

## Aspiro AB (publ)

### Interim report January – March 2004

- Net sales totalled SEK 11.7 m (SEK 3.7 m). Emode's net sales of SEK 2.1 m during March is included.
- Net result amounted to SEK - 5.8 m (SEK - 6.2 m).
- Earnings per share amounted to SEK - 0.19 (SEK - 2.10).
- Earnings before interest, tax and amortisation (EBITA) amounted to SEK - 3.7 m (SEK - 6.0 m).
- Net cash from operating activities amounted to SEK - 6.0 m (SEK - 19.3 m).
- Aspiro adheres to its prognosis of achieving positive cash flow on a monthly basis during the year.
- Liquid assets amounted to SEK 35.1 m (SEK 17.2 m).
- A directed new share issue was completed in March, adding SEK 24 m to the company before issue expenses.
- Mobil service supplier Emode was acquired, adding a new distribution channel for the company i.e. the channel print media. Emode is a part of Aspiro as of March.
- The demand for mobile entertainment services has substantially increased during the period.
- During the period, Aspiro signed 12 (10) new sales agreements, with its direct channels, i.e. operators in Europe and USA. At the end of the period, Aspiro's customer base included 34 (31) mobile telecom operators and portals.
- Marie Persson Björkman was elected as ordinary member of the Aspiro Board of Directors at an extraordinary general meeting in March.
- At present, Aspiro is conducting far-reaching negotiations regarding the acquisition of a north European company within the same line of business.

#### Aspiro in brief

Aspiro offers social entertainment services to young mobile phone users, living for friends, music and gaming. Examples of services are *Lifestylers* and *Dating Game*, which are mobile role-playing games that allow users to create their own role figure, go on virtual dates and send messages to other players, *Chat*, which allows the users to "chat" with each other using a mobile phone or the Internet. Aspiro also offers a wide portfolio of downloadable services such as Java-games, pictures and ring tones. Aspiro supplies in-house developed products as well as third-party produced products and first-class content.

Aspiro is a well-established supplier of mobile services on the European and North American markets. The products are offered to the end-users through mobile operators as well as through Aspiro's own mobile portals and through advertisement in print media. Today, Aspiro has established relationships with 34 major mobile operators and portals. Through Aspiro's own portal, Mobilehits, the company reaches more than one million members. Aspiro is also offering mobile services directly to the end-users via advertisement in print media through its newly acquired company Emode.

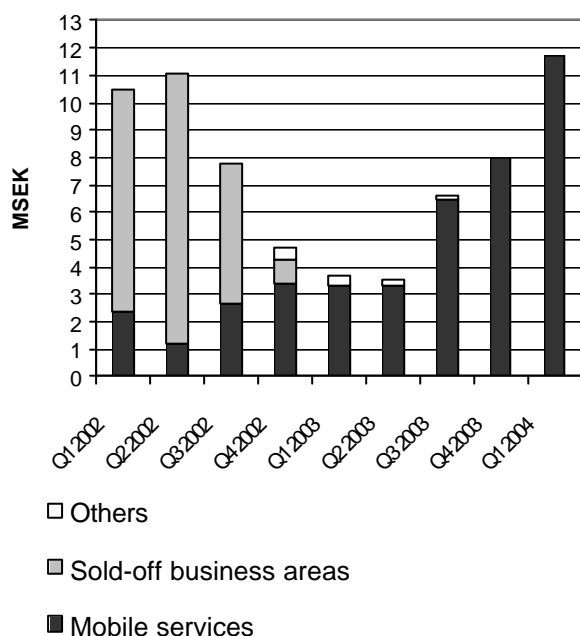
Aspiro was founded in 1998 and is quoted on the Stockholm Exchange's O-list. The company has some 35 employees working at offices in Sweden, Norway, Luxembourg and Spain.

## Net sales and result

Group net sales totalled SEK 11.7 m (SEK 3.7 m) during the first quarter of 2004. Mobilehits, which is a part of the Group as from the third quarter of 2003, stands for SEK 6.0 m of the period's net sales. Emode, which is a part of the Group as from 1<sup>st</sup> of March 2004, stands for SEK 2.1 m. Of the period's total net sales, 33 % (23 %) were attributable to sales in Sweden, 50 % (47 %) in rest of Europe, 16 % (28 %) in North America, and 1 % (2 %) in the rest of the world.

### Net sales

development per quarter



□ Others

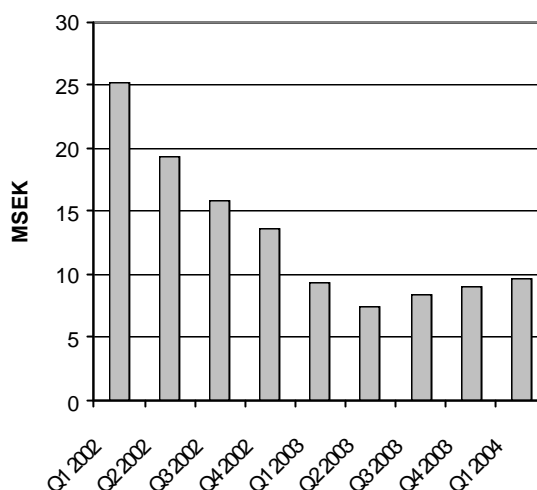
■ Sold-off business areas

■ Mobile services

The result after financial items amounted to SEK - 5.8 m (SEK - 6.2 m). The first quarter 2004 has been affected with restructuring costs amounting to SEK 0.1 m. For comparison purposes, it should be noticed that the equivalent period 2003 was affected with restructuring expenses amounting to SEK 3.1 m, a write-down of advance payment to supplier SEK 1.2 m, and a cost reduction due to a composition of SEK 4.0. Operative result (result exclusive of depreciation and write-downs, restructuring costs and composition) amounted to SEK - 3.4 m (SEK - 5.4 m), an improvement with SEK 2.0 m.

Earnings per share amounted to SEK - 0.19 (SEK - 2.10). Outstanding option rights have not diluted Aspiro's stock.

## Personnel- & other external expenses development per quarter



## Parent Company

During the first quarter of 2004, the net sales of the Parent Company totalled SEK 3.1 m (SEK 3.0 m). The result after financial items was SEK - 3.1 m (SEK -4.9 m).

## Investments & acquisitions

During the first quarter, SEK 0.5 m (SEK 0 m) has been carried forward as development costs. The main part of the costs (SEK 0.3 m) refers to an upgrading of two of Aspiro's core products, Lifestylers and Dating Game, and constitutes solely of costs for external consultants. The remaining part of the costs refers to development of technical platforms for Mobilehits and Emode, and constitutes of costs for internal personnel resources.

Investments in tangible assets amounted to SEK 0.04 m (SEK 0).

In March, mobile service supplier Emode was acquired. Emode was founded in 2000 and has 10 employees today. The company is mainly offering downloadable ring tones and pictures directly to the end users via advertisement in print media, e.g. evening papers and magazines. In 2003, Emode's net sales amounted to approximately NOK 25 m with a profit amounting to approximately NOK 1 m. The company has a positive cash flow.

The acquisition was partly financed by a cash payment of SEK 2,5 m and partly by a non-cash share issue of 5 640 167 new shares, which was equivalent to a cash sum of SEK 20.2 m. Additional payment, constituting the profit which Emode will generate during 2004, will be paid in cash during the second quarter of 2005. In the accounts, SEK 2.5 m has been allocated for the additional payment. The non-cash issue, which was registered after the end of the period in April, increased the number of outstanding shares with about 16.3 percent.

### Liquidity and Finance

Liquid assets at the end of the period amounted to SEK 35.1 m (SEK 17.2 m). Net cash from operating activities amounted to SEK - 6.0 m (SEK - 19.3 m). Hence, the outflow from the operating activities has decreased by SEK 13.3 m.

During the first quarter of the year, Aspiro carried through a directed new share issue in order to strengthen Aspiro's position in future acquisition processes. The issuing of 8 million shares at an issue price of SEK 3 per share added SEK 24 million to the company before issue costs. The directed share issue was subscribed by a number of institutional investors in Sweden, that have found Aspiro's acquisition strategy within the mobile telecom sector interesting.

### Aspiro's stock

The Aspiro share is traded at Stockholmsborsen's O-list.

The directed new share issue, which was completed in March, implied that 8 million shares were issued, entailing an increase of outstanding shares of about 30.2 percent.

The total number of shares at the end of the period amounted to 34,503,312. If all distributed outstanding option rights are exercised to subscribe for shares, the number of additional shares will amount to 17,430 at a nominal value of SEK 2.50.

The non-cash issue in conjunction with the acquisitions of Emode was registered after the end of the period, in April, implying the number of outstanding share increased to 40,143,479.

### Sales and Market

Aspiro experiences a strong increase in demand for mobile entertainment services, as mobile devices

with sufficient capacity reach the end-users. The mobile operators' increasing marketing has also contributed to the increase during the period.

Aspiro's mobile entertainment services are divided into two groups:

- Communication services (community services)
- Media services (downloadable services)

The usage of communication services has been stable, slightly increasing during the first period of the year. The demand for downloadable services has experienced a strong increase. This is mainly due to the various kinds of ring tones, which Aspiro has launched during the period. Together with Telia, Aspiro has launched monophonic and polyphonic ring tones sounding like melodies from the national Eurovision Song Contest. Furthermore, Aspiro has launched "Fun Tone"-signals, i.e. sounds of different kinds, with great success. After the end of the period, Aspiro has launched "Real Tone"-signals, i.e. real music, via larger operators in Sweden, Spain and also via its own web shop [www.mobilehits.com](http://www.mobilehits.com). Aspiro's increased offering of ring tones is due to the cooperation agreements that the company has signed with several major record companies, such as EMI, Sony Music and BMG.

Aspiro's sales activities are taking place partly through indirect channels, mainly operators, and partly through the company's own channels.

#### *Indirect channels*

During the period, Aspiro signed 12 (10) new agreements with operator- and portal customers, mainly in Europe and USA. At the end of the period, Aspiro had a customer base of 34 (31) mobile operators and portals, which together reach about 243 million end-users, at the end of the period, whereof T-Mobile (USA), Vodafone operators, ATT Wireless (USA), Telia, 3 and Tele2 (Sweden) are considered the most interesting. After the end of the period, another 6 sales agreements have been signed, out of which the agreement with American Verizon is to be noticed. Verizon, with more than 35 million subscribers, will launch Aspiro's Lifestylers game during the spring.

Aspiro experiences a strong increase in downloads through the mobile operators' own WAP-portals, e.g. Telia Go, Vodafone Live and Comviq Go Live on the Swedish market.

### Direct channels

Sales through the company's own channels has mainly taken place via the portals [www.mobilehits.se](http://www.mobilehits.se) and [wap.mobilehits.se](http://wap.mobilehits.se). Ring tones have dominated sales via this channel, while pictures and Java-games constituted a minor part of sales. The net sales through this channel amounted to SEK 0.5 m during the first quarter of the year.

Since March, Emode is a part of Aspiro's operative activities. Emode sells mobile services through advertisement in print media, such as advertisement in magazines, inserts and direct advertising. During March, Emode's advertisement appeared mainly in Scandinavian media according to the following:

Country	No of readers exposed to Emode ads during March.	Sales distribution
Sweden	2.50 million	42 %
Norway	1.80 million	28 %
Denmark	0.90 million	20 %
Rest of Europe	0.75 million	10 %
Total	5.95 million	100 %

Out of the total download frequency, graphics & pictures constituted 40%, entertainment services (e.g. horoscope and tests) 39 %, sound & ring tones 16 %, games 2 % and professional services 3 % during March.

### Personnel and organisation

Through the acquisition of Emode, the number of employees increased with 10 persons.

Due to the company's increased focus on acquisitions, Johan Lenander is full-time employed as working chairman of the board.

At the end of the period Aspiro employed a total of 38 (22) people in 36,2 (20,85) full-time positions. After the end of the period, some minor structural changes of the organization have taken place, which entailed that 3 people have left the company and another 2 will leave in May.

Marie Persson Björkman was elected as new member of the board at an extraordinary general meeting in March. Ms Björkman, 43 years old, is today employed by Vodafone Sweden as director of BA Service Provision. She is a member of the commercial management team and responsible for the commercial launch of 3G. Ms Björkman is member of the board in The Interactive Institute and in Ogame, and is also holding commissions of trust in IVA and earlier also in the IT-commission, an advisory institution appointed by the Swedish government. Ms Björkman does not own any Aspiro shares.

### Events after the end of the period

At present, Aspiro is conducting far-reaching negotiations regarding the acquisition of a north European company within the same line of business. More information about this affair will be published within short.

Malmö May 12, 2004



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### Brief financial summary

	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003	2003
Net sales (SEK m)	11.7	8.0	6.6	3.5	3.7	21.8
Result after financial items (SEK m)	-5.8	-7.6	-7.7	-13.9	-6.2	-35.4
EBITA (SEK m)	-3.7	-5.7	-6.1	-6.6	-6.0	-24.5
Solidity (%)	84	79	71	60	71	79
Return on stockholders equity	neg.	neg.	neg.	neg.	neg.	neg.
Earnings per share (SEK)	-0.19	-0.72	-1.20	-3.67	-2.10	-4.96
Average no. of shares outstanding (000)	29,831	22,182	6,409	3,780	2,977	8,837
Average no. of shares outstanding						
And potential shares (000)	29,848	22,253	6,442	3,809	2,998	8,876

## Income statement - Group

SEK thousand

Jan-Mar 2004 Jan-Mar 2003 Full year 2003

### Operating revenues

Net sales	11,735	3,708	21,819
Capitalized development costs	474	-	666
Other operating revenues	74	513	2,168
<b>Total</b>	<b>12,283</b>	<b>4,221</b>	<b>24,653</b>

### Operating expenses

Services and goods for resale	-5,916	-303	-9,022
Other external costs	-5,177	-4,460	-17,596
Personnel costs	-4,524	-4,835	-16,819
Depreciation and write-downs of tangible assets	-180	-325	-1,112
Depreciation and write-downs of intangible assets	-2,145	-489	-11,323
Write-down of current assets in excess of normal write-downs	-	-1,200	-1,900
Restructuring costs	-84	-3,066	-6,785
Composition	-	4,049	4,526
Other operating expenses	-112	-71	-436

### Total operating expenses

**-18,138      -10,700      -60,467**

### Operating profit/loss

**-5,855      -6,479      -35,814**

Interest and other financial income	163	273	905
Interest and other financial expenses	-103	-42	-469

### Profit/loss after financial items

**-5,795      -6,248      -35,378**

Tax	-	-	-3
Deferred tax	-	-	-8,461

### Net profit/loss for the period

**-5,795      -6,248      -43,842**

Minority interest	2	-	24
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**Net profit/loss      -5,793      -6,248      -43,818**

Earnings per share (SEK)	-0.19	-2.10	-4.96
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## Balance sheet - Group

SEK thousand	31/3 2004	31/3 2003	31/12 2003
<b>ASSETS</b>			
Intangible assets			
Capitalized development costs	3,289	-	658
Licenses and trademarks etc	356	-	200
Goodwill	48,277	7,330	31,322
<i>Total intangible assets</i>	<i>51,922</i>	<i>7,330</i>	<i>32,180</i>
Tangible fixed assets			
Equipment	691	1,058	787
<i>Total tangible fixed assets</i>	<i>691</i>	<i>1,058</i>	<i>787</i>
Financial fixed assets			
Other shares	8	-	8
Deferred tax, income taxes recoverable	-	8,461	-
Other long-term receivables	51	51	50
<i>Total financial fixed assets</i>	<i>59</i>	<i>8,512</i>	<i>58</i>
<b>Total fixed assets</b>	<b>52,672</b>	<b>16,900</b>	<b>33,025</b>
Current receivables	18,248	10,004	11,665
Cash and bank balance	35,088	17,177	20,779
<b>Total current assets</b>	<b>53,336</b>	<b>27,181</b>	<b>32,444</b>
<b>Total assets</b>	<b>106,008</b>	<b>44,081</b>	<b>65,469</b>
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>			
Stockholders' equity			
Restricted equity	285,618	109,127	173,243
Accumulated deficit	-191,108	-71,408	-77,563
Net profit/loss for the period	-5,793	-6,248	-43,818
<b>Total stockholders' equity</b>	<b>88,717</b>	<b>31,471</b>	<b>51,862</b>
<b>Minority interest</b>	<b>8</b>	<b>-</b>	<b>24</b>
Provisions	3,958	3,418	2,068
Long-term liabilities	0	-	1
Short-term liabilities	13,325	9,192	11,514
<b>Total provisions and liabilities</b>	<b>17,283</b>	<b>12,610</b>	<b>13,583</b>
<b>Total stockholders' equity and liabilities</b>	<b>106,008</b>	<b>44,081</b>	<b>65,469</b>

## Cash flow statement - Group

SEK thousand

Jan-Mar 2004 Jan-Mar 2003 Jan-Dec 2003

### Operating activities

Profit/loss for the period	-5,793	-6,248	-43,818
Adjustment for items not included in the cash flow statement	3,851	-7,939	7,680

*Cash flow from operating activities before changes  
in working capital*

	-1,942	-14,187	-36,138
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Cash flow from changes in working capital	-4,096	-5,087	-3,111
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<b>Cash flow from operating activities</b>	<b>-6,038</b>	<b>-19,274</b>	<b>-39,249</b>
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### Investment activities

Acquisition / sale of subsidiaries	-1,406	-	392
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Capitalized development costs	-474	-	-666
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Change in tangible fixed assets	-38	-	-43
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Change in financial fixed assets	-1	197	250
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<b>Cash flow from investment activities</b>	<b>-1,919</b>	<b>197</b>	<b>-67</b>
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### Financing activities

New share issue / sales of options	22,247	28,944	52,874
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<b>Cash flow from financing activities</b>	<b>22,247</b>	<b>28,944</b>	<b>52,874</b>
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<b>Change in cash position</b>	<b>14,290</b>	<b>9,867</b>	<b>13,558</b>
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<b>Cash position opening balance</b>	<b>20,779</b>	<b>7,313</b>	<b>7,313</b>
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Exchange rate difference in liquid funds	19	-3	-92
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<b>Cash position closing balance</b>	<b>35,088</b>	<b>17,177</b>	<b>20,779</b>
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## Quarterly results

SEK thousand	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003
<b>Operating revenues</b>					
Net sales	11,735	8,001	6,654	3,456	3,708
Capitalized development costs	474	383	283	-	-
Other operating income	74	304	909	442	513
<b>Operating expenses</b>					
Services and good for resale	-5,916	-4,497	-3,332	-890	-303
Other external costs	-5,177	-4,766	-5,033	-3,337	-4,460
Personnel costs	-4,524	-4,244	-3,650	-4,090	-4,835
Depreciations and write-downs:					
Tangible assets	-180	-237	-319	-231	-325
Intangible assets	-2,145	-1,751	-1,753	-7,330	-489
Write-downs of current assets in excess of normal write-downs	-	-	-	-700	-1,200
Restructuring costs	-84	-956	-1,586	-1,177	-3,066
Composition	-	477	-	-	4,049
Other operating expenses	-112	-186	-62	-117	-71
<b>Operating profit/loss</b>	<b>-5,855</b>	<b>-7,472</b>	<b>-7,889</b>	<b>-13,974</b>	<b>-6,479</b>
Interest and other financial income	163	190	289	153	273
Interest and other financial expenses	-103	-283	-104	-40	-42
<b>Profit/loss after financial items</b>	<b>-5,795</b>	<b>-7,565</b>	<b>-7,704</b>	<b>-13,861</b>	<b>-6,248</b>
Tax	-	-	-3	-	-
Deferred tax	-	-8,461	-	-	-
<b>Net profit/loss for the period</b>	<b>-5,795</b>	<b>-16,026</b>	<b>-7,707</b>	<b>-13,861</b>	<b>-6,248</b>
Minority interest	2	-18	42	-	-
<b>Net profit/loss</b>	<b>-5,793</b>	<b>-16,044</b>	<b>-7,665</b>	<b>-13,861</b>	<b>-6,248</b>



### Change in stockholders' equity 1/1 - 31/3 2004

SEK thousand	Share capital	Restricted reserves	Accumulated deficit	Profit/loss for the period	Total
Beginning of period in accordance with balance sheet	66,258	106,985	-77,563	-43,818	51,862
Allocation for previous period's result			-43,818	43,818	-
New share issue, directed	20,000	2,247			22,247
New share issue, acquisition of Emode	14,101	6,103			20,204
Translation difference for the period			197		197
Transfer between restricted and non-restricted reserves		69,924	-69,924		-
Net profit/loss for the period				-5,793	-5,793
Amount at end of the period	100,359	185,259	-191,108	-5,793	88,717

### Change in stockholders' equity 1/1 - 31/3 2003

SEK thousand	Share capital	Restricted reserves	Accumulated deficit	Profit/loss for the period	Total
Beginning of period in accordance with balance sheet	1,960	291,977	-77,349	-208,821	7,767
Allocation for previous period's result		-213,754	4,933	208,821	-
New share issue, preferential rights	13,160	15,784			28,944
Translation difference for the period			1,008		1,008
Net profit/loss for the period				-6,248	-6,248
Amount at end of the period	15,120	94,007	-71,408	-6,248	31,471

#### Comments to the accounts

This interim report has been prepared based on the Swedish Financial Accounting Standards Council's recommendation RR 20 regarding interim reports. The report has been prepared applying the same accounting principles and methods of calculation as the annual report for 2003.

Outstanding option rights do not at present lead to any degree of share dilution, as the current subscription price is substantially higher than the shares' actual value.

#### Report schedule for 2004

Interim report January-June August 19, 2004  
Interim report January-September November 11, 2004

#### Auditor's comment

I have reviewed this interim report on behalf of Aspiro AB (publ) and in doing so followed the recommendation issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is considerably more limited in scope compared to an audit. I have found nothing to indicate that this interim report contravenes the laws of securities exchange and the Annual Accounts Act.



Ingvar Ganestam  
Authorized public accountant  
Ernst & Young