Interim Report Q3.2008

January – September 2008

tilgin

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 innovative and competitive 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 European sales representation in France and Germany. www.tilgin.com

Interim report 1 January – 30 September 2008

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

Third quarter 2008

- **Net sales SEK 59.1 million (89.9), a 44 % increase from previous quarter**
- **Net result SEK –2.6 million (-5.2), to be compared with SEK -17.3 million in the second quarter**
- **Result per share SEK –0.06 (-0.22) before dilution, to be compared with SEK -0.53 in the second quarter**
- **Order intake SEK 39.0 million (117.9) and order backlog as of 30 September 2008 SEK 60.3 million (107.0)**
- **Gross margin 42 % (28 %) which is a new all-time high for the company**
- **Operating result SEK –2.9 million (-4.8)**
- **Cash flow from operating activities SEK -24.3 million (-3.1), where accounts receivable increased by SEK 19.5 million, following large shipments to customers towards the end of the quarter**
- **Cash and bank SEK 34.4 million (40.2) as of 30 September 2008**

First nine months of 2008

- **Net sales SEK 131.4 million (273.6)**
- **Net result SEK –51.3 million (-46.4)**
- **Result per share SEK –1.52 (-1.94) before dilution**
- **Gross margin 39 % (21 %)**
- **Operating result SEK –51.4 million (-44.5)**
- **Cash flow from operating activities SEK -41.6 million (46.1)**

Other issues

- **44 percent revenue growth since second quarter**
- **All-time high gross margin of 42 percent**
- **Several new strategically important customers during the quarter**
- **Cost savings program significantly better than planned**
- **Received large order of approximately SEK 12 million from leading Nordic operator, after quarter end.**

”Net sales increased by 44 percent since the second quarter, and the gross margin amounted to 42 percent. With leading technology and strategic customers, we are now well-positioned as operators are initiating rollouts of IP services to the mass market.” says Ola Berglund, CEO at Tilgin.

A word from the CEO

Tilgin net sales increased by 44 percent since the second quarter to SEK 59.1 million, and the gross margin improved to a new all-time high of 42 percent. With leading technology and strategic customers, we are now well-positioned as operators are initiating rollouts of IP services to the mass market.

In the business segment IP residential gateway net sales amounted to SEK 52.4 million, a 68 percent increase compared with the corresponding period last year, and 39 percent increase from the second quarter. This strong growth was achieved with profitability and derives from both new customer wins and from new orders from current customers. Among other wins, we received initial orders from two leading East European incumbents, one for triple play and one for the next generation of gateways. After quarter end a leading Nordic operator placed new orders for IP technology to its ongoing roll-out to Swedish households.

In this segment Tilgin is offering software and solutions to telephony and broadband operators wanting to offer the ”digitally connected home” by connecting customer services such as Internet connection, IP telephony, local networks etc. During the third quarter we launched new software for managing IP-based networks (VCM 5), and new functionality for offering and distributing content services to household appliances such as TV sets, computers, stereos and more. Among our most important customers are TeliaSonera, Tele2 and DU from Dubai. With over 30 customers in over ten countries, our IP residential gateway business has a broad customer base and a wide international span. I am pleased to see this being reflected in high growth and good profitability.

In the business segment IPTV net sales in the third quarter amounted to SEK 6.7 million, which is more than double the net sales in the second quarter, but less than in the corresponding period last year. The decrease since year is explained by the loss of Belgacom, our largest customer, in 2007. Belgacom made up almost 90 percent of segment net sales.

In the IPTV segment we are providing solutions to operators who wish to offer its end-users high-quality TV over the broadband network. This enables digital services such as Video-on-Demand, Pay-Per-View and more. During the third quarter we launched new TV media services and also new functionality for connecting different appliances (UPnP/DLNA). Cooperation with system integrators such as Ericsson and Nokia Siemens Networks confirms the technical quality of our products and provides access to operators worldwide.

Saleswise, we were greatly successful this quarter, and won four new IPTV customers. These were a leading incumbent in Eastern Europe, one in Southwest Europe, one in the Middle East, and the Danish utility company TRE-FOR. This means that in total eight incumbents/operators are executing test launches and field trials on our new Mood 400 platform. Also, one customer has already initiated a broader roll-out of Mood 400. Thus, Tilgin’s platform is well positioned as ever more operators decide to launch IPTV to the mass market.

Our IPTV business has an attractive strategic position, but it has not yet attained the critical mass needed to reach a stable level of profitability. At the same time, the market for IPTV is characterized by accelerating growth, driven by the fact that operators are on the verge of commercial IPTV volume roll-outs. As a relatively small player in this field it is imperative for Tilgin to take advantage of the current market momentum. While working on increasing IPTV sales, we are also actively pursuing opportunities for various forms of cooperations, strategic alliances, part-ownerships etc.

We are reporting strong growth in sales, and an all-time high gross margin for this quarter. Our new products were well received at industry trade shows, and we are combining satisfied current customers with new business opportunities to leading operators. All of this together makes me look towards the future with confidence.

Ola Berglund, CEO

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Significant events during the third quarter

In June Tilgin won a breakthrough order from a leading South European incumbent for its commercial IPTV roll-out, and also an order for IPTV field trials from a leading Middle East operator. In the same month Tilgin also announced an order from Danish TRE-FOR for a commercial IPTV roll-out.

In early September Tilgin won a field trial order for IMS-based IPTV from a leading incumbent in Southwest Europe.

Towards the end of the quarter Tilgin won a field trial order for triple play from a leading East European incumbent, including IPRG Home Gateways as well as IPTV set-top boxes. The company also won an order in IPRG from another leading East European incumbent for field trials of our most recent generation of Home Gateways.

During the quarter Tilgin has also been exhibiting and showcasing at two important industry trade shows; IBC in Amsterdam in September with focus on the company's IPTV solutions, and BBWF in Brussels at the turn of the month September/October with focus on the company's IP residential gateway solutions and management software. During the course of these trade shows a number of new products and functions were launched in order to increase the value of the operators' IP-based services that are being offered to end-customers and subscribers. Launches include

- IPTV with Personal Video Recorder at a lower price
- IPTV with Picture in Picture (PiP)
- Home Gateways with Full Service Routing functionality, which is in strong demand by the operators.
- VCM 5, the fifth generation of Tilgin's software for remote management of field units, with TR-069 functionality also enabling further scalability and availability.

New and existing customers that have generated large orders during the quarter include DU (IP residential gateway, Dubai), Intracom (IP residential gateway, Dubai), TRE-FOR (IPTV, Denmark) and TeliaSonera (IP residential gateway, Sweden).

Significant events after the reporting period

In October Tilgin announced that one of its largest customers, a leading Nordic incumbent, is expanding by placing an order of USD 1.6 million for IP solutions containing both a gateway solution and Tilgin's VCM software for enabling remote handling, attending, upgrading and trouble-shooting units in the end-users' households.

As previously communicated, Tilgin has appealed the two invoices with customs duties received in 2008, totaling SEK 16.7 million, and also the invoice received in 2007 of SEK 4.8 million. In mid-October the company announced that it has chosen to revoke the appeal for postponement of payment of all customs duties announced in 2007 and 2008. Instead, Tilgin will start paying the requested duties in parts. Tilgin's position is that the Swedish Customs has no basis for its claims and has as previously communicated appealed all claims to the County Administrative Court. The new agreement does not affect Tilgin's position in the upcoming court proceedings.

Market prospects and future outlook

Net sales and result improved significantly compared with the two previous quarters of 2008. The company is on the verge of several large orders in IPTV, partly as a result from our cooperation with system integrators such as Ericsson and Nokia Siemens Networks, and a first larger IPTV order was received during the quarter as a direct result of the cooperation with Ericsson. Together with the leading technology that the company possesses, this gives Tilgin a bright future outlook as operators start rolling out IPTV commercially.

As in previous quarters of 2008, the absolute majority of net sales were generated in the business segment IP residential gateway.

Gross margin was significantly strengthened in the third quarter to a new all-time high of 42 percent.

As previously communicated, the company is not presenting any sales and result forecast.

Split of operations into subsidiaries

As per 1 October 2008, operations in the two business segments IPTV and IP residential gateway were transferred to the wholly owned subsidiaries Tilgin IPTV AB and Tilgin IPRG AB, respectively.

Sales and financial performance

Net sales

Net sales in the third quarter amounted to SEK 59.1 million (89.9) which is a decline compared with the corresponding period in 2007, but an improvement by 44 % compared with the previous quarter. The increase from the first two quarters is explained by successes in IP residential gateway, while the decline since last year is explained by the loss of Belgacom, the company's largest customer in IPTV, in late 2007. Net sales in the first nine months amounted to SEK 131.4 million (273.6).

In total, 88,791 (91,804) CPEs (Customer Premises Equipment) were shipped to customers in the third quarter, of which 3,776 (32,448) set-top boxes and 85,015 (59,356) residential gateway units.

CPEs including client software represented 93 % (93 %) of total net sales in the third quarter. Other revenue includes sales of accessories, spare parts, management systems, support, professional services and further invoiced costs.

In the third quarter, net sales were split between Europe 47.0 % (93.0 %), Middle East 48.7 % (3.3 %) and other regions 4.3 % (3.7 %).

Financial performance

The operating result for the third quarter amounted to SEK -2.9 million (-4.8) and the net result amounted to SEK -2.6 million (-5.2). The operating result for the first nine months amounted to SEK -51.4 million (-44.5) and the net result amounted to SEK -51.3 million (-46.4). Write-downs on inventory negatively affected operating result and gross margin by SEK -1.6 million (0.0). Gross margin for the third quarter amounted to 41.8 % (28.1 %) which is a continued improvement compared with the corresponding period in 2007, and also compared with the previous quarter (37.4 %).

Operating expenses excluding goods for resale and depreciation and amortization amounted to SEK 22.2 million (26.6) in the third quarter. The decrease is mainly due to cost savings in line with the previously announced cost savings program. Third quarter expenses in 2008 were reduced by capitalized development expenditures of SEK 5.4 million (7.9).

Costs of personnel amounted to SEK 12.6 million (13.8) in the third quarter. Compared with the previous quarter costs of personnel decreased by SEK 5.6 million. The number of employees decreased by 12 persons during the quarter. The cost savings program that was initiated at the start of 2008 has resulted in significantly higher savings than expected, and total savings in the third quarter were SEK 12.7 million compared with the fourth quarter of 2007, to be compared with the planned SEK 7 million.

Total product development costs prior to capitalizing certain development expenses decreased to SEK 10.9 million (12.4) in the third quarter.

Depreciation and amortization amounted to SEK 6.4 million (3.9) in the third quarter, of which amortization and write-downs on intangible assets (capitalized development expenses) amounted to SEK 5.5 million (3.4).

Net financial items amounted to SEK 0.4 million (-0.4) in the third quarter.

IPTV
Net sales in IPTV amounted to SEK 6.7 million (58.7) in the third quarter. Compared with the previous quarter, net sales increased by SEK 3.4 million. Order intake in IPTV was still low in the third quarter compared with the corresponding period last year, but a recovery is observed, and compared with previous quarters in 2008 order intake has increased significantly. Net sales in the first nine months amounted to SEK 15.7 million (166.5). The operating result amounted to SEK -12.9 million (-5.7) for the quarter.

IP residential gateway
Net sales in IP residential gateway amounted to SEK 52.4 million (31.1) in the third quarter, which is a considerable improvement compared the corresponding period in 2007, as well as compared with the previous quarter (37.7). Net sales in the first nine months amounted to SEK 115.6 million (107.1). The operating result amounted to SEK 12.4 million (2.4) for the third quarter.

Personnel
The number of employees in the Group was 98 (111) as of 30 September 2008, which is a decrease of 12 persons compared with the previous quarter.

Financial position

Cash flow, investments and financial position
Cash flow from operating activities amounted to SEK -24.3 million (-3.1) in the third quarter. This is mostly related to increases in working capital being tied up, where among other things accounts receivable were significantly higher at the end of the quarter compared to the previous quarter. Cash and bank balances as of 30 September 2008 amounted to SEK 34.4 million (40.2).

As of 30 September 2008 the company had access to financing facilities in various currency denominations, corresponding to approximately SEK 97 million. The utilization of these facilities increased by SEK 11.3 million compared with the end of the previous quarter, and as of 30 September 2008 the facility was utilized to SEK 18.3 million (26.3).

Investments in intangible fixed assets amounted to SEK 5.4 million (7.4) in the third quarter. These investments refer to capitalization of development expenses. No other significant investments were made in the period.

Shareholders' equity
Group equity as of 30 September 2008 amounted to SEK 113.7 million (103.7) and share capital at the same date amounted to SEK 44.5 million (22.3). The equity/assets ratio was 56 % (55 %).

Share data and ownership structure
The total number of shares in the company as of 30 September 2008 was 44,549,198. At that date, there were two outstanding warrant programs with maturity date 31 August 2009 and 31 August 2010, respectively. As of 30 September 2008, MGA Holding AB remained the largest shareholder, with 30 % of the shares.

Risks and uncertain factors

Also for the third quarter of 2008 the company establishes that it remains dependent on a relatively limited number of large customers. Tilgin is however working actively in reducing this dependency, and as the company is increasing sales to other current customers as well as adding new customers, this dependency is expected to gradually decrease.

Historically the company has had a currency exposure risk, derived from considerable sales volumes in EUR, sales-related purchases mainly in USD, and other operating expenses mainly in SEK. This exposure has grown less important, since the sales volumes in EUR relative to USD so far have been and are expected to continue to be significantly lower in 2008. These currency risks have partially been managed through forward exchange contracts.

For other risks and uncertain factors, please refer to the 2007 annual report.

Related parties

There were no sales or purchases of goods or services between related parties to/from the group or the parent company in the third quarter of 2008. Also, the company has not identified any other significant transactions with related parties in that period. After the end of the third quarter, the company has secured a loan commitment from the larger shareholders, to be utilized in cases of a possible need for short-term financing.

Parent company

Up to 30 September 2008 the operations of the Group have corresponded to that of the parent company. Parent company net sales for the third quarter 2008 were the same as Group net sales for the period.

Result before taxes for the parent company was SEK -2.3 million (-5.2) for the third quarter, Group SEK -2.6 million. Total shareholders' equity in the parent company amounted to SEK 114.0 million (103.7), Group SEK 113.7 million. Cash and bank balances for the parent company as of 30 September 2008 amounted to SEK 34.2 million (40.2), Group SEK 34.4 million. As of 30 September 2008 the number of employees in the parent company was 98 (111), which corresponds to the number of employees in the Group.

Nomination committee

In accordance with the principles for electing a nomination committee prior to the 2009 Annual General Meeting, which were approved at the Annual

General Meeting for Tilgin AB on 23 April 2008, and in accordance with the Swedish Code of Corporate Governance, it is hereby announced that the three largest shareholders of the company (as per 30 September 2008) have appointed the following nomination committee:

- Johnny Eriksson, MGA Holding AB
- Greger Ericsson, Texcel International AB
- Petter Wingstrand, T-bolaget AB

The Nomination Committee shall formulate a proposal for i) Board of Directors, ii) Chairman of the Board, iii) remuneration to each member of the Board of Directors and iv) Chairman of the 2009 Annual General Meeting.

Shareholders wishing to submit proposals to the committee, please contact the Chairman of the Board, Johnny Sommarlund, no later than 27 February 2009, by sending an e-mail to ir@tilgin.com

Tilgin Annual General Meeting

The Annual General Meeting for Tilgin is planned to be held on 28 April 2009 at the company's head office on Finlandsgatan 40 in Kista. Notice for the AGM will be issued not earlier than sex weeks and not later than four weeks before the AGM. Shareholders wishing to use their entitled initiative to bring an item to the agenda at the AGM shall request this in writing to the Board. The item will be processed at the AGM, if the request is handed in to the Board no later than 10 March 2009.

Accounting and valuation principles

This interim report has been established in accordance with IAS 34, Interim Financial Reporting and, for the parent company, RFR 2.1 (Swedish Financial Accounting Standards Council). The new or revised IFRS standards or IFRIC interpretations that have come into effect since 1 January 2008 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 2007 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, 23 October

Tilgin AB (publ)

Ola Berglund
Chief Executive Officer

The information will be made public on 24 October 2008, 07:00 CET.

Phone conference:

In view of the interim report, the capital market is invited to a conference call on Friday 24 October. The conference will start at 11:00 CET. Participants may follow the conference via Internet, website www.tilgin.com/q308, or access it by dialing +46 (0)8 5052 0110. A presentation is held available at the company's web site (www.tilgin.com) when the phone conference starts.

Scheduled reports:

- Tilgin with Ola Berglund will participate on the IT seminar arranged by Redeye on 5 November, 10 a.m. at Grand Hotel in Stockholm.
- The year-end report for 2008 will be presented on 13 February 2009.

For further information, please contact:

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Report on Review of Interim Financial Information

Introduction

We have reviewed the interim report of Tilgin AB (publ), corporate identity number 556537-5812, as of September 30, 2008 and for the nine-month period then ended. The Board of Directors and the President are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this semi-annual report based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of 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 the Standards on Auditing in Sweden RS and other generally accepted auditing practices. 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 based on an audit.

Conclusion

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

Stockholm October 23, 2008

KPMG AB

Åsa Wirén Linder
Authorized Public Accountant

Group income statements, balance sheets and cash flow statements

Income statement (SEK thousand)	Q3 2008	Q3 2007	Jan-Sept 2008	Jan-Sept 2007	Oct 2007 - Sept 2008	FY 2007
Net sales	59 113	89 860	131 354	273 627	248 970	391 243
Other operating income	1 001	488	106	411	1 017	2 399
Total sales	**60 114**	**90 348**	**131 460**	**274 038**	**249 987**	**393 642**
Operating expenses						
Goods for resale	-34 413	-64 615	-79 780	-217 530	-160 043	-297 793
Other external costs	-9 600	-9 292	-32 520	-36 346	-45 007	-48 833
Costs of personnel	-12 649	-13 778	-52 677	-51 467	-72 340	-71 130
Depreciation and amortization	-6 395	-3 935	-17 882	-10 290	-27 464	-19 873
Other operating expenses	0	-3 528	0	-2 902	-2 719	-6 697
Operating result	**-2 944**	**-4 799**	**-51 399**	**-44 498**	**-57 586**	**-50 684**
Net financial items	367	-438	148	-1 902	1 267	-783
Result before taxes	**-2 577**	**-5 237**	**-51 251**	**-46 399**	**-56 319**	**-51 467**
Income taxes for the period	-	-	-	-	-	-
Result for the period	**-2 577**	**-5 237**	**-51 251**	**-46 399**	**-56 319**	**-51 467**
Earnings/loss per share before dilution (SEK)	-0.06	-0.22	-1.52	-1.94	-1.80	-2.15
Earnings/loss per share after dilution (SEK)	-0.06	-0.22	-1.52	-1.94	-1.80	-2.15
Avg. number of shares before dilution (thousand)	44 549	23 983	33 816	23 970	31 344	23 973
Avg. number of shares after dilution (thousand)	44 549	23 983	33 816	23 987	31 344	23 986

Cash flow statement (SEK thousand)	Q3 2008	Q3 2007	Jan-Sept 2008	Jan-Sept 2007	Oct 2007 - Sept 2008	FY 2007
Cash flow from operations before changes in working capital	3 922	-1 393	-34 393	-35 853	-29 946	-31 406
Changes in working capital	-28 204	-1 690	-7 184	81 995	-4 467	84 712
Cash flow from operating activities	**-24 281**	**-3 083**	**-41 577**	**46 142**	**-34 413**	**53 306**
Cash flow from investing activities	-5 371	-8 437	-20 351	-28 144	-30 076	-37 870
Cash flow from financing activities	11 331	13 341	62 260	-70 069	58 603	-73 726
Net change in cash and cash equivalents	**-18 321**	**1 821**	**332**	**-52 071**	**-5 886**	**-58 290**
Cash and cash equivalents, beginning of period	**52 681**	**38 425**	**34 027**	**92 317**	**40 246**	**92 317**
Cash and cash equivalents, end of period	**34 360**	**40 246**	**34 360**	**40 246**	**34 360**	**34 027**

Balance sheet (SEK thousand)	2008-09-30	2007-09-30	2007-12-31
ASSETS			
- Intangible assets	45 710	41 830	42 540
- Tangible assets	3 749	5 017	4 450
Total fixed assets	*49 459*	*46 847*	*46 990*
- Inventories	29 195	47 543	33 058
- Accounts receivable - trade	59 193	40 851	40 080
- Other receivables	29 068	13 594	19 229
- Cash and bank	34 360	40 246	34 027
Total current assets	*151 816*	*142 234*	*126 394*
Total assets	**201 275**	**189 081**	**173 384**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	113 688	103 665	98 597
Liabilities			
- Long-term interest-bearing liabilities	781	781	781
- Short-term interest-bearing liabilities	18 335	26 280	22 623
- Other short-term liabilities	67 340	56 339	49 435
- Warranty provisions	1 130	2 016	1 948
Total liabilities	**87 587**	**85 416**	**74 787**
Total equity and liabilities	**201 275**	**189 081**	**173 384**

Income statements and balance sheets, parent company

Income statement (SEK thousand)	Q3 2008	Q3 2007	Jan-Sept 2008	Jan-Sept 2007	Oct 2007 - Sept 2008	FY 2007
Total sales	60 114	90 348	131 460	274 038	249 987	393 642
Operating expenses	-62 782	-95 147	-182 582	-318 536	-307 296	-444 326
Operating result	**-2 668**	**-4 799**	**-51 122**	**-44 498**	**-57 309**	**-50 684**
Net financial items	367	-438	148	-1 902	1 267	-784
Result before taxes	**-2 301**	**-5 237**	**-50 974**	**-46 399**	**-56 043**	**-51 468**
Income taxes for the period	-	-	-	-	-	-
Result for the period	**-2 301**	**-5 237**	**-50 974**	**-46 399**	**-56 043**	**-51 468**

Balance sheet (SEK thousand)	2008-09-30	2007-09-30	2007-12-31
ASSETS			
Total fixed assets	49 659	47 047	47 190
Total current assets	151 944	142 151	126 312
Total assets	**201 603**	**189 198**	**173 502**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	114 017	103 717	98 649
Provisions	1 130	2 016	1 948
Liabilities			
- Long-term liabilities	781	781	781
- Short-term liabilities	85 675	82 684	72 124
Total equity and liabilities	**201 603**	**189 198**	**173 502**

Notes regarding significant changes in balance sheet items between 31 Dec-07 and 30 Sept-08

1. Fixed assets: During the first nine months of 2008, development expenses of SEK 19.6 million (before amortization) have been capitalized as intangible fixed assets. Amortization and write-downs have amounted to SEK 17.9 million.
2. Shareholders’ equity: The increase in the nine months of 2008 is explained by the new share issue in May which increased equity by approximately SEK 66.3 million, less the net result in the period, which has decreased equity by approximately SEK 51.0 million.

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, 2007	**22 189**	**535 478**	**-408 458**	**149 209**
Loss for the period	-	-	-46 399	-46 399
Total change in capital excl. transactions with the company's owners	-	-	-46 399	-46 399
Conversion of convertible loan	86	770	-	855
Closing balance Sept 30, 2007	**22 275**	**536 247**	**-454 857**	**103 665**
Opening balance Jan 1, 2008	**22 275**	**536 247**	**-459 925**	**98 597**
Loss for the period	-	-	-51 251	-51 251
Total change in capital excl. transactions with the company's owners	-	-	-51 251	-51 251
New share issue, May 2008	22 275	50 118	-	72 392
Issue and guarantee expenses related to the share issue	-	-6 051	-	-6 051
Closing balance Sept 30, 2008	**44 549**	**580 315**	**-511 176**	**113 688**
Opening balance Jan 1, 2007	**22 189**	**535 478**	**-408 458**	**149 209**
Loss for the year	-	-	-51 467	-51 467
Total change in capital excl. transactions with the company's owners	-	-	-51 467	-51 467
Conversion in part on convertible loan	86	770	-	855
Closing balance Dec 31, 2007	**22 275**	**536 248**	**-459 925**	**98 597**

Utilization of the statutory reserve for covering of losses was previously taken to Accumulated loss.
This has been adjusted from Q1 2008 and onwards, and the item is now taken to Other paid-in capital

Segment information, group

(SEK thousand)

Q3 2008

	IPTV	IP-RG	Other	Group
Net sales	6 698	52 415	0	59 113
Operating result	**-12 933**	**12 438**	**-2 449**	**-2 944**
Investments in fixed assets	3 263	2 107	0	5 371
Assets	42 132	101 521	57 621	201 275
Liabilities	19 402	42 010	26 175	87 587

Q3 2007

	IPTV	IP-RG	Other	Group
Net sales	58 734	31 126	0	89 860
Operating result	**-5 651**	**2 449**	**-1 597**	**-4 799**
Investments in fixed assets	4 713	3 688	37	8 437
Assets	70 455	73 738	44 888	189 081
Liabilities	46 428	35 419	3 569	85 416

Jan-Sept 2008

	IPTV	IP-RG	Other	Group
Net sales	15 716	115 638	0	131 354
Operating result	**-44 828**	**-55**	**-6 516**	**-51 399**
Investments in fixed assets	11 497	8 826	29	20 351
Assets	42 132	101 521	57 621	201 275
Liabilities	19 402	42 010	26 175	87 587

Jan-Sept 2007

	IPTV	IP-RG	Other	Group
Net sales	166 505	107 122	0	273 627
Operating result	**-38 845**	**1 149**	**-6 801**	**-44 498**
Investments in fixed assets	16 078	11 846	220	28 144
Assets	70 455	73 738	44 888	189 081
Liabilities	46 428	35 419	3 569	85 416

Oct 2007 - Sept 2008

	IPTV	IP-RG	Other	Group
Net sales	102 187	146 783	0	248 970
Operating result	**-50 121**	**1 521**	**-8 986**	**-57 586**
Investments in fixed assets	16 860	13 199	18	30 076
Assets	42 132	101 521	57 621	201 275
Liabilities	19 402	42 010	26 175	87 587

Full year 2007

	IPTV	IP-RG	Other	Group
Net sales	252 976	138 267	0	391 243
Operating result	**-44 237**	**2 825**	**-9 271**	**-50 684**
Investments in fixed assets	21 441	16 219	210	37 870
Assets	40 650	72 184	19 031	131 866
Liabilities	21 916	37 554	5 200	64 670

Key ratios and definitions, group

(SEK thousand if not otherwise stated)	Q3 2008	Q3 2007	Jan-Sept 2008	Jan-Sept 2007	Oct 2007 - Sept 2008	FY 2007
Gross profit	24 700	25 245	51 574	56 097	88 927	93 450
Gross margin, %	42%	28%	39%	21%	36%	24%
Operating margin, %	-5%	-5%	-39%	-16%	-23%	-13%
Net margin, %	-4%	-6%	-39%	-17%	-23%	-13%
Shareholders' equity	113 688	103 665	113 688	103 665	113 688	98 597
Average shareholders' equity	114 976	106 283	106 142	126 437	108 676	123 903
Capital employed	132 804	130 726	132 804	130 726	132 804	122 000
Average capital employed	128 428	126 674	127 402	188 960	131 765	184 597
Interest-bearing debt	19 116	27 061	19 116	27 061	19 116	23 404
Balance sheet total	201 275	189 081	201 275	189 081	201 275	173 384
Financial expenses	-328	-762	-1 233	-2 818	-1 980	-3 565
Investments in tangible fixed assets	0	-519	-777	-2 170	-702	-2 095
Return on average shareholders' equity, %	-2%	-5%	-48%	-37%	-52%	-42%
Return on average capital employed, %	-2%	-4%	-39%	-23%	-41%	-26%
Equity/assets ratio, %	56%	55%	56%	55%	56%	57%
Debt/equity ratio, times	0.2	0.3	0.2	0.3	0.2	0.2
Interest coverage ratio, times	-7	-6	-41	-15	-27	-13
Share of risk-bearing capital, %	56%	55%	56%	55%	56%	57%
Net debt(+)/receivable(-)	-15 244	-13 185	-15 244	-13 185	-15 244	-10 624
Net debt ratio, times (- = receivable)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Working capital as a percentage of sales	20%	10%	20%	10%	20%	10%
Number of employees at period end	98	111	98	111	98	115
Average number of employees in period	102	109	110	107	112	109
Sales per employee	589	831	1 190	2 572	2 232	3 611
Operating profit/loss per employee	-29	-44	-465	-418	-514	-465
Dividend per share (SEK)	-	-	-	-	-	-
Number of shares before dilution	44 549 198	23 983 163	44 549 198	23 983 163	44 549 198	23 983 163
Number of shares after dilution	44 549 198	23 983 163	44 549 198	23 983 163	44 549 198	23 983 163
Average number of shares in period, before dilution	44 549 198	23 983 163	33 815 829	23 969 923	31 344 230	23 973 260
Average number of shares in period, after dilution	44 549 198	23 983 163	33 815 829	23 986 523	31 344 230	23 985 676

Definitions:
MARGINS
Gross profit: Net sales less costs of goods for resale.
Gross margin: Gross profit as a percentage of net sales in the period.
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 and provisions.
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: Average number of shares in period is derived from the average of the actual number of shares at the end of every day. When the company has emitted various financial instruments (such as convertible bonds and warrants) those are taken into account when calculating the number of shares after dilution and the average number of shares after dilution, only when it is likely that they will be converted/exercised in future periods, thus having a dilutive effect.
The number of shares prior to completed new share issue in May 2008 have been recalculated in accordance with IAS 33, since the issue price in the 2008 share issue was below the share market rate at the date of separation of the subscription right from the share.

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

Quarterly data, group

(SEK thousand)	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008
Net sales	167 973	128 601	55 166	89 860	117 616	31 258	40 983	59 113
Other operating income	0	112	26	488	911	16	5	1 001
Total sales	**167 973**	**128 713**	**55 192**	**90 348**	**118 527**	**31 273**	**40 987**	**60 114**
Gross profit	42 117	33 188	-2 336	25 245	37 353	11 551	15 323	24 700
Gross margin	25%	26%	-4%	28%	32%	37%	37%	42%
Operating result	**7 328**	**2 054**	**-41 753**	**-4 799**	**-6 186**	**-31 514**	**-16 941**	**-2 944**
Net result	6 330	1 093	-42 255	-5 237	-5 100	-31 401	-17 272	-2 577
IPTV								
Net sales	135 491	92 494	15 277	58 734	86 471	5 718	3 300	6 698
Operating result	**6 186**	**1 173**	**-34 367**	**-5 651**	**-5 293**	**-17 354**	**-14 541**	**-12 933**
IP residential gateway								
Net sales	32 482	36 107	39 889	31 126	31 145	25 540	37 683	52 415
Operating result	**-163**	**3 384**	**-4 684**	**2 449**	**1 577**	**-9 835**	**-2 659**	**12 438**
Other products and services								
Net sales	0	0	0	0	0	0	0	0
Operating result	**1 304**	**-2 503**	**-2 701**	**-1 597**	**-2 470**	**-4 325**	**258**	**-2 449**
Net sales per product segment, %								
IPTV	81%	72%	28%	65%	74%	18%	8%	11%
IP residential gateway	19%	28%	72%	35%	26%	82%	92%	89%
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)	78 476	53 300	7 957	32 448	51 995	3 697	468	3 776
IP residential gateway (Vood/HG)	59 714	67 187	80 979	59 356	54 588	43 753	71 827	85 015
Total	**138 190**	**120 487**	**88 936**	**91 804**	**106 583**	**47 450**	**72 295**	**88 791**
Net sales per geographical area								
Europe	161 658	116 521	48 615	83 600	103 483	15 754	23 990	27 747
Middle East	1 238	7 322	4 441	2 937	10 446	13 811	16 190	28 804
ROW	5 078	4 757	2 111	3 322	3 687	1 692	802	2 562
Total	**167 973**	**128 601**	**55 166**	**89 860**	**117 616**	**31 258**	**40 983**	**59 113**
(New geographical split from Q2 2008)								
Net sales per geographical area, %								
Europe	96%	91%	88%	93%	88%	50%	59%	47%
Middle East	1%	6%	8%	3%	9%	44%	40%	49%
ROW	3%	4%	4%	4%	3%	5%	2%	4%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Orders received and order backlog								
Orders received in period	153 208	77 253	86 695	117 878	52 004	66 554	39 799	39 021
Order backlog	102 973	43 369	72 641	106 976	40 233	66 382	56 760	60 336
Avg. rate used for orders received, USD	7.08	7.01	6.87	6.75	6.42	6.28	5.99	6.31
Avg. rate used for orders received, EUR	9.13	9.19	9.26	9.27	9.30	9.40	9.35	9.47
Avg. rate used for order backlog, USD	6.87	7.00	6.88	6.50	6.47	5.95	5.98	6.78
Avg. rate used for order backlog, EUR	9.05	9.33	9.24	9.21	9.47	9.39	9.45	9.76

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