



**Effnet Group AB (publ)**

**INTERIM REPORT  
January – March 2004**



## **Effnet Group AB (publ)**

### **INTERIM REPORT**

**January – March 2004**

- Net sales for the period January–March 2004 amounted to MSEK 5.0 (5.0). Sales were weaker than expected while operating expenses developed as planned.
- Operating result for the first quarter amounted to MSEK -3.7 (-3.2). The result after financial items was MSEK -2.9 (-2.2) or SEK -0.05 (-0.04) per share.
- Liquid assets at the close of the period totaled MSEK 103.5 (107.8) or SEK 1.88 (1.96) per share. Stockholders' equity at the close of the period amounted to MSEK 101.3 (104.2) or SEK 1.85 (1.90) per share.
- Kenneth Lundgren was appointed President of Factum Electronics AB in January 2004.
- In February a new co-operation between Effnet and PrairieComm was announced. The co-operation makes Effnet Header Compression available on PrairieComm's telephone platforms.
- During the period Effnet AB introduced new versions of CRTP; Effnet CRTP™ v.3.1 and Effnet ECRTPTM v.1.0. During the period Factum Electronics AB in co-operation with Coding Technologies introduced a new encoding algorithm for its MAP200E audio encoder, regarded by independent test laboratories as the best choice of the industry.

# Effnet Group AB (publ)

## INTERIM REPORT

### January – March 2004

#### 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.

#### FIRST QUARTER 2003

Sales during the first quarter amounted to MSEK 5.0 (5.0), which was less than expected particularly for Effnet Header Compression. Operating expenses amounted to MSEK 9.1 (8.2), of which MSEK 4.9 (3.6) comprised personnel costs. The increased costs are related to intensified activities within Digital Broadcasting. The operating loss was MSEK 3.7 (3.2).

Net financial income totaled MSEK 0.8 (1.0), the reduction compared to previous year is due to lower interest rates. Thanks to tax-loss carry-forwards from previous

years, the Group companies are not expected to incur any income tax in the foreseeable future. The loss for the period was MSEK 2.9 (2.2) or SEK 0.05 (0.04) per share.

Cash flow from current operations was MSEK -3.9 (-5.7) or SEK -0.07 (-0.10) per share.

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

Sales MSEK	2004 Q1	2003 Q1	2003 Full year
Europe	3.9	2.2	13.3
Asia	0.6	0.0	4.1
North America	0.4	2.8	2.9
Rest of world	0.1	0.0	0.5
<b>Net sales</b>	<b>5.0</b>	<b>5.0</b>	<b>20.8</b>

#### Employees and investments

The average number of employees during the period was 22 (25). Only marginal investments in equipment were made during the period. Expenditure for development efforts were capitalized according to the same conservative principle as at year-end, totaling MSEK 0.3 (-).

#### Financial Position

The Group's shareholders' equity at the close of the period stood at MSEK 101.3 (at year-end 104.2) or SEK 1.85 (1.90) per share. At the close of the period, the Group had MSEK 103.5 (107.8) in liquid assets, of which MSEK 101.3 (105.1) consisted of short-term investments. Cash flow from current operations for period year was MSEK -3.9 (-5.7) or SEK -0.07 (-0.10) per share.

## OUTLOOK FOR 2004

The Effnet Group is now in a better position than ever, however the market for Header Compression particularly was weaker than expected during the first quarter of 2004. During the rest of the year we foresee a strong growth within Digital Broadcasting. The Group's objective continues to be to achieve a

positive cash flow and profitability as soon as possible.

Stockholm, April 21, 2004

The Board of Directors

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

<b>Consolidated income statement, in summary, MSEK</b>	<b>2004 Jan-Mar</b>	<b>2003 Jan-Mar</b>	<b>2003 Full year</b>
Net sales	5.0	5.0	20.8
Capitalized development expenditure	0.3	-	0.3
Other operating income	0.1	0.0	0.1
<b>Total income</b>	<b>5.4</b>	<b>5.0</b>	<b>21.2</b>
External costs	-4.1	-4.5	-15.5
Personnel costs	-4.9	-3.6	-17.4
Depreciation and amortization	-0.1	-0.1	-0.3
<b>Total operating expenses</b>	<b>-9.1</b>	<b>-8.2</b>	<b>-33.2</b>
<b>Operating result</b>	<b>-3.7</b>	<b>-3.2</b>	<b>-12.0</b>
Financial income/expense, net	0.8	1.0	5.0
<b>Result after financial items</b>	<b>-2.9</b>	<b>-2.2</b>	<b>-7.0</b>
Tax	-	-	0.1
<b>RESULT FOR THE PERIOD</b>	<b>-2.9</b>	<b>-2.2</b>	<b>-6.9</b>
<b>Consolidated cash flow statement, in summary, MSEK</b>	<b>2004 Jan-Mar</b>	<b>2003 Jan-Mar</b>	<b>2003 Full year</b>
Cash flow before change in working capital	-2.9	-1.9	-8.8
Change in working capital	-1.0	-3.8	-4.5
<b>Cash flow from current operations</b>	<b>-3.9</b>	<b>-5.7</b>	<b>-13.3</b>
Investments	-0.4	-0.1	-0.6
Financing activities	-	-	-
Exchange rate difference related to liquid assets	0.0	-0.1	-0.1
<b>CHANGE IN LIQUID ASSETS</b>	<b>-4.3</b>	<b>-5.9</b>	<b>-14.0</b>
Average no. of shares, thousands (note 1)	54,943	54,943	54,943
Earnings per share, SEK (note 1)	-0.05	-0.04	-0.12
Cash flow from current operations per share, SEK (note 1)	-0.07	-0.10	-0.24

<b>Consolidated balance sheet, in summary</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
<b>MSEK</b>	<b>Mar 31</b>	<b>Mar 31</b>	<b>Dec 31</b>
<b>ASSETS</b>			
Capitalized development expenditure	0.6	-	0.3
Tangible fixed assets	0.7	1.3	0.8
<b>Fixed assets</b>	<b>1.3</b>	<b>1.3</b>	<b>1.1</b>
Inventories	1.0	1.4	1.4
Current receivables	6.0	7.0	4.7
Liquid assets (note 2)	103.5	115.9	107.8
<b>Total current assets</b>	<b>110.5</b>	<b>124.3</b>	<b>113.9</b>
<b>TOTAL ASSETS</b>	<b>111.8</b>	<b>125.6</b>	<b>115.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	101.3	108.8	104.2
Provisions	1.2	4.3	1.3
Current liabilities	9.3	12.5	9.5
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>111.8</b>	<b>125.6</b>	<b>115.0</b>

<b>Changes in shareholders' equity</b>	<b>2004</b>	<b>2003</b>	<b>2003</b>
<b>MSEK</b>	<b>Jan-Mar</b>	<b>Jan.Mar</b>	<b>Full year</b>
Shareholders' equity at start of period	104.2	111.0	111.0
Result for the period	-2.9	-2.2	-6.9
Translation difference	0.0	0.0	0.1
<b>Shareholders' equity at close of period</b>	<b>101.3</b>	<b>108.8</b>	<b>104.2</b>
No. of shares, thousands (note 1)	54,943	54,943	54,943
Shareholders' equity per share, SEK (note 1)	1.85	1.98	1.90
Liquid funds per share, SEK (note 1)	1.88	2.11	1.96
Stock exchange quotation at close of period, SEK	2.52	1.20	2.40
Quotation/shareholders' equity	137 %	61 %	126 %
Market capitalization, MSEK	138.5	65.9	131.9
Debt/equity ratio	91 %	87 %	91 %

### 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 share options adds 1,669,000 shares.

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

<b>Quarterly data</b> (MSEK)	Q1	Q2	Q3	Q4	Full 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
2004	5.0				
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
2004	-2.9				
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	-4.3	-13.3
2004	-3.9				

<b>Effnet's largest shareholders</b>	No. of shares	Share of votes/capital
As of December 31, 2003		
Four Invest AB	6,142,760	11.2 %
DNB Nor Bank ASA	5,383,000	9.8 %
Carlsson, Svante	1,492,492	2.7 %
Credit Agricole Indosuez	1,102,778	2.0 %
SIS Segaintersettle AG	1,074,800	2.0 %
Nordea Bank Norge ASA	800,000	1.4 %
Niklasson, Bertil	480,000	0.9 %
Akelius Insurance Ltd	477,850	0.9 %
Fastighets AB Ladan	400,000	0.7 %
JP Morgan Chase Bank	400,000	0.7 %
Eurotrade Securities	276,395	0.5 %
Mikael Hansson i Kalmar AB	275,000	0.5 %
BCA Monte dei Paschi di Siena SPA	263,400	0.5 %
Danske Bank International S.A.	259,650	0.5 %
E-trade DK A/S	258,985	0.5 %
Total for the largest shareholders	19,087,110	34.8 %
Others (10,499 shareholders)	35,855,540	65.2 %
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](http://www.effnet.com)

The next report will be the Interim Report for January-June, 2004, due for release on July 30, 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.