

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 loss for the first nine months of 2004 after net financial items was MSEK 17,7 (2003: MSEK 63,9).
- As at 30 September 2004 the Company had liquid assets totalling MSEK 85 equivalent to SEK 0,60 per share. There were no interest bearing liabilities.
- Net administration costs for 2004 are running at approx MSEK 17 per annum, and totalled MSEK 12,6 for the first nine months (2003: MSEK 15,2). The number of employees as at 30 September 2004 was 7 (2003: 9).

Investments

As at 30 September 2004 the acquisition cost of existing investments in portfolio companies was MSEK 550. Over the past few years acquisition cost has been written down by 34 per cent or MSEK 185, to give a book value of MSEK 365 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.

Developments during the third quarter

- In August Mint acquired the whole of the issued share capital in **Payway** Oy from TeliaSonera. Mint is looking to identify further Scandinavian candidates for acquisition.
- In July via an issue in kind 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 15,3 per cent of the issued share capital in Daydream and, following a minor sale of shares to the new chairman of that company's board, Peter Levin, now holds 14,9 per cent of the issued share capital.
- In May 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 and of the issue not being fully subscribed, in July Ledstiernan was allocated 4 390 929 shares in **Aspiro** at an issue price of SEK 2 per share. Following disposals between 22 September and 6 October 2004 at a small profit, Ledstiernan now holds 4 250 000 shares in Aspiro, representing 3,9 per cent of the issued share capital and voting rights, as initially planned. Aspiro is Scandinavia's largest supplier of mobile content services to e.g. computer games.

- In July **ipUnplugged** received MUSD 2 in financing from the Japanese electronics giant NEC. ipUnplugged also renewed its 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 **Voice Provider** acquired Computer Sciences Corporation's voice-controlled services operations, thus reinforcing its position as the Scandinavian leader in this field.

Follow-up investment requirements

As at 30 September 2004, outstanding investment requirements in respect of existing portfolio companies were assessed as totalling MSEK 15, 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 nine months of 2004 external finance has been provided in the cases of **Columbitech, Emic Networks, ipUnplugged** and **Hotsip**. In total, the current value of Ledstiernan's holdings in these four companies is more than 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 first nine months of 2004 the Company disposed of its holdings in Spreadskill AB, Ten Four AB, Ida Holding and Travis, generating liquid assets totalling some MSEK 2,3 but also generating a loss of MSEK 2,9.

portfolio development and future prospects

During the first nine 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 has also

been reflected in statistics from the USA where investment in venture capital companies has increased both in numbers and volume, and at better prices. The first nine months of the year have also seen an increase in stock exchange introductions and M&A activity. Thus it would appear that, despite the drama associated with the year 2000, the venture capital industry has come full circle.

The following important events took place during the first nine 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 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, Finland and Denmark 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 a 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 approx 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 nine 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. During the year 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. In October the company began cooperation with Nokia on IP Multimedia (IMS) services.



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.



It's Alive Mobile Games – Development and production of games for mobile telephones – In July the company merged with Daydream Software AB, whose shares are quoted on the Stockholm Stock Exchange O List. This was carried out by a non-cash issue in which Ledstiernan AB received approx. 15% of the issued share capital in Daydream.



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 nine months of 2004 has also won breakthrough orders from major customers in Norway and the UK. In July NEC also decided to invest MUSD 2 in the company on a post-money valuation equivalent to MSEK 200.



Mint – Solutions for mobile payment transactions – The company's P-Mint service continues to grow, and during 2004 has been 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. In May the company signed a licence agreement with Paymint Ltd covering the UK and the Republic of Ireland, its second major agreement in respect of markets outside Scandinavia. During the third quarter Mint acquired the whole of the issued share capital in Payway Oy of Finland from TeliaSonera, and is looking to identify further candidates for acquisition.



Millennium Media Group – Acquisition and distribution of film and TV rights 2004 has also seen the successful launch of the new TV channel Star!, replacing E!. During the third quarter MMG acquired the licence for, and launched the new US entertainment channel, Showtime. – 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 company continues to be profitable.

SVM North Node

SVM North Node – Solutions for automatic reading of electricity, water, heating and gas meters – During the third quarter of 2004 the company acquired the whole of the issued share capital in Milab, a company based in Linköping that markets and supplies remote meter reading systems for network and energy companies. During the second quarter 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. The company is to change its name to Metrima.



Repeatit – Radio-based solutions for fixed wireless broadband – Inter alia the company has 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.



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. Voice Provider is now showing profit. 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 Voice Provider acquired the voice-controlled services operations of Computer Sciences Corporation (CSC), thus becoming the undoubted leader in the field on the Scandinavian market.

other information

Ledstiernan's shares

Share liquidity continues to be satisfactory. During the first nine months of 2004 shares in Ledstiernan were traded on all business days. 74 million shares, corresponding to 53 per cent of the average number of shares in issue, were traded for a total consideration of MSEK 268 or an average per share of SEK 3,63. 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.

Stockholm, 21 October 2004
Board of Directors
Ledstiernan AB (publ)

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

Financials:

Publication of unaudited annual earnings figures for 2004 23 February 2005

If you would like further information, please get in touch with:

Johan Wachtmeister, President, tel: +46 8 545 035 00
Britt-Marie Boije, Chief Financial Officer, tel: +46 8 545 035 00

Ledstiernan AB (publ)
Grev Turegatan 18
SE-114 56 STOCKHOLM
Tel: +46 8 545 035 00, Fax: +46 8 545 035 35
Reg No: 556122-2158 www.ledstiernan.se

portfolio holdings 300904

figures in SEK 000s

COMPANY	Date of acquisition	Participation interest 1)	Acquisition cost shareholding	Convertible loans	Other loans	Total investment	Market value quoted shares	Valuation external transaction (post-money) 2)
Columbitech AB	May-00	16,4%	16 630			16 630		20 484
Emic Networks Oy	Jun-02	23,5%	6 862			6 862		28 908
Gordion Infomakers AB	Jul-99	50,0%	25 808		6 780	32 588		
Hotsip AB	Jun-02	18,5%	24 185			24 185		59 375
Incomit AB	Aug-00	46,1%	68 035	17 101		85 136		
Interpeak AB	Mar-04	22,5%	14 189			14 189		
ipUnplugged AB	Jan-00	38,1%	84 233			84 233		76 887
Millennium Media Group AB	Dec-99	36,2%	22 898			22 898		
Mint AB	May-00	42,8%	48 848	2 685		51 533		
Repeatit AB	Mar-00	48,9%	17 457	5 296	3 544	26 297		
SVM North Node AB	May-01	35,3%	34 104		3 708	37 812		
the Phone Pages of Sweden AB	Mar-00	31,3%	28 350			28 350		
Voice Provider Sweden AB	Nov-00	21,8%	6 167	2 255		8 422		
Acquisition cost of principal holdings			397 766	27 337	14 032	439 135		
Aspiro AB	Jun-04	6,6%	14 601			14 601	14 996	
Daydream Software AB	Jun-02	14,9%	8 113		1 000	9 113	6 056	
Virtue Broadcasting Corp	May-00	0,8%	567			567	754	
Acquisition cost of quoted shares			23 281	0	1 000	24 281		
Acquisition cost of other holdings			84 369	0	2 366	86 735		
Total acquisition cost			505 416	27 337	17 398	550 151		
Total write-downs						-185 121		
Total book value						365 030		

1) Excluding convertible loans.

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

income statement

figures in SEK 000s

	2004 Q 3	2003 Q 3	2004 Jan-Sept	2003 Jan-Sept	2003 Full year
RESULTS FROM PORTFOLIO HOLDINGS					
Exit results	-3 151	0	-5 484	988	1 061
Write-downs	-2 346	-42 000	-2 346	-55 228	-116 228
OTHER OPERATING INCOME	66	0	581	0	0
OPERATING COSTS					
Administrative costs	-3 593	-3 190	-12 874	-14 435	-18 397
Depreciation	-100	-315	-344	-794	-871
OPERATING LOSS	-9 124	-45 505	-20 467	-69 469	-134 435
Financial items	360	1 129	2 791	5 561	6 661
LOSS AFTER FINANCIAL ITEMS	-8 764	-44 376	-17 676	-63 908	-127 774
Tax	0	0	0	0	0
NET LOSS FOR THE PERIOD	-8 764	-44 376	-17 676	-63 908	-127 774
Average number of shares in issue	140 398 647	136 834 031	139 602 510	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	-0,06	-0,32	-0,13	-0,47	-0,93

balance sheet

figures in SEK 000s

	040930	030930	031231
ASSETS			
FIXED ASSETS			
<i>Tangible fixed assets</i>	798	1 306	1 195
<i>Financial fixed assets</i>			
Participation in associated companies 1)	290 122	336 522	280 584
Other long-term holdings of securities 1)	74 908	31 782	32 495
TOTAL FIXED ASSETS	365 828	369 610	314 274
CURRENT ASSETS			
Short-term receivables	4 873	4 172	4 331
Short-term placements	50 000	62 811	19 918
Cash at the bank	34 828	93 409	122 636
TOTAL CURRENT ASSETS	89 701	160 392	146 885
TOTAL ASSETS	455 529	530 002	461 159
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity	63 341	547 874	49 260
Non-restricted equity	388 600	-28 471	406 277
TOTAL EQUITY	451 941	519 403	455 537
CURRENT LIABILITIES			
Current, not interest bearing liabilities	3 588	10 599	5 622
TOTAL CURRENT LIABILITIES	3 588	10 599	5 622
TOTAL EQUITY AND LIABILITIES	455 529	530 002	461 159
1) Including shares and convertible loans			
CHANGE IN EQUITY			
	2004	2003	2003
	Jan-Sept	Jan-Sept	Jan-Dec
As at 1 January	455 537	583 311	583 311
New share issue	14 080	0	-
Loss for the period	-17 676	-63 908	-127 774
AS AT END OF PERIOD	451 941	519 403	455 537

cash flow analysis figures in SEK 000s

	2004 Jan-Sept	2003 Jan-Sept	2003 Jan-Dec
CURRENT OPERATIONS			
Cash utilized by current operations	-9 687	-8 933	-11 717
Cash utilized by changes in working capital	-1 216	-2 481	-3 383
CASH UTILIZED BY CURRENT OPERATIONS	-10 903	-11 414	-15 100
CASH UTILIZED BY INVESTMENT ACTIVITIES	-46 823	-64 154	-74 134
FINANCING ACTIVITIES			
Amortization of loan	0	-10 156	-10 156
CASH UTILIZED BY FINANCING ACTIVITIES	0	-10 156	-10 156
CASH FLOW FOR THE PERIOD	-57 726	-85 724	-99 390
Liquid assets at beginning of period	142 554	241 944	241 944
LIQUID ASSETS AT END OF PERIOD	84 828	156 220	142 554

key ratios

	040930	031231	021231	011231
Loss for the period, MSEK	-18	-128	-130	-197
Loss per share, SEK	-0,13	-0,93	-1,06	-1,81
Equity, MSEK	452	456	583	581
Equity per share/SEK	3,22	3,33	4,26	5,33
Equity/asset ratio, %	99	99	96	98
Capital invested in existing portfolio, MSEK	550	547	576	503
Capital invested per share/SEK	3,92	3,99	4,21	4,62
Book value of portfolio, MSEK	365	313	357	358
Book value of portfolio per share, SEK	2,60	2,29	2,61	3,29
Liquid assets per share, SEK	0,60	1,04	1,69	2,09
Administrative costs/average equity, % 1)	3,46	3,54	4,14	7,79
Shares in issue, 000s	140 399	136 834	136 834	108 954
Share price at end period, SEK	3,11	2,80	3,10	6,45
Market value, MSEK	437	383	424	703
Number of employees at end period	7	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.