

## interim report 2, January – June 2004

- Net loss for the first six months after tax was MSEK -8,9 equivalent to SEK 0,06 per share (2003: MSEK 19,5 equivalent to a loss of SEK 0,14 per share).
- Equity was MSEK 461 equivalent to SEK 3,28 per share, and equity/assets ratio was 97 per cent.
- Investments for the period totalled MSEK 23 (2003: MSEK 55), of which MSEK 20 was in respect of follow-up investments in the existing portfolio.
- As at 30 June 2004, liquid assets totalled MSEK 113 equivalent to SEK 0,80 per share and representing a continuing high liquidity reserve. At the end of the period future follow-up investment requirements in the existing portfolio are assessed as only MSEK 30.
- Ledstiernan acquired a total of 7,9 per cent of the issued share capital in Aspiro AB in July 2004.
- There were improvements in the order books for several portfolio companies and signs of more positive developments on the venture capital market
- In July NEC renewed its OEM agreement with ipUnplugged and also invested MUS\$ 2 in the company.

Ledstiernan is in the process of becoming Scandinavia's leading venture capital company focusing on IT and communications technology. The Company's shares are quoted on the Stockholm Stock Exchange O List.

[www.ledstiernan.se](http://www.ledstiernan.se)



LEDSTIERNAN

# operations and financials

## Operations

Ledstiernan is a venture capital company focusing on IT and communications technology. Its portfolio comprises 14 major investments, primarily in companies specializing in mobile communications and wireless technology. On average, shareholdings represent some 35 per cent of the issued share capital of portfolio companies. Ledstiernan invests first and foremost in unlisted Swedish companies with growth potential and the potential to achieve leading positions on their respective markets. Our objective, over time, is to create a high return for our shareholders as a result of active ownership, by close involvement in the development of our portfolio companies and disposal of our interests in them when the time is ripe. Exits are primarily as the result of industrial disposals or by seeking stock exchange listings. Operating on the venture capital market involves the taking of considerable risks but also the possibility of achieving substantial returns on investments. Write-offs form a natural part of the operations of a company like Ledstiernan, and a venture may for example be written off when a portfolio company fails to develop as planned. Our focus is on identifying and developing a small number of real winners.

Structural transactions with other venture capital companies or funds are studied on an ongoing basis, as a result of which holdings in further companies may be added to the existing portfolio, preferably in those sectors on which the Company focuses.

## Financial developments

### *Results, liquidity and financial position*

- The result for the first six months of 2004 after tax was MSEK -8,9 (2003: MSEK -19,5).
- As at 30 June 2004 the Company had liquid assets totalling MSEK 112,6 equivalent to SEK 0,80 per share. There were no interest bearing liabilities.
- Net administration costs for 2004 are running at approx MSEK 17 per annum, and totalled MSEK 9,3 for the second quarter. The number of employees as at 30 June 2004 was 8 (2003: 9).

## Investments

As at 30 June 2004 the acquisition cost of existing investments in portfolio companies was MSEK 535. Over the past few years acquisition cost has been written down by 34 per cent or MSEK 183, to give a book value of MSEK 352 at the end of the period. Holdings in 14 companies, most of them high-tech, are regarded as the core of the portfolio. Holdings in other companies are not the subject of active ownership, but are monitored from a financial perspective.

The focus of Ledstiernan's investment strategy is on the development and build-up of structures surrounding the Company's principal holdings with a view to creating larger and stronger units. During the first six months of 2004 SVM North Node acquired a further company in the energy metering sector, Milab AB which is based in Linköping. The acquisition was by means of an issue in kind. Following the merger of the two companies, Ledstiernan's shareholding amounts to 35,3 per cent.

In May 2004 it was resolved to contribute MSEK 20 to a guarantee consortium prior to the issue of new shares in Aspiro AB. As a result of this contribution, in July 2004 Ledstiernan was allocated 4 390 929 shares in Aspiro at an issue price of SEK 2 per share. Including its earlier acquisitions, Ledstiernan now holds 7,93 per cent of the issued share capital in Aspiro, representing a total investment of MSEK 17,7. Aspiro is a major supplier of mobile content services to e.g. computer games. In July 2004 Aspiro acquired a Norwegian company, Cellus and thus became the Scandinavian leader in the field of mobile entertainment.

### *Follow-up investment requirements*

As at 30 June 2004, outstanding investment requirements in respect of existing portfolio companies are assessed as totalling MSEK 30, which is completely in accordance with earlier plans. However, this figure does not include requirements in respect of any future strategic acquisitions or capital requirements arising in connection with structural acquisitions in existing portfolio companies.

### *Financing*

Continuing international interest in Ledstiernan's portfolio companies has led to further external financing being provided by interesting strategic partners and at levels that are either higher than or equal to the Company's acquisition costs and book values. During the first six months of 2004 external finance has been provided in the cases of Columbitech, Emic Networks and Hotsip. In total, the current value of Ledstiernan's holdings in these three companies is approx MSEK 50 over acquisition cost (see also under the respective companies for further information).

### *Disposals*

It is part of Ledstiernan's strategy to gradually dispose of its smaller shareholdings in portfolio companies that are not seen as being of strategic importance. Consequently, during the second quarter of 2004 the Company disposed of its holdings in Ten Four AB, Ida Holding and Travis, generating liquid assets totalling some MSEK 2,3 but also generating a loss of MSEK 2,9. The disposal of the Company's holding in Spreadskill AB during the first quarter of 2004 did not affect results.

# portfolio development and future prospects

During the first six months of 2004, and at a number of levels, Ledstiernan and its portfolio companies have noted a positive trend in the conditions governing the venture capital market. There have been signs of gradual maturing and of increased interest in providing finance for our portfolio companies, not least at international level, together with indications of willingness on the part of industry to invest.

This picture is also reflected in statistics from the USA where investment in venture capital companies is increasing both in numbers and volume, and at better prices. The first six months of the year have also seen an increase in stock exchange introductions and M&A activity. Thus it would appear that, despite all the drama associated with the year 2000, the venture capital industry has come full circle. We now hope to see a normal upward trend following the general pattern, opening

The following important events took place during the first six months of 2004:



**Columbitech – Solutions for wireless access to corporate data** – The company received external financing from NTT DoCoMo- controlled venture capital company Mobile Internet Capital (MIC), which invested MUSD 1,5. This capital injection will enable Columbitech to introduce on the Japanese market the same successful business model it has been using in the USA, where it is now the market leader in systems for the retail trade and has also done extensive business with federal authorities. Via Symbol Technologies, Columbitech has also become a subcontractor to the US Navy, a number of whose submarines and other warships are to be equipped with secure communications systems. The value of the initial order placed is approx MSEK 10. The company has also won a substantial order from Carlsberg Breweries of Denmark to provide its truck drivers with secure access to Carlsberg's SAP system via the GPRS network using handheld terminals. A total of some 1 200 trucks in Sweden, Norway, Denmark and Finland will be fitted with Columbitech's "Wireless Suite".



**Emic Networks – Grid computing solutions for Linux-based web platforms and databases** – Via a new share issue the company received MSEK 56 in external financing at a level substantially higher than that of Ledstiernan's book value of its holding. The new investors are Trident Capital, one of the USA's leading venture capital companies, and Nordic Venture Partners. The capital injection is to be used to reinforce Emic Networks' market establishment and for product development. The company has won a number of new customers, first and foremost in the telecoms and public sectors including Teligent, Cellus, Yale and Indiana Universities and Nagasaki City Council.



**Gordion Infomakers – Customer loyalty solutions and information terminals** – During the first quarter of 2004 the company secured a major contract from the Swedish Golf Union in respect of self-service information kiosks. To date it has received orders from some 100 of Sweden's 450 golf clubs, and new orders continue to come in. The company is now in the black, and reported profits for the first six months of the year.



**Hotsip – Solutions for multimedia communication via IP telephony, video conferencing, Presence management etc** – The company has been entrusted with supplying the technology behind TeliaSonera's new broadband telephony service. At the beginning of April it secured further external financing from Bell Net of Japan, amounting to MEUR 5 on a valuation of MEUR 35. Hotsip has signed an OEM agreement with Ericsson under the terms of which it will supply extensive software as an integral part of Ericsson's Engine Multimedia solution for fixed network operators.



**Interpeak – Communications and security systems for embedded systems** – The company is developing positively, and has secured a number of prestigious orders from inter alia HP and Boeing.

## portfolio development continued



**It's Alive Mobile Games – Development and production of games for mobile telephones** – In June the company merged with Daydream AB (publ), whose shares are quoted on the Stockholm Stock Exchange's O List (see also under Significant events p.5).



Unplugged

**IpUnplugged – Solutions for secure mobility and integration between wireless networks** – The company has renewed its OEM agreement with NEC and sales on the Japanese market have commenced. During the first six months of 2004 the company has also won breakthrough orders from major customers in Norway and the UK.



**Mint – Solutions for mobile payment transactions** – The company's P-Mint service continues to grow, and during the period was extended to a number of new locations including Norrköping, Mölndal and Göteborg-Landvetter International Airport. A new solution for residential parking was launched during March-April 2004. In May the company signed a licence agreement with Paymint Ltd covering the UK and the Republic of Ireland, the second major agreement in respect of markets outside Scandinavia.



**Millennium Media Group – Acquisition and distribution of film and TV rights** – MMG has signed an agreement for cooperation with Canal+, under the terms of which it has secured an extension of the translation contract for its subsidiary PrimeText. The first six months of 2004 also saw the successful launch of the new TV channel Star!, replacing E. The company plans to launch a further TV channel during Autumn 2004. The company is in the black and continues to be profitable.

## SVM North Node

**SVM North Node – Solutions for automatic reading of electricity, water, heating and gas meters** – Following the acquisition of ABB Metering AB during the second quarter of 2003, a further acquisition was made during the first quarter of 2004, this time of Milab AB, a Linköping-based company that markets and supplies remote meter reading systems for network and energy companies. Milab also has a strategic agreement for cooperation with the world's largest manufacturer of electricity meters, part of the Siemens Group. During the second quarter of 2004 the company won a number of important Swedish orders for remote meter reading, from Uddevalla Energi, Tranås Energi and Karlshamns Energi. As mentioned earlier, the board of SVM North Node has decided to investigate the possibilities of obtaining a stock exchange listing of the company's shares.



**Repeatit – Radio-based solutions for fixed wireless broadband** – During the first quarter of 2004 the company signed several new contracts, including an exclusive agreement with the Swedish Association of Owners of One- and Two-Family Houses (SVF) for the supply of fixed wireless broadband equipment to SVF members. The first installations have already been completed in the Luleå area of Northern Sweden. The company has also signed a distribution agreement with Paradigm Communications of the UK resulting in the successful supply of the first wireless broadband network for use in UK schools. Repeatit's new President, Jan Gustavsson, has many years' experience of senior management in IT and telecoms, and has joined the company from Objecta AB, a member of the Trio Group.



**Voice Provider – Sweden's largest provider of voice-controlled services** – The company has taken a further stride on the way to becoming Scandinavia's leading supplier of voice-controlled services by securing its first order on the Danish market, and is developing positively. The market for voice-controlled services has begun to pick up speed, and many major companies are now discussing the advantages of voice-controlled customer access, which is expected to form a major new market for the company. At the beginning of July 2004 Voice Provider acquired the voice-controlled services operations of Computer Sciences Corporation (CSC), thus becoming the undoubted leader in this field on the Scandinavian market.

# other information

## Ledstiernan's shares

Share liquidity has continued to grow. During the first six months of 2004 shares in Ledstiernan were traded on all business days. 65,6 million shares, corresponding to 47 per cent of the average number of shares in issue, were traded for a total consideration of MSEK 243,3 or an average per share of SEK 3,71. New institutional shareholders during the year include Industrivärden and Robur Fonder.

## Accounting principles – portfolio valuation

Ledstiernan reports its investments at acquisition cost or anticipated market value, whichever is the lower. Before the publication of each interim report and of unaudited annual earnings figures, an assessment is made of each portfolio company to determine whether the value of the investment is above or below acquisition cost. If it is above, no change is made to the book value and the income statement is not affected; if it is below, the book value is written down to the assessed value, and this write-down is reflected in the income statement as a loss equivalent to the amount written down.

This Interim Report has been drawn up in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20. In all other respects the accounting principles applied are those applied in drawing up the Company's Annual Report for 2003.

## Significant events after 30 June 2004

In July 2004 Daydream Software AB, a manufacturer of computer games whose shares are quoted on the Stockholm Stock Exchange O List, acquired the whole of the issued share capital in Ledstiernan's portfolio company **It's Alive Mobile Games**, which operates in the same niche. As a result Ledstiernan acquired 16,2 per cent of the issued share capital in **Daydream**. Ledstiernan has committed itself to providing further capital up to a maximum of MSEK 2,5 which would result in an increase in its holding to 20 per cent of Daydream's share capital.

Also during July **ipUnplugged** received MUSD 2 in financing from the Japanese electronics giant NEC thus securing its position for the next 18 months. ipUnplugged also has an OEM agreement with NEC. At the same time the other shareholders in the company – Ledstiernan, MIC and Industrifonden – invested MUSD 1 in the company between them.

At the beginning of July 2004 **Voice Provider** acquired Computer Sciences Corporation's voice-controlled services operations, thus reinforcing its position as the Scandinavian leader in this field.

In July 2004 Ledstiernan subscribed for shares in **Aspiro AB** (publ), partly under the terms of the guarantee for a total of MSEK 20 previously entered into and partly under the terms of the subscription rights acquired by Ledstiernan in June. Ledstiernan's total capital investment in Aspiro is MSEK 17,7 and represents 7,93 per cent of Aspiro's issued share capital.

In August **Mint** acquired the whole of the issued share capital in Payway OY from TeliaSonera.

Payway has a substantial portfolio of patents covering various aspects of payment of parking fees via cellphone.

Stockholm, 25 August 2004  
Board of Directors  
Ledstiernan AB (publ)

*This Interim Report has not been examined by The Company's auditors*

## Financials:

Interim report Jan-Sept

21 October 2004

Publication of unaudited annual earnings figures for 2004

February 2005

*If you would like further information, Please get in touch with*

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# portfolio holdings

figures in SEK 000s

COMPANY	Date of acquisition	Present shareholding	Acquisition			Total investment	Market value quoted shares	Valuation external transaction (post money) 3)
			Acquisition cost shareholding	Convertible loans	Other loans			
Columbitech AB	May 00	16,4%	16 630			16 630		20 484
Emic Networks Oy	June 02	23,5%	6 862			6 862		28 908
Gordion Infomakers AB	July 99	50,0%	25 808			6 780	32 588	
Hotsip AB	June 02	18,5%	24 185				24 185	59 375
Incomit AB	Aug 00	46,1%	68 035	12 876			80 911	
Interpeak AB	March 04	22,5%	14 189				14 189	
ipUnplugged AB	Jan 00	38,1%	84 233				84 233	
It's Alive Mobile Games AB	4) June 02	57,6%	8 674			1 500	10 174	
Millennium Media Group AB	Dec 99	36,2%	22 898				22 898	
Mint AB	May 00	42,8%	48 848			766	49 614	
Repeatit AB	March 00	48,9%	17 457	5 296	2 470		25 223	
SVM North Node AB	2) May 01	35,3%	34 104			1 708	35 812	
the Phone Pages of Sweden AB	March 00	31,3%	28 350				28 350	
Voice Provider Sweden AB	2) Nov 00	21,8%	6 167	483			6 650	
<b>Acquisition cost of principal holdings</b>			<b>406 440</b>	<b>18 655</b>	<b>13 224</b>		<b>438 319</b>	
<b>Write-downs</b>							<b>-109 333</b>	
<b>Book value of principal holdings</b>							<b>328 986</b>	
Aspiro AB	1) June 04	5,3%	8 879				8 879	8 925
Virtue Broadcasting Corp	May 00	0,8%	567				567	1 001
<b>Acquisition cost of quoted shares</b>			<b>9 446</b>	<b>0</b>	<b>0</b>		<b>9 446</b>	
<b>Write-downs</b>							<b>0</b>	
<b>Book value of quoted shares</b>							<b>9 446</b>	
Acquisition cost of other holdings			84 369	0	2 367		86 736	
Write-downs							-73 442	
Book value of other holdings							13 294	
<b>Total acquisition cost</b>			<b>500 255</b>	<b>18 655</b>	<b>15 591</b>		<b>534 501</b>	
<b>Total write-downs</b>							<b>-182 775</b>	
<b>Total book value</b>							<b>351 726</b>	

1) In July Ledstiernan subscribed for additional 4.390.929 shares at a total cost of 8,8 MSEK under a guarantee of 20 MSEK issued by Ledstiernan.

After this acquisition the participation interest was 7,93 percent.

2) Ledstiernan has granted call options in respect of 5 percent of its total holding on an incentive basis.

3) Excluding convertible loans and where financing has taken place during the past twelve months.

4) The total holding has been transferred to Daydream Software AB at the beginning of July.

# income statement

figures in SEK 000s

	2004	2003	2004	2003	2003
	Q 2	Q 2	January-June	January-June	Full year
<b>RESULTS FROM PORTFOLIO HOLDINGS</b>					
Exit results	-2 890	-150	-2 333	988	1 061
Write-downs	0	0	0	-13 228	-116 228
<b>OTHER OPERATING INCOME</b>	170	0	515	0	0
<b>OPERATING COSTS</b>					
Administrative costs	-4 376	-5 756	-9 281	-11 245	-18 397
Depreciation	-113	-229	-244	-479	-871
<b>OPERATING LOSS</b>	-7 209	-6 135	-11 343	-23 964	-134 435
Financial items	1 338	1 751	2 431	4 432	6 661
<b>LOSS AFTER FINANCIAL ITEMS</b>	-5 871	-4 384	-8 912	-19 532	-127 774
Tax	0	0	0	0	0
<b>NET LOSS FOR THE PERIOD</b>	-5 871	-4 384	-8 912	-19 532	-127 774
Average number of shares in issue	140 398 647	136 834 031	139 208 942	136 834 031	136 834 031
Number of shares at end of period before/after dilution	140 398 647	136 834 031	140 398 647	136 834 031	136 834 031
Loss per share before/after dilution, SEK	-0,04	-0,03	-0,06	-0,14	-0,93

# balance sheet

figures in SEK 000s

	040630	030630	031231
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<i>Tangible fixed assets</i>	892	1 621	1 195
<i>Financial fixed assets</i>			
Participation in associated companies 1)	315 838	363 933	280 584
Other long-term holdings of securities 1)	35 888	32 719	32 495
<b>TOTAL FIXED ASSETS</b>	<b>352 618</b>	<b>398 273</b>	<b>314 274</b>
<b>CURRENT ASSETS</b>			
Short-term receivables	7 658	5 085	4 331
Short-term placements	50 000	124 485	19 918
Cash at the bank	62 595	43 144	122 636
<b>TOTAL CURRENT ASSETS</b>	<b>120 253</b>	<b>172 714</b>	<b>146 885</b>
<b>TOTAL ASSETS</b>	<b>472 871</b>	<b>570 987</b>	<b>461 159</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Restricted equity	63 341	547 875	49 260
Non-restricted equity	397 364	15 904	406 277
<b>TOTAL EQUITY</b>	<b>460 705</b>	<b>563 779</b>	<b>455 537</b>
<b>CURRENT LIABILITIES</b>			
Current, not interest bearing liabilities	12 166	7 208	5 622
<b>TOTAL CURRENT LIABILITIES</b>	<b>12 166</b>	<b>7 208</b>	<b>5 622</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>472 871</b>	<b>570 987</b>	<b>461 159</b>
1) Including shares and convertible loans			
<b>CHANGE IN EQUITY</b>			
	2004	2003	2003
	Jan-June	Jan-June	Jan-Dec
As at 1 January	455 537	583 311	583 311
New share issue	14 080	–	–
Loss for the period	-8 912	-19 532	-127 774
<b>AS AT END OF PERIOD</b>	<b>460 705</b>	<b>563 779</b>	<b>455 537</b>

# cash flow analysis figures in SEK 000s

	2004 Jan-June	2003 Jan-June	2003 Jan-Dec
<b>CURRENT OPERATIONS</b>			
Cash utilized by current operations	-6 454	-6 786	-11 717
Cash utilized by changes in working capital	-1 298	-2 214	-3 383
<b>CASH UTILIZED BY CURRENT OPERATIONS</b>	<b>-7 752</b>	<b>-9 000</b>	<b>-15 100</b>
<b>CASH UTILIZED BY INVESTMENT ACTIVITIES</b>	<b>-22 207</b>	<b>-55 181</b>	<b>-74 134</b>
<b>FINANCING ACTIVITIES</b>			
Amortization of loan	0	-10 134	-10 156
<b>CASH UTILIZED BY FINANCING ACTIVITIES</b>	<b>0</b>	<b>-10 134</b>	<b>-10 156</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-29 959</b>	<b>-74 315</b>	<b>-99 390</b>
Liquid assets at beginning of period	142 554	241 944	241 944
<b>LIQUID ASSETS AT END OF PERIOD</b>	<b>112 595</b>	<b>167 629</b>	<b>142 554</b>

## key ratios

	040630	031231	021231	011231
Loss for the period, MSEK	-9	-128	-130	-197
Loss per share, SEK	-0,06	-0,93	-1,06	-1,81
Equity, MSEK	461	456	583	581
Equity per share/SEK	3,28	3,33	4,26	5,33
Equity/asset ratio, %	97	99	96	98
Capital invested in existing portfolio, MSEK	535	547	576	503
Capital invested per share, SEK	3,81	3,99	4,21	4,62
Book value of portfolio, MSEK	352	313	357	358
Book value of portfolio per share, SEK	2,51	2,29	2,61	3,29
Liquid assets per share, SEK	0,80	1,04	1,69	2,09
Administrative costs/average equity, % 1)	2,52	3,54	4,14	7,79
Shares in issue, 000s	140 399	136 834	136 834	108 954
Share price at end period, SEK	3,35	2,80	3,10	6,45
Market value, MSEK	470	383	424	703
Number of employees at end period	8	9	9	11

1) Based on a current 12-months period

### Accounting principles

The Interim Report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20, "Interim Reports". The accounting principles applied remain unchanged compared to the Annual Report 2003.