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Nocom AB (publ) Interim Report January–March

2003

- ◆ Turnaround in the Company's profit provides strong position
- ◆ Profit increased considerably in comparison with the same period the previous year.
Profit after financial items totaled SEK 2.1 (-17.9) million
- ◆ The second consecutive quarter with a positive operating profit before depreciation.
Operating profit before depreciation totaled SEK 5.0 (-9.8) million
- ◆ Sales totaled SEK 36.9 (40.7) million
- ◆ Cash flow from current operations totaled SEK 1.6 (-8.6) million, despite being burdened with SEK 4 million attributable to the action plan from the fall of 2002
- ◆ In April CEO Stefan Skarin became the new principal owner of Nocom and holds 13.2 percent of the capital and 34.2 percent of the votes

A Few Words from the CEO

The first quarter of 2003 entailed a turnaround for Nocom's profit trend and strengthened our position with regard to our work towards long-term profitability. We fulfilled our promise of continued result improvement and see positive effects from the Company's repositioning and the action plan we implemented.

Despite the fact that the market is characterized by reduced IT investment and a recessionary trend, we reported a positive result and a six percent operating margin. This is our best quarterly result in five years. We also achieved a positive cash flow for the second consecutive quarter, despite charges attributable to the action plan from the fall of 2002.

During the first quarter we worked very intensely with sales and marketing activities. The response has been positive, and it is our opinion that our efforts will provide us with increased sales during the coming quarters.

Our business during the period consisted of a large number of minor and a few major deals in the form of more users at existing customers. Business of a more intermediate size is now rare and our assessment is that IT investments are subject to comprehensive and time consuming decision-making processes at a much lower level than was previously the case.

The largest contracts during the quarter concerned host computer access (integration technology), where our long-standing distribution of WRQ's products gave us a market-leading position. Integration will continue to be our largest technology field, but the fields of analysis, security, and development tools also showed growth during the period.

The difficult market situation has led to increased competition within the distribution chain, which has benefited us since we have both product expertise and lengthy experience, an attractive product portfolio, and a large number of established partners and retailers.

We currently receive more enquiries from leading suppliers who are seeking an established distributor with a competent service offering.

Travelutions developed well during the quarter, despite the fact that the travel market was hard hit with major cutbacks among many of the industry's major companies.

Nocom e-channel center has achieved earning stability and has during the period received increased commitments from existing customers.

In our ambition to refine our offering, we divested our holdings in the affiliated company MR Mobile Relations AB to Europolitan Vodafone. In conjunction with this deal, Vodafone signed a three-year hosting and service agreement with Nocom, for the Vodafone SMS Pro corporate service.

An important part of our continued streamlining is complementing our product portfolio with new suppliers and increasing our expertise within growing technology fields, both within the Company and among our partners. The product portfolio was complemented during the quarter with software within the security and development tools technology fields.

In order to strengthen our support and training offering to our customers, partners, and retailers, we will certify more people within the security, analysis, and development tools technology fields.

Our positive result further strengthens our position as a long-term distributor for our suppliers. We are continuing our investments in sales and marketing and skills development for our employees. We are continuing to work to attain profitability, a long-term approach, and refinement of our offering.

Uppsala, Sweden, Thursday, May 15, 2003
Nocom AB (publ)



Stefan Skarin
CEO

Stable sales in a cautious market

Sales for the first three months of the year totaled SEK 36.9 (40.7) million.

In January an agreement was signed with Telia regarding software and services for host computer access (WRQ Reflection). The agreement was an expansion of a previous collaboration and totaled slightly more than SEK 2.5 million.

In March Vodafone signed a three-year service and hosting agreement with Nocom. At the same time, Nocom divested itself of its 49 percent holding in the associated company MR Mobile Relations AB to Europolitan Vodafone AB.

Net sales, SEK millions	Jan-Mar 2003	Jan-Mar 2002	Full year 2002
Software	13.4	13.7	44.1
Services	23.5	27.0	106.7
Group	36.9	40.7	150.8

Software

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

Software sales were still low for the quarter. Nocom's sales totaled MSEK 13.4 (13.7) during the first three months of the year. In Sweden sales totaled SEK 9.9 (10.5) million, in Norway SEK 3.2 (2.4) million, and in Finland SEK 0.3 (0.8) million.

During the first quarter, collaboration with the company iCognito was increased to include the Swedish market (security technology) as well as the Norwegian market.

In March Nocom signed an exclusive distribution agreement with the Finnish software company Oplayo for the Swedish and Norwegian markets (development tools technology).

Services

Income stems from support, professional services, and training, from e-channel center hosting service operations, and from Travelutions' consulting services.

Sales for services for the first three months of the year totaled SEK 23.5 (27.0) million. In Sweden sales totaled SEK 19.6 (22.6) million, in Norway SEK 3.4 (4.3) million, and in Finland SEK 0.5 (0.1) million. Demand within support and maintenance continues to be stable. The decrease in sales shown in both Sweden and Norway is due to the phasing out of IT consulting operations.

Positive Result

The fourth quarter 2002 was Nocom's strongest in five years in terms of results. The positive result development continued and the result was further strengthened in the first quarter of 2003, despite a hesitant market. The measures implemented during the past two years have reduced the Company's annual costs by SEK 110 million. The lower costs and a more effective organization were the primary reasons behind the dramatically improved result.

Operating profit before depreciation for the first quarter totaled SEK 5.0 (-9.8) million, an improvement of SEK 14.8 million compared with the same period the previous year. The result after financial items was positive and totaled SEK 2.1 (-17.9) million, an improvement of SEK 20.0 million. Costs of SEK 19 million attributable to the action plan were reserved in September 2002. As of March 31, 2003, SEK 5.6 million of this allocation remained.

Software

Software recorded a dramatically improved operating profit compared with the same period of the previous year. Operating profit/loss totaled SEK -0.0 (-7.0) million.

Software SEK thousands	Jan-Mar 2003	Jan-Mar 2002	Full year 2002
Operating profit/loss before depreciation	0.6	-6.3	-18.8
Depreciation, tangible fixed assets	-0.6	-0.7	-2.7
Amortization, intangible fixed assets	-0.0	-0.0	-0.1
Write-downs, intangible fixed assets	-	-	-
Operating profit/loss	-0.0	-7.0	-21.6

In Sweden operating profit totaled SEK 0.0 (-6.1) million, in Norway SEK -0.3 (0.6) million, and in Finland SEK -0.3 (-0.3) million.

Services

Services also recorded a dramatically improved operating profit compared with the same period of the previous year. Operating profit totaled SEK 2.1 (-10.5) million.

Services SEK thousands	Jan-Mar 2003	Jan-Mar 2002	Full year 2002
Operating profit/loss before depreciation	4.4	-3.5	-20.5
Depreciation, tangible fixed assets	-1.6	-4.4	-18.6
Amortization, intangible fixed assets	-0.7	-2.6	-6.5
Write-downs, intangible fixed assets	-	-	-19.1
Operating profit/loss	2.1	-10.5	-64.7

In Sweden operating profit totaled SEK 0.8 (-11.6) million, in Norway SEK 1.1 (1.3) million, and in Finland SEK 0.2 (-0.2) million.

Investments and Financing

Investment needs within the Group continue to be low. Investments of SEK -0.1 (0.3) million net were made during the first three months of the year.

Interest-bearing liabilities as of March 31, 2003 totaled SEK 3.1 (10.9) million, all of which concern financial leasing.

The equity/assets ration at the end of the period was 25 (53) percent. Pledged assets decreased by SEK 0.9 million during the period as a result of decreased financial leasing commitments. No changes were seen in contingent liabilities during the period (see latest annual report).

Cash Flows and Liquid Assets

Cash flow from current operations totaled SEK 1.6 (-8.6) million for the first quarter. Cash flow during the period was affected negatively by a reduction in operating capital of SEK -4.6 (0.8) million.

The action plan of September 2002 burdened cash flow with SEK 4 million during the quarter and is estimated to burden cash flow for the remainder of 2003 with an additional SEK 4 million.

Cash flow from investment activities stemmed primarily from financial leasing.

At the end of the period, available liquid assets totaled SEK 18.0 (34.0) million. In addition to this, there were unutilized committed lines of credit totaling SEK 7.0 (18.5) million.

Personnel

The number of employees within the Group at the end of the period was 78 (140).

The Future

We continue with our work to create stable result improvement in order to reach our long-term financial goals. The earlier action plan will continue to have a reinforced positive effect on our profits and cash flow during the year.

We cannot see any signs of an improved market and we judge that growth will continue to be limited for at least the coming two quarters. We do however expect to see continued good result improvements within the Company. The technology fields judged to have great potential for growth are analysis, security, and integration. Due to the widespread uncertainty in the market, it is still too early to make a worthwhile assessment of market development for the whole of 2003.

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 three months was six 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 quarter of the year was four percent.

Equity/assets ratio

The Group's equity/assets ration goal is set at 40 percent, but should not drop below 30 percent during recessions. Equity/assets as of March 31, 2003 was 25 percent.

Financial Goals	2000	2001	2002	Q1 2003	Goal
Operating margin, %	-30	-65	-57	6	10
Cash flow, %	-20	-15	-12	4	8
Equity/assets ratio, %	68	51	20	25	30-40

Parent Company

The Parent Company's sales for the period totaled SEK 4.6 (9.7) million. Profit/loss after financial items was SEK -5.8 (-21.0) million.

Investments in tangible fixed assets totaled SEK 0.0 (0.2) million. Available liquid assets totaled SEK 2.4 (42.2) million as of March 31, 2003. In addition to this, there were unutilized committed lines of credit totaling SEK 7.0 (17.0) million.

The number of employees within the Parent Company at the end of the period was 20 (51).

Nocom Stock

Nocom's Series B stock is quoted on the Stockholmsbörsen's O-List. During the first three months of the year, the stock unit price varied from a low of SEK 0.81 to a high of SEK 1.11. The stock price as of March 31 was SEK 0.90. Nocom's market value as of March 31, 2003 was SEK 25 million.

Important Events after the Period's Close

In April Nocom signed a distribution agreement with Symantec, which means that Nocom becomes an value-added distributor for Symantec in the Swedish and Finnish markets (security technology).

In April an agreement was signed concerning host computer access. This agreement was an extension of a previous collaboration that encompassed licenses, service, and support for WRQ Reflection. The value of the order totaled slightly more than 4 SEK million.

In April Nocom changed its primary bank from Nordea to Upplandsbanken, a part of Danske Bank. In conjunction with the change of bank, SEK 2.2 million in frozen bank assets were released and a bank advance of SEK 3 million was established. Assets in the form of a chattel mortgage totaling SEK 5.2 million have been pledged.

In April Stefan Skarin acquired all Nocom AB Series A shares from Anders Jonson and thereby became the new principal owner of Nocom. After the reclassification of 2,718,130 Series A shares to Series B shares, Stefan Skarin's holding amounts to 34.2 percent of the votes and 13.2 percent of the capital. At the same time, Chairman of the Board Christer Magnusson and Board Members Monica Caneman and Curt Egerot each acquired 200,000 Series B shares from Anders Jonson.

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.

Audit

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

INCOME STATEMENTS, GROUP SEK millions	3 months		12 months		Full year
	2003	2002	02/03	01/02	
					2002
					2002
Net sales	36.9	40.7	147.0	248.8	150.8
Operating costs	-31.6	-49.8	-151.4	-313.4	-188.6
Depreciation of tangible assets	-2.2	-5.1	-18.4	-25.1	-21.3
Amortization of intangible assets	-0.7	-2.6	-4.7	-13.9	-6.6
Items affecting comparability	-	-	-38.1	-67.2	-19.1
Profit/loss from participations in associated companies	-0.3	-0.7	-1.1	-2.8	-1.5
Operating profit/loss	2.1	-17.5	-66.7	-173.6	-86.3
Profit/loss from financial investments	0.0	-0.4	-0.4	1.1	-0.8
Profit/loss after financial items	2.1	-17.9	-67.1	-172.5	-87.1
Taxes	-0.6	0.1	-2.2	0.6	-1.5
Minority share of period's profit/loss	-	-	-	5.5	-
Profit/loss for the period	1.5	-17.8	-69.3	-166.4	-88.6
Earnings per share, SEK	0.05	-0.63	-2.45	-5.88	-3.13
Earnings per share, SEK (with full dilution)	0.05	-0.63	-2.34	-5.88	-3.13

SALES PER GEOGRAPHIC MARKET, GROUP SEK millions	3 months		12 months		Full year
	2003	2002	02/03	01/02	
					2002
Sweden	29.6	33.2	120.0	206.2	123.6
Norway	6.5	6.7	24.5	24.4	24.7
Finland	0.8	0.8	2.5	5.2	2.5
Other markets	-	-	-	13.0	-
Total	36.9	40.7	147.0	248.8	150.8

BALANCE SHEETS, GROUP SEK millions	3 months		12 months		Full year
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					021231
ASSETS					
Fixed assets					
Intangible fixed assets (goodwill)	12.3	36.2			13.1
Tangible fixed assets	15.8	34.9			18.1
Financial fixed assets	12.3	15.1			13.4
Total fixed assets	40.4	86.2			44.6
Current assets					
Stock/inventories	1.1	0.5			1.7
Other current assets	8.1	14.5			6.9
Accounts receivable	18.5	35.8			30.6
Cash and bank balances	20.4	36.8			19.5
Total current assets	48.1	87.6			58.7
TOTAL ASSETS	88.5	173.8			103.3
EQUITY AND LIABILITIES					
Total equity	21.8	91.3			20.3
Long-term interest-bearing liabilities	-	3.0			0.2
Current liabilities					
Accounts payable	14.7	18.9			19.0
Interest-bearing liabilities	3.1	7.9			3.6
Other current liabilities	48.9	52.7			60.2
Total current liabilities	66.7	79.5			82.8
TOTAL EQUITY, PROVISIONS, AND LIABILITIES	88.5	173.8			103.3
Pledged assets	6.9	39.2			7.8
Contingent liabilities	-	-			-
Equity per share, SEK	0.77	3.23			0.72
Equity per share, SEK with full dilution	1.02	3.36			0.97

CHANGE IN EQUITY, GROUP SEK millions	3 months		12 months		Full year
	2003	2002	02/03	01/02	
					2002
Equity at opening of period	20.3	108.9	91.3	258.0	108.9
Stock issues	-	-	-	0.2	-
Exchange rate differences	0.0	0.2	-0.2	-0.5	0.0
Profit/loss for the period	1.5	-17.8	-69.3	-166.4	-88.6
Equity at close of period	21.8	91.3	21.8	91.3	20.3

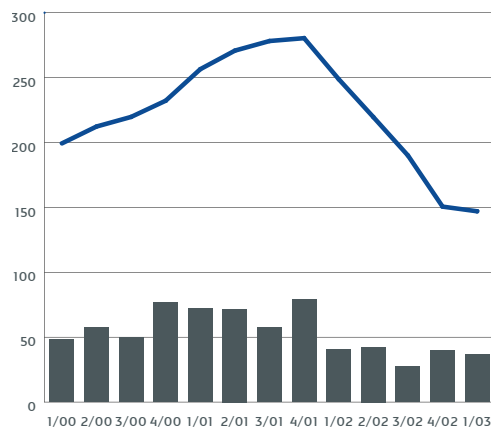
CASH FLOWS, GROUP SEK millions	3 months		12 months		Full year
	2003	2002	02/03	01/02	
					2002
Payments from customers	47.7	58.6	167.5	286.1	178.4
Payments to suppliers and employees	-46.0	-66.8	-174.9	-332.0	-195.7
Interest received	0.0	0.4	0.6	3.7	1.0
Interest paid	-0.0	-0.8	-0.8	-1.9	-1.6
Income tax paid	-0.1	-0.0	-0.6	-2.3	-0.5
Cash flow from current operations	1.6	-8.6	-8.2	-46.4	-18.4
Cash flow from investment activities	-0.7	-1.8	-8.2	-2.9	-9.3
Cash flow from financing activities	-	-	-	0.2	-
Cash flow for the period	0.9	-10.4	-16.4	-49.1	-27.7
Liquid assets at opening of period	19.5	47.2	36.8	85.9	47.2
Liquid assets at close of period	20.4	36.8	20.4	36.8	19.5
Frozen bank funds	-2.4	-2.8	-2.4	-2.8	-2.4
Unutilized bank advances	7.0	18.5	7.0	18.5	7.0
Total available liquid assets	25.0	52.5	25.0	52.5	24.1

KEY RATIOS, GROUP	3 months Jan-Mar			12 months Apr-Mar			Full year 2002
	2003	2002	2001	02/03	01/02	00/01	
Gross margin, %	13.5	-24.0	-24.1	-16.7	-27.1	-23.2	-26.1
Operating margin, %	5.7	-43.9	-36.9	-45.4	-69.3	-34.5	-57.2
Profit margin, %	5.8	-43.7	-46.1	-45.7	-66.9	-35.6	-58.8
Cash flow, %	4.3	-21.1	-5.0	-5.6	-18.6	-23.7	-12.2
Equity/assets ratio, %	24.6	52.5	68.7				19.7
Return on equity, %	7.2	-17.8	-12.2	-122.7	-98.8	-29.7	-137.2
Return on capital employed, %	8.9	-15.3	-16.7	-104.0	-91.1	-29.4	-117.3
Interest coverage ratio	51.7	-21.9	-82.2	-61.6	-89.8	-59.9	-47.1
Capital employed, SEK millions	24.8	102.2	272.3				24.1
Net interest-bearing liabilities, SEK millions	-17.4	-25.9	-71.6				-15.7
Net debt/equity ratio	-0.80	-0.28	-0.28				-0.77
Number of employees at close of period	78	140	239				92
Average number of employees	80	144	238	109	206	216	124
Sales per employee, SEK millions	0.5	0.3	0.3	1.4	1.2	1.2	1.2
Value added per employee, SEK millions	0.23	0.02	0.05	0.05	-0.22	0.17	-0.08

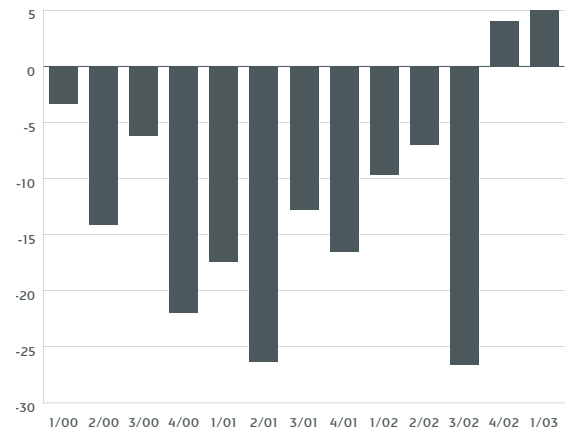
STOCK DATA	3 months Jan-Mar			12 months Apr-Mar			Full year 2002
	2003	2002	2001	02/03	01/02	00/01	
Equity per share, SEK	0.77	3.23	9.12				0.72
Equity per share adjusted for full utilization of outstanding options, SEK	1.02	3.36	9.12				0.97
Number of shares at close of period, millions	28.3	28.3	28.3				28.3
Number of shares at close of period adjusted for full utilization of outstanding warrants, millions	29.7	29.7	30.3				29.7
Average number of shares, millions	28.3	28.3	28.0	28.3	28.3	27.0	28.3
Average number of shares adjusted for full utilization of outstanding warrants, millions	29.7	29.7	29.9	29.7	28.6	28.8	29.7
Cash flow from current operations per share, SEK (based on the average number of shares adjusted for full utilization of outstanding options)	0.05	-0.30	-0.13	-0.28	-1.64	-2.25	-0.62
Earnings per share, SEK (based on the average number of shares adjusted for full utilization of outstanding options)	0.05	-0.63	-1.17	-2.34	-5.88	-2.96	-3.13

GROUP SEK millions	Sales per quarter					Op. profit/loss before depr. per quarter				
	Q I	Q II	Q III	Q IV	Full year	Q I	Q II	Q III	Q IV	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					5.0				

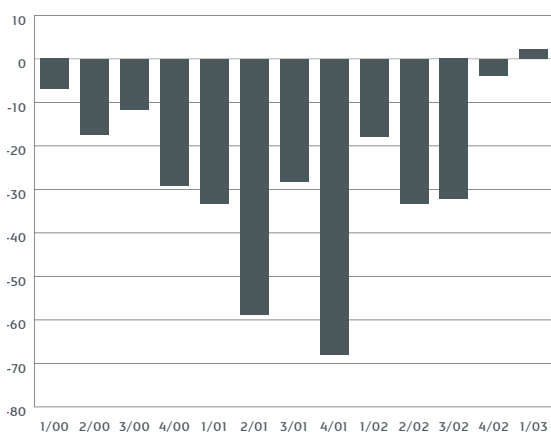
Sales per quarter and rolling 12-month period, SEK millions



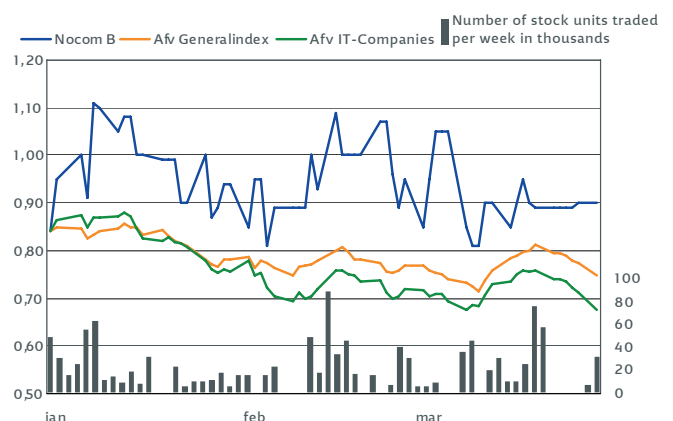
Operating profit/loss before depreciation, SEK millions



Profit/loss after financial items, SEK millions



Stock price trend



Dates for Financial Reports

Interim Report, January–June

August 21, 2003

Interim Report, January – September

November 4, 2003

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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 innovative IT company with an offering aimed directly at client companies, as well as at partners and resellers. The Company is focused on IT solutions for use within integration, security, analysis, development tools, and infrastructure. Our offering encompasses market-leading software with support, maintenance, professional services, and training. Our e-channel center offers advanced hosting solutions for critical business systems. The group also includes Travelutions, IT and management consultants with a focus on the travel industry.

Clients are found primarily among large and medium size companies in the Scandinavian market. Nocom has about 80 employees and is represented in Sweden, Norway, and Finland. The company was founded in 1985 and has been quoted on the Stockholmsbörsen's O-List (NOCM B) since 1999.

Read more at www.nocom.com

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