



Interim Report

**Q3 2010**

January - September

tilgin

## Tilgin AB (publ) Interim report 1 January – 30 September 2010

### Third quarter 2010

- Net sales SEK 25.8 million (30.6)
- Net result SEK -5.8 million (-10.4)
- Result per share SEK -0.13 (-0.23) before dilution
- Order intake SEK 18.1 million (25.5) and order backlog as of 30 September 2010 SEK 19.6 million (17.9)
- Gross margin 34 % (35 %)
- Operating result SEK -5.7 million (-9.6)
- Cash flow from operating activities SEK -6.7 million (-2.2)
- Cash and bank amounted to SEK 6.0 million (18.7) as of 30 September 2010

### January – September 2010

- Net sales SEK 89.6 million (92.6)
- Net result SEK -24.5 million (-33.8)
- Result per share SEK -0.55 (-0.76) before dilution
- Gross margin 35 % (36 %)
- Operating result SEK -23.8 million (-31.9)
- Cash flow from operating activities SEK -11.1 million (-14.8)

### Other

- Following the announcement from NASDAQ OMX Stockholm that Tilgin no longer has sufficient spread of ownership and share liquidity, the Board of Directors have decided to apply for a transfer to First North

## A word from the CEO

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Net sales and order intake for the third quarter decreased compared with the third quarter in 2009, but for the first nine months as a whole, net sales were on par with 2009. The gross margin was stable at over 35 %.

Market development during the quarter was still affected by sluggishness in the operators' investment decisions, though we towards the end of the period and in the beginning of the fourth quarter have observed a more positive trend. During the quarter we won, among other things, new orders from our Danish fiber customers. One of our largest customers in the Middle East, DU in Dubai, placed new orders in the quarter, and has now switched to Tilgin's HG15 and HG13 families for fiber and Ethernet solutions.

At quarter-end we received an interesting new order from Telekom Serbia via our partner Saga Beograd. In October we won an exciting new customer order from a leading operator in South Eastern Europe, for both fiber and Ethernet. In October we also received renewed confidence from another leading operator in that region, through a new volume order.

As in the second quarter, the company has also in the third quarter managed to handle the component shortage by focusing strongly on production planning in close cooperation with our ODMs.

Tilgin is still at the forefront when it comes to new development of NGN (Next Generation Networks), and in the quarter we have e.g. performed successful customer demos of the next generation of high performance platforms. During the quarter we announced a hosted version of our remote management solution VCM as a service in the cloud.

The cost savings in 2009 and 2010 have had a satisfactory effect on our overall cost level, yielding an improvement in net result of close to SEK 10 million for the first nine months of 2010. Additional planned measures for improved efficiency were implemented according to plan during the third quarter. These measures are expected to have full effect during the first half of 2011.

We have a positive view on the market development and on Tilgin's ability to perform well on the market with a very competitive portfolio of products and solutions.

**Mats Victorin, CEO**

### Significant events during the third quarter

In September Tilgin launched its remote management solution, VCM, as a service in the cloud. With the new hosted solution the operators may expand their service offerings while keeping control of operating costs. They will also be able to offer their customers a much leaner and quicker service introduction.

At quarter-end Tilgin won a new strategic order from Telekom Srbija through its partner and systems integrator Saga Beograd. The order is for 2,600 new units of HG1300 for the operator's national FTTx access roll-out of remotely managed IP-based services in Serbia.

### Significant events after the reporting period

In October the company announced an initial order from a large systems integrator in South Eastern Europe. The order is for a new Tilgin customer, a leading operator in the region. The operator will deploy a national Fiber access network of remotely managed IP-based services (FTTx and Tilgin's VCM software for service and device management). Initial order value is approximately SEK 3 million.

In October Tilgin also announced a new volume order from a current customer, a leading operator in South Eastern Europe. Order value is approximately SEK 6 million.

### Change of listing for the Tilgin share

NASDAQ OMX Stockholm has announced that the Tilgin shares do not have sufficient spread of ownership or liquidity, and has decided that the shares will be put on the observation list starting 19 October 2010. In light of this the Board of Directors have decided to apply for a de-listing from the main marketplace NASDAQ OMX Stockholm, changing to a listing at NASDAQ OMX First North. The final day for trade at the main marketplace and the first day for trade at First North will be established in consultation with NASDAQ OMX Stockholm, and will be communicated as soon as it is possible.

### Market prospects and future outlook

Net sales and result for the company's IP Home gateway business vary between the quarters. Through leading technology, strong customer relations and certain operational measures, the company is working towards growth and profitability. The company is positioned for increased sales, and is working to ensure cost efficiency as well as improving the operating result.

The company has chosen not to present any sales or result forecast for the remainder of 2010.

### Sales and financial performance

#### Net sales

Net sales in the third quarter amounted to SEK 25.8 million (30.6) which is a 35 % decrease compared with the previous quarter, and a 16 % decrease compared with the corresponding period in 2009. Net sales in the first nine months of 2010 amounted to SEK 89.6 million (92.6).

In total, 51,602 (51,779) gateway units were shipped to customers in the third quarter, and 163,361 (160,131) units were shipped in the nine months of 2010.

Customer premises equipment (CPEs) including client software represented 92 % (87 %) of total net sales in the third quarter. Revenue from Tilgin's VCM software, support and professional services amounted to 6 % (5 %) of total net sales. Other revenue includes sales of accessories and further invoiced costs.

In the third quarter, net sales were split between Europe 66.1 % (65.5 %), Middle East 23.4 % (33.4 %) and other regions 10.5 % (1.1 %), mainly US. Order intake from individual customers and geographical regions may vary significantly with customer campaigns.

#### Financial performance

The operating result for the third quarter amounted to SEK -5.7 million (-9.6) and the net result amounted to SEK -5.8 million (-10.4). The operating result for the first nine months was SEK -23.8 million (-31.9) and the net result was SEK -24.5 million (-33.8). Gross margin for the third quarter was 34.1% (35.1 %) and for the first nine months 35.5 % which is on par with the corresponding period in 2009 (35.6 %).

Operating expenses excluding goods for resale and depreciation and amortization amounted to SEK 13.1 million (17.7) in the third quarter, which is 26 % below the same period in 2009, and SEK 4.5 million lower than the previous quarter. The reduction in operating expenses compared with 2009 is to a large extent an effect from implemented cost reduction measures during 2009 and 2010. Third quarter expenses were reduced by capitalized development expenditures of SEK 1.8 million (1.2).

Costs of personnel amounted to SEK 7.5 million (10.0) in the third quarter, where the decrease from the corresponding period in 2009 partly is an effect from previously mentioned cost reduction measures.

Depreciation and amortization amounted to SEK 1.7 million (3.0) in the third quarter, of which write-downs and amortization of intangible assets (capitalized development expenses) amounted to SEK 1.5 million (2.7).

Net financial items amounted to SEK -0.1 million (-0.8) in the third quarter.

*Personnel*

The number of employees in the Group was 45 (55) as of 30 September 2010, which is a decrease of two people compared with the previous quarter. Compared with the same period in 2009, the number of employees has decreased by 10 persons, which to a large extent is an effect from implemented cost reduction measures.

**Financial position***Cash flow, investments and financial position*

Cash flow from operating activities amounted to SEK -6.7 million (-2.2) in the third quarter. This item was affected by an increase of approximately SEK 2.5 million in working capital being tied up. Cash and bank balances as of 30 September 2010 amounted to SEK 6.0 million (18.7), which is an decrease of SEK 6.1 million compared with the previous quarter.

As of 30 September 2010 the company had access to financing facilities in EUR and USD, corresponding to approximately SEK 14 million. The utilization of these facilities decreased by SEK 7.5 million compared with the end of the previous quarter, and as of 30 September 2010 the facility was utilized to SEK 5.3 million (6.9).

During the quarter Tilgin utilized a part of the previously granted loan commitment from the largest shareholders. As per 30 September 2010 utilized loan amount was SEK 10.0 million.

Investments in intangible fixed assets amounted to SEK 1.8 million (1.2) in the third quarter. These investments refer to capitalization of development expenses. No other significant investments were made in the period.

*Shareholders' equity*

Group equity as of 30 September 2010 amounted to SEK 28.3 million (65.7) and share capital at the same date amounted to SEK 44.5 million (44.5). The equity/assets ratio was 36 % (64 %).

*Share data and ownership structure*

The total number of shares in the company as of 30 September 2010 was 44,549,198. A warrant program from 2008 matured on 31 August 2010. No new shares were issued under this program. Largest shareholder and parent company is MGA Holding AB, with 65 % of the shares in Tilgin as per 30 September 2010.

*Other issues*

In 2007 and 2008 Tilgin appealed to the Administrative Court (previously the County Administrative Court) a decision of the Swedish Customs to impose custom duties on certain imports during 2005 and 2006. Total customs duties amount to approximately SEK 21.5 million (19.8 million excluding VAT). In April of 2010, as previously communicated, the Administrative Court dismissed the appeal. Tilgin has subsequently, in June, appealed against the decision to the Administrative Court of Appeal and applied for a so called leave of appeal (which is necessary for the case to be tried in the Court of Appeal). If leave of appeal would not be granted or in case the customs case would be lost also in the Court of Appeal, and Tilgin should thereby ultimately incur the customs duties, the company will, on contractual grounds, claim compensation from the relevant customer with respect to

the duties incurred. The company has, previously and in whole, to the Swedish Customs paid the above-mentioned custom duties incurred.

**Risks and uncertain factors**

Also for the third quarter of 2010 the company states that it remains dependent on a relatively limited number of large customers. Tilgin is however working actively to reduce this dependency, and as the company is increasing sales to other current customers as well as adding new customers, the dependency is expected to gradually decrease.

Historically the company has had a currency exposure risk, derived from considerable sales volumes in EUR, related purchases mainly in USD, and other operating expenses mainly in SEK. This exposure has grown less important, since the sales volumes in EUR relative to USD have been very limited in the last few years, and are expected to continue to be so also in 2010. These currency risks have partially been managed through forward exchange contracts.

For other risks and uncertain factors, please refer to the 2009 annual report.

**Related parties**

Beside intra-group transactions, the company has not identified any significant transactions with related parties in the period.

The company has secured a loan commitment from the larger shareholders, to be utilized in case of a possible need for short-term financing. Of this commitment, SEK 10 million was utilized as per 30 September. The loan carries interest at market rate.

**The parent company Tilgin AB**

Since the fourth quarter of 2008, the parent company Tilgin AB no longer has any operating business activities. All remaining personnel have been transferred to the subsidiary Tilgin IPRG AB.

Net sales for the parent company amounted to SEK 0.0 million (3,4) in the third quarter, Group SEK 25.8 million. Result after financial items for the parent company was SEK -1.1 million (-1.7) for the third quarter, Group SEK -5.8 million. Total shareholders' equity in the parent company amounted to SEK 80.4 million (90.0), Group SEK 28.3 million. Cash and bank balances for the parent company as of 30 September 2010 amounted to SEK 0.6 million (7.2), Group SEK 6.0 million. As of 30 September 2010 the number of employees in the parent company was 0 (16), Group 45 employees.

**Nomination committee**

In accordance with the principles for electing a nomination committee prior to the 2011 Annual General Meeting, which were approved at the Annual General Meeting for Tilgin AB on 28 April 2010, and in accordance with the Swedish Code of Corporate Governance, it is hereby announced that the three largest shareholders of the company (as per 30 September 2010) have appointed, in addition to the Chairman Johnny Sommarlund, the following nomination committee:

- Johnny Eriksson, MGA Holding AB
- Tomas Torlöf, Trulskom AB
- Johan Orring, Nya Jorame Holding AB

The Nomination Committee shall formulate a proposal for i) Board of Directors, ii) Chairman of the Board, iii) director's fee to each member of the Board of Directors and other remuneration for Board assignments, iv) remuneration for auditor and v) Chairman of the 2011 Annual General Meeting.

Shareholders wishing to submit proposals to the committee, please send an e-mail to [ir@tilgin.com](mailto:ir@tilgin.com) no later than 18 February 2011.

#### **Tilgin Annual General Meeting**

The Annual General Meeting for Tilgin is planned to be held on 27 April 2011 at the company's head office on Finlandsgatan 40 in Kista. Notice for the AGM will be issued not earlier than six weeks and not later than four weeks before the AGM. Shareholders wishing to use their entitled initiative to bring an item to the agenda at the AGM shall request this in writing to the Board. In order for the item to be processed at the AGM, the request needs to be handed in to the Board no later than 9 March 2011.

#### **Accounting and valuation principles**

This group interim report has been established in accordance with IAS 34 Interim Financial Reporting and

applicable regulations in the Annual Accounts Act. The interim report for the parent company has been established in accordance with chapter 9 in the Annual Accounts Act, Interim Reports. For the group as well as for the parent company the same accounting principles and bases of calculation have been applied as in the latest annual report. The Tilgin group only has one business segment, the sale of residential/home gateways with related software solutions. The ongoing financial monitoring of result and management is therefore made for the group as one single unit.

Financial reporting in accordance with IFRS requires management to make accounting assessments and estimates and to make assumptions which affect the application of the accounting principles and the reported value of assets, liabilities, income and expenses. The actual outcome may deviate from these assessments and estimates. Statements in this report may include forward-looking information and reflect Management's and the Board's current estimates with respect to future conditions. Forward-looking information always entails risks and uncertainties which may affect the actual outcome.

**Kista, 21 October 2010**

**Tilgin AB (publ)**

Mats Victorin  
Chief Executive Officer

The information will be made public on 22 October 2010, 07:00 CET.

#### **Audiocast:**

In view of the interim report, the capital market is invited to an audiocast on Friday 22 October. The live web transmission will start at 09:00 CET. Participants listening to the audiocast live may send questions via a questionnaire. Presentations and a link to the audiocast are available at [www.tilgin.com/q310](http://www.tilgin.com/q310). For those unable to attend at 09:00 CET a recording will be held available via the company's website.

#### **Scheduled reports:**

- The year-end report for 2010 will be presented on 10 February 2011.

*Financial reports are released at 07.00 CET followed by an audiocast at 09.00CET if nothing else is communicated.*

#### **For further information, please contact:**

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## Report on Review of Interim Financial Information

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To the Board of Directors at Tilgin AB (publ)

Corp Id No 556537-5812

### Introduction

We have reviewed the interim report of Tilgin AB (publ), corporate identity number 556537-5812, as of September 30, 2010 and for the nine-month period then ended. The Board of Directors and the President are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this semi-annual report based on our review.

### Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm October 21, 2010

KPMG AB

Åsa Wirén Linder  
Authorized Public Accountant

## Statements of comprehensive income, group

Statement of comprehensive income, group (SEK thousand)	Q3 2010	Q3 2009	Jan-Sept 2010	Jan-Sept 2009	FY 2009	Oct 2009- Sept 2010
Net sales	25 791	30 561	89 560	92 567	112 251	109 244
Other operating income	189	411	701	1 893	3 425	2 234
<b>Total sales</b>	<b>25 980</b>	<b>30 972</b>	<b>90 261</b>	<b>94 460</b>	<b>115 676</b>	<b>111 477</b>
<b>Operating expenses</b>						
Goods for resale	-16 988	-19 839	-57 781	-59 574	-73 815	-72 022
Other external costs	-5 541	-7 173	-19 248	-21 574	-28 636	-26 310
Costs of personnel	-7 521	-10 049	-30 939	-35 739	-45 501	-40 701
Depreciation and amortization	-1 677	-2 993	-6 089	-9 450	-12 502	-9 141
Other operating expenses	0	-522	0	0	0	0
<b>Operating result</b>	<b>-5 747</b>	<b>-9 605</b>	<b>-23 795</b>	<b>-31 876</b>	<b>-44 779</b>	<b>-36 697</b>
Net financial items	-79	-817	-699	-1 923	-1 912	-688
<b>Result before taxes</b>	<b>-5 826</b>	<b>-10 422</b>	<b>-24 494</b>	<b>-33 800</b>	<b>-46 691</b>	<b>-37 385</b>
Income taxes for the period	-	-	-	-	-	-
<b>Result for the period</b>	<b>-5 826</b>	<b>-10 422</b>	<b>-24 494</b>	<b>-33 800</b>	<b>-46 691</b>	<b>-37 385</b>
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-5 826</b>	<b>-10 422</b>	<b>-24 494</b>	<b>-33 800</b>	<b>-46 691</b>	<b>-37 385</b>
Earnings/loss per share						
- before dilution (SEK)	-0.13	-0.23	-0.55	-0.76	-1.05	-0.84
- after dilution (SEK)	-0.13	-0.23	-0.55	-0.76	-1.05	-0.84
Avg. number of shares before dilution (thousand)	44 549	44 549	44 549	44 549	44 549	44 549
Avg. number of shares after dilution (thousand)	44 549	44 549	44 549	44 549	44 549	44 549

## Statements of financial position and cash flow, group

<b>Statement of group cash flows (SEK thousand)</b>	<b>Q3 2010</b>	<b>Q3 2009</b>	<b>Jan-Sept 2010</b>	<b>Jan-Sept 2009</b>	<b>FY 2009</b>	<b>Oct 2009- Sept 2010</b>
Cash flow from operations before changes in working capital	-4 156	-7 457	-18 371	-24 460	-34 594	-28 505
Changes in working capital	-2 514	5 301	7 245	9 700	16 672	14 216
<b>Cash flow from operating activities</b>	<b>-6 669</b>	<b>-2 157</b>	<b>-11 126</b>	<b>-14 760</b>	<b>-17 922</b>	<b>-14 288</b>
Cash flow from investing activities	-1 872	-1 249	-4 629	-5 113	-7 124	-6 640
Cash flow from financing activities	2 433	1 174	8 538	6 839	6 520	8 219
<b>Net change in cash</b>	<b>-6 108</b>	<b>-2 232</b>	<b>-7 217</b>	<b>-13 033</b>	<b>-18 525</b>	<b>-12 709</b>
Cash and cash equivalents, beginning of period	12 086	20 920	13 196	31 721	31 721	18 688
Cash and cash equivalents, end of period	5 979	18 688	5 979	18 688	13 196	5 979

<b>Statement of financial position, group (SEK thousand)</b>	<b>2010-09-30</b>	<b>2009-09-30</b>	<b>2009-12-31</b>
<b>ASSETS</b>			
- Intangible assets	12 961	15 367	14 310
- Tangible assets	1 562	1 658	1 673
<i>Total fixed assets</i>	<i>14 523</i>	<i>17 025</i>	<i>15 983</i>
- Inventories	22 732	23 058	14 156
- Accounts receivable - trade	12 199	17 506	14 982
- Other receivables	24 163	25 847	24 534
- Cash and bank	5 979	18 688	13 196
<i>Total current assets</i>	<i>65 073</i>	<i>85 099</i>	<i>66 868</i>
<b>Total assets</b>	<b>79 596</b>	<b>102 123</b>	<b>82 851</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<i>Shareholders' equity</i>	<i>28 324</i>	<i>65 709</i>	<i>52 818</i>
<i>Liabilities</i>			
- Long-term interest-bearing liabilities	781	781	781
- Short-term interest-bearing liabilities	15 157	6 938	6 619
- Other short-term liabilities	34 709	27 809	22 042
- Warranty provisions	626	887	592
<b>Total liabilities</b>	<b>51 272</b>	<b>36 415</b>	<b>30 034</b>
<b>Total equity and liabilities</b>	<b>79 596</b>	<b>102 123</b>	<b>82 851</b>

## Statement of changes in group equity

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SEK thousand	Share capital	Other paid-in capital	Accumulated loss incl period loss	Total Shareholders' Equity
<b>Opening balance Jan 1, 2009</b>	<b>44 549</b>	<b>580 314</b>	<b>-525 355</b>	<b>99 508</b>
Total comprehensive result for the period	-	-	-33 800	-33 800
<b>Closing balance Sept 30, 2009</b>	<b>44 549</b>	<b>580 314</b>	<b>-559 155</b>	<b>65 709</b>
<b>Opening balance Jan 1, 2010</b>	<b>44 549</b>	<b>580 314</b>	<b>-572 046</b>	<b>52 818</b>
Total comprehensive result for the period	-	-	-24 494	-24 494
<b>Closing balance Sept 30, 2010</b>	<b>44 549</b>	<b>580 314</b>	<b>-596 540</b>	<b>28 324</b>
<b>Opening balance Jan 1, 2009</b>	<b>44 549</b>	<b>580 314</b>	<b>-525 355</b>	<b>99 508</b>
Total comprehensive result for the period	-	-	-46 691	-46 691
<b>Closing balance Dec 31, 2009</b>	<b>44 549</b>	<b>580 314</b>	<b>-572 046</b>	<b>52 818</b>

## Income statements and balance sheets, parent company

Income statement (SEK thousand)	Q3 2010	Q3 2009	Jan-Sept 2010	Jan-Sept 2009	FY 2009	Oct 2009- Sept 2010
Total sales	48	3 440	3 552	11 703	15 106	6 955
Operating expenses	-1 014	-5 118	-11 717	-23 524	-28 270	-16 463
<b>Operating result</b>	<b>-966</b>	<b>-1 678</b>	<b>-8 165</b>	<b>-11 821</b>	<b>-13 164</b>	<b>-9 508</b>
Net financial items	-153	-33	-138	793	811	-119
<b>Result before taxes</b>	<b>-1 120</b>	<b>-1 710</b>	<b>-8 303</b>	<b>-11 029</b>	<b>-12 353</b>	<b>-9 627</b>
Income taxes for the period	-	-	-	-	-	-
<b>Result for the period</b>	<b>-1 120</b>	<b>-1 710</b>	<b>-8 303</b>	<b>-11 029</b>	<b>-12 353</b>	<b>-9 627</b>

Balance sheet (SEK thousand)	2010-09-30	2009-09-30	2009-12-31
<b>ASSETS</b>			
Total fixed assets	67 289	43 350	51 724
Total current assets	26 471	60 153	53 384
<b>Total assets</b>	<b>93 760</b>	<b>103 503</b>	<b>105 108</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	80 416	90 044	88 719
Liabilities			
- Long-term liabilities	781	781	781
- Short-term liabilities	12 562	12 678	15 607
<b>Total equity and liabilities</b>	<b>93 760</b>	<b>103 503</b>	<b>105 108</b>

### Notes regarding significant changes in balance sheet items between 31 Dec-09 and 30 Sept-10

- Shareholders' contributions provided to Tilgin IPRG AB in the first nine months, totalling SEK 15.8 million, have increased the item Fixed assets correspondingly.
- Intra-group current assets and short-term liabilities have to a certain extent been settled in the first nine months, which explains a large part of the decrease in the item Current assets.

## Key ratios, group

(SEK thousand if not otherwise stated)	Q3 2010	Q3 2009	Jan-Sept 2010	Jan-Sept 2009	FY 2009	Oct 2009- Sept 2010
Gross profit	8 802	10 722	31 779	32 993	38 436	37 221
Gross margin, %	34%	35%	35%	36%	34%	34%
Operating margin, %	-22%	-31%	-26%	-34%	-39%	-33%
Net margin, %	-22%	-34%	-27%	-36%	-40%	-34%
Shareholders' equity	28 324	65 709	28 324	65 709	52 818	28 324
Average shareholders' equity	34 438	70 919	40 571	82 609	76 163	47 016
Capital employed	44 261	73 428	44 261	73 428	60 217	44 261
Average capital employed	43 750	78 051	52 239	86 908	80 303	58 844
Interest-bearing debt	15 938	7 719	15 938	7 719	7 400	15 938
Balance sheet total	79 596	102 123	79 596	102 123	82 851	79 596
Financial expenses	-215	-824	-707	-1 980	-1 975	-702
Investments in tangible fixed assets	-64	-68	-336	-251	-456	-541
Return on average shareholders' equity, %	-17%	-15%	-60%	-41%	-61%	-80%
Return on average capital employed, %	-13%	-12%	-46%	-37%	-56%	-62%
Equity/assets ratio, %	36%	64%	36%	64%	64%	36%
Debt/equity ratio, times	0.6	0.1	0.6	0.1	0.1	0.6
Interest coverage ratio, times	-26	-12	-34	-16	-23	-26
Share of risk-bearing capital, %	36%	64%	36%	64%	64%	36%
Net debt(+)/receivable(-)	9 959	-10 969	9 959	-10 969	-5 796	9 959
Net debt ratio, times ( - = receivable)	0.4	-0.2	0.4	-0.2	-0.1	0.4
Working capital as a percentage of sales	21%	27%	21%	27%	27%	21%
Number of employees at period end	45	55	45	55	49	45
Average number of employees in period	45	56	47	59	56	47
Sales per employee	577	553	1 920	1 601	2 066	2 372
Operating profit/loss per employee	-128	-172	-506	-540	-800	-781
Dividend per share (SEK)	-	-	-	-	-	-
Corporate net worth per share before dilution	0.64	1.47	0.64	1.47	1.19	0.64
Corporate net worth per share after dilution	0.64	1.47	0.64	1.47	1.19	0.64
Number of shares before dilution	44 549 198	44 549 198	44 549 198	44 549 198	44 549 198	44 549 198
Number of shares after dilution	44 549 198	44 549 198	44 549 198	44 549 198	44 549 198	44 549 198
Average number of shares in period, before dilution	44 549 198	44 549 198	44 549 198	44 549 198	44 549 198	44 549 198
Average number of shares in period, after dilution	44 549 198	44 549 198	44 549 198	44 549 198	44 549 198	44 549 198

## Quarterly data, group

(SEK thousand)	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Net sales	40 904	38 706	23 300	30 561	19 684	24 312	39 457	25 791
Other operating income	5 311	2 339	2	411	1 532	176	336	189
<b>Total sales</b>	<b>46 215</b>	<b>41 045</b>	<b>23 302</b>	<b>30 972</b>	<b>21 216</b>	<b>24 488</b>	<b>39 793</b>	<b>25 980</b>
Gross profit	14 747	13 588	8 684	10 722	5 442	10 006	12 971	8 802
Gross margin	36,1%	35,1%	37,3%	35,1%	27,6%	41,2%	32,9%	34,1%
<b>Operating result</b>	<b>-6 350</b>	<b>-6 923</b>	<b>-15 348</b>	<b>-9 605</b>	<b>-12 902</b>	<b>-11 923</b>	<b>-6 125</b>	<b>-5 747</b>
Net result	-8 228	-7 167	-16 212	-10 422	-12 891	-12 266	-6 402	-5 826

### Shipped CPEs, units

Customer premises Home Gateways	66 617	70 418	37 934	51 779	32 149	37 559	74 200	51 602
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### Net sales per geographical area

Europe	32 051	31 369	18 121	20 029	11 467	12 496	19 742	17 056
Middle East	7 951	7 291	4 337	10 204	7 167	11 670	19 083	6 038
ROW	902	46	842	327	1 050	146	632	2 698
<b>Total</b>	<b>40 904</b>	<b>38 706</b>	<b>23 300</b>	<b>30 561</b>	<b>19 684</b>	<b>24 312</b>	<b>39 457</b>	<b>25 791</b>

### Net sales per geographical area, %

Europe	78,4%	81,0%	77,8%	65,5%	58,3%	51,4%	50,0%	66,1%
Middle East	19,4%	18,8%	18,6%	33,4%	36,4%	48,0%	48,4%	23,4%
ROW	2,2%	0,1%	3,6%	1,1%	5,3%	0,6%	1,6%	10,5%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

### Orders received and order backlog

Orders received in period	30 851	31 771	19 411	25 516	39 834	31 031	21 567	18 139
Order backlog	35 577	30 212	24 596	17 854	38 928	48 563	30 617	19 578
Avg. rate used for orders received, USD	7.79	8.40	7.92	7.29	7.00	7.19	7.58	7.27
Avg. rate used for orders received, EUR	10.23	10.94	10.78	10.42	10.35	9.96	9.64	9.38
Rate used for order backlog, USD	7.75	8.29	7.69	7.01	7.21	7.26	7.77	6.74
Rate used for order backlog, EUR	10.94	10.98	10.85	10.24	10.35	9.74	9.50	9.16

## Definitions

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### **MARGINS**

**Gross profit:** Net sales less costs of goods for resale.

**Gross margin:** Gross profit as a percentage of net sales in the period.

**Operating margin:** Operating profit/loss after depreciation and amortization as a percentage of total sales in the period.

**Net margin:** Net profit/loss as a percentage of total sales in the period.

### **PROFITABILITY**

**Return on average shareholders' equity:** Net result as a percentage of average shareholders' equity.

**Return on average capital employed:** Profit/loss after financial items plus financial expenses, as a percentage of average capital employed.

### **CAPITAL STRUCTURE**

**Capital employed:** Balance sheet total less non-interest-bearing current liabilities and provisions.

**Debt/equity ratio:** Interest-bearing liabilities divided by shareholders' equity.

**Interest coverage ratio:** Profit/loss after financial items plus financial expenses, divided by financial expenses.

**Share of risk-bearing capital:** Shareholders' equity plus deferred tax liabilities, divided by balance sheet total.

**Net debt/receivable:** Interest-bearing liabilities less financial assets including cash and bank.

**Net debt ratio:** Net debt divided by shareholders' equity.

**Equity/assets ratio:** Shareholders' equity as a percentage of balance sheet total.

**Working capital as a percentage of sales:** Current assets (excl. cash and bank) less current non-interest-bearing liabilities at end of period, as a percentage of sales for the last twelve months.

### **PERSONNEL**

**Sales per employee:** Sales divided by the average number of employees in the period.

**Operating profit/loss per employee:** Operating profit/loss divided by the average number of employees in the period.

### **SHARES**

**Number of shares:** Average number of shares in period is derived from the average of the actual number of shares outstanding, day-by-day. When the company has emitted financial instruments (such as convertible bonds and warrants)

those are taken into account when calculating the number of shares after dilution and the average number of shares after dilution, only when it is likely that they will be converted/exercised in future periods, thus having a dilutive effect.

The number of shares prior to the completed new share issue in May 2008 have been recalculated in accordance with IAS 33, since the issue price in the 2008 share issue was below the share market rate at the date of separation of the subscription right from the share.

Note that rounding to even SEK thousand may lead to errors in sums in the financial tables presented in this report.

Figures in the comparative periods have been recalculated in accordance with IFRS 5.

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