



LEDSTIERNAN

YEAR-END REPORT 2003

- The result after tax was a loss of MSEK 127.8 (loss MSEK 130.1), equivalent to a loss of SEK 0.93 (loss SEK 1.06) per share, including write-downs in the value of the portfolio of MSEK 116 (MSEK 115) of which MSEK 61 was made during the fourth quarter.
- The portfolio as a whole, performed well, particularly in the third quarter when we noticed of break of trend.
- Closing equity amounted to SEK 3.33 per share (SEK 4.26). The equity ratio was 99 per cent (96).
- The financial position remains strong. Liquid funds of MSEK 142 and free from debt as at 31 December 2003. Equivalent to SEK 1.04 per share. The need for second phase investments in the existing portfolio is less than MSEK 50.
- International breakthroughs during the year for technology companies ipUnplugged, Hotsip and Columbitech.
- The portfolio companies strengthen their position via acquisition: SVM North Node acquired ABB Metering and Infomakers merged with sector-competitor Gordion. The board of the portfolio company SVM North Node is examining the possibility of a listing in 2004.
- At least 6 of the 13 core holdings will turn profitable in 2004.
- New tax legislation relieves Ledstiernan of any liability to pay capital gains tax in the future.
- Negotiations on the acquisition of shareholdings in companies within Ledstiernan's area of investment focus are in their final stages.

Ledstiernan is building the leading venture capital company in the Nordic region, with a special focus on technology investments within the communication area. Ledstiernan's share is listed on the Stockholm Stock Exchange's O-list. For further information: www.ledstiernan.se

NATURE OF BUSINESS

Ledstiernan is a venture capital company with its investment focus on IT and communication technology. The portfolio consists of 13 core holdings, primarily in mobile communication and wireless technology, where Ledstiernan's average equity interest is 35-40 per cent. Ledstiernan is an active shareholder and proactively engaged in the development of these companies. Its holdings are exited mainly by divestments to industrial buyers or stock market flotations. Companies that do not develop according to plan are wound up. This is a natural aspect of venture capitalism, where the focus is on developing and positioning a number of genuine winners.

FINANCIAL DEVELOPMENT

Result, liquidity and financial position

The result for the period was a loss of MSEK 127.8 (MSEK 130.1), of which write-downs in the value of Ledstiernan's portfolio companies accounted for MSEK 116 (MSEK 115). Administrative costs amounted to MSEK 18.4 (MSEK 24.1) and net financial income to MSEK 6.7 (MSEK 9.5). The fourth quarter result was a loss of MSEK 63.9, of which portfolio write-downs, mainly attributable to one individual project, accounted for MSEK 61. Ledstiernan has decided not to write up the value of projects even where our valuation principles would allow it.

Closing liquid funds amounted to MSEK 142.5. Ledstiernan has no interest-bearing liabilities or other commitments.

Investments

At the end of the period, the total acquisition value of the existing portfolio was MSEK 546. Over the past few years, this value has been written down by 43 per cent, or MSEK 234, to a total book value of MSEK 313 as at 31 December 2003. Thirteen companies in the portfolio, primarily in the technology sector, are designated as Ledstiernan's core holdings. The other eleven are companies in which Ledstiernan does not play an active role other than monitoring them from a financial perspective. The holdings in such companies are often small.

Ledstiernan's investment strategy for the year was to focus on adding value and establishing structures for the 13 core holdings in the portfolio in order to create larger, stronger units. During the year, a total of MSEK 57 (92) was invested according to plan in the form of second-phase investments in the existing portfolio. In addition, MSEK 15 was invested in the financing of two of the portfolio companies enabling acquisitions complementing, namely Northnode, which acquired ABB Metering from ABB during the year, and Infomakers, which merged with the competitor Gordion. Activities during the year were otherwise mainly focused on the consolidation and management of the existing portfolio after the acquisition of Speed Ventures' portfolio companies in the summer of 2002.

Further structural transactions using Ledstiernan's shares as a means of payment are regularly explored that would enable further companies/portfolios to be added to the portfolio, preferably within Ledstiernan's focus area or where there are synergies with existing companies.

Over the past two or three years, in connection with second phase investments in and stock issues by its portfolio companies, Ledstiernan has renegotiated most of its earlier investments to bring them into line with market conditions. This means that Ledstiernan's prospective equity interest via convertibles, and without the injection of new capital, is higher in many companies than the figure stated in the table on page 8. Moreover, in many cases, by the use of preference shares and loans, Ledstiernan will have preferential rights to the proceeds from divestments of portfolio companies.

Financing

The continued international interest in our portfolio companies has resulted in the external financing of their activities in association with valuable strategic partners at levels higher than or in line with Ledstiernan's acquisition values and book values; these include Emic, Hotsip and SourceByNet. For example, Hotsip recently received funding of MEUR 3 from the Japanese company Bellnet, in which connection the company was valued at MEUR 30. Together the valuation of these two companies indicates a value of MSEK 40 above Ledstiernan's acquisition price.

Divestments

Several holdings were divested during the year, mainly by winding up the companies concerned. These companies include Ambiotech, CCNOX, Corvus Corax (formerly Fyrplus, part of Nordic Circle) and MGON. This is a natural feature of Ledstiernan's business. The portfolio companies Code Factory, Goyada, Fondmarknaden, Start and Run, VS Market and Verktygshuset were sold to the founders for of market value, which generated capital gains of MSEK 1.2 over book value.

Organisation

Ledstiernan reduced its administrative costs from MSEK 24.1 in 2002 to MSEK 18.4 in 2003, and expects to be able to reduce them even further to about MSEK 17.0 (net) in 2004. At 31 December 2003 the company had nine employees (11).

Dividend policy

In January 2003, the Board decided on a new dividend policy. When the net result of the proceeds generated during the year by the sale of portfolio companies, after deductions for acquisition value, is positive, Ledstiernan intends to propose a dividend of 60 per cent of this amount. By sales proceeds is meant cash payment or shares divested for cash. It does not include companies that have been wound up.

Dividend

The Board of Ledstiernan will propose that no dividend be paid for 2003.

Portfolio developments

The market climate for our portfolio companies has been poor for three years now, but in the second half of 2003 we noted stronger demand for our portfolio companies' products and a more buoyant trend on capital markets. We set very ambitious goals for our portfolio companies for 2003, which, we have had to admit, have not been fully achieved. Developments show, however, that despite a difficult market at the start of the year, our portfolio companies achieved organic growth of more than 50 per cent over the year, or over 100 per cent if we include structural transactions. The improvement in the results of the portfolio continued at an ever-increasing pace during the year. A stronger capital market has benefited our companies, which managed to attract financing on favourable terms and in so doing, reduced Ledstiernan's own second phase investments.

It is essential that our companies assume leadership at an early stage through strategic orders and customer positions and create the partner structures that stimulate growth. Many of our portfolio companies are now the absolute leaders of their niches, and we expect them to be viable now that their markets are gradually maturing. Despite the year's write-downs, the portfolio as a whole performed well. Just over half of our portfolio companies are high-tech companies operating on global markets. Here we operate in partnership with large industrial players like IBM, HP, Symbol and NEC. This strategy means that our companies can canvass the global market with credibility and reasonable cost levels.

Ledstiernan's portfolio companies are now, on average, four years old, and all are in the commercialisation phase, where marked improvements were made in the third quarter of 2003. A number of commercial successes can thus be noted:

Columbitech – the company’s product, Columbitech Wireless VPN, now leads the world in terms of the number of installed users. This was achieved by means of a dealer agreement with Symbol Technologies, which has integrated the product in its own “Airbeam Safe” product. The solution currently dominates the retail sector globally. Other cooperation agreements have been entered into with HP on the joint canvassing of the telematics market. Market successes have also been achieved on the Japanese market, where canvassing activities are now being stepped up.

Emic Networks – The company has delivered its “grid computing” solutions for MySQL and Apache to numerous customers in the USA, Europe and Japan. It has also signed dealer agreements with MySQL and some of MySQL’s retailers in countries such as Japan, Holland and Brazil. During the year, the company received additional financing at an attractive level from Aura Capital, the Finnish venture capitalist.

ipUnplugged – has renewed and strengthened its OEM agreement with Japan’s NEC Corporation. The company has launched internal pilot projects with two leading operators in order to, subsequent to external pilots and evaluations, launch commercial services. The American operator Nsight Teleservices introduced the first VPN service in the USA in 2003 using ipUnplugged’s products. Partner agreements were signed during the year with Nomadix, Smith Micro and Aptilo Networks. Moreover, ipUnplugged was chosen to join Cisco’s “Service Provider Solutions Ecosystem” and Netscreen’s “Global Security Alliance”. IpUnplugged received financing during the year from a number of financiers, including Mobile Internet Capital of Japan, at a company valuation that gave Ledstiernan’s holding a value of approximately MSEK 73.

Incomit – In 2003, Incomit established strong partnerships with a number of companies, including HP and BEA, strengthened its management team and the board and launched a second generation of products. Incomit is now ready to meet the expected increase in customer interest from telecom operators, who are once again ready to invest in the future.

Infomakers – acquired competitor Gordion during the year. The merged company, named GordionInfomakers, becomes the leading supplier in Scandinavia of IT solutions for customer relations (CRM solutions) via electronic media in shops, offices and public spaces in the form of “information kiosks” and mobile terminals. Prominent customers include ICA, IKEA, Nordea, Svensk Bilprovning, SEB and NK. At the end of the year, an important, major order was received from the Swedish Golf Federation for the installation of information kiosks at the county’s 450 golf courses.

It’s Alive – is one of the world’s leading suppliers of MMOG (Massively Multiplayer Online Games), and in 2003 it acquired numerous new customers, of which the following are prominent examples: Iniru (Israel), Megafon (Russia), two operators in China and a major mobile telephone manufacturer. The company expects the market for more advanced mobile games will grow markedly in 2004.

Hotsip – During the latter half of 2003, TeliaSonera started to launch Ip telephony over ADSL, and in both Finland and Sweden is now offering the service as an alternative to regular telephony. Hotsip is one of the main suppliers of the solution. Hotsip’s strengthening partnership with Bellnet in Japan prompted Bellnet to invest EUR 3 million in a 10 per cent interest in Hotsip during the year. This gives a total market capitalisation for the company of some MSEK 275. After the end of the period, in February 2004, an OEM agreement was signed with Ericsson for the sale of Hotsip’s products as integrated components of Ericsson’s new broadband solutions for the fixed telephony networks.

Millennium Media Group – exceeded 1 million paying subscribers for its E! channel in 2003, allowing the company to reach breakeven. Preparations were begun for the launch of a new channel. The launch is expected to take place in the autumn of 2004.

Mint – During the year, Mint has consolidated its position as the leading operator of mobile phone-based parking fee payment services. Mint also signed an agreement with a large number of car park operators around the country and now covers most major towns in Sweden. One noteworthy

development is that some 4 per cent of parking fees in Stockholm are now paid by mobile phone, and much of these via P-Mint.

SVM North Node – acquired SVM (ABB Metering) from ABB during the year, and towards the end of the year completed its integration programme, reaching profitability during the last quarter. The company, which produces metering products for energy (electricity, district heating, gas and water consumption), is looking into further acquisition opportunities. The board of SVN North Node also decided to examine the possibilities of a stock market listing during 2004.

Repeatit – increased its deliveries of its R/S III systems for wireless broadband connections for domestic users. Deliveries of these products were made to existing customers, including Svalöv, Tierp municipality, Norrtälje Energi, Växjö Energi and Vallentuna Energi, and numerous other local power companies around the country. The company currently has thousands of end users, and accordingly entered into a partnership with EITepe, which has responsibility for the sale, distribution and support of base stations and client equipment.

the PhonePages – formed a partnership during the year with IBM, Ericsson and Siemens, with whom it is conducting several promising negotiations with telecom operators on their purchasing technology and know-how from the PhonePages. The company expects modern infrastructure and telephones will enable its solutions to be put to maximal use in 2004. Important customers in 2003 included Siemens and Eniro.

Voice Provider – Its unique arrangement with Scandinavian IT Group makes Voice Provider the leading supplier of voice-controlled services. The company, which has previously taken market positions in Sweden, won a number of prestige contracts in Norway in 2003. The company signed an agreement in Sweden on voice-controlled services with Nordnet on voice-controlled share trading, which has been highly successful. Contracts were also signed with UC (the Swedish Business & Credit Information Agency) on the voice-prompted reporting of the loss of ID documents, and with Svenska Spel on voice-prompted telephone services for finding out the results of popular gaming and gambling products, such as Lotto, Stryktipset and Oddset. In 2003, Voice provider made considerable progress towards becoming the leading supplier of voice-controlled services in Sweden.

FUTURE PROSPECTS

The venture capital market has generally been difficult since the spring of 2000 as regards the underlying markets for products and services, valuations and external financing capacity. Ledstiernan has been affected by this market, which, on the minus side, has resulted in the winding up of several companies, write-downs to cover proven and possible losses, and a process of adjustment to prevailing market valuations. However, since the third quarter of 2003, there have been signs of a turn around in the market, with stronger demand for the portfolio companies' products. Ledstiernan is in a very strong financial position, having 13 core holdings in its portfolio with considerable development potential, most of which have reached their commercial breakthrough. With this position as a platform and a stronger capital market, Ledstiernan is well placed to make good progress from now on.

Ledstiernan will reduce its second-phase investments in its portfolio companies in the future. We estimate that the need for second-phase investments in the existing portfolio will amount to less than MSEK 50. This does not include the financing of any complementary acquisitions in one or more of the portfolio companies.

Ledstiernan's portfolio companies are active in many different underlying sectors, such as energy, finance, computer games, betting, media, etc. Ledstiernan thus has a soundly diversified portfolio with considerable potential.

OTHER

Tax status

In July 2003, the Government took a decision on new tax legislation that gives tax-exemption status to capital gains on unlisted holdings. This means that Ledstiernan will not be paying company tax on capital gains generated by the sale of its holdings for the foreseeable future. Ledstiernan is actively examining the possibilities how the accumulated loss allowances of some MSEK 310 can be put to best use.

Bonus programme

A new bonus programme has been approved for key employees of Ledstiernan in return for waiving some salary. The amount on which the bonus is based, or the amount of the bonus, is calculated in accordance with the definition in the dividend policy, namely:

“When Ledstiernan has divested all or part of its holding in a portfolio company for cash (or for shares that are then sold for cash), 7.5% of the net cash capital gain on divestments during the year, i.e. sales proceeds after deduction of acquisition costs, may be paid out by way of bonus. Divestment does not include discontinued or liquidated companies.” The bonus programme is subject to a ceiling of two annual salaries per year.

The amount of bonus is a gross amount that includes statutory social security charges. The bonus does not qualify for calculation of pension rights. The key employees have, at the same time, waived their right to draw 10-15 % of their salary as one means of further reducing Ledstiernan’s administrative costs.

Ledstiernan’s shares

In November 2002, Ledstiernan appointed Hagströmer & Qviberg Fondkommission as its market maker. During the year, the liquidity of the share was good. The highest and lowest trading price for the shares during the year was SEK 3.99 (19 September) and SEK 1.75 (20 March) respectively. At the turn of 2003/2004, the share was quoted at SEK 2.80, which is equivalent to a market capitalisation of MSEK 383. During the year 86,512,428 Ledstiernan shares were traded for an aggregate value of MSEK 213. The shares were traded on 99 per cent of trading days at an average rate of 348,840 shares per trading day at an average price of SEK 2.46 (or SEK 858,000 per trading day).

Accounting principles – Valuation of portfolio companies

Ledstiernan states its investments at the lower of acquisition value and estimated market value. A valuation is made of each individual company before every quarterly and annual report in order to determine whether it is over- or undervalued in relation to the acquisition value. If it is judged to be overvalued, no change of the book value is necessary, and thus there is no effect on the income statement. However, if it is judged to be undervalued, the book value is written down to the assessed value. This write-down affects the income statement by a loss equivalent to the written-down value.

Reporting in accordance with the IFRS

In accordance with the requirements that will apply to listed companies in the EU as of 2005, Ledstiernan will be reviewing its reporting procedures in line with the IFRS (International Financial Reporting Standards). The most important difference between this reporting standard and the current method is that much of the financial assets and liabilities will be stated at their real value instead of, as is currently the case, at the lower of acquisition value and actual value.

Events after the end of the financial year

On 13 January 2004, Ledstiernan held an extraordinary general meeting, at which the Board was mandated to issue 10,000,000 shares to give it the capacity to act quickly on company acquisitions.

Ledstiernan is currently in the closing stages of negotiations regarding such an acquisition, in which case part of this mandate will be used.

Annual General Meeting

The Annual General Meeting of shareholders in Ledstiernan AB will be held in the IVA premises at Grev Turegatan 16, Stockholm, at 5.00 p.m. on 31 March, 2004. A special notice convening the Meeting will be published in daily newspapers in the week beginning 8 March.

The annual report for 2003 will be distributed to shareholders who have so requested in the week beginning 8 March. It may also be downloaded from Ledstiernan's website: www.ledstiernan.se.

Financial information 2004

Annual General Meeting	March 31, 2004
First quarter report (at 31 Mar 2004)	April 29, 2004
Half-year report (at 30 Jun 2004)	August 25, 2004
Nine-month report (at 30 Sep, 2004)	October 21, 2004

Stockholm, 12 February, 2004
The Board
Ledstiernan AB (publ)

This Year-end Report has not been examined by the company's auditors.

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PORTFOLIO HOLDINGS AS OF DECEMBER 31, 2003

(SEK'000)							External valua-
Company	Acquisition date	Present interest 2)	Acquisition value shares	Convertible loans	Other loans	Total investments	tion transaction post-money 2)
Columbitech AB	May-00	18.0%	16 630			16 630	
Emic Networks Oy	June-02	40.9%	4 608	2 000	899	7 507	11 414
Hotsip AB	Jun-02	21.5%	24 185			24 185	59 147
Incomit AB	Aug-00	46.1%	68 035	5 000		73 035	
It's Alive Mobile Games AB	June-02	30.4%	6 015	2 587	1 500	10 102	
Gordion Infomakers AB	July-99	50.0%	25 808		6 080	31 888	
ipUnplugged AB	Jan-00	40.8%	80 278			80 278	72 933
Millennium Media Group AB	Dec-99	36.2%	22 898			22 898	
Mint AB	May-00	33.1%	45 280		1 233	46 513	
SVM North Node AB	1) May-01	46.3%	29 396	3 416		32 812	
Repeatit AB	March-00	48.9%	17 457	5 296		22 753	
the Phone Pages of Sweden AB	March-00	31.3%	28 350			28 350	
Voice Provider Sweden AB	1) Nov-00	21.3%	6 116			6 116	
Acquisition value core holdings			375 056	18 299	9 712	403 067	
Write-downs						-109 333	
Book value						293 734	
Acquisition value other holdings			140 876	182	2 415	143 473	
Write-downs						-124 128	
Book value						19 345	
TOTAL ACQUISITION VALUE			515 932	18 481	12 127	546 540	
TOTAL WRITE-DOWNS						-233 461	
TOTAL BOOK VALUE						313 079	

1) Ledstiernan has issued call options on 5 % of the total holdings as in incentive.

2) Exclusive of convertible loans.

INCOME STATEMENT

(SEK'000)

	2003 Quarter 4	2002 Quarter 4	2003 Jan-Dec	2002 Jan-Dec
<i>Income from/loss on portfolio holdings</i>				
Exit results	73	690	1 061	690
Write-downs	-61 000	-49 854	-116 228	-114 854
Total income from/loss on portfolio holdings	-60 927	-49 164	-115 167	-114 164
<i>Operating expenses</i>				
Administrative expenses	-3 962	-6 293	-18 397	-24 079
Depreciation	-77	-668	-871	-1 359
Total operating expenses	-4 039	-6 961	-19 268	-25 438
Operating loss	-64 966	-56 125	-134 435	-139 602
Financial items	1 100	2 968	6 661	9 545
Loss after financial items	-63 866	-53 157	-127 774	-130 057
Tax on profit for the year	-	-	-	-
Net loss for the period	-63 866	-53 157	-127 774	-130 057
	Shares thousands	Shares thousands	Shares thousands	Shares thousands
Average number	136 834	136 718	136 834	122 822
At end of period	136 834	136 834	136 834	136 834
Loss per share	-0.47 SEK	-0.39 SEK	-0.93 SEK	-1.06 SEK

There is no dilution effect.

BALANCE SHEET

(SEK'000)

ASSETS	2003-12-31	2002-12-31
Fixed assets		
<i>Tangible fixed assets</i>		
Equipment	1 195	1 207
Total tangible fixed assets	1 195	1 207
<i>Financial fixed assets</i>		
Participation in associated companies	263 653	286 403
Receivables from associated companies	16 931	38 382
Other securities held as fixed assets	32 263	32 719
Other long-term receivables	232	0
Total financial fixed assets	313 079	357 504
Total fixed assets	314 274	358 711
Current assets		
<i>Current receivables</i>		
Receivables from associated companies	1 655	2 288
Other receivables	2 006	2 621
Prepaid expenses and accrued income	670	520
Total current assets	4 331	5 429
<i>Investments</i>		
Commercial papers	19 918	224 976
<i>Cash and bank</i>	122 636	16 968
Total current assets	146 885	247 373
TOTAL ASSETS	461 159	606 084

BALANCE SHEET, CONTINUED

EQUITY AND LIABILITIES

	2003-12-31	2002-12-31
Equity		
1) <i>Restricted equity</i>		
Share capital	41 050	41 050
Share premium reserve	8 210	506 824
Total restricted equity	49 260	547 874
<i>Non-restricted equity</i>		
Profit brought forward	534 051	165 494
Loss for the year	-127 774	-130 057
Total non-restricted equity	406 277	35 437
Total equity	455 537	583 311
Liabilities		
<i>Current liabilities</i>		
Bills payable	409	1 389
Liabilities to associated companies	1 430	4 435
Other liabilities	1 265	13 114
Accrued expenses	2 518	3 835
Total current liabilities	5 622	22 773
Total liabilities	5 622	22 773
TOTAL EQUITY AND LIABILITIES	461 159	606 084

1) On October 10, 2003 the City Court granted permission to reduce the share with 499 MSEK for transfer to non-restricted equity.

MEMORANDUM ITEMS

<i>Pledged assets</i>		
Cash	1 454	-
<i>Contingent liabilities</i>		
Committed follow-up investments	3 000	6 583

CHANGE IN EQUITY

	2003 Jan-Dec	2002 Jan-Dec
Opening balance	583 311	580 940
New share issue	-	132 428
Loss for the year	-127 774	-130 057
Closing balance	455 537	583 311

CASH FLOW ANALYSIS

	2003	2002
	Jan-Dec	Jan-Dec
Current operations		
Cash flow from current operations	-11 717	-12 949
Cash flow from change in working capital	-3 383	-11 466
Cash flow from current operations	-15 100	-24 415
Cash flow from investment activities	-74 134	-86 994
Financing activities		
Amortisation of loans	-10 156	-7 698
Share issue	-	133 614
Cash flow from financing activities	-10 156	125 916
Cash flow for the year	-99 390	14 507
Opening liquid funds	241 944	227 437
Closing liquid funds	142 554	241 944

FINANCIAL RATIOS

	2003-12-31	2002-12-31	2001-12-31	2000-12-31
Result, MSEK	-128	-130	-197	-172
Result/share, SEK	-0.93	-1.06	-1.81	-1.75
Equity, MSEK	456	583	581	778
Equity/share, SEK	3.33	4.26	5.33	7.14
Equity ratio, %	99	96	98	96
Capital invested in existing portfolio, MSEK	547	576	503	452
Capital invested/share, SEK	3.99	4.21	4.62	4.14
Book value portfolio, MSEK	313	357	358	332
Book value portfolio/share, SEK	2.29	2.61	3.29	3.05
Cash/share, SEK	1.04	1.69	2.09	4.23
Administrative expenses/average equity, % ¹⁾	3.54	4.14	7.79	8.43
Shares issued, thousands	136 834	136 834	108 954	108 954
Closing listed price, SEK	2.80	3.10	6.45	7.60
Market capitalisation, MSEK	383	424	703	828
Number of employees at end of period	9	9	11	16

¹⁾ Based on a current 12-month period