



## **NETGRAPHE INC.**

### **Consolidated Financial Statements**

**For the three and twelve-month period ended December 31, 2002  
and for the three and seven-month period ended December 31, 2001**

**Fourth Quarter  
ended December 31, 2002**

# NETGRAPHE INC.

## Consolidated Statements of Operations

(In thousands of dollars, except per share amounts)

	Three months ended December 31 2002 unaudited	Three months ended December 31 2001 unaudited	Twelve months ended December 31 2002 unaudited	Seven months ended December 31 2001 audited
Revenues	\$ 5 858	\$ 6 989	\$ 26 759	\$ 16 146
Expenses	5 657	11 227	29 341	25 695
Operating Income (loss) before the undernoted items	201	(4 238)	(2 582)	(9 549)
Depreciation	357	1 687	3 762	3 703
Financial charges	(79)	143	432	343
Reserve for restructuring of operations and other special charges	(1 424)	345	26	2 521
Write-down of goodwill	2 514	29 700	2 514	29 700
Loss on disposal of a subsidiary	-	-	672	-
Loss before income taxes	(1 167)	(36 113)	(9 988)	(45 816)
Income taxes	(14)	132	36	154
Loss before amortization of goodwill	(1 153)	(36 245)	(10 024)	(45 970)
Amortization of goodwill	-	3 951	-	8 749
Net loss	\$ (1 153)	\$ (40 196)	\$ (10 024)	\$ (54 719)
<b>Loss per share</b>				
Basic and diluted	(0,01)	(0,18)	(0,05)	(0,25)
Weighted average number of shares outstanding (in thousands)	222 605	222 605	222 605	222 605

# NETGRAPHE INC.

Consolidated Statements of Deficit

(In thousands of dollars)

	<b>Three months ended December 31 2002 unaudited</b>	Three months ended December 31 2001 unaudited	<b>Twelve months ended December 31 2002 unaudited</b>	Seven months ended December 31 2001 audited
<b>Balance at beginning</b>				
As previously reported	\$ (153 421)	\$ (103 559)	\$ (143 905)	\$ (88 846)
Restatement due to change of an accounting policy	(38 402)	-	(38 402)	-
As restated	(191 823)	(103 559)	(182 307)	(88 846)
Net loss	(1 153)	(40 196)	(10 024)	(54 719)
Increase in equity component of convertible debentures	(933)	(150)	(1 478)	(340)
Convertible debenture issuance fees	-	-	(100)	-
<b>Balance at end</b>	\$ (193 909)	\$ (143 905)	\$ (193 909)	\$ (143 905)

# NETGRAPHE INC.

## Consolidated Statements of Cash Flows

(In thousands of dollars)

	Three months ended December 31 2002 unaudited	Three months ended December 31 2001 unaudited	Twelve months ended December 31 2002 unaudited	Seven months ended December 31 2001 audited
<b>Cash flows related to operating activities :</b>				
Net loss	\$ (1 153)	\$ (40 196)	\$ (10 024)	\$ (54 719)
Adjustments for :				
Depreciation of capital assets	249	1 568	3 297	3 425
Amortization of intangible assets	108	119	465	278
Amortization of goodwill	-	3 951	-	8 749
Write-down of goodwill	2 514	29 700	2 514	29 700
Reserve for restructuring of operations and other special charges	(1 249)	-	(1 249)	956
Loss on disposal of a subsidiary and capital assets	195	-	857	-
	<b>664</b>	<b>(4 858)</b>	<b>(4 140)</b>	<b>(11 611)</b>
Net change in non-cash operating working capital item	<b>(657)</b>	<b>5 680</b>	<b>(521)</b>	<b>8 912</b>
Cash flows provided by (used by) operating activities	<b>7</b>	<b>822</b>	<b>(4 661)</b>	<b>(2 699)</b>
<b>Cash flows related to financing activities :</b>				
Decrease in bank indebtedness	(80)	80	(80)	(415)
Issuance of convertible debentures, net of issuance fees	-	-	5 900	-
Repayment of convertible debentures	(307)	-	(526)	-
Cash flows used by (provided by) financing activities	<b>(387)</b>	<b>80</b>	<b>5 294</b>	<b>(415)</b>
<b>Cash flows related to investing activities :</b>				
Additions to capital assets	(69)	(182)	(100)	(1 052)
Proceeds from disposal of capital assets	1	-	14	3
Increase in intangible assets, net of governmental assistance	(422)	-	(422)	-
Disposal of a subsidiary	(245)	-	(245)	-
Decrease (increase) in temporary investments	1 000	(27)	1 027	(27)
Cash flows provided by (used by) to investing activities	<b>265</b>	<b>(209)</b>	<b>274</b>	<b>(1 076)</b>
Net increase (decrease) in cash and cash equivalents	<b>(115)</b>	<b>693</b>	<b>907</b>	<b>(4 190)</b>
Cash and cash equivalents at beginning	<b>2 415</b>	<b>700</b>	<b>1 393</b>	<b>5 583</b>
Cash and cash equivalents at end	<b>\$ 2 300</b>	<b>\$ 1 393</b>	<b>\$ 2 300</b>	<b>\$ 1 393</b>

# NETGRAPHE INC.

Consolidated Balance sheets  
December 31, 2002 and 2001  
(In thousands of dollars)

	2002	2001
<b>Assets</b>		
Current assets :		
Cash and cash equivalents	\$ 2 300	\$ 1 393
Temporary investments	-	1 027
Accounts receivable	6 349	11 807
Work in process and prepaid expenses	534	534
	<b>9 183</b>	<b>14 761</b>
Capital assets	1 378	5 123
Intangible asset	446	489
Goodwill	26 180	67 096
	<b>\$ 37 187</b>	<b>\$ 87 469</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities :		
Bank indebtedness	\$ -	\$ 80
Accounts payable and accrued charges	6 623	14 483
Deferred revenues	1 982	1 272
Current portion of liability component of convertible debentures	685	272
	<b>9 290</b>	<b>16 107</b>
Liability component of convertible debentures	2 537	2 467
Shareholders' equity :		
Equity component of convertible debentures	14 133	7 664
Capital stock	201 345	201 345
Contributed surplus	3 791	3 791
Deficit	(193 909)	(143 905)
	<b>25 360</b>	<b>68 895</b>
	<b>\$ 37 187</b>	<b>\$ 87 469</b>