



LEDSTIERNAN

## Year-end report 2006

- The Parent Company's result after tax for 2006 amounted to MSEK -22.4 (-71.0), equivalent to SEK -0.10 (-0.50) per share. The result was charged with a write-down of shares by MSEK 22.0 (64.0).
- The Parent Company's result after tax for the fourth quarter 2006 amounted to MSEK -27.1 (-47.4), equivalent to SEK -0.09 (-0.33) per share. The result was charged with a write-down of shares by MSEK 22.0 (45.2).
- Equity in the Parent Company as per 31 December 2006 amounted to MSEK 520.7 (357.5), or SEK 1.82 (2.50) per share. The equity/assets ratio was 99 (98) percent.
- Net sales for the Group in 2006 amounted to MSEK 111.3 (0).
- The Group's result after tax for 2006 amounted to MSEK 2.3 (-124.4), equivalent to SEK 0.01 (-0.88) per share.

As a result of the acquisition of Pallco AB as per 5 October 2006 Ledstiernan became parent company in a group of companies. This year-end report therefore includes the accounts for the parent company Ledstiernan AB as well as for the Ledstiernan group. The Ledstiernan group includes Ledstiernan AB, Pallco AB and Polstiernan Industri AB. The term "Ledstiernan" in this report refers primarily to the company Ledstiernan AB. "The Group" signifies Ledstiernan AB and its subsidiaries. The term "Parent Company" signifies the company Ledstiernan AB.

Polstiernan Industri and Pallco are the only subsidiaries among the portfolio companies and are thereby consolidated in the Group's accounts. Other portfolio companies are included in the consolidated accounts as associated companies or financial investments. This makes analysis of the consolidated accounts difficult and for an appropriate analysis an examination of the development and standing of each individual company should be made.

Ledstiernan AB (publ) is a venture capital company whose business concept is to help, as an active owner, growing companies to realize their potential with the purpose of creating maximum long-term increase in value. The portfolio comprises 10 primary holdings. The company's shares are listed on the Stockholm Stock Exchange. [www.ledstiernan.com](http://www.ledstiernan.com)

## SIGNIFICANT EVENTS

Metrima's technical problems reported earlier have been solved and all customers have installed and approved the new technology. The confidence in Metrima's products among Metrima's customers is, as a result, re-established. In June Metrima issued new shares totalling MSEK 51 to finance continued growth. Ledstiernan participated in the issue by converting loans into equity. A new management took over during the autumn 2006. Metrima is, through its business area Energy, one of the three largest actors in the Swedish market for systems for remote metering of electricity and at present installs over 1,000 meters daily. Metrima is one of the first suppliers to provide utility companies' accounting systems directly with data for invoicing. Metrima is also a leading actor on the Swedish market through the business areas District Heat and Real Estate. In the business area District Heat Metrima is also an important actor in the export market.

Ledstiernan's former portfolio company Daydream Software merged with 24hPoker in March. The amalgamated company operates online gaming under the name of 24hPoker. During the year Ledstiernan has divested all of its shares in 24hPoker.

In June Ledstiernan acquired, together with the management and chairman of the board of Voice Provider, Skandia's and Telenor Ventures' shares in Voice Provider. During 2006 Voice Provider signed a number of important contracts with customers including Svenska Golförbundet and Hotel Express.

In June Ledstiernan invested in Soft Capital Investment which primarily operates online bingo. Ledstiernan has invested MSEK 6.6 during 2006 in the form of loans and share capital. Ledstiernan's holdings amount to 18 percent. Bingo operations that started in October 2006 are run via [www.bertil.com](http://www.bertil.com) and have shown strong growth in the number of registered users.

In June Ledstiernan issued new shares, which provided the company with MSEK 186 after issue expenses. The issue was carried out in order to create better resources for investments in companies, in the technology sector as well as in other fields, which have reached a more mature stage in their development.

In August the PhonePages divested its patent portfolio. The company runs no operations after the divestment and will be wound up as soon as possible. Ledstiernan anticipates making a small capital gain in 2007 as a result of this transaction.

In October Ledstiernan acquired 70 percent of Polstiernan Industri AB, with the subsidiary Pallco AB. Pallco is a specialized manufacturer in aluminium and steel products. The company has expertise within the entire processing chain, from the design phase to total responsibility for production adaptation, production, packaging and delivery. Historically operations have targeted the furniture industry, with the recent addition of production for the automotive and telecom industries.

At year-end 2006 Ledstiernan's shares in the portfolio company ipUnplugged AB were written down by MSEK 21.8. The book value of the shares after the write-down is MSEK 41.2. The write-down was carried out in light of the fact that development in 2006 was weaker than expected and Ledstiernan deems that ipUnplugged will probably show less growth in the coming years than previously anticipated. Ledstiernan believes however that in the long term ipUnplugged still has great potential to exploit its technological platform to create new business. Therefore Ledstiernan intends to participate in a planned issue of new shares in ipUnplugged during the first half year 2007. Ledstiernan expects to invest about MSEK 2.5 in such new share issue.

## PARENT COMPANY

### Result

The Parent Company's result after tax for the year amounted to MSEK -22.4 (-71.0), equivalent to SEK -0.10 (-0.50) per share. The result was charged with a write-down of shares by MSEK 22.0 (64.0).

The Parent Company's result after tax for the fourth quarter 2006 amounted to MSEK -27.1 (-47.4), equivalent to SEK -0.09 (-0.33) per share. The result for the fourth quarter was charged with a write-down of shares by MSEK 22.0 (45.2).

### Central costs and income

Net administrative costs for the year amounted to MSEK 15.1 (24.6), of which personnel costs were MSEK 7.3 (16.7). Other administration costs amounted to MSEK 8.8 (9.1). Net financial items amounted to MSEK 2.7 (6.9). The number of employees at year-end was 5 (5).

### Financial standing

The Parent Company had as per 31 December 2006 bank balances amounting to MSEK 82.6 (57.8). Of this MSEK 9.3 (12.7) was blocked as security for guarantees the Parent Company provided in connection with sales of portfolio companies or for the benefit of existing portfolio companies. The majority of these blocked funds will be released during 2007. The Parent Company has no interest-bearing liabilities. The equity/assets ratio was 99 (98) percent.

### Investments

Gross investments during the year amounted to MSEK 193.7 (71.1), of which shares accounted for MSEK 54.5 (41.7) and loans for MSEK 139.2 (29.4). The largest investments during 2006 were those made in Metrima, MSEK 31.6 in shares (through the conversion of loans to equity) and a net of MSEK 88.3 in loans and in Polstiernan Industri, MSEK 49.2 in shares and MSEK 6.7 in loans.

### Divestments

Divestments in 2006 included all the shares in Interpeak and Hotsip as well as in the listed company 24h Poker Holding. Divestments during the year provided a contribution to liquidity of MSEK 49.4 and a capital gain of MSEK 17.1.

### Write-downs

Write-downs during the year amounted to MSEK 22.0 (64.0) and refer mainly to a write-down of shares in ipUnplugged AB.

### Equity

As per 31 December 2006 the Parent Company's equity amounted to MSEK 520.7 (357.5), equivalent to SEK 1.82 (2.50) per share. In June a preferential issue of shares was made which increased equity by MSEK 186.

Amounts in MSEK 31 December 2006	Participation	Shares	Book value	
			Loans	Total
Columbitech AB	17.3%	18.6		18.6
Continuent Inc	31.3%	13.1	1.3	14.4
EasyPark ASA	27.7%	44.6		44.6
ipUnplugged AB	35.6%	41.2	2.0	43.2
Metrima AB	60.6%	87.8	100.3	188.1
Millennium Media Group AB	36.2%	21.1	1.8	22.9
Polstiernan Industri AB	70.0%	49.2	6.7	55.9
Repeatit AB	52.0%	10.9	1.3	12.2
Soft Capital Investment AB	18.0%	0.1	6.5	6.6
Voice Provider Holding AB	47.6%	7.8		7.8
<b>Book value principal holdings</b>		<b>294.4</b>	<b>119.9</b>	<b>414.3</b>
Other holdings		17.6	1.9	19.5
<b>Book value portfolio companies</b>		<b>312.0</b>	<b>121.8</b>	<b>433.8</b>
Other assets				8.8
Bank balances				82.6
Deducted: Liabilities				-4.5
<b>Total equity</b>				<b>520.7</b>
<b>Total equity per share, SEK</b>				<b>1.82</b>

### Information about the portfolio companies

Ledstiernan has chosen to divide its portfolio into four groups. These groups are Industry, Media & Entertainment, Service Providers and Venture. Industry consists of Polstiernan, Media & Entertainment consists of Millennium Media Group and Soft Capital, Service Providers consists of EasyPark, Metrima and Voice Provider. Venture includes Columbitech, Continuent, ipUnplugged and Repeatit.

Ledstiernan reports sales and profit after financial items for the portfolio companies semi-annually in the six-months and year-end reports. Sales and profits in the table below are preliminary and in accordance with the portfolio companies' accounting principles, which may differ from Ledstiernan's. Sales and profits for Polstiernan have been drawn up pro forma as though the acquisition of Pallco had been made as per 1 January 2005.

Amounts in MSEK	Net sales		Profit/loss after financial items	
	2005	2006 prel.	2005	2006 prel.
<b>Industry</b>				
Polstiernan pro forma	369.6	379.9	15.3	21.2
<b>Media &amp; Entertainment</b>				
Millennium Media Group	88.7	105.9	4.8	>10
Soft Capital		- *		- *
<b>Service Providers</b>				
EasyPark	29.4	33.6	-3.0	-2.5
Metrima	181.3	331.1	-38.6	-138.6
Voice Provider	16.9	16.9	0.1	0.2
<b>Venture</b>				
Columbitech	10.4	16.7	-5.8	-1.9
Continuent	8.7	11.5	-51.2	-24.6
ipUnplugged	10.5	9.7	-3.6	-9.0
Repeatit	4.6	12.3	-10.0	-5.0

\* Soft Capital started its operations in October 2006

#### Polstiernan

- Sales (pro forma) increased by 3 percent compared with 2005.
- Profit after financial items (pro forma) increased by 39 percent. The improved result is mainly due to an increase in the number of products with a high gross margin and to improvements in production efficiency.
- Polstiernan has received several large orders during 2006 creating good conditions for a positive trend in 2007.

Polstiernan operates through its subsidiary Pallco AB manufacturing and finishing of products in steel and aluminium. Its customers are found primarily in the furniture, telecom, automotive and home appliance industries. Pallco takes on complete orders, which can mean anything from participating in designing, drafting and producing prototypes to production, quality and logistics.

#### Millennium Media Group

- Sales increased by 19 percent compared with 2005. All business areas have shown strong development in 2006.
- Profit after financial items increased sharply, compared with 2005. MMG has not yet established the final result for 2006. Profit after financial items is expected to exceed MSEK 10. The improvement in profits is a result of the sales increase and is assignable to several areas, TV channels among others.
- In 2006 MMG introduced a new quality film channel, Silver, into the digital ground network in Sweden.
- MMG has continued to internationalize its operations during the year, launching, for example, Star! in the Netherlands and Voom HD in Estonia.
- Market conditions at the onset of 2007 are very good. Film and entertainment are an important part of the selection that TV channels, broadband suppliers and mobile phone operators provide and the public is interested in purchasing this type of content. MMG is well positioned for continued strong growth.

Millennium Media Group ("MMG") is a fast-growing media group whose primary operations include acquiring and distributing film and TV rights and developing and operating TV channels. With Sweden as its base MMG operates internationally through the group's four wholly-owned subsidiaries NonStop Television AB, NonStop Entertainment AB, NonStop Sales AB and Prime Text International AB.

#### Soft Capital

- The company launched its site for online bingo in October 2006 ([www.bertil.com](http://www.bertil.com)).
- Bertil intends to grow organically and aims to show a profit for the whole year 2007. This is deemed to be possible given the growth foreseen for online bingo globally and the start Bertil has had in the first months after being introduced.

Soft Capital Investment AB is a holding company with, at present, one wholly-owned subsidiary, Bertil in Malta Ltd ("Bertil"). Bertil has received a gaming license from the Lotteries and Gaming Authority on Malta which permits Bertil, among other things, to run bingo on the Internet. Bertil will offer on select markets in Europe a niched site which focuses on bingo in a modern, entertaining and innovative version.

**EasyPark**

- Sales increased by 14 percent compared with 2005. The growth was due partly to an increase in sales for EasyPark in towns where the company has been established for some time and partly to new operations.
- EasyPark showed a reduced loss for 2006, compared with 2005. The loss was due to investments in new operations and in additional sales resources, which were made to expand operations.
- In 2006 EasyPark established operations in Germany and is presently in business in three German towns. EasyPark is examining the possibility of further establishing business in other towns in Germany.
- EasyPark is expected to be able to show increased organic growth in the Nordic countries. EasyPark is evaluating how an international expansion shall be carried out, through its own subsidiaries, jointly-owned companies or a licensing procedure.

EasyPark offers customers simpler, safer, more convenient and more cost-efficient payment and administration of parking and other related fees. EasyPark makes it possible for parking operators to offer better service and at the same time reduce costs for coin and card transactions by eliminating in the long run expensive and outmoded parking meters.

**Metrima**

- Sales increased by 83 percent compared with 2005. The increase in sales is primarily assignable to the business area Energy.
- Loss after financial items amounted to MSEK 139. The result includes a write-down of capitalized development costs, restructuring costs as well as other one-time costs totalling about MSEK 114.
- Technical problems reported earlier have been solved and the technology in all projects has now been approved by the customers. Metrima is one of the three largest actors in the Swedish market for systems for remote metering of electricity and installs at present over 1,000 meters a day.
- An issue of new shares amounting to MSEK 51 was made in June.
- Metrima plans to carry through a new share issue amounting to approximately MSEK 100 during the first half year 2007. Ledstierman and other major owners of Metrima have declared their intention to participate in this new share issue. Ledstierman intends to participate in the proposed new share issue by converting existing loans to equity.
- Metrima's prospects are deemed to be good and the company has, with reliable technology and processes, established itself as one of the leading actors in the Swedish market for remote metering. Other countries are following with great interest the development of infrastructure in Sweden and experience in the home market provides Metrima with good opportunities for export.
- Within the business areas District Heat and Real Estate Metrima is a leading actor in the Swedish market. In addition, within the business area District Heat Metrima is an important player in the export market. Metrima believes that the Swedish market for measurement products aimed at real estate companies and housing cooperatives (Metrima's business area Real Estate) has a total volume equal to or higher than the market for measurement products aimed at utility companies (Metrima's business area Energy). The market for measurement products aimed at real estate companies and housing cooperatives however is undeveloped and is expected to show substantial growth in coming years.

Metrima develops, manufactures and markets products and systems for multiple-type metering, that is, measurement of electricity, district heating, district cooling, water and gas. Metrima's organization comprises three business areas: Energy, District Heat and Real Estate. Their common denominator is that they are all concerned with measuring different kinds of energy. Metrima's products and systems make it possible to charge customers for the exact amount used and individual customers can check how much they consume. Being able to check one's energy consumption and pay for the electricity, heating or water actually consumed increases consciousness and creates an incentive to save considerable amounts of energy and reduces effects on the environment. Customers are found primarily among electricity distribution companies, district heating companies and real estate and housing companies in Sweden and some thirty other countries.

**Voice Provider**

- Sales were unchanged in 2006 compared with 2005.
- Profit after financial items improved somewhat compared with 2005. Operating profit before depreciation amounted to MSEK 2.9, compared with MSEK 2.6 in 2005.
- Two new customers in 2006 were Svenska Golförbundet and Hotel Express and a general agreement was made with Stockholms Läns Landsting, SLL.
- Ledstierman acquired together with the management and chairman of the board of Voice Provider all of the shares from Skandia and Telenor Venture. Ledstierman's holding increased thereby from 24 percent to 48 percent.
- Voice Provider is deemed to be in a good position to show positive development and increased profitability in 2007.

Voice Provider is the leading supplier of voice-controlled telephony services in the Scandinavian market. Voice Provider's products are built on open standards and have been developed to be scalable, stable and to allow for further development. The target group is companies and organizations who want to improve their services to customers. Voice Provider's customers include SAS, Sweden's postal service, Svenska Golförbundet, Norway's postal service, NSB in Norway, DSB-Rejseplanen in Denmark, ATG, Svenska Spel, Swebus Express and BGC.

**Columbitech**

- Sales increased by 61 percent compared with 2005. The increase in sales is a result of the company's long-term efforts which have gradually led to greater acceptance in the market for Columbitech's technology.
- Columbitech showed a much lower loss for 2006, compared with 2005, as a consequence of the large increase in sales.
- As an effect of its success Columbitech increased its personnel recruiting new people in product development, sales and marketing. It is expected that Columbitech will continue to expand in the area of retail solutions. Columbitech also sees considerable possibilities for growth within the telecom sector and focus is on roll-out of services for several European operators and security solutions for smart phones.

Columbitech is a global supplier of software for high-performance, secure wireless access. The company is a market leader in the retail and government sectors globally with more than 1.4 million installed licenses, which includes installations in three of the largest retail chains in the US.

**Continuent**

- Sales increased by 32 percent compared with 2005. The increase in sales is due to both increased income regarding an earlier version and income at the end of the year from the new product family launched in September.
- Continuent showed a much lower loss for 2006, compared with 2005. The improved result is due to the increase in sales and a decrease in costs.
- During the autumn new products for both MySQL and PostgreSQL were introduced.

Continuent develops and markets solutions for database accessibility. They ensure that customers' data systems and IT-supported business processes function without interruption around the clock.

**ipUnplugged**

- Sales decreased somewhat, compared with 2005. During 2006 ipUnplugged has invested primarily in an expansion in Asia. This investment has not yet brought about the intended effects on sales and order intake.
- The result after financial items deteriorated in 2006. The poorer result is due to increased costs for marketing and development, in combination with the sales target not being met.
- In addition to the investment in Asia, the company will focus on expansion in the US and Europe in 2007.

ipUnplugged is a technology development company that develops software for safe wireless and mobile connections for laptop computers and handheld units.

**Repeatit**

- Sales more than doubled, compared with 2005. The market for Repeatit's products showed a very strong upward trend in 2006. The rate of expansion for outdoor wireless networks has increased considerably. Prices have gone down, products have become better and simpler while at the same time the demand for broadband access has grown in both densely populated and less populated areas.
- Repeatit showed a much lower loss for 2006, compared with 2005. The improved result is due primarily to the increase in sales.
- The positive trend in 2006 is expected to continue in 2007. Repeatit has restructured production and marketing to better handle the increased demand. Expansion in 2007 is expected to take place mainly in Europe, but Repeatit also sees an important market in other parts of the world.

Repeatit develops and markets a radio-based solution for stationary wireless broadband which has quickly established itself in the growing market for broadband outside of densely populated areas. Applications that use the products are, above all, fixed wireless networks, security and supervision, hotspot solutions, reading electricity meters and building up temporary networks for trade fairs, construction sites and the like.

**Polstierman and Pallco**

Ledstiernan made the acquisition of Pallco by contributing equity amounting to MSEK 49 and lending MSEK 6 to Polstierman Industri AB at market terms. Pallco's former owners contributed equity amounting to MSEK 21 to Polstierman Industri through a non-cash issue of shares. Polstierman Industri also took a bank loan of MSEK 45 to contribute to financing the acquisition of Pallco. Ledstiernan holds 70 percent of the shares in Polstierman Industri and the former owners of Pallco hold the remaining 30 percent. None of the owners has any guarantee commitment for the loans in Polstierman Industri.

Ledstiernan has an option to acquire, and the other owners have an option to sell, the remaining 30 percent of the shares in Polstierman Industri. This option can be exercised during a period of time in 2009. The price of the remaining 30 percent of the shares will be established by multiplying the average operating profit/loss over a period of time from 2007 to 2009 by a factor fixed in advance. In the consolidated balance sheet Pallco is reported, in accordance with IFRS 3, as though this option had already been exercised. The price for the remaining 30 percent is thereby assumed to be MSEK 60, which is reported as a long-term non-interest bearing liability in the consolidated balance sheet. Goodwill is calculated based on this presumed price as though Ledstiernan owned 100 percent of Polstierman Industri. Of the Group's goodwill as per 31 December 2006, MSEK 39 refers to the presumed price for the remaining 30 percent of the shares in Polstierman Industri. Goodwill and liabilities with respect to the price for the remaining 30 percent of the shares may be adjusted in

the future depending on the results in Pallco and Polstiernan Industri. For this reason no minority share is reported for the Group.

In an analysis of the acquisition of Pallco the fair value of tangible fixed assets has been established to be about MSEK 80, which is some MSEK 20 higher than the corresponding book value in Pallco. In the acquisition analysis additional intangible assets in the form of customer relations were identified at a value of MSEK 12 and goodwill at a value of MSEK 30.1. The Group's assets in the form of customer relations are written off over 5 years. The annual depreciation on excess value of tangible and intangible fixed assets identified in the Polstiernan group is expected to amount to some MSEK 4.6. Goodwill is not depreciated but will be evaluated annually and written down if a lasting decrease in value is shown.

The table below shows the Polstiernan group's income statements for 2005 and 2006 pro forma and the Polstiernan group's actual balance sheet as per 31 December 2006. The income statements have been drawn up as though the acquisition of Pallco had been made as per 1 January 2005. Depreciation of excess value identified in connection with the acquisition is based on the acquisition analysis from 2006.

Amounts in MSEK	2005	2006
<b>Income statement pro forma</b>		
Net sales	369.6	379.9
Operating profit before depreciation	38.2	44.4
Operating profit after depreciation	17.9	30.2
Profit after financial items	15.3	21.2
Profit for the year	9.4	13.1
Depreciation included above:		
Tangible fixed assets	17.9	11.8
Intangible fixed assets	2.4	2.4
<b>Balance sheet</b>		
Intangible fixed assets		41.5
Tangible fixed assets		80.8
Non-interest bearing current assets		86.3
Cash and bank		4.0
<b>Total assets</b>		<b>212.6</b>
Equity		74.7
Long-term non-interest bearing liabilities		16.9
Interest-bearing liabilities		53.6
Non-interest bearing current liabilities		67.4
<b>Total equity and liabilities</b>		<b>212.6</b>

The Polstiernan group has contributed to the Group's sales with MSEK 111.3 and to the Group's profit after financial items for 2006 with MSEK 7.1.

#### Issue of new shares in Ledstiernan

In June Ledstiernan carried out a preferential issue of new shares amounting to MSEK 200 before transaction costs. The issue was guaranteed by major existing shareholders and by a guarantee consortium. The issue increased the Company's share capital by MSEK 42.9 to MSEK 85.8. The number of shares outstanding increased from 143 million to 286 million with a nominal value of SEK 0.30 per share. The subscription price was SEK 1.40 per share. Costs incurred in connection with the issue amounted to MSEK 14.6. About half of the transaction costs were accounted for by commission payable to the guarantors. The proceeds of the issue are to be used to implement investments in companies, in the technology sector and in other fields, which have reached a more mature stage in their development.

#### Ledstiernan's shares

During 2006 shares were traded on all business days. A total of 224 million shares were traded at a weighted average price of SEK 2.16. The closing price at 29 December 2006 was SEK 1.83, equivalent to a market value of MSEK 523. After the issue of new shares in June the number of shares was 285,968,210.

Ledstiernan had at 31 December 2006 3,984,055 warrants outstanding. Each warrant entitles the owner to subscribe for one share at a price of SEK 4.60 per share up to and including 31 December 2007.

## GROUP

The consolidated accounts comprise Ledstiernan AB, Polstiernan Industri AB and Pallco AB. Pallco was acquired as per 5 October 2006 and is thus included in the accounts for 3 months. Ledstiernan owned as at 31 December 2006 60.6 percent of Metrima and 52.0 percent of Repeatit. Ledstiernan is a party in shareholder agreements in both companies which entail that Ledstiernan do not control these companies. The shareholder agreements stipulate, among other things, that Ledstiernan only has the right to appoint a minority representation of the board of directors in these companies, regardless of how large Ledstiernan's holdings are. Ledstiernan has no other means, according to the agreements, to force through decisions against the will of the other shareholders in these companies. This means that Ledstiernan cannot consolidate these two companies, in accordance with IAS 27.

Of the portfolio companies only Polstiernan and Pallco are consolidated in the Group's accounts. Other portfolio companies are included in the consolidated accounts as associated companies or financial investments. This makes analysis of the consolidated accounts difficult and for an appropriate analysis an examination of the development and standing of each individual company should be made.

## Fair value

Ledstiernan has chosen, in accordance with IAS 28, "Investments in Associates", to report associated companies at their fair value according to IAS 39, "Financial Instruments: Recognition and Measurement". As a result, all of Ledstiernan's portfolio companies which are not subsidiaries are reported at fair value in the consolidated balance sheet and changes in value are reported in the consolidated income statement.

Several of Ledstiernan's portfolio companies are technology-based companies at a relatively early stage in their development. Several of the companies have a relatively low sales level and are still showing negative results and cash flow. The value of the shares in this type of companies is based to a large degree on various investors' subjective evaluations of the commercial potential in the companies' knowledge and products. The value Ledstiernan can realize in connection with divestment of a portfolio company depends largely on what use a buyer can make of the company's products, knowledge and market position as well as the negotiating position between buyer and seller.

Ledstiernan carries out regular evaluations of all portfolio companies in order to assess whether there is a need to write down the Parent Company's book value of shares and receivables in the portfolio. The same method is used to establish fair value in the consolidated balance sheet in accordance with IAS 39. Ledstiernan has confirmed fair value in excess of the Parent Company's book value with respect to some of the portfolio companies, which have achieved a relatively higher degree of stability in sales and margins.

Fair value of shares and receivables with regard to associated companies and financial investments in Ledstiernan's portfolio as per 31 December 2006 amounted to MSEK 445 (349). Polstiernan Industri and Pallco are included in the consolidated accounts as subsidiaries and thus are not included in the calculation of fair value. Total fair value of shares and receivables is MSEK 67 (47) higher than the parent company's total book value of shares and receivables regarding the portfolio companies, excluding Polstiernan Industri and Pallco.

## Sales, profit and financial standing

The Group's sales during the year amounted to MSEK 111.3 (0), operating profit was MSEK 3.3 (-131.3) and profit after tax amounted to MSEK 2.3 (-124.4). Bank balances as per 31 December 2006 totalled MSEK 86.6 (57.8). Of these MSEK 9.3 (12.7) were blocked as security for guarantees Ledstiernan provided in connection with sales of portfolio companies or for the benefit of existing portfolio companies. The majority of these blocked funds will be released during 2007. Interest-bearing liabilities amounted to MSEK 47.6 (0). The Group's interest-bearing liabilities refer to bank loans in Polstiernan Industri AB which were raised as a component in financing the acquisition of Pallco and liabilities regarding pensions. Non-interest bearing long-term liabilities amounted to MSEK 76.9 (0) and include the presumed price for the remaining 30 percent of Polstiernan Industri in accordance with the option described in the section "Polstiernan and Pallco" above. The equity/assets ratio was 75 percent.

## FINANCIAL GOALS

Ledstiernan's long-term goal is to achieve average annual return on the Parent Company's invested capital of at least 20 percent.

Return on invested capital arises primarily through capital gains in connection with sales of portfolio companies. Capital gain/loss from the sale of portfolio companies can vary greatly from year to year and thereby return on invested capital can also vary greatly from year to year.

### **FUTURE PROSPECTS**

The rise in commercial activity reported earlier has led to improvements in the majority of the portfolio companies with respect to sales and profits in 2006, a trend which is deemed to continue in 2007.

The issue of new shares in 2006 gave Ledstiernan a wider financial framework in which to act, which has created opportunities to seek actively interesting investment possibilities within the technology sector and in other areas, in accordance with the new broader investment strategy.

### **DIVIDENDS**

The board of directors proposes that no dividend is distributed for the financial year 2006.

### **ANNUAL MEETING**

Ledstiernan's Annual General Meeting will be held on 15 May at 5.00 PM at Berns in Stockholm. Special notice will be published in daily newspapers during the week of Monday 16 April.

A nominating committee consisting of representatives for the major shareholders has been convened by the chairman of the board of directors in Ledstiernan, Jan Carlzon. The committee consists of Jan Carlzon, Olof Stenhammar, Peter Ahldin and Martin Bjäringer. The committee will submit proposals regarding members of the board of directors in Ledstiernan well in advance of the annual meeting.

The Company plans to distribute the annual report for 2006 to shareholders who so wish in the week of Monday 30 April. The report will also be available at the Company website [www.ledstiernan.com](http://www.ledstiernan.com).

### **ACCOUNTING PRINCIPLES**

Due to the acquisition of Pallco AB as per 5 October 2006 Ledstiernan became the parent company in a group of companies, which means that Ledstiernan shall prepare consolidated accounts in accordance with International Financial Reporting Standards (IFRS). This year-end report is the first interim report Ledstiernan publishes according to IFRS. Preparation of Ledstiernan's first consolidated accounts has taken place in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards". According to IFRS 1 item 36 it is required that comparable figures shall be presented according to IFRS, and, as a result, the point in time for the transition to IFRS is 1 January 2005. The most important differences between Ledstiernan's earlier accounting principles, which were based on ÅRL and RR 32 in accordance with the fact that Ledstiernan did not constitute a group earlier, and IFRS can be seen in the section "Financial effects of the transition to IFRS" below. This interim report has been prepared in accordance with IAS 34, "Interim Financial Reporting".

#### **Comparable figures**

Since Ledstiernan was not a group in 2005, the comparable information refers to the Parent Company converted to IFRS. Conversion according to IFRS entails that the Parent Company's investments in the portfolio companies are reported at fair value in the consolidated balance sheet and that the consolidated income statement shows change in fair value with regard to holdings. Since Ledstiernan did not evaluate holdings in the portfolio companies at fair value on a quarterly basis in 2005, it is impossible to provide comparable information per quarter. The same is true for 2006.

#### **Valuation of portfolio companies**

Ledstiernan has chosen, in accordance with IAS 28, "Investments in Associates", to report associated companies at fair value according to IAS 39, "Financial Instruments: Recognition and Measurement". Thus all of Ledstiernan's portfolio companies which are not subsidiaries are reported at fair value in the consolidated balance sheet and value changes are shown in the consolidated income statement. The method to establish the fair value of the portfolio companies follows the principles stated in the annual report for the financial year 2005.

#### **Segment reporting**

Ledstiernan is a venture capital company with an operational segment. The operations and risk profiles of the portfolio companies vary between the different companies, but Ledstiernan's risks and possibilities are of the same character regardless of what type of operations each portfolio company pursues. Against this background, and as a result of the fact that only one of the portfolio companies is a subsidiary to Ledstiernan, no segment reporting is made.

### IAS 27 – Consolidated and separate financial statements

According to IAS 27 item 13 it is assumed that a parent company has decisive influence on a company if it, directly or indirectly, holds more than half the votes in a company. Exceptions are made where special circumstances exist and it can be shown clearly that such ownership does not entail decisive influence. Ledstiernan is of the opinion that, due to reasons expressed on page 8 of this interim report, decisive influence does not exist in its ownership in Metrima AB and Repeatit AB, despite the fact that the holdings exceed 50 percent.

### IFRS 3 – Business combinations

Acquisition of a subsidiary is reported in accordance with the acquisition method. An acquisition analysis establishes, on the one hand, the acquisition value of the shares or operations and, on the other hand, the fair value at the time of acquisition of identifiable assets and liabilities and contingent liabilities taken over. In the event of an acquisition where the acquisition cost exceeds the net value of acquired assets and liabilities and contingent liabilities taken over, the difference is reported as goodwill.

### Financial effects of the transition to IFRS

As shown above the reporting of portfolio companies is the only substantial difference between Ledstiernan's earlier accounting principles and IFRS. The table below shows the effects on reported equity as per 1 January and 31 December 2005 and the effect on the income statement for 2005.

<u>Amounts in SEK thousands</u>	<u>2005</u>	
Reported net profit/loss according to earlier accounting principles	-71.0	
<u>Effects from transition to IFRS</u>		
- Valuation of portfolio companies at fair value according to IAS 28 and 39	-53.4	
Reported net profit/loss according to IFRS	-124.4	
	<b>1 Jan 2005</b>	<b>31 Dec 2005</b>
Equity according to earlier accounting principles	416.5	357.5
<u>Effects from transition to IFRS</u>		
- Valuation of portfolio companies at fair value according to IAS 28 and 39	100.0	46.7
Equity according to IFRS	516.6	404.2

The transition to IFRS has not had any effect on the Group's cash flow analysis.

### Parent Company's reporting

As in earlier years the Parent Company's reporting is done in accordance with RR 32. In the Parent Company's accounts portfolio companies are reported at the lowest of the acquisition value and the fair value.

## ACQUISITION OF PALLCO

As per 5 October 2006 Ledstiernan acquired via its subsidiary Polstiernan Industri AB 100 percent of the shares in Pallco AB. Ledstiernan owns 70 percent of Polstiernan Industri AB. Further information about the acquisition can be found in the section "Polstiernan and Pallco" in this report.

Polstiernan Industri's acquisition value of the shares in Pallco amounted to MSEK 120. Direct costs attributable to the acquisition amounted to MSEK 0.8. The acquisition analysis regarding Pallco is preliminary.

<b>Amounts in SEK thousands</b>	<b>Fair value</b>	<b>Acquired book value</b>
Intangible fixed assets	12,000	-
Other fixed assets	80,979	60,574
Non-interest bearing current assets	82,055	82,055
Liquid funds	10	10
<b>Total assets</b>	<b>175,044</b>	<b>142,639</b>
Deferred tax liability	15,765	6,769
Other liabilities	68,590	68,590
<b>Total liabilities</b>	<b>84,355</b>	<b>75,359</b>
Total acquired net assets	90,689	67,280
<b>Specification of acquired goodwill</b>		
Total acquisition value	120,751	
Fair value of acquired net assets	90,689	
<b>Goodwill</b>	<b>30,062</b>	

## EVENTS AFTER THE END OF THE PERIOD

In February 2007 Ledstiernan lent an additional MSEK 10 to Metrima. At the same time other major shareholders lent MSEK 10 to Metrima. Metrima has increased the volumes in the company's project to install equipment for remote reading of electricity meters during the end of 2006 and the beginning of 2007. This entails an increase in tied-up capital for Metrima since Metrima purchases and pays for equipment a long time before it is possible to invoice customers. The funds which shareholders lent the company in February are intended to cover this increase in tied-up capital.

Stockholm, 28 February 2007

Board of Directors  
Ledstiernan AB (publ)

## Financial reporting in 2007

Interim report January – March 2007	15 May 2007, 8.00 AM
Annual General Meeting 2007	15 May 2007, 5.00 PM
Interim report January – June 2007	22 August 2007, 8.00 AM
Interim report January – September 2007	7 November 2007, 8.00 AM

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<b>INCOME STATEMENT, PARENT COMPANY</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Amounts in SEK thousands</b>	<b>4th quarter</b>	<b>4th quarter</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>
<b>Profit/loss portfolio holdings</b>				
Exit profit/loss	-975	5,270	17,123	10,028
Write-downs	-21,976	-45,244	-22,041	-63,970
Reversals of write-downs	0	-44	0	636
Change in value of financial investments	-88	0	-5,087	0
Other operating income	164	313	1,001	1,234
<b>Operating costs</b>				
Administrative costs	-4,809	-7,890	-15,902	-25,538
Depreciation	-29	-72	-189	-314
<b>Operating profit/loss</b>	<b>-27,713</b>	<b>-47,667</b>	<b>-25,095</b>	<b>-77,924</b>
Financial items	611	268	2,655	6,942
<b>Profit/loss after financial items</b>	<b>-27,102</b>	<b>-47,399</b>	<b>-22,440</b>	<b>-70,982</b>
Tax	0	0	0	0
<b>Net profit/loss</b>	<b>-27,102</b>	<b>-47,399</b>	<b>-22,440</b>	<b>-70,982</b>
Average number of shares	285,968,210	142,984,105	226,391,500	141,907,414
Number of shares at end of period	285,968,210	142,984,105	285,968,210	142,984,105
Profit/loss per share, SEK <sup>1)</sup>	-0.09	-0.33	-0.10	-0.50

<sup>1)</sup> Ledstierman had as per 31 December 2006 3,984,055 warrants outstanding. Each warrant entitles the owner to subscribe for one share at a price of SEK 4.60 up until and including 31 December 2007. Due to the difference between the subscription price and the current market price the warrants carry at present no dilution effect.

<b>BALANCE SHEET, PARENT COMPANY</b>	<b>2006</b>	<b>2005</b>
<b>Amounts in SEK thousands</b>	<b>31 Dec</b>	<b>31 Dec</b>
Tangible fixed assets	268	414
Financial fixed assets	433,824	302,410
Current receivables	8,524	4,262
Bank balances and short-term investments	82,577	57,789
<b>Total assets</b>	<b>525,193</b>	<b>364,875</b>
Equity	520,657	357,514
Non-interest bearing current liabilities	4,536	7,361
<b>Total equity and liabilities</b>	<b>525,193</b>	<b>364,875</b>
<b>CASH FLOW STATEMENT, PARENT COMPANY</b>		
<b>Amounts in SEK thousands</b>	<b>2006</b>	<b>2005</b>
	<b>Jan-Dec</b>	<b>Jan-Dec</b>
Cash flow from operations	-11,713	-17,359
Changes in working capital	-7,288	-768
<b>Cash flow from current operations</b>	<b>-19,001</b>	<b>-18,127</b>
Cash flow from investment activities	-141,795	-38,504
Cash flow from financing activities	185,584	0
<b>Cash flow for the period</b>	<b>24,788</b>	<b>-56,631</b>
Liquid funds at beginning of period	57,789	114,420
<b>Liquid funds at end of period</b>	<b>82,577</b>	<b>57,789</b>

<b>INCOME STATEMENT, GROUP</b>	<b>2006</b>	<b>2005</b>
<b>Amounts in SEK thousands</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>
Net sales	111,277	0
Change in value of financial investments and associated companies	10,111	-106,680
Other operating income	1,001	1,234
Other operating costs	-115,297	-25,538
Depreciation	-3,810	-314
<b>Operating profit/loss</b>	<b>3,282</b>	<b>-131,298</b>
Financial items	1,477	6,942
<b>Profit/loss after financial items</b>	<b>4,760</b>	<b>-124,356</b>
Tax	-2,418	0
<b>Net profit/loss</b>	<b>2,342</b>	<b>-124,356</b>
Average number of shares	226,391,500	141,907,414
Number of shares at end of period	285,968,210	142,984,105
Profit/loss per share, SEK <sup>1)</sup>	0.01	-0.88

<sup>1)</sup> Ledstierman had as per 31 December 2006 3,984,055 warrants outstanding. Each warrant entitles the owner to subscribe for one share at a price of SEK 4.60 up until and including 31 December 2007. Due to the difference between the issue price and the current share price the warrants carry at present no dilution effect.

<b>BALANCE SHEET, GROUP</b>	<b>2006</b>	<b>2005</b>
<b>Amounts in SEK thousands</b>	<b>31 Dec</b>	<b>31 Dec</b>
Intangible fixed assets	80,704	-
Tangible fixed assets	80,851	414
Financial fixed assets	444,913	349,075
Current receivables	94,745	4,262
Bank balances and short-term investments	86,594	57,789
<b>Total assets</b>	<b>787,807</b>	<b>411,540</b>
Equity	592,103	404,179
Non-interest bearing long-term liabilities	76,939	-
Interest-bearing liabilities	47,600	-
Non-interest bearing current liabilities	71,165	7,361
<b>Total equity and liabilities</b>	<b>787,807</b>	<b>411,540</b>

<b>CASH FLOW STATEMENT, GROUP</b>	<b>2006</b>	<b>2005</b>
<b>Amounts in SEK thousands</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>
Cash flow from operations	-218	-17,359
Changes in working capital	-8,000	-768
<b>Cash flow from current operations</b>	<b>-8,218</b>	<b>-18,127</b>
Cash flow from investment activities	-188,975	-38,504
Cash flow from financing activities	225,998	0
<b>Cash flow for the period</b>	<b>28,805</b>	<b>-56,631</b>
Liquid funds at beginning of period	57,789	114,420
<b>Liquid funds at end of period</b>	<b>86,594</b>	<b>57,789</b>

<b>CHANGES IN EQUITY, PARENT COMPANY</b> <b>Amounts in SEK thousands</b>	<b>2006</b>	<b>2005</b>
	<b>Jan-Dec</b>	<b>Jan-Dec</b>
Amount at 1 January	357,514	416,537
Issue of new shares <sup>1)</sup>	185,583	10,419
Premium warrants	0	1,540
Profit/loss for the period	-22,440	-70,982
<b>Amount at 31 December</b>	<b>520,657</b>	<b>357,514</b>

  

<b>CHANGES IN EQUITY, GROUP</b> <b>Amounts in SEK thousands</b>	<b>2006</b>	<b>2005</b>
	<b>Jan-Dec</b>	<b>Jan-Dec</b>
Amount at 1 January	404,179	516,576
Issue of new shares <sup>1)</sup>	185,583	10,419
Premium warrants	0	1,540
Profit/loss for the period	2,342	-124,356
<b>Amount at 31 December</b>	<b>592,103</b>	<b>404,179</b>

1) At an Extraordinary General Meeting held on 18 May 2006 it was resolved to issue 142,984,105 new shares in the Company at SEK 1.40 per share. Of the total consideration received of SEK 200,177,000, SEK 42,895,000 was assigned to the Company's issued share capital and the remaining SEK 157,283,000 was assigned to non-restricted equity. Expenses in connection with the share issue totalling SEK 14,594,000 have been deducted from non-restricted equity.

<b>SIX-YEAR SUMMARY</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Profit/loss in Parent Company, MSEK	-22	-71	-53	-128	-130	-197
Profit/loss per share in Parent Company, SEK	-0.10	-0.50	-0.38	-0.93	-1.06	-1.81
Equity in Parent Company, MSEK	521	358	417	456	583	581
Equity/share in Parent Company, SEK	1.82	2.50	2.97	3.33	4.26	5.33
Equity/assets ratio in Parent Company, %	99	98	98	99	96	98
Capital invested in existing portfolio companies, MSEK	582	443	426	547	576	503
Capital invested per share, SEK	2.03	3.10	3.03	3.99	4.21	4.62
Book value portfolio, MSEK	434	302	308	313	357	358
Book value portfolio per share, SEK	1.52	2.11	2.19	2.29	2.61	3.29
Cash/share in Parent Company, SEK	0.29	0.40	0.81	1.04	1.69	2.09
Administrative cost/average equity, % <sup>1)</sup>	3.19	6.61	3.86	3.54	4.14	7.79
Shares outstanding at year-end, thousands	285,968	142,984	140,399	136,834	136,834	108,954
Dividends per share, SEK	0	0	0	0	0	0
Share price at year-end, SEK	1.83	4.05	3.23	2.80	3.10	6.45
Market capitalization, MSEK	523	579	453	383	424	703
Number of employees in Parent Company at year-end	5	5	7	9	9	11
Number of employees in Group at year-end	180					

<sup>1)</sup> Calculated on a running basis over a period of 12 months