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Nocom AB (publ)

Interim Report January - September 2003

2003

- ◆ **Continued result improvement despite weak market**
Profit after financial items for the period totaled SEK 2.9 (-83.3) million, of which SEK -1.6 (-32.2) million is attributable to the third quarter

Profit after tax for the period totaled SEK 1.5 (-83.6) million, of which SEK -1.4 (-32.3) million is attributable to the third quarter

The operating margin was 3 (-74) percent for the first nine months of the year

Earnings per share totaled SEK 0.05 (-2.96), of which SEK -0.05 (-1.77) is attributable to the third quarter

- ◆ **Positive cash flow from current operations**
Cash flow from current operations for the first nine months of the year totaled SEK 3.3 (-22.3) million, excluding payments of SEK 7.0 million attributable to the action plan from September 2002
- ◆ **Stable sales**
Sales totaled SEK 98.6 (110.9) million, of which SEK 26.3 (27.7) million is attributable to the third quarter

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A Few Words from the CEO

We continue to improve our result, despite the persistent weak market situation. Due to the vacation period, the third quarter is always weak and this year was also marked by low demand. The IT investments that are made are dominated by investments within IT security and areas that provide rapid cost-savings. Despite this, we are able to present our best nine-months result in five years, excluding payments attributable to the action plan.

We can report growth in software sales – during the third quarter, primarily within the business areas integration and security. Our concentrated efforts within security, mainly in the form of our collaboration with world-leading Symantec, were made at the right time. Needs for IT security and the interest shown in the news and media further increase demand.

As of November 1, we will also distribute Symantec's software in Norway. It is very satisfying that in so short a time we have succeeded in establishing a leading product portfolio within security in the Scandinavian market.

Scandinavian offering

We have thereby progressed well in our endeavor to coordinate our offering in the various Scandinavian countries. In the Finnish market we are now starting to see the results of our investment in a broader product portfolio and the recruitments made earlier this year. In Finland sales for the first nine months of the year increased and we assess the potential for further growth to be very good, primarily within the field of security. In Norway work continues to complement the product portfolio, increase market presence, and recruit new colleagues within the field of security.

Continued focus on our expertise

We are continuing to invest in building up our expertise within security, analysis, and integration through the further education and certification of our employees. As of October 1, our offering of advanced services will be presented under a common name – Nocom Support. We provide support in the form of corrections, updates, and new versions. Our experienced technicians also help with everything from needs analysis and installation to advice, quality assurance, and expert problem solving. Moreover, we have a broad offering of training courses for most of our applications.

Hosting operations in the Nocom e-channel center are emphasizing their focus and changing name to Nocom Drift (Nocom Hosting). The offering includes advanced hosting services well tailored to market demands for both high security and accessibility. Demand is increasing in a market where prices have stabilized somewhat, after a long period of pressure to lower prices. Nocom Drift is developing well and exhibits a positive earnings trend.

Market Development

We see no indication of an improved market situation during the next two or three quarters. The IT market is still characterized by weak demand from customers, tough competition, and pressure to cut margins at the distribution stage. This is not only reflected in a generally low level of investments, but also in the types of investment made. Few companies invest in completely new solutions. Instead they choose to invest in existing, well functioning IT systems. At Nocom this is reflected in the stable demand within the area of integration and the renewal of support contracts almost across the board.

The Year 2003

Even though market development is very difficult to judge, we have good starting conditions to attain a positive result for the entire year. The fourth quarter is traditionally our strongest in terms of cash flow, as a large portion of support agreements are renewed at this time. We will continue to aim for our long-term financial goals by developing our employees' skills and expanding collaborations with distributors, partners, and suppliers.

Stefan Skarin
CEO

Stable Sales

Sales for the first nine months of the year totaled SEK 98.6 (110.9) million. Income from software sales increased compared with the same period the previous year. Income from service sales decreased, a result of IT consulting operations being phased out in 2002.

Net sales, SEK millions	Jan-Sep 2003	Jan-Sep 2002	Jul-Sep 2003	Jul-Sep 2002	Full year 2002
Software	34,0	31,1	6,9	4,7	44,1
Services	64,6	79,8	19,4	23,0	106,7
Group	98,6	110,9	26,3	27,7	150,8

Software

Revenue comprises sales of software licenses within the business areas integration, security, analysis, infrastructure, and development tools.

Software sales for the first nine months of the year totaled SEK 34.0 (31.1) million. In Sweden sales totaled SEK 26.9 (23.9) million, in Norway SEK 5.8 (5.7) million, and in Finland SEK 1.3 (1.5) million.

The growth reported in software sales stems from the integration and security business areas. Integration is still our largest area and investments in this area primarily concern host computer access, that is, access to a company's centralized systems.

The security area encompasses everything from virus and hacking protection to monitoring how employees use the Internet. The demands on companies' IT security work increase as threats increase in terms of both numbers and complexity. Nocom currently has a product portfolio that provides good coverage of all aspects of IT security.

Services

Income stems from support and training within Nocom Support, from hosting services within Nocom Drift (formerly Nocom e-channel center), and from consulting services within Travelutions (IT and management consultants with a focus on the travel industry).

Sales of services for the first nine months of the year totaled SEK 64.6 (79.8) million. In Sweden sales totaled SEK 54.9 (66.6) million, in Norway SEK 8.3 (12.8) million, and in Finland SEK 1.4 (0.4) million.

Since September, Nocom acts as Macromedia's support organization in the Scandinavian market. As a result, Nocom is Macromedia's first partner in Europe to offer a complete support program.

The positive development of Nocom Drift is mainly due to increased commitments to existing customers. Travelutions is developing well despite the weak travel market. The demand for services within pricing strategy, traffic planning, and IT strategy continues to be good and the earnings trend is positive.

Positive Result

Profits for the first nine months are the company's best in five years. Operating profit before depreciation totaled SEK 11.2 (-43.3) million, an improvement of SEK 54.5 million compared with the same period the previous year. Profit after financial items totaled SEK 2.9 (-83.3) million, an improvement of SEK 86.2 million.

The greater part of the improved result has taken place in Sweden, although operations in Norway and Finland also reported improved results. In Sweden operating profit totaled SEK 0.1 (-82.8) million, in Norway SEK 3.1 (2.8) million, and in Finland SEK -0.4 (-2.0) million. Stable sales, continued good demand for support services, the phasing out of the IT consulting operations, and an otherwise cost-effective organization have enabled these result improvements.

Operating profit before depreciation for the third quarter totaled SEK 1.1 (-26.6) million. Profit after financial items totaled SEK -1.6 (-32.2) million.

In September 2002, costs of SEK 19.0 million attributable to the action plan were reserved. As of September 30, 2003, SEK 3.1 million of this allocation remained.

Software

Operating profit totaled SEK -2.4 (-18.1) million, an improvement of SEK 15.7 million compared with the same period the previous year. In Sweden operating profit totaled SEK -2.3 (-14.5) million, in Norway SEK 0.1 (-2.0) million, and in Finland SEK -0.2 (-1.6) million.

Software SEK millions	Jan-Sep 2003	Jan-Sep 2002	Jul-Sep 2003	Jul-Sep 2002	Full year 2002
Operating profit/loss before depreciation	-0,7	-15,9	-2,3	-5,3	-18,8
Depreciation, tangible fixed assets	-1,7	-2,1	-0,5	-0,6	-2,7
Amortization, intangible fixed assets	-0,0	-0,1	-0,0	-0,1	-0,1
Write-downs, intangible fixed assets	-	-	-	-	-
Operating profit/loss	-2,4	-18,1	-2,8	-6,0	-21,6

Services

For the first nine months of the year service operations reported an operating profit of SEK 5.2 million, an improvement of SEK 69.1 million compared with the same period the previous year.

In Sweden operating profit totaled SEK 2.4 (-68.3) million, in Norway SEK 3.0 (4.8) million, and in Finland SEK -0.2 (-0.4) million.

Services SEK millions	Jan-Sep 2003	Jan-Sep 2002	Jul-Sep 2003	Jul-Sep 2002	Full year 2002
Operating profit loss before depreciation	11,9	-27,4	3,4	-21,3	-20,5
Depreciation, tangible fixed assets	-4,5	-11,6	-1,4	-2,9	-18,6
Amortization, intangible fixed assets	-2,2	-5,8	-0,7	-0,6	-6,5
Write-downs, intangible fixed assets	-	-19,1	-	-	-19,1
Operating profit/loss	5,2	-63,9	1,3	-24,8	-64,7

Investments and Financing

Investment needs within the Group remain low. Investments of SEK 0.6 (-1.0) million net were made during the first nine months of the year.

Interest-bearing liabilities as of September 30, 2003 totaled SEK 2.9 (6.0) million, all of which concern financial leasing.

The equity/assets ratio at the end of the period was 32 (25) percent. Pledged assets increased during the period by SEK 2.0 million in conjunction with the granting of bank advances in the amount of SEK 3.0 million in June. No changes were seen in contingent liabilities during the period (see the most recent annual report).

Cash Flows and Liquid Assets

The trend of improvements in cash flow from current operations continues, despite the traditionally weak third quarter. Since the action plan of September 2002 operations have generated a cash flow of SEK 14.8 million, excluding payments related to the action plan totaling SEK 14.6 million.

Cash flow from current operations for the first nine months of the year totaled SEK 3.3 (-22.3) million, excluding payments of SEK 7.0 million attributable to the action plan of September 2002. Cash flow during the period was affected negatively by a reduction in operating capital of SEK -17.6 (15.3) million. The action plan is estimated to burden cash flow during the last three months of the year in the amount of SEK 1.0 million.

Cash flow from investment activities stems primarily from financial leasing. At the end of the period, available liquid assets totaled SEK 13.4 (15.3) million. In addition there are unutilized bank advances totaling SEK 3.0 (17.0) million.

With current plans there is no need for additional financing.

Personnel

The number of employees within the Group at the end of the period was 76 (97).

The Future

We continue with our work to reach our long-term financial goals. We are building upon the offering we have by complementing our product portfolio and increasing our presence in the Scandinavian market. By increasing expertise through, among other things, certification, we also strengthen our offering to both partners and support customers.

We judge that the business areas security, analysis, and integration will exhibit growth in the coming year. We do however expect to see continued low growth levels in software as a whole.

Despite the difficulty in judging market development, we have good starting conditions to report a positive result for 2003 as a whole.

Nocom's Long-term Financial Goals

Operating margin

Profitability is the overall, governing goal. Expressed as an operating margin, the goal is a minimum of ten percent. The operating margin for the first nine months was 3 percent.

Cash flow

The Group's goal with regard to cash flow from current operations is that it shall equal a minimum of eight percent of sales. Cash flow during the first nine months was -4 percent. The action plan has burdened this key ratio negatively in the amount of 7 percentage points.

Equity/assets ratio

The Group's equity/assets ration goal is set at 40 percent, but should not drop below 30 percent during recessions. The equity/assets ratio increased from 20 percent at the beginning of the year to 32 percent as of September 30, 2003.

Financial Goals	2000	2001	2002	Jan-Sep 2003	Jul-Sep 2003	Goal
Operating margin, %	-30	-65	-57	3	-6	10
Cash flow, %	-20	-15	-12	-4	-29	8
Equity/assets ratio, %	68	51	20	32		30-40

Parent Company

The Parent Company's sales for the period totaled SEK 10.1 (13.2) million. Profit after financial items was SEK -13.8 (-94.0) million.

Investments in tangible fixed assets totaled SEK 0.2 (0.0) million. Available liquid assets totaled SEK 1.0 (7.2) million as of 30.09.03. In addition there are unutilized bank advances totaling SEK 3.0 (17.0) million.

The number of employees within the Parent Company at the end of the period was 21 (22).

Nocom Stock

Nocom's Series B stock is quoted on Stockholmsbörsen's O-List. During the first nine months of the year, the stock unit price varied from a low of SEK 0.81 to a high of SEK 5.30. The stock price as of September 30 was SEK 3.50. Nocom's market value as of September 30 was SEK 99 million.

Accounting Principles

This interim report was prepared in accordance with FASC's recommendation RR 20 concerning interim reports. The accounting principles are unchanged in comparison with the previous year.

Important Events after the Period's Close

Nocom's distributor agreement with Symantec was expanded in November so as to also include the Norwegian market.

Within the integration business area two deals have been made, to a joint value of SEK 3.8 million. These deals are extensions of collaborations with established customers and encompass both software and support.

Audit

This interim report has not been subject to auditing by the Company's accountants.

Uppsala, Sweden, Tuesday, November 4, 2003



Nocom AB (publ)
Stefan Skarin, Chief Executive Officer

INCOME STATEMENTS, GROUP SEK millions	9 months		3 months		12 months		Full year
	Jan-Sep		Jul-Sep		Oct-Sep		
	2003	2002	2003	2002	02/03	01/02	
Net sales	98,6	110,9	26,3	27,7	138,5	190,0	150,8
Operating costs	-87,1	-152,6	-25,2	-54,0	-123,1	-248,1	-188,6
Depreciation of tangible assets	-6,2	-13,7	-1,9	-3,5	-13,8	-20,5	-21,3
Amortization of intangible assets	-2,2	-5,9	-0,7	-0,7	-2,9	-9,3	-6,6
Items affecting comparability	-	-19,1	-	-	-	-58,8	-19,1
Profit/loss from participations in associated companies	-0,3	-1,6	-	-0,3	-0,2	-2,2	-1,5
Operating profit/loss	2,8	-82,0	-1,5	-30,8	-1,5	-148,9	-86,3
Profit/loss from financial investments	0,1	-1,3	-0,1	-1,4	0,6	-2,2	-0,8
Profit/loss after financial items	2,9	-83,3	-1,6	-32,2	-0,9	-151,1	-87,1
Taxes	-1,4	-0,3	0,2	-0,1	-2,6	0,9	-1,5
Minority share of period's profit/loss	-	-	-	-	-	2,1	-
Profit/loss for the period	1,5	-83,6	-1,4	-32,3	-3,5	-148,1	-88,6
Earnings per share, SEK	0,05	-2,95	-0,05	-1,14	-0,12	-5,23	-3,13
Earnings per share, SEK (with full dilution)	0,05	-2,95	-0,05	-1,14	-0,12	-5,23	-3,13

SALES PER GEOGRAPHIC MARKET, GROUP SEK millions	9 months		3 months		12 months		Full year
	Jan-Sep		Jul-Sep		Oct-Sep		
	2003	2002	2003	2002	02/03	01/02	
Sweden	81,8	90,5	21,7	21,1	114,9	158,5	123,6
Norway	14,1	18,5	3,6	6,1	20,3	21,6	24,7
Finland	2,7	1,9	1,0	0,5	3,3	3,2	2,5
Other markets	-	-	-	-	-	6,7	-
Total	98,6	110,9	26,3	27,7	138,5	190,0	150,8

BALANCE SHEETS, GROUP SEK millions	030930		020930		021231	
ASSETS						
Fixed assets						
Intangible fixed assets (goodwill)	10,8	13,8				13,1
Tangible fixed assets	12,5	24,9				18,1
Financial fixed assets	11,5	13,8				13,4
Total fixed assets	34,8	52,5				44,6
Current assets						
Stock/inventories	1,2	1,9				1,7
Other current assets	5,4	11,4				6,9
Accounts receivable	12,7	18,8				30,6
Cash and bank balances	13,6	18,1				19,5
Total current assets	32,9	50,2				58,7
TOTAL ASSETS	67,7	102,7				103,3
EQUITY AND LIABILITIES						
Total equity	21,6	25,4				20,3
Long-term interest-bearing liabilities	0,6	2,0				0,2
Current liabilities						
Accounts payable	9,1	12,4				19,0
Interest-bearing liabilities	2,3	4,0				3,6
Other current liabilities	34,1	58,9				60,2
Total current liabilities	45,5	75,3				82,8
TOTAL EQUITY, PROVISIONS, AND LIABILITIES	67,7	102,7				103,3
Pledged assets	9,8	26,6				7,8
Contingent liabilities	-	-				-
Equity per share, SEK	0,76	0,90				0,72
Equity per share, SEK with full dilution	1,01	1,14				0,97

CHANGE IN EQUITY, GROUP SEK millions	9 months		3 months		12 months		Full year
	Jan-Sep		Jul-Sep		Oct-Sep		
	2003	2002	2003	2002	02/03	01/02	
Equity at opening of period	20,3	108,9	23,2	57,7	25,4	174,4	108,9
Stock issues	-	-	-	-	-	-0,6	-
Exchange rate differences	-0,2	0,1	-0,2	0,0	-0,3	-0,3	0,0
Profit/loss for the period	1,5	-83,6	-1,4	-32,3	-3,5	-148,1	-88,6
Equity at close of period	21,6	25,4	21,6	25,4	21,6	25,4	20,3

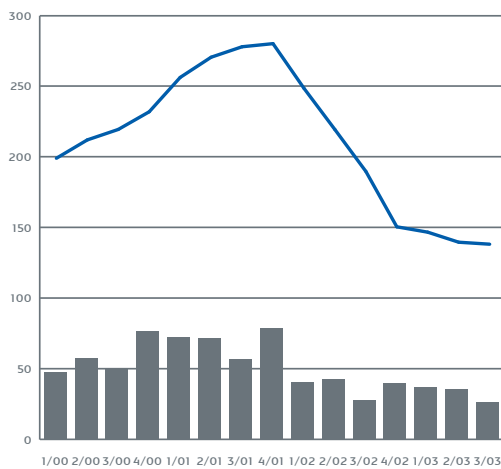
CASH FLOWS, GROUP SEK millions	9 months		3 months		12 months		Full year
	Jan-Sep		Jul-Sep		Oct-Sep		
	2003	2002	2003	2002	02/03	01/02	
Payments from customers	117,4	146,2	30,2	38,7	149,6	224,1	178,4
Payments to suppliers and employees	-121,0	-168,0	-37,8	-51,6	-148,7	-236,4	-195,7
Interest received	0,2	0,3	0,0	-0,2	0,9	2,0	1,0
Interest paid	-0,2	-0,8	-0,1	-0,4	-1,0	-1,7	-1,6
Income tax paid	-0,1	-0,0	-0,0	-0,0	-0,6	-0,2	-0,5
Cash flow from current operations	-3,7	-22,3	-7,7	-13,5	0,2	-12,2	-18,4
Cash flow from investment activities	-2,2	-6,8	-0,3	-1,5	-4,7	11,3	-9,3
Cash flow from financing	-	-	-	-	-	6,6	-
Cash flow for the period	-5,9	-29,1	-8,0	-15,0	-4,5	-7,5	-27,7
Liquid assets at opening of period	19,5	47,2	21,6	33,1	18,1	25,6	47,2
Liquid assets at close of period	13,6	18,1	13,6	18,1	13,6	18,1	19,5
Frozen bank funds	-0,2	-2,8	-0,2	-2,8	-0,2	-2,8	-2,4
Unutilized bank advances	3,0	17,0	3,0	17,0	3,0	17,0	7,0
Total available liquid assets	16,4	32,3	16,4	32,3	16,4	32,3	24,1

KEY RATIOS, GROUP	9 months Jan-Sep			3 months Jul-Sep			12 months Oct-Sep			Full year
	2003	2002	2001	2003	2002	2001	02/03	01/02	00/01	
Gross margin, %	11,3	-38,9	-29,2	4,2	-95,3	-23,4	10,9	-21,7	-29,3	-26,1
Operating margin, %	2,8	-75,1	-57,6	-5,6	-115,5	-51,8	-1,1	-79,5	-52,9	-57,2
Profit margin, %	3,0	-75,4	-59,7	-6,0	-116,3	-49,0	-0,6	-77,9	-53,9	-58,8
Cash flow, %	-3,8	-20,1	-25,6	-29,2	-48,7	-52,7	0,1	-6,4	-24,9	-12,2
Equity/assets ratio, %	31,9	24,7	64,0							19,7
Return on equity, %	7,2	-124,5	-51,7	-6,1	-63,1	-14,2	-15,1	-148,3	-58,4	-137,2
Return on capital employed, %	13,0	-106,4	-43,7	-6,1	-52,5	-12,9	-1,0	-125,9	-104,6	-117,3
Interest coverage ratio	14,5	-39,9	-14,4	-25,1	-18,5	-139,5	-0,4	-55,0	-17,2	-47,1
Capital employed, SEK millions	24,5	31,4	204,3							24,1
Net interest-bearing liabilities, SEK millions	-10,7	-12,1	-6,8							-15,7
Net debt/equity ratio	-0,49	-0,48	-0,04							-0,77
Number of employees at close of period	76	97	236							92
Average number of employees	78	135	231	77	122	229	81	157	230	124
Sales per employee, SEK millions	1,2	0,8	0,9	0,3	0,2	0,3	1,7	1,2	1,2	1,2
Value added per employee, SEK millions	0,58	-0,10	-0,01	0,14	-0,05	0,01	0,73	-0,29	0,00	-0,08

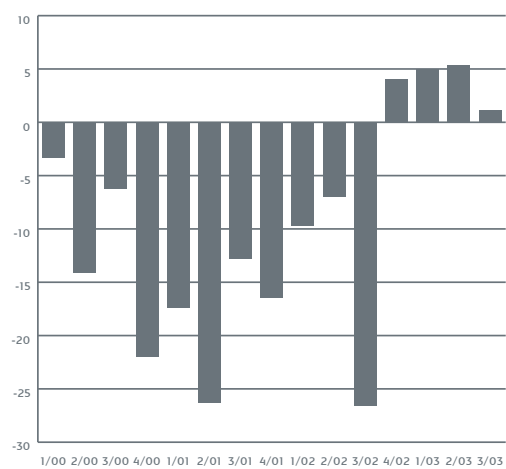
STOCK DATA	9 months Jan-Sep			3 months Jul-Sep			12 months Oct-Sep			Full year
	2003	2002	2001	2003	2002	2001	02/03	01/02	00/01	
Equity per share, SEK	0,76	0,90	6,16							0,72
Equity per share adjusted for full utilization of outstanding options, SEK	1,01	1,14	6,16							0,97
Number of shares at close of period, millions	28,3	28,3	28,3							28,3
Number of shares at close of period adjusted for full utilization of outstanding warrants, millions	29,7	29,7	28,3							29,7
Average number of shares, millions	28,3	28,3	28,2	28,3	28,3	28,3	28,3	28,3	27,9	28,3
Average number of shares adjusted for full utilization of outstanding warrants, millions	29,7	29,7	28,2	29,7	29,7	28,3	29,7	29,3	27,9	29,7
Cash flow from current operations per share, SEK (based on average number of shares adjusted for full utilization of outstanding options)	-0,13	-0,75	-1,83	-0,26	-0,45	-1,07	0,01	-0,42	-2,47	-0,62
Earning per share, SEK (based on the average number of shares adjusted for full utilization of outstanding options)	0,05	-2,81	-4,15	-0,05	-1,09	-0,94	-0,12	-5,05	-5,00	-3,13

GROUP	Sales per quarter					Operating profit/loss before depreciation per quarter				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
2000	48,0	57,4	49,9	76,8	232,1	-3,3	-14,1	-6,2	-22,3	-45,9
2001	72,3	71,7	57,3	79,1	280,4	-18,2	-27,2	-13,4	-17,0	-75,8
2002	40,7	42,5	27,7	39,9	150,8	-9,7	-7,0	-26,6	4,0	-39,3
2003	36,9	35,4	26,3			5,0	5,1	1,1		

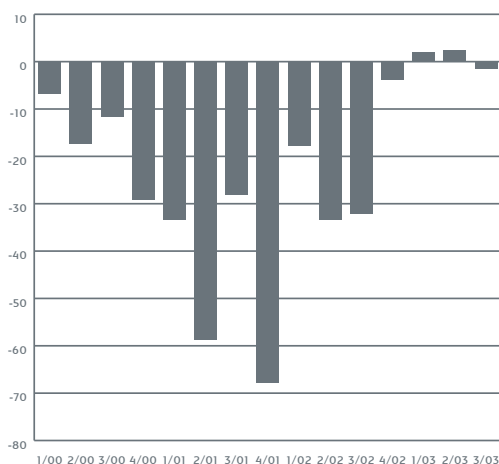
Sales per quarter and rolling 12-months period, SEK millions



Operating profit/loss before depreciation, SEK millions



Profit/loss after financial items, SEK millions



Stock price trend



Dates for Financial Reports

Year-end Report	January - December 2003	January 28, 2004
Interim Report	January - March 2004	April 26, 2004
Interim Report	January - June 2004	August 23, 2004
Interim Report	January - September 2004	October 29, 2004

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This report is available in Swedish and English. The English version is virtually the same as the Swedish report. If deviations between the Swedish and the English version occur, the Swedish version should apply.

Nocom AB (publ) is an IT company which sells software and qualified operational support and training to facilitate and increase operating efficiency of companies in Scandinavia. The service range comprises five business areas – integration, security, analysis, development tools and infrastructure.

Nocom has 75 employees and is represented in Sweden, Norway and Finland. The company was founded in 1985 and has been listed on the Stockholm Stock Exchange O-list (NOCM B) since 1999.

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