



Effnet Holding AB (publ)

**INTERIM REPORT
January – September 2004**



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- Net sales for the period July-September 2004 increased to MSEK 6.9 (same period 2003 pro forma* 2.7). For the period January-September 2004 net sales increased by 8 per cent to pro forma MSEK 18.8 (17.4).
- Operating result for the third quarter improved to MSEK -1.5 (-4.4) and for the nine-month period to pro forma MSEK -6.5 (-9.0). The result after financial items for the third quarter was MSEK -1.4 (-2.0) and for the nine-month period pro forma MSEK -4.9 (-4.8) or SEK -0.04 per share.
- The strong growth within Digital Broadcasting continued and during the third quarter the company received orders from the major broadcasting companies in Korea as well as from a radio broadcasting consortium formed by major Italian national radio networks. During the first nine months order intake for Digital Broadcasting increased by 37 per cent and net sales by 43 per cent.
- For Header Compression sales were weaker than the previous year, although a recovery occurred during the third quarter. A test license for Effnet ROHC™ was sold to the Kyocera Corporation, one of Japan's leading manufacturers of mobile terminals.
- At the end of the period Effnet ROHC™ version 2.1 and Effnet ROHC-LLA™ version 1.0 (LLA: Link-Layer assisted profile) were released. The latter is a new implementation of an international standard and enables further compression of the data packets. The Effnet ROHC™ product family thereby increases its competitiveness as regards future commercial integrations.
- Liquid assets as per September 30 totalled MSEK 16.0 or SEK 0.15 per share. Shareholders' equity at the close of the period amounted to MSEK 19.4 or SEK 0.18 per share.

Events after the end of the period

- The recovery within Header Compression continued during October with an order for a test license for Effnet ROHC™ from the Japanese company KDDI R&D Laboratories Inc. The KDDI Group is the second largest Japanese mobile operator. Thereby two very important reference orders concerning test licenses for Effnet ROHC™ has been won in the last months.

* For explanation of the pro forma accounts, se page 4.

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THIRD QUARTER 2004

Major events

The strong growth within Digital Broadcasting continued during the third quarter and led to a significant increase of net sales as well as order intake of Factum Electronics. For Effnet AB an important order concerning a test license for Effnet ROHC™ was won. The buyer, Kyocera Corporation, is one of the leading Japanese manufacturers of mobile terminals.

Net sales and results

Sales during the third quarter increased to MSEK 6.9 (pro forma 2.7). The operating loss was reduced to MSEK 1.5 (4.4).

Net financial income totalled MSEK 0.1 (2.4). The loss for the period was reduced to MSEK 1.4 (2.0) or SEK 0.01 per share. Cash flow from current operations improved to pro forma MSEK -0,9 (-1,5).

JANUARY-SEPTEMBER 2004

Net sales and results

Net sales during the period January-September 2004 increased by 8 per cent to pro forma MSEK 18.8 (17.4).

The strong growth within Digital Broadcasting continued and order intake increased by 37 per cent and net sales by 43 per cent.

Within Header Compression sales were weaker and the main activities were focused on additional development and tests in customer environments.

Operating expenses amounted to MSEK 26.5 (26.5). The operating loss was MSEK -6.5 (-9.0).

Net financial income totalled MSEK 1.6 (4.2), the decrease compared to previous year is due to the company having less liquid assets since end of June, and to lower interest rates. The previous year

also included a capital gain of MSEK 1.5 on investments.

Cash flow from current operations was MSEK -10.1 (-8.8) or SEK -0.09 per share.

EMPLOYEES

The average number of employees during the period January-September was 22 (23).

INVESTMENTS

Only marginal capital expenditures in equipment were made during the period January-September. Expenditure for development efforts were capitalized according to the same conservative principle as at year-end, totalling MSEK 1.1 (-).

FINANCIAL POSITION

The Group's shareholders' equity at the close of the period stood at MSEK 19.4 or SEK 0.18 per share. At the close of the period, the Group had MSEK 16.0 in liquid assets.

STRUCTURAL CHANGES

At the Extraordinary General Meeting of Effnet Group AB on July 2, 2004, the shareholders decided to acquire a real estate portfolio through a share issue, to change the company's name to AB Sagax (publ) and to distribute the subsidiary Effnet Holding AB (publ) to the shareholders. The greater part of the liquid assets and of the tax-loss carry-forwards remained with AB Sagax, which also remained listed on Nya Marknaden. Effnet Holding AB with the technology group was separately listed on Nya Marknaden.

Extensive information (in Swedish only) can be found on the website www.effnetholding.se.

PRO FORMA ACCOUNTS

After these structural changes Effnet Holding AB (publ) is the parent company of the technology group. The subsidiaries were acquired in an intra-group transaction as per June 30, 2004. This means that the consolidated group accounts only show the operations of the technology group from mid-year and onwards. To provide a proper picture of the operations of the technology group, pro forma accounts have been drawn up. These accounts comprise the accounts of the previous parent company Effnet Group AB until June 30, 2004, and of the accounts of the Effnet Holding-group thereafter. Key figures related to the number of shares are based on the present number of shares.

PURCHASE VALUE OF THE SHARE

The Swedish Tax Authority has, for Swedish tax purposes, and with regard to Effnet Group AB:s (presently AB Sagax) distribution of the shares of Effnet Holding AB in 2004, announced (SKV M 2004:15) that of the initial purchase value of the shares in the then Effnet Group AB 84 per cent shall be allocated to the

shares in AB Sagax and 16 per cent to the shares in Effnet Holding AB.

OUTLOOK

The operations within Digital Broadcasting have so far this year showed a strong growth in net sales as well as in order intake. The international growth of digital radio (Digital Audio Broadcasting, DAB) is favourable to Factum Electronics as a leading provider of infrastructure for DAB-networks. Factum Electronics has also strengthened its position within Digital Multimedia Broadcasting (DMB), a further development of DAB. All in all the Board deems that the current growth will continue.

As for Header Compression operations so far this year has been less strong. However Effnet AB has received two prestigious orders for its implementation of ROHC from Japanese customers. The Board believes that orders for commercial implementations will follow from current customers' tests and evaluations

During the autumn Effnet Holding will intensify its search for suitable companies to acquire.

Stockholm, October 29, 2004

Effnet Holding AB (publ)

The Board of Directors

This report has not been subject to review by the company's auditors.

Consolidated income statement, MSEK (note 1)	2004 Jul-Sep	2003 prof. Jul-Sep	2004 prof. Jan-Sep	2003 prof. Jan-Sep	2003 prof. Full year
Net sales	6.9	2.7	18.8	17.4	20.8
Capitalized development expenditure	0.4	-	1.1	-	0.3
Other operating revenue	-	0.0	0.1	0.1	0.1
Total revenue	7.3	2.7	20.0	17.5	21.2
External costs	-4.5	-3.1	-11.5	-14.1	-15.5
Personnel costs	-4.2	-3.9	-14.8	-12.2	-17.4
Depreciation and amortization	-0.1	-0.1	-0.2	-0.2	-0.3
Total operating expenses	-8.8	-7.1	-26.5	-26.5	-33.2
Operating result	-1.5	-4.4	-6.5	-9.0	-12.0
Financial income/expenses, net	0.1	2.4	1.6	4.2	5.0
Result after financial items	-1.4	-2.0	-4.9	-4.8	-7.0
Tax	-	-	-	-	0.1
RESULT FOR THE PERIOD	-1.4	-2.0	-4.9	-4.8	-6.9
Consolidated cash flow statement, MSEK (note 1)	2004 prof. Jul-Sep	2003 prof. Jul-Sep	2004 prof. Jan-Sep	2003 prof. Jan-Sep	2003 prof. Full year
Cash flow before change in working capital	-1.2	-2.0	-4.6	-4.4	-8.8
Change in working capital	0.3	0.5	-5.5	-4.4	-4.5
Cash flow from current operations	-0.9	-1.5	-10.1	-8.8	-13.3
Investments	-0.4	-0.1	-1.3	-0.2	-0.6
Division of liquid assets in restructuring	-80.4	-	-80.4	-	-
Exchange rate difference related to liquid assets	-	0.0	-	-0.1	-0.1
CHANGE IN LIQUID ASSETS	-81.7	-1.6	-91.8	-9.1	-14.0
No of shares, thousands (note 2)	108,668	108,668	108,668	108,668	108,668
Net sales per share, SEK (note 1)	0.06	0.02	0.17	0.16	0.19
Result per share, SEK (note 1)	-0.01	-0.02	-0.04	-0.04	-0.06
Cash flow (fr curr op) per share, SEK (note 1)	-0.01	-0.01	-0.09	-0.08	-0.12
Consolidated balance sheet, in summary, MSEK (Note 1)			2004 Sep 30	2003 prof. Sep 30	2003 prof. Dec 31
ASSETS					
Capitalized development expenditure			1.1	-	0,3
Tangible fixed assets			0.5	0,9	0,8
Fixed assets			1.6	0,9	1,1
Inventories			1.2	1,3	1,4
Current receivables			9.1	4,5	4,7
Liquid assets			16.0	112,7	107,8
Total current assets			26.3	118,5	113,9
TOTAL ASSETS			27.9	119,4	115,0
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders equity			19.4	106,5	104,2
Provisions			0.8	3,7	1,3
Current liabilities			7.7	9,2	9,5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			27.9	119,4	115,0
Changes in shareholders' equity MSEK (note 1)			2004 prof. Jan-Sep	2003 prof. Jan-Sep	2003 prof. Full year
Shareholders' equity at start of period			104.2	111.0	111.0
Result for the period			-4.9	-4.8	-6.9
Division of equity in restructuring			-79.9	-	-
Translation difference			-	0.3	0.1
Shareholders' equity at close of period			19.4	106.5	104.2
No. of shares, thousands (note 2)			108,668	108,668	108,668
Shareholders' equity per share, SEK (note 1)			0.18	0.98	0.96
Liquid funds per share, SEK (note 1)			0.15	1.04	0.99
Stock exchange quotation at close of period, SEK			0.55	n.a.	n.a.
Quotation/shareholders' equity			308 %	97 %	126 %
Market capitalization at close of period, MSEK			59.8	103.3	131.9
Debt/equity ratio			70 %	89 %	91 %

Quarterly data, pro forma	Q 1	Q 2	Q 3	Q 4	Full year
MSEK (note 1)					
Net sales					
2001	1.1	5.1	1.8	2.2	10.2
2002	1.8	0.7	1.0	6.4	9.9
2003	5.0	9.7	2.7	3.4	20.8
2004	5.0	6.9	6.9		
Operating results					
2001	-30.2	-26.7	-29.5	-56.3	-142.7
2002	-13.3	-14.6	-11.6	-22.5	-62.0
2003	-3.2	-1.4	-4.4	-3.0	-12.0
2004	-3.7	-1.3	-1.5		
Cash flow from current operations					
2001	-27.2	-25.5	-19.6	-22.0	-94.3
2002	-16.8	-18.9	-10.8	-10.7	-57.2
2003	-5.7	-1.6	-1.5	-4.5	-13.3
2004	-3.9	-5.3	-0.9		

Accounting principles and notes

This Interim Report was prepared according to the Swedish Financial Accounting Standards Council's recommendation on interim reporting (RR20). The accounting and valuation principles are the same as those used for the 2003 Annual Reports. Unless otherwise stated, all figures are in MSEK.

Note 1) The pro forma accounts for the previous years are the accounts presented by the previous parent company, Effnet Group AB. The pro forma accounts for the period January-September 2004 are based on the accounts for the period January-June 2004 presented by the previous parent company, Effnet Group AB and on the accounts presented by the present parent company Effnet Holding AB for the period July-September 2004.

Note 2) As number of shares and average number of shares in the pro forma accounts the present number of shares has been used. The company has not issued any share options or any such instruments. Some of the key figures are not applicable (n.a.).

Effnet Holding AB:s 15 largest shareholders	Number of shares	Shares of votes/capital
September 30, 2004		
Four Invest AB	48 623 326	44.7%
DNB Nor Bank ASA	4 140 000	3.8%
Credit Suisse First Boston	2 000 000	1.8%
Spencer Trading Inc	1 710 000	1.6%
Edvardsson, Bo	1 550 000	1.4%
Carlsson, Svante	1 492 492	1.4%
Eriksson, Göran	1 140 000	1.1%
Credit Agricole	1 095 000	1.0%
SIS Segaintersettle AG	1 046 800	1.0%
Akelius Insurance Public LTD	1 002 200	0.9%
Nilsson, Magnus	700 000	0.6%
Wallin, Ricard	690 000	0.6%
Larsson Lussi, Roger	600 000	0.6%
Lundmalm, Bengt	600 000	0.6%
E*Trade DK A/S	550 455	0.5%
Total for 15 largest shareholders	66 940 273	61.6%
Others (9 952 shareholders)	41 727 943	38.4%
Total	108 668 216	100.0%

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The next report for will be the Interim Report for January-December, 2004, due for release on January 28, 2005.

Effnet Holding AB, corporate identity number 556526-6516, is located in Stockholm, Sweden. Address: Box 15040, 167 15 Bromma.

The company's stock was introduced on the New Market list in July, 2004 and is traded on the Stockholm Stock exchange

ABOUT EFFNET HOLDING

Effnet Holding AB (publ) is the parent company of a group with operations within advanced digital communications. The parent company's primary task is to develop and manage these technology companies. At the close of the period the Group operates in the following two fields:

Digital Broadcasting

Factum Electronics AB develops and sells components and systems for digital audio broadcasting (DAB), digital multimedia broadcasting (DMB) and components for digital stereo sound in television broadcasting (NICAM). Its customers include radio and television stations and their network operators.

Header Compression

Effnet AB develops and sells Header Compression software to network product manufacturers. Effnet Header Compression increases the efficiency, speed, and reliability of IP traffic in mobile, fixed, and satellite-based networks.