20.4	-6.9	-55.4
Translation difference	-0.2	0.0	0.1	-0.3
Stockholders' equity at close of period	104.2	111.0	104.2	111.0
No. of shares, thousands (note 1)			54,943	54,943
Stockholders' equity per share, SEK (note 1)			1.90	2.02
Liquid funds per share, SEK (note 1)			1.96	2.22
Stock exchange quotation at close of period, SEK			2.40	1.35
Quotation/stockholders' equity			126 %	67 %
Market capitalization, MSEK			131.9	74.2
Debt/equity ratio			91 %	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) 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 1,669,000 shares.

Note 2) Liquid assets include short-term investments and bank deposits.

Quarterly data (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	3.4	20.8
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	-2.2	-7.0
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	-4.8	-13.6

Effnet's largest stockholders As of December 31, 2003	No. of shares	Share of votes/capital
Four Invest AB	6,142,760	11.2 %
AB Grundstenen 98757	5,794,075	10.6 %
Carlsson, Svante	1,492,492	2.7 %
Credit Agricole Indosuez	1,111,678	2.0 %
SIS Segaintersettle AG	918,450	1.7 %
Thorell, Johan	599,948	1.1 %
Enskilda Securities AB	526,458	1.0 %
Den Norske Bank	481,000	0.9 %
Niklasson, Bertil	480,000	0.9 %
Akelius Insurance Ltd	433,850	0.7 %
Fastighets AB Ladan	400,000	0.7 %
JP Morgan Chase Bank	400,000	0.6 %
Edvardsson, Bo	310,000	0.6 %
Danske Bank International S.A.	304,150	0.5 %
Falk, Arne	275,000	0.5 %
Mikael Hansson i Kalmar AB	275,000	0.5 %
BCA Monte dei Paschi di Siena SPA	263,400	0.5 %
Nygren, Patrik	260,000	0.5 %
Eurotrade Securities	247,645	0.5 %
Svenska Handelsbanken S.A.	245,200	0.5 %
Total for the 20 largest stockholders	20,961,106	38.2 %
Others (10,730 stockholders)	33,981,544	61.8 %
Total	54,942,650	100.0 %

For further information, please contact:

Hans Runesten, CEO, +46 (0)8 564 605 50 or +46 (0)702 80 26 26,
 Krister Moberger, CFO, +46 (0)8 564 605 50 or +46 (0)8 564 611 02
 or visit the company's website at www.effnet.com

The next report will be the Interim Report for January-March, 2004, due for release on April 22, 2004.

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

Address: Box 15040, SE-167 15 Bromma, Sweden. Phone: +46 (0)8 564 605 50.

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