



Tilgin designs and delivers premier IP customer premises equipment (CPE) for advanced Triple Play and IMS-based services. Supporting the full convergence of voice, video and data, Tilgin takes a network systems approach to CPE that enables service providers to offer a broad range portfolio of dynamic and differentiated next-generation broadband services. Tilgin's comprehensive product portfolio of IP Residential Gateways, Set-top boxes and related management applications, offers service providers 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 and listed on the Stockholm Stock Exchange on the Nordic List as of December 2006. It is headquartered in Kista, Sweden, with southern European sales representation in Paris and a U.S. subsidiary in Seattle. www.tilgin.com.

Year-end report 2006

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

Fourth quarter 2006

- Net sales SEK 168.0 million (68.7), a 144 % increase compared with the fourth quarter 2005.
- Net result SEK 6.3 million (-34.1).
- Result per share SEK 0.33 (-5.41) before dilution.
- New customer business includes initial test orders (IPTV and IP residential gateway) through two global system integrators.
- Strong order intake combined with certain delays in deliveries from the third quarter provided a strong finish of 2006, both in terms of sales and profit.
- Gross margin 25 % (14 %), an improvement compared with the fourth quarter 2005 and also compared with the previous quarter.
- Operating result SEK 7.3 million (-33.6).
- Cash flow from operating activities SEK -43.0 million (2.4).
- Cash and bank SEK 92.3 million (70.6) as of 31 December 2006.

Full year 2006

- Net sales SEK 452.9 million (203.0), a 123 % increase compared with 2005.
- Net result SEK -34.4 million (-91.2).
- Result per share SEK -2.45 (-31.77) before dilution.
- Gross margin 22 % (12 %).
- Operating result SEK -31.0 million (-86.8).

Other issues

- In December the Tilgin share was listed on the Stockholm Stock Exchange. In connection with the listing, share issues of SEK 85 million prior to issue expenses, were concluded.
- Ola Berglund, former CEO of Enea, joined Tilgin in January 2007 as Chief Operating Officer.
- The company's accounts receivable financing facility with Svenska Handelsbanken was increased to approximately SEK 101 million in November 2006.
- The previously communicated financial targets for 2006 were achieved, both with regard to sales and to the operating result.

Income statement in summary (KSEK)	Q4 2006	Q4 2005	Change %	Full year 2006	Full year 2005	Change %
Net sales	167 973	68 735	144%	452 946	202 996	123%
Gross profit	42 117	9 624	338%	97 996	25 009	292%
Gross margin	25.1%	14.0%		21.6%	12.3%	
Operating result	7 328	-33 581	-	-31 012	-86 754	-
Operating margin	4.4%	-46.2%		-6.8%	-41.8%	
Loss before taxes	6 330	-34 050	-	-34 440	-91 246	-

Significant events during the fourth quarter

The Board and Management establish that the financial targets previously communicated for 2006 have been achieved; sales more than doubled compared with 2005 and a positive operating result and net result was achieved for the fourth quarter 2006.

In December 2006 the Tilgin share was listed on the Stockholm Stock Exchange. In connection with the listing, share issues of SEK 85 million prior to issue expenses, were concluded.

In light of the strong growth in volume during the last quarter of 2006, the company's accounts receivable financing facility with the bank was up-sized to approximately SEK 101 million.

The company has signed a co-operation agreement with Swedish TecPoint regarding development resources in St. Petersburg. The objective is to establish a long-term solution ensuring flexible access to resources and leading edge competence in software and product development.

Existing customers that have generated large orders include Belgacom (IPTV, through Siemens in Belgium), several local Tele2 companies in Europe (IP residential gateway) and TeliaSonera (IP residential gateway). Initial test orders were received for two customer projects in IPTV and IP residential gateway through two global system integrators, a sales channel expected to become increasingly important to the company.

Agreements were made with three new resellers on the North American market, Net Digital (US), Nexicom (Canada) and CSSA (US). The purpose of these agreements is to enable more efficient sales in this geographical market.

Significant events after the reporting period

Ola Berglund, former CEO of Enea, has joined the Management team as Chief Operating Officer in January 2007.

The company is in discussions with the Swedish Customs regarding, among other things, customs classification of certain past shipments. Whether this may lead to the company being imposed customs duties or other expenses is not clear at the time of this report.

Market prospects and future outlook

The general market development for IP residential gateway continues to be positive, and in IPTV the number of operators launching new services in larger commercial scale is increasing.

For the year 2007, prospects for continued growth in order intake and in sales, as well as for

a positive trend in profitability, are still considered good. The growth rate is however not expected to reach the same high level as in 2006.

The emphasis on expected growth in order intake and sales, as well as profitability improvements, will be on the second half of 2007. The first half of 2007 will see a more limited growth in order intake and sales, compared with the same period in 2006.

Gross margins are expected to gradually improve during 2007, and the order volumes are expected to be more evenly distributed over a wider customer base, than in the previous year.

Sales and financial performance

Net sales

Net sales in the fourth quarter amounted to SEK 168.0 million (68.7), a 144 % increase compared with the corresponding period in 2005. Compared with the previous quarter, net sales increased by SEK 81.3 million, in light of a higher order intake during the quarter, and due to certain delays in deliveries from the third quarter. Net sales in 2006 amounted to SEK 452.9 million (203.0), and both our segments IPTV and IP residential gateway contributed to the strong growth during the year.

In total, 138,190 (53,941) CPEs (Customer premises equipment) were shipped to customers in the fourth quarter, of which 78,476 (25,894) set-top boxes and 59,714 (28,047) residential gateway units. For 2006 as a whole, 381,774 (169,901) CPEs were shipped.

CPEs including client software represented 99 % (99 %) of total net sales in the fourth quarter and 99 % (97 %) of total net sales in 2006. Other revenue includes accessories, management systems, support, professional services and further invoiced costs.

In the fourth quarter, net sales were split between EMEA 97 % (92 %), North America 2.5 % (6 %) and other regions 0.5 % (2 %).

Financial performance

The operating result for the fourth quarter amounted to SEK 7.3 million (-33.6) and the net result amounted to SEK 6.3 million (-34.1). The operating result for 2006 amounted to SEK -31.0 million (-86.8) and the net result amounted to SEK -34.4 million (-91.2). The operating result was negatively affected by realized and unrealized currency hedging positions related to specific customer orders, by SEK -7.1 million (3.8) for the fourth quarter and by SEK -9.6 million (3.6) for 2006. Gross margin for the fourth quarter amounted to 25 % (14 %) which is an improve-

ment compared with the corresponding period in 2005, and also compared with the previous quarter. For 2006 gross margin was 22 % (12 %).

Gross margin in the fourth quarter was negatively affected by further provisions for warranty commitments of SEK -0.6 million (-0.2) and by write-downs on inventory (both components and CPEs) of SEK -1.9 million (-1.2). In 2006 gross margin was negatively affected by write-downs on inventory (both components and CPEs) of SEK -2.4 million (0.6).

Operating expenses excluding goods for resale and depreciation and amortization amounted to SEK 32.9 million (46.9) in the fourth quarter and to SEK 123.5 million (115.6) in 2006. Fourth quarter expenses in 2006 were reduced by, among other things, capitalized development expenditures of SEK 7.8 million (0.0), while the fourth quarter in 2005 was burdened with, among other things, costs for the cancelled IPTV Mood 100 development project (SEK -7.1 million) as well as provisions for bad debt (SEK -3.3 million).

Costs of personnel amounted to SEK 15.7 million (18.2) in the fourth quarter and to SEK 58.7 million (54.9) in 2006. The change in costs of personnel compared with previous periods is relatively limited, despite the increase in the number of staff. This may in part be explained by the fact that personnel expenses related to product development to a certain extent have been capitalized, starting 1 January 2006, which was not the case for the corresponding periods in 2005. Capitalized amounts were SEK 5.0 million in the fourth quarter and SEK 17.2 million in 2006 as a whole. Compared with the previous quarter costs of personnel increased by SEK 2.8 million, which is mainly explained by the increased number of staff, as well as costs for sales provisions in the fourth quarter.

Total product development costs prior to capitalizing certain development expenditures increased to SEK 12.6 million (11.9) in the fourth quarter, and to SEK 48.1 million (35.5) in 2006. In the fourth quarter and in 2006 as a whole, 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 fourth quarter of 2006, amounting to SEK 6.4 million (0.0) compared with the corresponding period in 2005, and a positive effect of SEK 24.7 million (0.0) for 2006 as a

whole compared with 2005, when all development expenditures were fully taken to cost.

Depreciation and amortization (including write-downs) amounted to SEK 1.9 million (0.2) in the fourth quarter, of which amortization and write-downs on intangible assets (capitalized development expenditures) amounted to SEK 1.5 million (0.0).

Net financial items amounted to SEK -1.0 million (-0.5) in the fourth quarter. In the fourth quarter interest expenses increased compared with the corresponding period in 2005, mainly due to an increased utilization of the company's accounts receivable financing facility.

IPTV

Net sales in IPTV amounted to SEK 135.5 million (50.6) in the fourth quarter, a 168 % increase compared with the corresponding period in 2005. Compared with the previous quarter, net sales increased by SEK 72.4 million, which may be explained by increased order intake within IPTV in the fourth quarter, as well as by certain delays in deliveries from the third quarter. Net sales in IPTV for 2006 as a whole amounted to SEK 348.0 million (151.5). The operating result for the fourth quarter amounted to SEK 6.2 million (-22.3) and for 2006 to SEK -15.1 million (-56.4). Both gross margin as well as the operating result within IPTV has shown a positive development during the fourth quarter, in line with the company's previous expectations.

IP residential gateway

Net sales in IP residential gateway amounted to SEK 32.5 million (18.1) in the fourth quarter, an 80 % increase compared with the corresponding period in 2005. Compared with the previous quarter net sales in the product segment increased by SEK 9.0 million. Net sales for 2006 as a whole amounted to SEK 104.9 million (51.5). The operating result for the fourth quarter amounted to SEK -0.2 million (-6.6) and for 2006 to SEK -4.5 million (-17.7). The product segment IP residential gateway has shown strong growth in the fourth quarter and in 2006 as a whole, and has continued to positively affect consolidated gross margin during the fourth quarter.

Personnel

The number of employees in the Group increased from 98 to 104 in the fourth quarter of 2006. In the beginning of 2006 the number of employees was 86, and the average number of employees in 2006 was 96. At year-end 2006, two people 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 -43.0 million (2.4) in the fourth quarter, and to SEK -106.4 million (-128.4) in 2006 as a whole. The negative cash flow in the fourth quarter compared with the corresponding period in 2005 is explained by increases in working capital being tied up, in light of the increased volumes in the fourth quarter. Cash and bank balances as of 31 December 2006 amounted to SEK 92.3 million (70.6).

In the fourth quarter, the company increased its accounts receivable financing facility with Svenska Handelsbanken, and as of 31 December 2006 the company had access to financing facilities in various currency denominations, corresponding to approximately SEK 101 million. The utilization of these facilities increased significantly compared to the end of the previous quarter, and as of 31 December 2006 the facility was utilized to SEK 96.2 million (53.1). Utilization is expected to go down during the first half of 2007.

Investments in intangible fixed assets in the fourth quarter amounted to SEK 7.8 million (0.0) and to SEK 29.2 million (0.0) in 2006 as a whole. These investments refer to capitalization of development expenditures. No other significant investments were made in the fourth quarter.

Shareholders' equity

Group equity as of 31 December 2006 amounted to SEK 149.2 million (70.1) and share capital at the same date amounted to SEK 22.2 million (120.0). The equity/assets ratio was 41 % (37 %). The increase in Group equity and the improved equity/assets ratio is mainly explained by the new share issues concluded in December 2006, in connection with the listing at the Stockholm Stock Exchange the same month. New share issues amounting to SEK 131.3 million (92.3) prior to issue expenses, were carried out in 2006 as a whole. The decrease in the share capital compared with 31 December 2005 is due to the share capital reduction of SEK 109.1 million that was carried out in March 2006. In January 2007 another SEK 0.9 million of the remaining convertible debt was converted into new shares. The remaining convertible debt of SEK 0.2 million, together with accrued interest for this

debt, is due for payment at the end of February 2007.

Share data and ownership structure

The new share issues concluded in December added another 3,400,000 new shares, of which 24,000 shares had not been registered as of 31 December, but were registered in January 2007. Hence, as of 31 December 2006 the total number of shares in the company was 22,165,060, and after completed registration of the remaining newly issued shares the number of shares was 22,189,060. As of 31 December 2006 there were also outstanding convertible bonds and warrants which, after a full conversion/exercise, would correspond to 909,230 new shares. After the final conversion round in January 2007, there are only outstanding warrants corresponding to 804,358 new shares.

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 net sales for the fourth quarter 2006 and for 2006 as a whole were the same as Group net sales for these periods.

Loss before taxes for the parent company was SEK -34.4 million (-91.2) for 2006, Group SEK -34.4 million. Total shareholders' equity in the parent company amounted to SEK 149.3 million (70.2), Group SEK 149.2 million. Cash and bank balances for the parent company as of 31 December 2006 amounted to SEK 92.2 million (69.8), Group SEK 92.3 million. As of 31 December 2006 the number of employees in the parent company including the US branch was 104 (86), which corresponds to the number of employees in the Group (there are no employees in the company's two inactive subsidiaries).

Dividends

The Board has proposed, for final decision at the annual general meeting, that no dividends be distributed for 2006.

Annual report

The 2006 annual report will be presented in April 2007, and will be held available at the company's head office in Kista, and also on the company's web site.

Annual general meeting

The annual general meeting will be held on 26 April 2007 at the company's head office in Kista.

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 RR32:05. 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.

Kista, 22 February 2007

Tilgin AB (publ)
Jan Werne, CEO

Phone conference:

In view of the year-end report, the capital market is invited to a conference call on Thursday 22 February. The conference will start at 09:00 CET.

Participants may follow the conference via Internet, website www.tilgin.com, or access it by dialing +46 (0)8 5052 0110. A presentation will be held available at the company's web site.

Scheduled reports:

- The January-March 2007 interim report will be presented on 26 April 2007.
- The January-June 2007 interim report will be presented on 23 August 2007.
- The January-September 2007 interim report will be presented on 26 October 2007.

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Group income statements, balance sheets and cash flow statements

Income statement (SEK thousand)	Q4 2006	Q4 2005	Full year 2006	Full year 2005
Net sales	167 973	68 735	452 946	202 996
Other operating income	0	3 923	275	4 691
Total sales	167 973	72 658	453 221	207 687
Operating expenses				
Goods for resale	-125 857	-59 111	-354 949	-177 987
Other external costs	-9 391	-19 517	-50 808	-51 301
Costs of personnel	-15 679	-18 240	-58 684	-54 944
Depreciation and amortization	-1 855	-231	-5 734	-855
Other operating expenses	-7 864	-9 141	-14 057	-9 353
Operating result	7 328	-33 582	-31 012	-86 754
Net financial items	-998	-468	-3 428	-4 492
Loss before taxes	6 330	-34 050	-34 440	-91 246
Income taxes for the period	-	-	-	-
Loss for the period	6 330	-34 050	-34 440	-91 246
Earnings per share before dilution (SEK)	0.33	-5.41	-2.45	-31.77
Earnings per share after dilution (SEK)	0.33	-5.41	-2.45	-31.77
Avg. number of shares before dilution (thousand)	19 156	6 288	14 054	2 872
Avg. number of shares after dilution (thousand)	19 261	9 188	14 223	3 822

Cash flow statement (SEK thousand)	Q4 2006	Q4 2005	Full year 2006	Full year 2005
Cash flow from operations before changes in working capital	7 689	-36 079	-33 211	-89 983
Changes in working capital	-50 673	38 459	-73 150	-38 437
Cash flow from operating activities	-42 983	2 380	-106 361	-128 420
Cash flow from investing activities	-9 250	-697	-32 393	-1 630
Cash flow from financing activities	127 437	67 192	160 467	187 756
Net change in cash and cash equivalents	75 204	68 875	21 713	57 707
Cash and cash equivalents, beginning of period	17 113	1 729	70 604	12 897
Cash and cash equivalents, end of period	92 317	70 604	92 317	70 604

Balance sheet (SEK thousand)	2006-12-31	2005-12-31
ASSETS		
- Intangible assets	24 715	-
- Tangible assets	4 278	2 210
<i>Total fixed assets</i>	28 993	2 210
- Inventories	91 810	42 976
- Accounts receivable - trade	127 791	62 976
- Other receivables	23 237	12 885
- Cash and bank	92 317	70 604
<i>Total current assets</i>	335 155	189 441
Total assets	364 149	191 651
SHAREHOLDERS' EQUITY AND LIABILITIES		
<i>Shareholders' equity</i>	149 209	70 107
<i>Liabilities</i>		
- Long-term interest-bearing liabilities	781	3 647
- Short-term interest-bearing liabilities	97 204	53 149
- Other short-term liabilities	115 195	64 343
- Warranty provisions	1 760	405
Total liabilities	214 940	121 544
Total equity and liabilities	364 149	191 651

Changes in group equity

SEK thousand	Share capital	Other paid-in capital	Accumulated loss incl period loss	Total Shareholders' 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, 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	-	-	-34 440	-34 440
Total change in capital excl. transactions with the company's owners	-	-	-34 440	-34 440
Reduction of the share capital (March 2006)	-109 066	-	109 066	-
New share issues	10 010	121 263	-	131 273
Issue expenses related to new share issues	-	-19 549	-	-19 549
Conversion in part on convertible loan	1 275	542	-	1 817
Closing balance Dec 31, 2006	22 189	426 412	-299 392	149 209

Segment information

(SEK thousand)

Q4 2006

	<u>IPTV</u>	<u>IP-RG</u>	<u>Other</u>	<u>Group</u>
Net sales	135 491	32 482	0	167 973
Operating result	6 186	-163	1 304	7 328
Investments in fixed assets	5 713	3 401	174	9 288 ⁾
Assets	203 611	64 049	96 489	364 149
Liabilities	156 593	45 129	13 218	214 940

Q4 2005

	<u>IPTV</u>	<u>IP-RG</u>	<u>Other</u>	<u>Group</u>
Net sales	50 649	18 087	0	68 735
Operating result	-22 260	-6 606	-4 715	-33 581
Investments in fixed assets	435	164	82	681
Assets	82 609	35 187	73 855	191 651
Liabilities	98 516	15 974	7 053	121 543

Full year 2006

	<u>IPTV</u>	<u>IP-RG</u>	<u>Other</u>	<u>Group</u>
Net sales	348 020	104 926	0	452 946
Operating result	-15 099	-4 509	-11 403	-31 012
Investments in fixed assets	20 323	11 754	353	32 430 ⁾
Assets	203 611	64 049	96 489	364 149
Liabilities	156 593	45 129	13 218	214 940

Full year 2005

	<u>IPTV</u>	<u>IP-RG</u>	<u>Other</u>	<u>Group</u>
Net sales	151 519	51 477	0	202 996
Operating result	-56 383	-17 699	-12 671	-86 754
Investments in fixed assets	1 002	426	213	1 641
Assets	82 609	35 187	73 855	191 651
Liabilities	98 516	15 974	7 053	121 543

⁾ 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)	Q4 2006	Q4 2005	Full year 2006	Full year 2005
Gross profit	42 117	9 624	97 996	25 009
Gross margin, %	25%	14%	22%	12%
Operating margin, %	4%	neg.	neg.	neg.
Net margin, %	4%	neg.	neg.	neg.
Shareholders' equity	149 209	70 107	149 209	70 107
Average shareholders' equity	110 451	29 596	109 658	47 694
Capital employed	247 194	126 903	247 194	126 903
Average capital employed	180 311	110 332	187 049	78 648
Interest-bearing debt	97 985	56 796	97 985	56 796
Balance sheet total	364 149	191 651	364 149	191 651
Financial expenses	-1 162	-500	-4 191	-4 631
Investments in tangible fixed assets	-1 618	-709	-3 436	-1 641
Return on average shareholders' equity, %	6%	neg.	neg.	neg.
Return on average capital employed, %	4%	neg.	neg.	neg.
Equity/assets ratio, %	41%	37%	41%	37%
Debt/equity ratio, times	0.7	0.8	0.7	0.8
Interest coverage ratio, times	6	-67	-7	-19
Share of risk-bearing capital, %	41%	37%	41%	37%
Net debt(+)/receivable(-)	5 668	-13 808	5 668	-13 808
Net debt ratio, times (- = receivable)	0.0	-0.2	0.0	-0.2
Working capital as a percentage of sales	28%	26%	28%	26%
Number of employees at period end	104	86	104	86
Average number of employees in period	101	84	96	77
Sales per employee	1 663	865	4 721	2 715
Operating profit/loss per employee	73	-400	-323	-1 134
Dividend per share (SEK)	-	-	-	-
Number of shares before dilution	22 165 060	11 996 901	22 165 060	11 996 901
Number of shares after dilution	22 269 932	12 283 455	22 269 932	12 283 455
Average number of shares in period, before dilution	19 156 017	6 288 360	14 054 057	2 872 089
Average number of shares in period, after dilution	19 260 889	9 187 803	14 223 260	3 822 085

Definitions:

MARGINS

Gross profit: Net sales less costs of goods for resale. Previously, Total sales was used instead of Net sales.

Previously reported periods have been restated in accordance with this definition.

Gross margin: Gross profit as a percentage of net sales in the period. Same adjustment as for Gross profit above.

Operating margin: Operating profit/loss after depreciation as a percentage of total sales in the period.

Net margin: Net profit/loss as a percentage of total 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 day.

Prior to Q4 2006 the averages were derived from the actual number of shares at the end of each month. Previous period have been adjusted in accordance with this new basis of calculation.

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)	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Net sales	18 748	28 331	87 182	68 735	94 272	104 074	86 626	167 973
Other operating income	0	933	2	3 923	46	64	975	0
Total sales	18 748	29 263	87 184	72 658	94 319	104 138	87 601	167 973
Gross profit	3 648	932	10 804	9 624	19 607	21 132	15 140	42 117
Gross margin	19%	3%	12%	14%	21%	20%	17%	25%
Operating result	-15 977	-23 774	-13 421	-33 581	-10 830	-21 687	-5 822	7 328
Net loss	-16 347	-26 308	-14 542	-34 050	-11 357	-22 218	-7 196	6 330

IPTV

Net sales	13 922	15 166	71 783	50 649	70 911	78 498	63 120	135 491
Operating result	-9 673	-16 918	-7 521	-22 260	-3 589	-10 769	-6 928	6 186

IP residential gateway

Net sales	4 826	13 165	15 399	18 087	23 361	25 575	23 507	32 482
Operating result	-4 136	-3 907	-3 050	-6 606	-585	-2 420	-1 341	-163

Other products and services

Net sales	0	0	0	0	0	0	0	0
Operating result	-2 168	-2 949	-2 850	-4 715	-6 656	-8 498	2 447	1 304

Net sales per product segment, %

IPTV	74%	54%	82%	74%	75%	75%	73%	81%
IP residential gateway	26%	46%	18%	26%	25%	25%	27%	19%
Other	0%	0%	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Shipped CPEs per product segment

IPTV (Mood, set-top boxes)	9 793	11 379	40 361	25 894	34 642	45 282	35 938	78 476
IP residential gateway (Vood)	7 453	20 553	26 421	28 047	38 259	45 138	44 325	59 714
Total	17 246	31 932	66 782	53 941	72 901	90 420	80 263	138 190

Net sales per geographical area

EMEA	10 031	23 331	85 151	63 030	90 935	101 287	82 841	162 850
North America	4 394	3 602	2 023	4 193	2 395	2 633	2 192	4 233
ROW	4 324	1 398	9	1 512	943	154	1 594	890
Total	18 748	28 331	87 182	68 735	94 272	104 074	86 626	167 973

(EMEA = Europe, Middle East, Africa)

Net sales per geographical area, %

EMEA	54%	80%	98%	87%	96%	97%	96%	97%
North America	23%	12%	2%	6%	3%	3%	3%	3%
ROW	23%	5%	0%	2%	1%	0%	2%	1%
Total	100%	97%	100%	95%	100%	100%	100%	100%

Orders received and order backlog

Orders received in period	7 659	90 361	52 669	59 616	118 167	123 822	118 761	153 208
Order backlog	25 442	93 717	56 841	48 630	74 592	87 524	121 708	102 973

Avg. rate used for orders received, USD	6.92	7.31	7.68	7.97	7.78	7.40	7.24	7.08
Avg. rate used for orders received, EUR	9.07	9.21	9.37	9.48	9.35	9.30	9.23	9.13
Avg. rate used for order backlog, USD	7.06	7.82	7.78	7.95	7.75	7.26	7.31	6.87
Avg. rate used for order backlog, EUR	9.14	9.44	9.34	9.43	9.40	9.22	9.27	9.05