

## Kreatel more than doubles net sales

- Net sales increased by 150.4 % compared with the same period the previous year, from 19.4 million SEK to 48.7 million SEK.
- During the first six months of 2000, Kreatel invested 24.6 million SEK in product development of, amongst others, products for the new broadband networks, a cost that has been entirely expensed. The result for the period amounted to -11.1 million SEK.
- Kreatel launched three new products at the CeBIT trade show in Hannover in March 2000.
- During the period, Kreatel carried out a new share issue of 105.1 million SEK that guarantees further investments in product and market development.
- All areas of the company showed strong growth in the number of employees during the first half of the year.

### Interim Report

January – June 2000

#### **Kreatel Communications AB**

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January – June 2000

*Kreatel Communications AB develops and markets intelligent service gateway solutions that enable the exploitation of the rapidly expanding range of telecom and broadband services. In a short space of time, Kreatel has taken a leading position as a supplier of systems for Least Cost Routing, i.e. for directing calls to alternative telecom operators in deregulated telecom markets. The product portfolio contains a broad range of products enabling value-added services in the fixed telephone network, the GSM network and the new broadband networks.*

### Market

The market for products for call routing continues to be strong in Europe. At the same time, a shift can be noted regarding where the demand is found. Growth is particularly strong in the southern parts of Europe. This change in demand is natural and follows the wave of deregulation within the area of telecommunications currently sweeping Europe. A similar development is expected in eastern Europe and South America in the near future. In the more mature telecom markets, it is becoming increasingly important for the operators to be able to offer their customers advanced value-added services. This increases demand for products which make it possible for operators to offer and charge for these services.

Sales of Kreatel's products have developed very strongly during the year's first six months. Compared with the same period last year, net sales increased by 150.4% and amounted to 48.7 million SEK for the first half of 2000. It is primarily products for call routing and telecom-based value-added services that are seeing strong demand.

During the end of 1999, Kreatel began an intensive expansion of the resources used for marketing and sales. The effects of this effort are shown in the increased sales.

### Product development

During the first half of 2000, Kreatel has put extensive effort into product development. This is true both of development of new products as well as further development of the existing product portfolio.

Kreatel presented three new products at the CeBIT trade show in Hannover in March:

- Dialix GSM, the market's first product that can offer Least Cost Routing in the mobile telephone.
- Matrix, a product for visual and interactive services, which makes message handling (for example, e-mail, SMS, and voice mail), caller ID and its accompanying telephone book, and call routing all possible in one and the same product.
- Phonix ISDN, a call router for ISDN connections.

Field tests with operators are now being carried out for all of these products in advance of upcoming product launches.

Also during the first half of 2000, Kreatel has carried out an extensive development effort within broadband communication. A service gateway has been developed that makes it possible for broadband operators to offer their customers high-quality services within multimedia and entertainment. This product is a natural continuation of the existing product portfolio.

## **Result**

The result before appropriations and taxes for the first half of 2000 developed according to plan and amounted to -11.1 million SEK (last year 0.4 million SEK). The result is a natural consequence of the extensive investments in product and market development that Kreatel is currently carrying out.

The operating costs increased according to plan by 240.5%, from 19.4 million SEK to 66.1 million SEK. 26.6 million SEK or 40.2% concerns costs for manufacturing and delivery of Kreatel's products. Kreatel has contracted out all manufacturing of its products to suppliers and as such does no manufacturing itself.

During the period, 24.6 million SEK or 37.2% of the costs were invested in development of new products and further development of existing products. All product development costs are expensed as they are incurred.

## **New Share Issue and Ownership**

During March/April, Kreatel carried out a new share issue that meant that the number of shares increased by 1,960,000. This corresponds to 21.9% of the total number of shares after the completed share issue. In conjunction with this, the company's equity increased by 105.1 million SEK. The shares were purchased by, amongst others, ABN AMRO Ventures BV, Investment AB Bure,

Sjätte AP-fonden, SEB Företagsinvest and Innovationskapital and serve to secure Kreatel's continued product development and internationalization up to its planned introduction to the stock exchange.

At an extra Shareholders General Meeting on June 22, the shareholders decided upon a second options program aimed at employees and members of the board of directors in the company. This program gives the options holder the right to purchase B-series shares in the company at 130 SEK per share during the period July 1 – December 31, 2002. Dilution of 5.1% would occur if all available options were purchased.

## **Financial position and liquidity**

The company's equity was at the end of the period 106.4 million SEK. The equity/assets ratio was 82.6% (28.7%) and 90.1 million SEK (0.2) was available equity exclusive of credit guarantees.

Investments amounted to 4.3 million SEK and primarily consisted of equipment used within development as well as investments related to increasing the number of employees. Cash flow after investments was -20.3 million SEK (-2.2 million SEK).

## **Employees**

During the period, Kreatel has increased the number of employees by 17, from 32 to 49. During the last 12-month period, the number of employees increased by 27. The growth has been evenly spread between the areas of sales/marketing, development, and implementation. In order to ensure speed in further development of existing products as well as in development of the new service gateway for broadband communication, Kreatel has also used hired consultants. An average of 20 consultants has been active at Kreatel during the period.

## **Organization and Infrastructure**

The company has strengthened organization and management capacity during the period. This has been done through, amongst other things, recruitment for a number of key positions, such as Financial Director and Marketing Director. Furthermore, a new business support system has been implemented.

## **Future**

Kreatel's first product within the area of broadband will be made public during September. Furthermore, during September and October, Kreatel is going to launch the products presented to the market during the CeBIT trade show in Hannover.

Kreatel is going to increase its market presence in various ways in Spain, Austria, and Italy during the next six months.

The phase of very strong market and product growth that Kreatel is currently in means that the need for further recruitment continues. Kreatel plans therefore to employ approximately 30 more employees during 2000.

Kreatel has engaged Handelsbanken Investment Banking for investigating the possibility to be listed on the Stockholm Stock Exchange's O list.

Linköping, August 22, 2000



Lars Bengtsson

Managing Director

## Income statement

Amounts in thousands of SEK

	2000-01-01- 2000-06-30	1999-01-01- 1999-06-30 (proforma)
<b>Operating income</b>		
Net sales	48,662	19,434
Change in stock of finished products ready goods	5,213	248
Other operating income	<u>651</u>	<u>100</u>
	<b>54,526</b>	<b>19,782</b>
<b>Operating costs</b>		
Raw materials and consumables	-26,600	-9,390
Other external expenses	-27,258	-4,572
Personnel costs	-11,129	-4,936
Depreciation fixed assets	-1,162	-527
Other operating costs	<u>0</u>	<u>0</u>
	<b>66,149</b>	<b>19,425</b>
<b>Operating loss</b>	<b>-11,623</b>	<b>357</b>
Net financial income	515	20
<b>Loss before appropriations and taxes</b>	<b>-11,108</b>	<b>377</b>

## Balance sheet

Amounts in thousands of SEK	2000-06-30	1999-06-30 (proforma)
<b>Fixed Assets</b>		
Intangible assets*	0	0
Tangible assets	5,085	1,508
Financial assets	1,317	0
	<u>6,402</u>	<u>1,508</u>
<b>Current assets</b>		
Inventories, etc.	6,598	2,154
Short-term accounts receivable	26,253	10,734
Cash and bank balances	90,068	226
	<u>122,919</u>	<u>13,114</u>
<b>Total assets</b>	<b>129,321</b>	<b>14,622</b>
<b>Equity</b>		
Restricted equity	115,776	623
Retained result	1,731	2,963
Net result	-11,108	377
	<u>106,399</u>	<u>3,963</u>
<b>Untaxed reserves</b>	<b>670</b>	<b>320</b>
<b>Provisions</b>	<b>334</b>	<b>282</b>
<b>Long-term liabilities</b>	<b>1,373</b>	<b>75</b>
<b>Current liabilities</b>	<b>20,545</b>	<b>9,982</b>
<b>Total equity and liabilities</b>	<b>129,321</b>	<b>14,622</b>

\* Product development costs are expensed by the company as incurred.  
The costs for product development during the period amounted to 24,600,000 SEK (3,800,000 SEK last year).

## Cash flow analysis

Amounts in thousands of SEK	2000-01-01- 2000-06-30	1999-01-01- 1999-06-30 (proforma)
Cash flow from current operating activities	-10,696	904
Changes in operating capital	-5,273	-2,117
Investments	<u>-4,293</u>	<u>-958</u>
<b>Cash flow after investments</b>	<b>-20,262</b>	<b>-2,171</b>
<b>Financing</b>	<b><u>105,056</u></b>	<b><u>-56</u></b>
<b>Change in liquid funds</b>	<b>84,774</b>	<b>-2,227</b>

## Key figures

	2000-01-01- 2000-06-30	1999-01-01- 1999-06-30 (proforma)
Net sales, (000 SEK)	48,662	19,434
Result before appropriations and taxes (000 SEK)	-11,108	377
Expensed product development costs (000 SEK)	24,600	3,800
Expensed product development costs in % of net sales	50,5	19,5
Gross margin as percentage of net sales	51,2	52,5
Operating margin, %	Neg.	1.9 %
Total assets (million SEK)	129,3	14,6
Liquidity (million SEK)	90,1	0,2
Equity/Assets ratio (%)	82,6	28,7
Average number of employees	41	20
Number of employees at the end of the period	49	22
Net sales per employee (000 SEK)	1,187	971
Profit on equity, %	Neg.	6,7
Number of shares at end of period	8,960,000	6,000,000 *
Average number of shares	7,980,000	6,000,000 *
Profit/loss per share, SEK	Neg.	0:05 *
Equity per share, SEK	11:93	0:70 *

In calculation of the key figures regarding profit from equity, profit per share and equity per share, this period's result has been calculated with a tax of 28%.

\* The number of shares has been adjusted for the split carried out in October 1999.



## **Auditors' report**

We have checked this interim report according to the recommendation issued by FAR (Föreningen Auktoriserade Revisorer). A superficial check is significantly limited compared with an audit.

Nothing has arisen to indicate that the interim report fails to fulfill the requirements of the Annual Accounts Act.

Linköping, August 22, 2000

Tom Skarin  
Skarin och Brindelid  
Approved Public Accountant

Bo Axelsson  
KPMG  
Authorized Public Accountant

## **Questions concerning this interim report will be answered by:**

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## **Coming reports**

Interim report January – September 2000

Accounting report 2000

Annual Report 2000

October 17, 2000

February 15, 2001

March 2001