

CONNOVA GROUP AB (publ)

Interim Report

January - June 2001

ConNova Group AB (publ)

Operations during the period

A certain recovery in the market could be noticed as early as in Q1 this year, and the positive trend continued during Q2. The inflow of orders rose 26% to SEK 21.0 million compared with the same period the previous year (SEK 16.7 million). The order book total at the end of the period was SEK 21.2 million, an increase of 13% compared with the previous year (SEK 18.8 million). The figure had more than doubled compared with the level at the beginning of the year. The increase in the inflow of orders has not had an impact in terms of revenues during the period. This is due to a small opening order book total, the fact that there has not yet been enough time for orders received towards the end of the period to generate revenues, and that orders received are spanning periods of several years to a greater extent than previously. Long-term contracts with pricing models based on current payments provide ConNova with higher revenues and a more stable flow of revenues, but reduce the short-term revenues effect. Revenues during the first half-year amounted to SEK 8.9 million compared with the corresponding period the previous year (SEK 22.4 million). During the period, the prospective customer base has continued to develop favourably, although manifest caution can still be noticed in the decision-making processes of customers. We expect the market to continue to recover. Over the period, the operations have focused on cultivating and bolstering the prospective customer base. The results of this process include an order for BizManager from the Chinese Channel in London as well as new assignments for ConNova TVX. ConNova has also delivered supplementary projects to existing customers, and has completed the latest version of BizManager, which is now a complete basic product that can be delivered alongside partners with relatively small work input from ConNova.

During the period under review, expenses amounted to SEK 31.4 million (SEK 45.0 million). All internal product development expenses (totalling SEK 7.2 million) have been charged directly to the profit/loss.

During the period, a partner agreement for sales and delivery has been signed with Cap Gemini, which has also trained a special BizManager team during the spring. Previous collaborative projects with Soluziona and Sema Group have been further developed, and a number of tenders and sub-projects have been delivered alongside partners. Because of the development within partner relations, ConNova's need for in-house distribution and product development resources has been reduced.

Developments within ConNova TVX

The subsidiary, ConNova TVX AB, which manages customer service on an assignment basis, has demonstrated a positive trend during the period. A previous collaboration with NSAB has been extended, leading to a distribution assignment for another TV channel, ORT. ConNova TVX's main competitor, which has been competing with low prices for several years, recently announced that it is winding up its operations in the autumn. ConNova TVX is currently involved in discussions relating to more potential assignments for TV channels that will lack a distributor due to the competitor's closure. There will be no established competitor to

ConNova TVX for the service they require as of the autumn. We expect that pricing for our services can develop healthily following several years of tough pricing pressure.

Profit/loss and liquidity

Net sales for the first half of 2001 amounted to SEK 8.9 million (SEK 22.4 million). The profit/loss amounted to -SEK 22.3 million (-SEK 21.9 million). Expenses for the first half totalled SEK 31.4 million (SEK 45.0 million), of which SEK 7.2 million related to internal product development (SEK 8.7 million). The reduced expenses are mainly a result of the staff reduction process initiated towards the end of 2000. ConNova continues to charge all product development costs to the financial result as they arise. The liquidity trend has not been as good as planned, but is satisfactory. The volume of expenses will reduce considerably now that the basic development process for BizManager is complete, and the broadly extended collaboration with partners reduces the need for in-house resources for distribution and further software development.

General accounting principles

The report is prepared in accordance with Recommendation No. 20, Interim report, of the Financial Accounting Standard Council. The company applies the accounting principles and calculation methods used in the latest annual report

Organisation

At the end of the period, the number of employees amounted to 52, which can be compared with 70 at the same time last year. Because BizManager is now complete as a standardised basic product, and collaborative relationships have been established with several partners within sales, delivery and development, ConNova's need for in-house distribution and product development staff has continued to decrease. This has brought about the introduction of a further staff reduction process following the end of the period. During Q2, the company's Managing Director, Christian Ekström, left the company and has been replaced by Claes Rossby.

The remainder of the year

The market for customer management systems for media operators is gradually recovering following a severe dip over last year. The prospective customer base is developing as expected. The inflow of orders during Q2 has, compared with the first quarter, tripled and the order book total has more than doubled.

The cost saving process recently introduced will cut the current fixed cost level more than 50% once adjustment costs have been booked in Q3. The management therefore expects a sharp improvement in the financial result and cash flow. It is expected that the effects will bear a clear impact during Q4.

Motala
27 July 2001
The Board of Directors
ConNova Group AB (publ)

Income statement, balance sheet and cash flow statement

Income Statement SEK thousand	The Group					The Parent Company	
	Apr - Jun 2001	Apr - Jun 2000	Jan - Jun 2001	Jan - Jun 2000	Jan - Dec 2000	Jan - Jun 2001	Jan - Jun 2000
Operating income	4 258	8 931	8 912	22 431	25 812	1 777	1 487
Other external costs	-6 745	-11 445	-13 026	-22 927	-42 084	-5 333	-3 716
Staff costs	-8 737	-11 555	-17 408	-20 352	-41 002	-3 537	-3 057
Depreciation of tangible and intangible fixed assets	-811	-936	-949	-1 769	-20 172	-144	-141
Operating expenses	-16 293	-23 936	-31 383	-45 048	-103 258	-9 014	-6 914
Loss before financial items	-12 035	-15 005	-22 471	-22 617	-77 446	-7 237	-5 427
Other financial items	1	675	153	739	2 353	144	868
Pre-tax loss	-12 034	-14 330	-22 318	-21 878	-75 093	-7 093	-4 559
Taxes	-15 993	3 964	-13 111	6 077	15 603	-33 329	1 227
Loss for the period	-28 027	-10 366	-35 429	-15 801	-59 490	-40 422	-3 332

Earnings per shares SEK

Number of shares	4 414 400	4 414 400	4 414 400
Earnings per share, with account taken of outstanding warrants (470.000 / 350.000 shares)	-7,25	-3,32	-12,18
Earnings per share, if no account taken of outstanding warrants	-8,03	-3,58	-13,48

The Consolidated Balance Sheet SEK thousand	30 June 2001	30 June 2000
Intangible assets	32	52
Tangible assets	2 930	3 811
Deferred tax claim	21 803	34 914
Other long term receivables	2	2
Total fixed assets	24 767	38 779
Current receivables	11 548	9 974
Liquid assets	14 440	37 638
Total current assets	25 988	47 612
TOTAL ASSETS	50 755	86 391
Shareholders equity	34 804	70 232
Interest bearing liabilities	2 438	3 157
Non interest bearing liabilities	13 513	13 002
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	50 755	86 391

Group change of equity
SEK thousand

Closing balance previous year	70 232
Loss for the period	-35 429
Closing balance 30 June 2001	34 803

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

Cash flow from current operations before change in working capital	-21 368	-20 159
Change in working capital	-1 782	-5 582
Cash flow from current operations	-23 150	-25 741

Cash flow from investment operations	-48	36
Cash flow from financing operations	-	-17 935

Cash flow for the period	-23 198	-43 640
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Liquid assets at the beginning of the period	37 638	110 872
Liquid assets at the end of the period	14 440	67 232

The company's auditors have not reviewed the Interim report.

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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