

CONNOVA GROUP AB (publ)

Quarterly Report

January - March 2001

ConNova Group AB (publ)

Operations during the period

First quarter revenues of SEK4.7 million (SEK13.5 million) were accounted for by the maintenance and upgrades of existing customer installations. The company's focus on sales activities and the positive market trend in the TV segment fuelled the strong recovery of the company's "pipeline" of prospective clients. The number of proposals by ConNova to prospective customer's, and the prospective revenue arising from these proposals if the prospective customers accept them, is at the time of writing the company's largest ever.

Costs for the period were SEK15.1 million (SEK21.1 million). All internal development costs, totalling SEK 3.6 million, were charged directly to the profit/loss account. The quarter saw the further development of the company's flagship product BizManager with enhanced functionality, flexibility and performance prior to the release of version 2.2, which is due for delivery in the second quarter this year. Systems are also being upgraded in ConNova's customer service company, ConNova TVX to raise the level of service in our ASP services.

Partnership agreements were signed with Cap Gemini, Ernst & Young and NorSistemas Soluziona. These agreements involve each partner selling, delivering and maintaining ConNova's products. There have been joint sales activities and customer sales-proposal work and a skills development plan has been initiated.

Orders at the end of the period were SEK9.7 million (SEK21.1 million). Orders received in the first quarter totalled SEK5.3 million (SEK10.0 million).

Initiatives in new market segments

The process of analysing, evaluating and drawing up plans for introducing ConNova's BizManager, and the outsourcing and ASP services we offer through TVX in the market segment outside the TV industry accelerated during the year.

As Internet operators, mobile operators with 3G networks and other players start offering content services as a supplement to their communication services, these market segments will also become highly attractive. Other segments with similar structures and ranges of services are also under evaluation.

This analysis process will take into account the possibilities of developing the company through the acquisition of peripheral and complementary businesses.

The principal agreement concluded between ConNova TVX and X2 Media Group regarding a working partnership for the newspaper and publishing business has already led to the start of ConNova's participation in the publishing market-place. The agreement provides for TVX to run subscriber management systems and databases for publishers.

Revenue, Profitability and Liquidity

Q1 2001 turnover was SEK4.7 million (SEK13.5 million). The loss was -SEK10.4 million (-SEK7.5 million). Q1 costs totalled SEK15.1 million (SEK21.1 million) of which SEK3.6 million related to internal product development (SEK3.6 million). The fall in costs is mainly due to a cost reduction programme started at the end of 2000 and fully implemented during the first month of this year.

The company's new delivery projects are gradually becoming simpler to implement as main product BizManager's functionality and flexibility is extended. Profitability per project will therefore increase over time.

ConNova will continue to charge all product development costs to the profit/loss account as they arise

The group's liquidity as of 31 March was SEK28.2 million. There is an overdraft facility of SEK8.0 million which has been authorised, but has not been used.

The company continues to follow the same accounting principles and calculation methods which were used in the previous annual report.

Organisation

The staff cutbacks provided for in this autumn's cost reduction programme have all been effected and the number of employees fell in the first quarter. At the end of the period, the company had 51 employees and no consultants, compared with 64 employees and 18 consultants for the same period the previous year. The

company's new Managing Director, Christian Ekström took over in February.

The remainder of the year

The favourable trend in both the market and prospective customer base is expected to continue. There is, however a risk that delays of certain communications operators' licenses and that the prevailing economic conditions further deteriorate, will postpone the order placement.

Income statement, balance sheet and cash flow statements

Income Statement SEK thousand

	The Group		Jan - Dec 2000	The Parent Company	
	Jan - Mar 2001	Jan - Mar 2000		Jan - Mar 2001	Jan - Mar 2000
Operating income	4 654	13 500	25 812	501	787
Other external costs	-6 281	-11 482	-42 084	-2 468	-1 653
Staff costs	-8 671	-8 797	-41 002	-1 086	-1 299
Depreciation of tangible and intangible fixed assets	-138	-833	-20 172	-91	-95
Operating expenses	-15 090	-21 112	-103 258	-3 645	-3 047
Loss before financial items	-10 436	-7 612	-77 446	-3 144	-2 260
Other financial items	152	64	2 353	109	128
Pre-tax loss	-10 284	-7 548	-75 093	-3 035	-2 132
Taxes	2 882	2 113	15 603	851	597
Loss for the period	-7 402	-5 435	-59 490	-2 184	-1 535

Earnings per share (SEK)

Number of shares	4 414 400	4 414 400
Earnings per share, with account taken of outstanding warrants (470.000/150.000 shares)	-1,52	-1,19
Earnings per share, if no account taken of out- standing warrants	-1,68	-1,23

The Consolidated Balance Sheet SEK thousand

	31 March 2001	31 March 2000
Intangible assets	42	52
Tangible assets	3 707	3 811
Deferred tax claim	37 796	34 914
Other long term receivables	2	2
Total fixed assets	41 547	38 779
Current receivables	8 675	9 974

Liquid assets	28 157	37 638
Total current assets	36 832	47 612
 TOTAL ASSETS	 78 379	 86 391
Shareholders equity	62 830	70 232
Interest bearing liabilities	3 157	3 157
Non interest bearing liabilities	12 392	13 002
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	78 379	86 391

Group change of equity
SEK thousand

Closing balance previous year	70 232
Loss for the period	-7 402
Closing balance 31march 2001	62 830

Consolidated cash flow statement	Jan - Mar	Jan - Mar
SEK 000's	2001	2000

Cash flow from current operations before change in working capital	-10 146	-6 715
Change in working capital	689	-7 454
Cash flow from current operations	-9 457	-14 169

Cash flow from investment operations	-24	-59
Cash flow from financing operations	-	-16 890

Cash flow for the period	-9 481	-31 118
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Liquid assets at the beginning of the period	37 638	110 872
Liquid assets at the end of the period	28 157	79 754

The Quarterly report has not been reviewed by the company's auditors

ConNova specialises in developing and supplying business support systems for multimedia operators handling pay TV, the Internet, broadband and telecoms services. The company has 15 years' experience of the industry. ConNova's services range from consulting services to the development of software adapted to meet the market's latest needs. Within the framework of ConNova TVX AB, ConNova also runs customer services on an assignment basis for European pay TV operators and other communications businesses, including publishing businesses. ConNova's current customers are to be found in the fields of cable TV, DTT (Digital Terrestrial Television), multimedia, telecommunications and publishing.

At the international billing systems trade fair held in London in May 1999, ConNova's customer management system BizManager was awarded two honourable mentions, one for "Overall Best Contribution to Billing" and the other for "Most Innovative Billing Product".

The ConNova Group AB (publ) has been listed on the OM Stockholm Stock Exchange's O list since 1997.

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