tilgin

Tilgin designs and delivers premier IP customer premise equipment (CPE) for advanced triple play services: Internet access, Voice over IP, IP Television and on-demand entertainment. Overcoming the obstacles of escalating total cost of ownership and limited operator control of end user experience, Tilgin takes a unique network systems approach to CPE and provides economical and practical solutions for managing a large installed base of multi-service broadband users. Tilgin's comprehensive product portfolio of IP Residential Gateways, Set-top boxes and related management applications, provides service providers with unprecedented return on investment – delivering new service revenues and impressive cost savings over the lifetime of the product. Tilgin was founded in 1997 under the name i3 micro technology. It is headquartered in Kista, Sweden, with southern European sales representation in Paris, and a U.S. branch in Seattle. For more information on Tilgin, please visit www.tilgin.com.

Interim report 1 January – 30 September 2006

Tilgin AB (publ), Corp. ID no. 556537-5812

Third quarter 2006

- **Sales SEK 87.6 million (87.0), a 1 % increase compared with the third quarter 2005.**
- **Net result SEK –7.2 million (-14.5).**
- **Loss per share SEK –0.50 (-4.47).**
- **New customers include Star (IP-TV, USA), supply and support agreement with EITC in Dubai.**
- **Delays in planned Q3 deliveries that will be recovered in the fourth quarter, together with continued high new order volumes, provide the basis for a strong finish of 2006, both sales-wise and profit-wise.**
- **Gross margin 18 % (12 %), an improvement compared with the third quarter 2005, and also compared with the previous quarter.**
- **Operating result SEK –5,8 million (-13.4).**
- **Cash flow from operating activities SEK –34.8 million (-61.9).**
- **Cash and bank SEK 17.1 million (1.7) as of 30 September 2006.**

First nine months of 2006

- **Sales SEK 282.8 million (135.0), a 109 % increase compared with the first nine months of 2005.**
- **Net result SEK –40.8 million (-57.2).**
- **Loss per share SEK –3.18 (-26.74).**
- **Gross margin 19 % (12 %).**
- **Operating result SEK –38.3 million (-53.2).**

Other issues

- **The preferential rights share issue totaling SEK 46.3 million before underwriting expenses was completed in August 2006.**
- **Agreement signed with Nortel, making the company's products available to purchasers of Nortel's IP-TV systems solution. The agreement may also facilitate joint customer and market activities on the operator market within both IP Residential Gateway and IP-TV.**
- **The Board continues to evaluate the possibility of listing the company at the stock exchange.**

Income statement in summary (KSEK)	Q3 2006	Q3 2005	Change %	Jan-Sept 2006	Jan-Sept 2005	Change %	Oct 2005 - Sept 2006
Sales	87 601	87 018	1%	282 771	135 029	109%	355 429
Gross profit	16 115	10 640	51%	53 678	16 152	232%	67 226
Gross margin	18.4%	12.2%		19.0%	12.0%		18.9%
Operating result	**-5 822**	**-13 421**	**-**	**-38 340**	**-53 172**	**-**	**-71 921**
Operating margin	-6.6%	-15.4%		-13.6%	-39.4%		-20.2%
Loss before taxes	-7 196	-14 542	-	-40 771	-57 196	-	-74 820

Market prospects and future outlook

For the third quarter 2006, the company and the Group continued to receive orders on a high level, similar to that in the first half of 2006. However, delays in deliveries in the third quarter did lead to a decrease in sales, compared with the first two quarters of 2006. These delays are estimated to be remedied at year-end. Improved delivery rates at the end of the year, a significant order backlog at the beginning of the final quarter, and an expected strong inflow of new orders in the final quarter provide the basis for a strong finish of 2006, both sales and profit-wise.

Furthermore, prospects for 2007 regarding sales and orders booked are considered to be excellent, both within IP-TV and IP Residential Gateway. Current large customers are expected to continue, in some cases increase, their recurring order volumes, and there are clear opportunities for establishing new customers with significant future business potential. Existing and new customers that have generated initial orders or recurring large orders in the third quarter of 2006 include Belgacom (IP-TV, through Siemens in Belgium), Star (IP-TV, USA), EITC (IP Residential Gateway, Dubai) and several local Tele2 companies in Europe.

The Board and Management are expecting a continued improvement in the gross margin levels in the fourth quarter of 2006, and hold to previously stated financial targets; at least doubling sales in 2006 compared with 2005, and reaching a positive operating result on a monthly basis in the second half of 2006.

Significant events

In August 2006 the company concluded a new share issue with preferential rights for existing share holders, totaling SEK 46.3 million. The SEK 15.0 million short-term loan from some major share-holders in July was fully repaid in September out of proceeds from the new share issue. In the light of the expected strong sales growth implying additional working capital requirements at the end of 2006, the company holds to its previous prediction that additional new financing may be needed in the fourth quarter of 2006.

Agreement signed with Nortel, making the company's products available to purchasers of Nortel's IP-TV systems solution. The agreement may also facilitate joint customer and market activities on the operator market within both IP Residential Gateway and IP-TV.

In the second quarter of 2006, certain quality deficiencies related to the Mood 300 product platform delivered to, among others, one of the company's largest customers, were observed, and cost provisions were made in the same quarter. These quality deficiencies are now judged to have been rectified in a satisfactory manner, and an agreement in principle, regulating the company's commitment towards the largest customer affected by these deficiencies, was reached in the third quarter.

Sales and financial performance

Sales

Sales in the third quarter amounted to SEK 87.6 million (87.0), a 1 % increase compared with the third quarter in 2005. Compared with the previous quarter sales decreased by SEK 13.4 million despite a continued strong inflow of new orders, which is explained by delays in deliveries during the quarter. Sales in the first nine months of 2006 amounted to SEK 282.8 million (135.0).

In total, 80,263 (66,782) CPEs were shipped in the third quarter, of which 35,938 (40,361) set-top boxes and 44,325 (26,421) residential gateway units.

CPEs including client software represented 96 % (98 %) of total sales in the third quarter. Realized and unrealized currency hedging positions affected total sales in the quarter positively by SEK 0.8 million (-0.2). Other revenue includes accessories, management systems, support, professional services and further invoiced costs.

In the third quarter, sales were split between EMEA 96 % (98 %), North America 3 % (2 %) and other regions 2 % (0 %).

Financial performance

The operating result for the third quarter amounted to SEK -5.8 million (-13.4) and the net result amounted to SEK -7.2 million (-14.5). The operating result for the first nine months amounted to -38.3 million (-53.2) and the net result amounted to SEK -40.8 million (-57.2). Gross margin for the third quarter was 18 % (12 %) which is an improvement compared with the corresponding period in 2005, and also compared with the previous quarter.

Gross margin in the third quarter was negatively affected by further provisions for warranty commitments related to quality deficiencies, SEK 4.6 million (0.0), and inventory write-downs of SEK 0.7 million (0.0). Gross margin was positively affected by realized and unrealized currency hedging positions related to specific customer orders, SEK 0.8 million (-0.2).

Operating expenses excluding goods for resale and depreciation and amortization decreased by 16 % in the third quarter of 2006 to SEK 20.1 million (23.8) compared with the third quarter of 2005. The first half of 2006 was burdened by costs for preparations for a possible listing at the stock exchange, and the new share issue. A portion of these costs directly associated with these activities was taken directly to equity in connection with the share issue that was concluded in August. The total positive effect on results from these reduced operating expenses was SEK 5.7 million (0.0).

Costs of personnel amounted to SEK 12.8 million (12.9), which is almost the same level as in the third quarter of 2005, despite an increased number of employees. This is partly explained by the fact that from 1 January 2006 personnel costs related to product development activities are to a certain extent being activated, which was not the case in the corresponding period in 2005. The decrease compared with the previous quarter is SEK 2.8 million, which is mainly due to summer vacation effects on the third quarter.

Total Group product development costs prior to capitalizing certain development expenditures increased to SEK 10.9 million (7.0), an increase by 55 % compared with the corresponding period in 2005. In the third quarter, capitalization of development expenditures and related amortization were made as a consequence from the adoption of the IFRS accounting principles in connection with the annual accounts of 2005. Since the Group has not capitalized any development expenditures for periods prior to 1 January 2006, this adoption entailed a positive effect on results from reduced operating expenses in the third quarter of 2006, amounting to SEK 5.4 million (0.0) compared with the corresponding period in 2005, when all development expenditures were fully taken to cost.

Depreciation and amortization during the third quarter increased to SEK 1.9 million (0.2), of which amortization on intangible assets (capitalized development expenditures) amounted to SEK 1.6 million (0.0).

Net financial items amounted to SEK -1.4 million (-1.1) in the third quarter, an increase compared with the corresponding period in 2006 and also compared with the previous quarter. In the third quarter, net financial items was burdened by interest expenses of SEK 0.8 million related to a short-term loan from some major shareholders.

IP-TV
Sales in IP-TV amounted to 64.0 million (71.6) in the third quarter, an 11 % decrease compared with the third quarter of 2005. Compared with the previous quarter sales declined by SEK 11.4 million, which may be explained by delays in deliveries during the quarter. Sales in the first nine months of 2006 amounted to SEK 210.3 million (101.4). The operating result for the third quarter amounted to SEK –6.9 million (-7.5). Gross margins as well as the operating result within IP-TV showed a positive development in the third quarter, in line with the company's previous expectations. This trend is expected to continue in the final quarter of 2006.

IP Residential Gateway
Sales in IP Residential Gateway amounted to SEK 23.6 million (15.4) in the third quarter, a 53 % increase compared with the third quarter of 2005. Compared with the previous quarter sales within this product segment declined by SEK 2.0 million. Sales in the first nine months of 2006 amounted to SEK 72.5 million (33.5). The operating result for the third quarter amounted to SEK –1.3 million (-3.1). IP Residential Gateway has continued affecting overall Group gross margin positively during the third quarter.

Personnel
The number of employees in the Group increased from 95 to 98 in the third quarter of 2006. As of 30 September 2006, two of these were employed by the company's US branch, Tilgin Inc.

Financial position

Cash flow, investments, and financial position
Cash flow from operating activities amounted to SEK -34.8 million (-61.9) in the third quarter. The improvement compared with the corresponding period in 2005 is mainly due to less working capital being tied up in operations in this period. However, inventory levels increased compared with the previous quarter. Cash and bank balances as of 30 September 2006 amounted to SEK 17.1 million (1.7).

The company has access to an accounts receivable financing facility with Svenska Handelsbanken, in various currency denominations, corresponding to approximately SEK 80 million. The utilization of this facility decreased somewhat compared with the end of the previous quarter, as of 30 September 2006 the credit facility was utilized to SEK 39.9 million (53.9). The credit utilization is expected to increase during the fourth quarter, in the light of an estimated increase in invoicing and sales.

Investments in intangible fixed assets in the period amounted to SEK 6.9 million (0.0), and refer to capitalization of development expenditures. No other significant investments were made in the third quarter.

Shareholders' equity
Group equity as of 30 September 2006 amounted to SEK 71.7 million (-10.9) and share capital at the same date amounted to SEK 18.8 million (40.8). The equity/assets ratio was 38 % (-7 %). In the third quarter, another SEK 0.6 million of the remaining convertible debt was converted into new shares, leaving only SEK 1.0 million of the convertible debt at the end of the third quarter.

Share data and ownership structure
The new share issue concluded in August added 6,610,477 new shares, leaving the total number of

shares in the company at the end of the reported period at 18,789,060. As of 30 September 2006, there were also outstanding convertible bonds and warrants which, after a full conversion/exercise, would correspond to 1,082,591 new shares.

Listing on the stock exchange

In April 2006, the Board decided to apply for a listing on the stock exchange in 2006. The Board continues to evaluate the possibility of a listing. As previously stated, the main reason for applying for a listing at the stock exchange would be to facilitate further financing of continued product and operations development, as well as further international expansion. Increased attention from customers, suppliers, media and investors may also lead to increased knowledge of the company, which may facilitate continued expansion. Another target is to create a liquid share for the company's current owners, and to open up ownership in the company to the general public.

Parent company

The company's US branch Tilgin Inc. and its operations are accounted for in the parent company, not as a separate subsidiary. Hence, the operations of the Group correspond to that of the parent company. Parent company sales for the third quarter 2006 are the same as Group sales for the period.

Loss before taxes for the parent company was SEK –7.2 million (-14.5) in the third quarter, Group SEK –7.2 million. Total shareholders' equity in the parent company as of 30 September 2006 amounted to SEK 71.7 million (-10.9), Group 71.7 million. Cash and bank balances for the parent company as of 30 September amounted to SEK 17.0 million (1.5), Group SEK 17.1 million. As of 30 September 2006, the number of employees in the parent company including the US branch was 98 (82), which corresponds to the number of employees in the Group (there are no employees in the company's two inactive subsidiaries).

Accounting and valuation principles

The interim report has been established in accordance with IAS 34, Interim Financial Reporting, Swedish Financial Accounting Standards Council (SFASC) standard RR31 and, for the parent company, SFASC standard RR32. The new or revised IFRS standards or IFRIC interpretations that have come into effect since 1 January 2006 have not had any significant impact on the company's income statements or balance sheets. The same accounting principles have been applied in this report as in the 2005 annual report.

Financial reporting in accordance with IFRS requires management to make accounting assessments and estimates and to make assumptions which affect the application of the accounting principles and the reported value of assets, liabilities, income and expenses. The actual outcome may deviate from these assessments and estimates. Statements in this report may include forward-looking information and reflect Management's and the Board's current estimates with respect to future conditions. Forward-looking information always entails risks and uncertainties which may affect the actual outcome.

This interim report has been adjusted for changes in the company's warranty commitment provisions, implying a negative impact on results by SEK 3.1 million. This interim report replaces the previous report from 26 October 2006.

Kista, 13 November 2006

Tilgin AB (publ)
Jan Werne, CEO

Scheduled reports:

The 2006 Year-end Report will be presented on 22 February 2007.

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Review Report

Translated from the Review Report in the Swedish interim report

To the Board of Directors of Tilgin AB (publ)

Corp. Id. No. 556537-5812

Introduction

We have reviewed Tilgin AB's interim report for the period January 1, 2006 – September 30, 2006. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of the review

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity", issued by FAR. A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices in Sweden. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, November 13, 2006

KPMG Bohlins AB

Åsa Wirén Linder
Authorized Public Accountant

This review report replaces the one submitted on October 26, 2006.

Group income statements, balance sheets and cash flow statements

Income statement (SEK thousand)	Q3 2006	Q3 2005	Jan-Sept 2006	Jan-Sept 2005	Oct 2005 - Sept 2006	Full year 2005
Net sales	86 626	87 182	284 973	134 261	353 708	202 996
Other operating income	975	-164	-2 201	768	1 721	4 691
Total sales	**87 601**	**87 018**	**282 771**	**135 029**	**355 429**	**207 687**
Operating expenses						
Goods for resale	-71 486	-76 378	-229 093	-118 877	-288 204	-177 987
Other external costs	-7 127	-10 528	-41 418	-31 783	-60 935	-51 301
Costs of personnel	-12 835	-12 913	-43 005	-36 704	-61 245	-54 944
Depreciation and amortization	-1 863	-220	-3 879	-625	-4 109	-855
Other operating expenses	-114	-400	-3 716	-212	-12 857	-9 353
Operating result	**-5 822**	**-13 421**	**-38 340**	**-53 172**	**-71 921**	**-86 754**
Net financial items	-1 374	-1 120	-2 431	-4 024	-2 899	-4 492
Loss before taxes	**-7 196**	**-14 542**	**-40 771**	**-57 196**	**-74 820**	**-91 246**
Income taxes for the period	-	-	-	-	-	-
Loss for the period	**-7 196**	**-14 542**	**-40 771**	**-57 196**	**-74 820**	**-91 246**
Earnings per share before dilution (SEK)	-0.50	-4.47	-3.18	-26.74	-6.40	-24.81
Earnings per share after dilution (SEK)	-0.50	-4.47	-3.18	-26.74	-6.40	-24.81
Avg. number of shares before dilution (thousand)	14 342	3 250	12 833	2 139	11 698	3 677
Avg. number of shares after dilution (thousand)	15 458	5 028	14 257	2 861	12 745	4 792

Cash flow statement (SEK thousand)	Q3 2006	Q3 2005	Jan-Sept 2006	Jan-Sept 2005	Oct 2005 - Sept 2006	Full year 2005
Cash flow from operations before changes in working capital	-10 813	-14 336	-40 900	-56 586	-74 298	-89 983
Changes in working capital	-24 013	-47 572	-22 477	-74 215	13 300	-38 437
Cash flow from operating activities	**-34 825**	**-61 907**	**-63 377**	**-130 800**	**-60 997**	**-128 420**
Cash flow from investing activities	-7 630	-339	-23 143	-932	-23 840	-1 630
Cash flow from financing activities	45 736	44 260	33 029	120 565	100 221	187 756
Net change in cash and cash equivalents	**3 280**	**-17 986**	**-53 491**	**-11 168**	**15 384**	**57 707**
Cash and cash equivalents, beginning of period	**13 833**	**19 715**	**70 604**	**12 897**	**1 729**	**12 897**
Cash and cash equivalents, end of period	**17 113**	**1 729**	**17 113**	**1 729**	**17 113**	**70 604**

Balance sheet (SEK thousand)	2006-09-30	2005-09-30	2005-12-31
ASSETS			
- Intangible assets	18 351	-	-
- Tangible assets	3 040	1 760	2 210
Total fixed assets	*21 391*	*1 760*	*2 210*
- Inventories	52 642	40 247	42 976
- Accounts receivable - trade	79 678	89 075	62 976
- Other receivables	16 952	25 848	12 885
- Cash and bank	17 113	1 729	70 604
Total current assets	*166 385*	*156 898*	*189 441*
Total assets	**187 776**	**158 658**	**191 651**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	71 692	-10 915	70 107
Liabilities			
- Long-term interest-bearing liabilities	1 830	50 781	3 647
- Short-term interest-bearing liabilities	39 905	53 895	53 149
- Other short-term liabilities	72 301	64 898	64 343
- Warranty provisions	2 048	-	405
Total liabilities	**116 084**	**169 574**	**121 544**
Total equity and liabilities	**187 776**	**158 658**	**191 651**

Changes in group equity

SEK thousand	Share capital	Other paid-in capital	Accumu-lated loss incl period loss	Total Share-holders' Equity
Opening balance Jan 1, 2005	**15 835**	**292 218**	**-282 771**	**25 281**
Total change in capital taken directly to equity, excl. transactions with the company's owners	-	-	-	-
Loss for the year	-	-	-91 246	-91 246
Total change in capital excl. transactions with the company's owners	-	-	-91 246	-91 246
New share issues	57 000	35 342	-	92 342
Issue expenses related to convertible loan	-	-4 000	-	-4 000
Warrants TO 05/07, paid-in premiums	-	596	-	596
Conversion of convertible loan	47 134	-	-	47 134
Closing balance Dec 31, 2005	**119 969**	**324 156**	**-374 017**	**70 107**
Opening balance Jan 1, 2005	**15 835**	**292 218**	**-282 771**	**25 281**
Total change in capital taken directly to equity, excl. transactions with the company's owners	-	-	-	-
Loss for the period	-	-	-57 196	-57 196
Total change in capital excl. transactions with the company's owners	-	-	-57 196	-57 196
New share issues	25 000	-	-	25 000
Issue expenses related to convertible loan	-	-4 000	-	-4 000
Closing balance Sept 30, 2005	**40 835**	**288 218**	**-339 968**	**-10 915**
Opening balance Jan 1, 2006	**119 969**	**324 156**	**-374 017**	**70 107**
Total change in capital taken directly to equity, excl. transactions with the company's owners	-	-	-	-
Loss for the period	-	-	-40 771	-40 771
Total change in capital excl. transactions with the company's owners	-	-	-40 771	-40 771
Reduction of the share capital	-109 066		109 066	0
New share issue (Aug/Sept 2006)	6 610	39 663	-	46 273
Issue expenses related to new share issue	-	-5 735	-	-5 735
Conversion in part on convertible loan	1 275	542	-	1 817
Closing balance Sept 30, 2006	**18 789**	**358 626**	**-305 722**	**71 692**

Segment information

(SEK thousand)

Q3 2006

	IP-TV	IP-RG	Other	Group
Sales	64 039	23 562	0	87 601
Operating result	**-6 928**	**-1 341**	**2 447**	**-5 822**
Investments in fixed assets	4 318	3 238	74	7 630 *)
Assets	114 189	53 543	20 044	187 776
Liabilities	76 015	31 130	8 939	116 084

Q3 2005

	IP-TV	IP-RG	Other	Group
Sales	71 619	15 399	0	87 018
Operating result	**-7 522**	**-3 050**	**-2 850**	**-13 421**
Investments in fixed assets	209	97	48	354
Assets	93 681	57 250	7 727	158 658
Liabilities	84 767	30 885	53 923	169 574

Jan-Sept 2006

	IP-TV	IP-RG	Other	Group
Sales	210 272	72 499	0	282 771
Operating result	**-21 286**	**-4 347**	**-12 708**	**-38 340**
Investments in fixed assets	14 610	8 354	179	23 143 *)
Assets	114 189	53 543	20 044	187 776
Liabilities	76 015	31 130	8 939	116 084

Jan-Sept 2005

	IP-TV	IP-RG	Other	Group
Sales	101 434	33 485	110	135 029
Operating result	**-34 123**	**-11 093**	**-7 956**	**-53 172**
Investments in fixed assets	567	262	131	959
Assets	93 681	57 250	7 727	158 658
Liabilities	84 767	30 885	53 923	169 574

Full year 2005

	IP-TV	IP-RG	Other	Group
Sales	155 951	51 637	98	207 687
Operating result	**-56 384**	**-17 699**	**-12 671**	**-86 754**
Investments in fixed assets	1 002	426	213	1 641
Assets	82 603	35 185	73 863	191 651
Liabilities	98 514	15 977	7 053	121 544

Oct 2005 - Sept 2006

	IP-TV	IP-RG	Other	Group
Sales	264 790	90 651	-12	355 429
Operating result	**-43 545**	**-10 953**	**-17 423**	**-71 921**
Investments in fixed assets	15 045	8 518	262	23 825 *)
Assets	114 189	53 543	20 044	187 776
Liabilities	76 015	31 130	8 939	116 084

*) *Starting 2006, Investments in fixed assets also include capitalized development expenditures. From 1 January 2006, the Group is capitalizing its development expenditures meeting certain criteria, as set out in IAS 38, Intangible Assets.*

Key ratios and definitions

(SEK thousand if not otherwise stated)	Q3 2006	Q3 2005	Jan-Sept 2006	Jan-Sept 2005	Oct 2005 - Sept 2006	Full year 2005
Gross profit	16 115	10 640	53 678	16 152	67 226	29 699
Gross margin, %	18%	12%	19%	12%	19%	14%
Operating margin, %	neg.	neg.	neg.	neg.	neg.	neg.
Net margin, %	neg.	neg.	neg.	neg.	neg.	neg.
Shareholders' equity	71 692	-10 915	71 692	-10 915	71 692	70 107
Average shareholders' equity	54 720	-14 145	70 900	7 183	30 388	47 694
Capital employed	113 427	93 760	113 427	93 760	113 427	126 903
Average capital employed	97 024	51 402	120 165	62 077	103 594	78 648
Interest-bearing debt	41 735	104 676	41 735	104 676	41 735	56 796
Balance sheet total	187 776	158 658	187 776	158 658	187 776	191 651
Financial expenses	-1 534	-1 167	-3 029	-4 131	-3 529	-4 631
Investments in tangible fixed assets	-703	-354	-1 818	-959	-2 499	-1 641
Return on average shareholders' equity, %	neg.	neg.	neg.	neg.	neg.	neg.
Return on average capital employed, %	neg.	neg.	neg.	neg.	neg.	neg.
Equity/assets ratio, %	38%	-7%	38%	-7%	38%	37%
Debt/equity ratio, times	0.6	-9.6	0.6	-9.6	0.6	0.8
Interest coverage ratio, times	-4	-11	-12	-13	-20	-19
Share of risk-bearing capital, %	38%	-7%	38%	-7%	38%	37%
Net debt(+)/receivable(-)	24 622	102 947	24 622	102 947	24 622	-13 808
Net debt ratio, times (- = receivable)	0.3	-9.4	0.3	-9.4	0.3	-0.2
Working capital as a percentage of sales	21%	61%	21%	61%	21%	26%
Number of employees at period end	98	82	98	82	98	86
Average number of employees in period	97	76	92	75	90	77
Sales per employee	908	1 145	3 074	1 812	3 949	2 715
Operating profit/loss per employee	-60	-177	-417	-714	-799	-1 134
Dividend per share (SEK)	-	-	-	-	-	-
Number of shares before dilution	18 789 060	4 083 455	18 789 060	4 083 455	18 789 060	11 996 901
Number of shares after dilution	19 864 957	9 250 122	19 864 957	9 250 122	19 864 957	13 254 480
Average number of shares in period, before dilution	14 341 949	3 250 122	12 832 580	2 139 011	11 697 540	3 677 363
Average number of shares in period, after dilution	15 457 972	5 027 900	14 257 097	2 861 233	12 745 173	4 792 152

Definitions:
MARGINS
Gross profit: Sales less costs of goods for resale.
Gross margin: Gross profit as a percentage of sales in the period.
Operating margin: Operating profit/loss after depreciation as a percentage of sales in the period.
Net margin: Net profit/loss as a percentage of sales in the period.

PROFITABILITY
Return on average shareholders' equity: Net profit/loss as a percentage of average shareholders' equity.
Return on average capital employed: Profit/loss after financial items plus financial expenses, as a percentage of average capital employed.

CAPITAL STRUCTURE
Capital employed: Balance sheet total less non-interest-bearing current liabilities.
Debt/equity ratio: Interest-bearing liabilities divided by shareholders' equity.
Interest coverage ratio: Profit/loss after financial items plus financial expenses, divided by financial expenses.
Share of risk-bearing capital: Shareholders' equity plus deferred tax liabilities, divided by balance sheet total.
Net debt/receivable: Interest-bearing liabilities less financial assets including cash and bank.
Net debt ratio: Net debt divided by shareholders' equity.
Equity/assets ratio: Shareholders' equity as a percentage of balance sheet total.
Working capital as a percentage of sales: Current assets (excl. cash and bank) less current non-interest-bearing liabilities at end of period, as a percentage of sales for the last twelve months.

PERSONNEL
Sales per employee: Sales divided by the average number of employees in the period.
Operating profit/loss per employee: Operating profit/loss divided by the average number of employees in the period.

SHARES
Number of shares: The number of shares in the comparative periods have been adjusted for two reverse splits 10:1 in April and November 2005.
Average number of shares in period is derived from the average of the actual number of shares at the end of every month.

Note that rounding to even SEK thousand may lead to errors in sums in the financial tables presented in this report.

Quarterly data

(SEK thousand)	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006
Sales	13 710	18 748	29 263	87 018	72 658	94 188	100 982	87 601
Gross profit	-586	3 648	1 864	10 640	13 547	19 523	18 041	16 115
Gross margin	-4%	19%	6%	12%	19%	21%	18%	18%
Operating result	**-27 165**	**-15 977**	**-23 774**	**-13 421**	**-33 581**	**-10 830**	**-21 687**	**-5 822**
Net loss	-27 140	-16 347	-26 308	-14 542	-34 050	-11 357	-22 218	-7 196
IP-TV								
Sales	9 147	13 922	15 894	71 619	54 517	70 826	75 407	64 039
Operating result	**-17 653**	**-9 673**	**-16 918**	**-7 521**	**-22 261**	**-3 589**	**-10 769**	**-6 928**
IP Residential Gateway								
Sales	4 563	4 826	13 260	15 399	18 153	23 361	25 575	23 562
Operating result	**-7 207**	**-4 136**	**-3 907**	**-3 050**	**-6 606**	**-585**	**-2 420**	**-1 341**
Other products and services								
Sales	0	0	110	0	-12	0	0	0
Operating result	**-2 305**	**-2 168**	**-2 949**	**-2 850**	**-4 715**	**-6 656**	**-8 498**	**2 447**
Sales per product segment, %								
IP-TV	67%	74%	54%	82%	75%	75%	75% *)	73% *)
IP Residential Gateway	33%	26%	45%	18%	25%	25%	25%	27%
Other	0%	0%	0%	0%	0%	0%	0% *)	0% *)
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

**) Reclassification of forward exchange contracts, previously reported Q2 sales was 77% IP-TV and -2% Other. Q3 sales was 71% IP-TV and 2% Other.*

Shipped CPEs per product segment	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006
IP-TV (Mood, set-top boxes)	6 206	9 793	11 379	40 361	25 894	34 642	45 282	35 938
IP Residential Gateway (Vood)	4 828	7 453	20 553	26 421	28 047	38 259	45 138	44 325
Total	**11 034**	**17 246**	**31 932**	**66 782**	**53 941**	**72 901**	**90 420**	**80 263**
Sales per geographical area								
EMEA	6 659	10 030	24 099	84 990	66 628	90 817	98 278	83 773
North America	6 264	4 394	3 721	2 019	4 432	2 395	2 555	2 216
ROW	787	4 324	1 444	9	1 598	975	149	1 612
Total	**13 710**	**18 748**	**29 263**	**87 018**	**72 658**	**94 188**	**100 982**	**87 601**

(EMEA = Europe, Middle East, Africa)

Sales per geographical area, %	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006
EMEA	49%	54%	82%	98%	92%	96%	97%	96%
North America	46%	23%	13%	2%	6%	3%	3%	3%
ROW	6%	23%	5%	0%	2%	1%	0%	2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Orders received and order backlog								
Orders received in period	45 211	7 659	90 361	52 669	59 616	118 167	123 822	118 761
Order backlog	35 230	25 442	93 717	56 841	48 630	74 592	87 524	121 708
Avg. rate used for orders received, USD	6.97	6.92	7.31	7.68	7.97	7.78	7.40	7.24
Avg. rate used for orders received, EUR	9.05	9.07	9.21	9.37	9.48	9.35	9.30	9.23
Avg. rate used for order backlog, USD	6.61	7.06	7.82	7.78	7.95	7.75	7.26	7.31
Avg. rate used for order backlog, EUR	9.01	9.14	9.44	9.34	9.43	9.40	9.22	9.27