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 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 European sales representation in France and Germany, and a U.S. subsidiary in Seattle. www.tilgin.com.

Interim report 1 January – 30 June

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

Second quarter 2007

- **Net sales SEK 55.2 million (104.1).**
- **Net result SEK -42.3 million (-22.2), of which non-recurring provisions for warranty commitments as well as inventory write-downs and a provison for the retiring CEO, have burdened the result with SEK 19.8 million.**
- **Loss per share SEK -1.90 (-1.83) before dilution.**
- **Order intake SEK 86.7 million (123.8) and order backlog as of 30 June 2007 SEK 72.6 million (87.5).**
- **Gross margin –4 % (20 %), adjusted for inventory write-downs and provisions for warranty commitments gross margin amounted to 25 %.**
- **Operating loss SEK -41.8 million (-21.7).**
- **Cash flow from operating activities SEK 23.6 million (-25.9).**
- **Cash and bank SEK 38.4 million (13.8) as of 30 June 2007.**

First half of 2007

- **Net sales SEK 183.8 million (198.3).**
- **Net result SEK -41.2 million (-33.6).**
- **Loss per share SEK -1.85 (-2.78) before dilution.**
- **Gross margin 17 % (21 %).**
- **Operating loss SEK -39.7 million (-32.5).**

"As expected, the weak order intake in early 2007 entailed significantly lower sales during the second quarter. Also, the result in Q2 was burdened with large non-recurring costs. However, due to the strong order intake so far in the third quarter, prospects for the second half of 2007 have improved considerably."

Ola Berglund, CEO

Income statement in summary (KSEK)	Q2 2007	Q2 2006	%	H1 2007	H1 2006	%	July 2006 - June 2007	2006
Net sales	55 166	104 074	-47%	183 767	198 346	-7%	438 367	452 946
Gross profit	-2 336	21 132	-111%	30 852	40 740	-24%	88 108	97 996
Gross margin	-4.2%	20.3%		16.8%	20.5%		20.1%	21.6%
Operating result	**-41 753**	**-21 687**	**-**	**-39 698**	**-32 518**	**-**	**-38 193**	**-31 012**
Operating margin	-75.6%	-20.8%		-21.6%	-16.4%		-8.7%	-6.8%
Result before taxes	-42 255	-22 218	-	-41 162	-33 575	-	-42 027	-34 440

A word from the CEO

With only a few days left of the second quarter, I took on the role as CEO of Tilgin. I would like to take the opportunity of presenting my view on the company, on the market in which we are operating, and also share with you parts of my future agenda.

Tilgin is active on a tremendously fast-growing market, though it is still in its early stages. We develop, market and sell solutions to operators and service providers who are aiming to supply their customers with new services, such as TV and telephony via broadband, or IP. We deliver equipment to these service providers, to be placed in the homes of the end users. These IPTV set-top boxes and residential gateways are all operator-managed, enabling operators to upgrade and troubleshoot the equipment over their network. The related software for this is of course also part of our deliveries.

The drive for the service providers to choose Tilgin products are many: A broad, cost-effective and robust service offering decreases the churn rate; offering new attractive services enables an increase in the average revenue per user (ARPU), and last but not least: the possibility of remote management and centralized provisioning of the customer premises equipment (CPE) will decrease the need for customer support, and through that also the operating expenses of the service provider.

Since this market is still in its infancy, Tilgin continues to be highly dependent on a few large customers. This entails the risk of strong fluctuations between the quarters as regards order intake and revenues. During the first half of 2007, and during the first quarter in particular, order intake from our largest customer decreased, and as expected this has had a significant impact on second quarter sales and result.

We are continuing to develop our product portfolio to support the service providers' investments in triple play, i.e. migrating current services (TV, telephony) to IP-based networks. The next obvious step in this development is product and software solutions adapted to future IMS networks, and during the first half of 2007 we have seen the first IMS procurements from a number of European telecom operators.

IMS will enable service operators to offer new services, thanks to a standardized platform for an all IP network. By launching our future concept Tilgin IMS@Home, we will be offering a very attractive product portfolio to the service providers, containing pure software packages as well as CPE with integrated software.

In the short term, we will focus on continued improvements in our current triple play business, aiming at higher margins and a wider customer base. We will gradually emphasize and clarify the value of the software in the solutions we are offering the market, with the aim of increasing the share of revenue from software. Bridging our current business model for triple play solutions over to a future model for more software-oriented IMS solutions is a process that may take several years. However, I believe that the conditions for carrying out this repositioning successfully are excellent. Among the most important items on my agenda are:

- Adding additional large customers
- Creating opportunities for higher productivity in our R&D operations
- Clarifying the value of the software in our products – now and in the future

In the spring of 2007, we started the process of refining the long-term strategy for Tilgin, and my ambition is to be able to present the outcome of this process during the latter part of the fall.

Ola Berglund, CEO

Significant events during the second quarter

In June the Board of Directors decided to appoint the former Chief Operating Officer (COO) Ola Berglund as the new CEO of Tilgin, taking office on 27 June. The change of leadership aimed at ensuring the transformation of the company's unexploited intellectual capital, such as advanced software and integration competence, into new customers and higher margin business.

During the second quarter Tilgin has initiated the process of refining and further developing the company's long-term strategy. The ambition is to present the outcome of this process in late fall.

In June Tilgin received an order for the delivery of a management system for customer premises equipment (VCM) from a leading European service provider. This order follows on the previously communicated agreement with a global systems integrator for delivery of IP residential gateway units within the framework of the service provider's "all-IP" network strategy.

Existing customers that have generated large orders include Belgacom (IPTV, through Nokia Siemens in Belgium), several local Tele2 companies in Europe (IP residential gateway), and EITC in Dubai (IP residential gateway).

Significant events after the reporting period

In July the company signed a support agreement with a leading Nordic operator, already a customer within IP residential gateway. The agreement is another step on the way to gradually increase the company's revenues from support services.

In July Tilgin received an initial IP residential gateway order from the Hungarian operator Invitel (through a distributor).

In July an initial IP residential gateway order was received from the German triple play service provider wilhelm.tel. The order was for the new product platform Vood 1200 and the management system VCM with support for TR-069. Combining Tilgin's products and Ericsson's IMS solution, fiber-connected customers are offered advanced IP telephony services ("VoIP over IMS").

In July Tilgin signed an agreement with ASUSTek Computer Inc. (Taiwan) for the manufacturing of IPTV products. Initially production will take place in the Czech Republic.

Jan Zaar joined Tilgin in August as the new VP Development. With his extensive experience, Zaar will reinforce the company's competence and leadership within software development. Jan Zaar joins Tilgin from Enea AB.

Market prospects and future outlook

The general market development for triple play within IP residential gateway as well as IPTV continues to be very positive. The company has initiated the development and marketing of IMS-integrated products, solutions and applications, which is expected to have a significant long-term potential. The focus on further developing the indirect sales model with both local and global systems integrators as well as local distributors continues, and strengthens the company's growth potential.

Order intake and order backlog increased during the second quarter of 2007. This increase was however from a low starting point, and order intake for the first half of 2007 was considerably weaker than the corresponding period in 2006. The principal reason was temporarily reduced order volumes from the company's largest customer, while other customer business as a whole have developed positively compared with the first half of 2006. The reduced volumes in combination with inventory write-downs and deliveries shifted into the third quarter have had a negative impact on sales and results.

So far, third quarter order intake already surpasses that of the second quarter, and for the second half of 2007 as a whole the company expects significantly increased order intake compared with the first half of 2007. This will be reflected in increased sales and an improved operating result, compared with the first half of the year.

All in all, and in light of the weaker development in the first half of 2007, the company expects slightly lower sales and operating result in 2007, as compared with 2006. Gross margins are still expected to improve for 2007 as a whole.

Risks and uncertain factors

The company's revenues are dependent on a few large customers. In the first half of 2007, almost 50 % of total order intake were generated from the company's single largest customer, active in the IPTV segment. The company is focusing on developing other existing and new customer business, which will gradually decrease this dependency.

There is also a risk in the company's currency exposure, since there are considerable sales volumes in EUR, while sales-related purchases are mainly in USD, and other operating expenses to a large extent are in SEK. These currency risks are partially managed through forward exchange contracts.

The company is having discussions with the Swedish Customs regarding, among other things, customs classification of certain historical shipments. Whether this could lead to the company being imposed additional customs duties or other costs, which might eventually impact on the company's customers, remains unclear.

For other risks and uncertain factors, please refer to the 2006 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 period 1 January – 30 June 2007.

Also, the company has not identified any other significant transactions with related parties in that period.

Sales and financial performance

Net sales

Net sales in the second quarter amounted to SEK 55.2 million (104.1), a 47 % decrease compared with the corresponding period in 2006. Net sales decreased by SEK 48.9 million compared with the previous quarter, in light of the weaker order intake in early 2007, and due to certain delays in deliveries into the third quarter. Net sales in the first half of 2007 amounted to SEK 183.8 million (198.3).

In total, 88,936 (90,420) CPEs (Customer premises equipment) were shipped to customers in the second quarter, of which 7,957 (45,282) set-top boxes and 80,979 (45,138) residential gateway units.

CPEs including client software represented 94 % (99 %) of total net sales in the second quarter. Other revenue includes sales of accessories, spare parts, management systems, support, professional services and further invoiced costs.

In the second quarter, net sales were split between EMEA 96.4 % (97.3 %), North America 1.8 % (2.5 %) and other regions 1.8 % (0.2 %).

Financial performance

The operating result for the second quarter amounted to SEK -41.8 million (-21.7) and the net result amounted to SEK -42.3 million (-22.2). The operating result for the first half of 2007 amounted to SEK -39.7 million (-32.5) and the net result amounted to SEK -41.2 million (-33.6). The operating result was negatively affected by realized and unrealized currency hedging positions related to specific customer orders, by SEK -0.6 million (-3.2). Gross margin for the second quarter amounted to -4 % (20 %) which is a change for the worse compared with the corresponding period in 2006, and also compared with the previous quarter (26%).

Gross margin in the second quarter was negatively affected by further expenses and provisions for warranty commitments of SEK -1.2 million (2.7) and by provisions and write-downs on inventory (components and CPEs) of SEK -15.0 million (0.0). The reason for these write-downs and provisions is a weaker than expected development on the North American market, and an increased uncertainty regarding future sales potential for certain product items. This should be viewed in relation to the fact that the company during 2007 is gradually launching new product platforms within both IPTV and IP residential gateway. Adjusted for inventory write-downs and provisions for warranty commitments, gross margin in the second quarter amounted to 25 %.

Operating expenses excluding goods for resale and depreciation and amortization amounted to SEK 35.9 million (41.6) in the second quarter. Second quarter expenses in 2007 were reduced by capitalized development expenditures of SEK 8.4 million (6.6).

Costs of personnel amounted to SEK 21.8 million (15.7) in the second quarter, and included a provision of SEK 3.6 million (0.0) related to the retiring CEO. Compared with the previous quarter costs of personnel increased by SEK 5.9 million.

Total product development costs prior to capitalizing certain development expenditures increased to SEK 15.4 million (11.8) in the second quarter.

Depreciation and amortization amounted to SEK 3.5 million (1.3) in the second quarter, of which amortization and write-downs on intangible assets (capitalized development expenditures) amounted to SEK 3.0 million (1.0).

Net financial items amounted to SEK -0.5 million (-0.5) in the second quarter, i.e. same level as in the second quarter 2006.

IPTV

Net sales in IPTV amounted to SEK 15.3 million (78.5) in the second quarter, a 62 % decrease compared with the corresponding period in 2006. Compared with the previous quarter, net sales decreased by SEK 77.2 million. The decrease may be explained by the temporarily reduced order volumes from the company's largest customer, in early 2007. Net sales in the first half of 2007 amounted to SEK 107.8 million (149.4). The operating result for the second quarter amounted to SEK -34.4 million (-10.8).

IP residential gateway

Net sales in IP residential gateway amounted to SEK 39.9 million (25.6) in the second quarter, a 56 % increase compared with the corresponding period in 2006. Compared with the previous quarter net sales in the product segment increased by SEK 3.8 million. Net sales in the first half of 2007 amounted to SEK 76.0 million (48.9). The operating result for the second quarter amounted to SEK -4.7 million (-2.4). The product segment IP residential gateway has shown strong growth in the second quarter, and has continued to positively affect consolidated gross margin during the period.

Personnel

The number of employees in the Group decreased from 106 to 104 in the second quarter of 2007. Staff is expected to increase again during the second half of 2007. As of 30 June 2007, two people were employed by the company's US subsidiary, Tilgin Inc.

Financial position

Cash flow, investments and financial position

Cash flow from operating activities amounted to SEK 23.6 million (-25.9) in the second quarter. The positive cash flow compared with the corresponding period in 2006 is explained by lower volumes of working capital being tied up, due to a lower business volume. Cash and bank balances as of 30 June 2007 amounted to SEK 38.4 million (13.8).

As of 30 June 2007 the company had access to financing facilities in various currency denominations, corresponding to approximately SEK 100 million. The utilization of these facilities decreased significantly compared with the end of the previous quarter, and as of 30 June 2007 the facility was utilized to SEK 12.9 million (40.4). Utilization is expected to go up in the second half of 2007, in connection with increased invoicing volumes.

Investments in intangible fixed assets in the second quarter amounted to SEK 8.4 million (6.6) and refer to capitalization of development expenditures. No other significant investments were made in the period.

Shareholders' equity

Group equity as of 30 June 2007 amounted to SEK 108.9 million (37.7) and share capital at the same date amounted to SEK 22.3 million (12.1). The equity/assets ratio was 55 % (24 %).

Share data and ownership structure

The total number of shares in the company as of 30 June 2007 was 22,274,600. At that time, there were also outstanding warrants which, after a full exercise, would correspond to 804,358 new shares. These warrants are not included when calculating the number of shares after dilution, or result per share after dilution, since the exercise price exceeds the current market quotation.

As per 30 June 2007, MGA Holding remained the largest shareholder, with 28 % of the shares.

Parent company

The company's US subsidiary 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 second quarter 2007 were the same as Group net sales for the period.

Result before taxes for the parent company was SEK -42.3 million (-22.2) for the second quarter, Group SEK -42.3 million. Total shareholders' equity in the parent company amounted to SEK 109.0 million (37.8), Group SEK 108.9 million. Cash and bank balances for the parent company as of 30 June 2007 amounted to SEK 38.3 million (13.8), Group SEK 38.4 million. As of 30 June 2007 the number of employees in the parent company including the US subsidiary was 104 (95), which corresponds to the number of employees in the Group (there are no employees in the company's two inactive subsidiaries).

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. Further, the report has been adapted in accordance with the EC Transparency Directive 2004/109/EC, effective 1 January 2007. The new or revised IFRS standards or IFRIC interpretations that have come into effect since 1 January

2007 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 2006 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.

This interim report has not been reviewed by the company's auditors.

Kista, 22 August 2007

Tilgin AB (publ)

This semi-annual report provides a fair view of the operations, financial position and results of the parent company and the group, and describes significant risks and uncertain factors that the parent company and other group companies are facing.

Ola Berglund
Chief Executive Officer

Johnny Sommarlund
Chairman of the Board

Fredrik Berglund
Board member

Lars Klingstedt
Board member

Anders Lönnqvist
Board member

Sven-Christer Nilsson
Board member

Tomas Torlöf
Board member

The information contained in this report is of such character that Tilgin is obliged to make public under The Exchange and Clearing Operations ACT and/or The Financial Instruments Trading Act. The information was made public on 23 August, 07:00 CET.

Phone conference:
In view of the interim report, the capital market is invited to a conference call on Thursday 23 August. The conference will start at 09:00 CET.
Participants may follow the conference via Internet, website www.tilgin.com/q207, or access it by dialing *UK +44 (0) 20 7806 1966* or *Sweden +46 (0)8 5352 6408*. A presentation will be held available at the company's web site.

Scheduled reports:

- The January – September 2007 interim report will be presented on 26 October 2007.
- The 2007 year-end report will be presented on 15 February 2008.

For further information, please contact:

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Group income statements, balance sheets and cash flow statements

Income statement (SEK thousand)	Q2 2007	Q2 2006	H1 2007	H1 2006	July 2006 - June 2007	2006
Net sales	55 166	104 074	183 767	198 346	438 367	452 946
Other operating income	26	64	0	110	88	275
Total sales	**55 192**	**104 138**	**183 767**	**198 457**	**438 454**	**453 221**
Operating expenses						
Goods for resale	-57 502	-82 942	-152 915	-157 607	-350 258	-354 949
Other external costs	-13 704	-18 641	-27 054	-34 291	-43 571	-50 808
Costs of personnel	-21 786	-15 678	-37 689	-30 171	-66 203	-58 684
Depreciation and amortization	-3 513	-1 323	-6 356	-2 016	-10 073	-5 734
Other operating expenses	-439	-7 242	549	-6 890	-6 542	-14 057
Operating result	**-41 753**	**-21 687**	**-39 698**	**-32 518**	**-38 193**	**-31 012**
Net financial items	-503	-531	-1 463	-1 057	-3 835	-3 428
Result before taxes	**-42 255**	**-22 218**	**-41 162**	**-33 575**	**-42 027**	**-34 440**
Income taxes for the period	-	-	-	-	-	-
Result for the period	**-42 255**	**-22 218**	**-41 162**	**-33 575**	**-42 027**	**-34 440**
Earnings/loss per share before dilution (SEK)	-1.90	-1.83	-1.85	-2.78	-2.20	-2.45
Earnings/loss per share after dilution (SEK)	-1.90	-1.83	-1.85	-2.78	-2.20	-2.45
Avg. number of shares before dilution (thousand)	22 275	12 118	22 256	12 078	19 101	14 054
Avg. number of shares after dilution (thousand)	22 275	12 283	22 279	12 283	19 180	14 223

Cash flow statement (SEK thousand)	Q2 2007	Q2 2006	H1 2007	H1 2006	July 2006 - June 2007	2006
Cash flow from operations before changes in working capital	-38 588	-20 127	-34 460	-30 087	-31 848	-33 211
Changes in working capital	62 169	-5 815	83 685	1 535	8 999	-73 150
Cash flow from operating activities	**23 581**	**-25 942**	**49 225**	**-28 552**	**-22 849**	**-106 361**
Cash flow from investing activities	-9 128	-6 869	-19 707	-15 513	-36 587	-32 393
Cash flow from financing activities	-43 823	-3 660	-83 410	-12 706	84 028	160 467
Net change in cash and cash equivalents	**-29 370**	**-36 471**	**-53 892**	**-56 771**	**24 592**	**21 713**
Cash and cash equivalents, beginning of period	**67 795**	**50 304**	**92 317**	**70 604**	**13 833**	**70 604**
Cash and cash equivalents, end of period	**38 425**	**13 833**	**38 425**	**13 833**	**38 425**	**92 317**

Balance sheet (SEK thousand)	2007-06-30	2006-06-30	2006-12-31
ASSETS			
- Intangible assets	37 348	12 985	24 715
- Tangible assets	4 996	2 706	4 278
Total fixed assets	*42 344*	*15 691*	*28 993*
- Inventories	60 052	29 320	91 810
- Accounts receivable - trade	34 441	73 098	127 791
- Other receivables	23 991	23 650	23 237
- Cash and bank	38 425	13 833	92 317
Total current assets	*156 910*	*139 901*	*335 155*
Total assets	**199 254**	**155 592**	**364 149**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	108 902	37 747	149 209
Liabilities			
- Long-term interest-bearing liabilities	781	2 432	781
- Short-term interest-bearing liabilities	12 939	40 442	97 204
- Other short-term liabilities	74 526	73 110	115 195
- Warranty provisions	2 106	1 861	1 760
Total liabilities	**90 352**	**117 845**	**214 940**
Total equity and liabilities	**199 254**	**155 592**	**364 149**

Income statements and balance sheets, parent company

Income statement (SEK thousand)	Q2 2007	Q2 2006	H1 2007	H1 2006	July 2006 - June 2007	2006
Total sales	55 192	104 138	183 767	198 457	438 454	453 221
Operating expenses	-96 945	-125 825	-223 465	-230 974	-476 647	-484 233
Operating result	**-41 753**	**-21 687**	**-39 698**	**-32 518**	**-38 193**	**-31 012**
Net financial items	-503	-531	-1 463	-1 057	-3 835	-3 428
Result before taxes	**-42 255**	**-22 218**	**-41 162**	**-33 575**	**-42 027**	**-34 440**
Income taxes for the period	-	-	-	-	-	-
Result for the period	**-42 255**	**-22 218**	**-41 162**	**-33 575**	**-42 027**	**-34 440**

Balance sheet (SEK thousand)	2007-06-30	2006-06-30	2006-12-31
ASSETS			
Total fixed assets	42 544	15 891	29 193
Total current assets	156 828	139 819	335 073
Total assets	**199 372**	**155 710**	**364 266**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	108 955	37 800	149 261
Provisions	2 106	1 861	1 760
Liabilities			
- Long-term liabilities	781	2 432	781
- Short-term liabilities	87 530	113 617	212 464
Total equity and liabilities	**199 372**	**155 710**	**364 266**

Notes regarding significant changes in balance sheet items between 31 Dec-06 and 30 Jun-07

1. Fixed assets: Since 31 December 2006, development expenditures of SEK 18.1 million (before amortization) have been capitalized as intangible fixed assets.
2. Shareholders' equity: The net decrease is explained by the net result in the period, which has decreased equity by SEK 41.2 million, and conversions of convertible bonds, which have increased equity by SEK 0.9 million since 31 December 2006.
3. Current assets and Short-term liabilities: The decrease in these items since 31 December 2006 may to a large part be attributed to the lower business volume at the end of the period. For example, accounts receivable are SEK 93.4 million lower as per 30 June 2007, and accounts payable together with the accounts receivable financing facility with the bank are SEK 117.4 million lower as per 30 June 2007, compared with 31 December 2006.

Changes in group equity

SEK thousand	Share capital	Other paid-in capital	Accumulated loss incl period loss	Total Shareholders' Equity
Opening balance January 1, 2006	**119 969**	**324 156**	**-374 017**	**70 107**
Loss for the period	-	-	-33 575	-33 575
Total change in capital excl. transactions with the company's owners	-	-	-33 575	-33 575
Reduction of the share capital	-109 066	-	109 066	0
Conversion of convertible loan	1 215	-	-	1 215
Closing balance June 30, 2006	**12 118**	**324 156**	**-298 527**	**37 747**
Opening balance January 1, 2007	**22 189**	**426 412**	**-299 392**	**149 209**
Profit for the period	-	-	-41 162	-41 162
Total change in capital excl. transactions with the company's owners	-	-	-41 162	-41 162
Conversion of convertible loan	86	770	-	855
Closing balance June 30, 2007	**22 275**	**427 181**	**-340 554**	**108 902**
Opening balance Jan 1, 2006	**119 969**	**324 156**	**-374 017**	**70 107**
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	-109 066	-	109 066	-
New share issues	10 010	121 263	-	131 273
Issue expenses related to new share issue	-	-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, group

(SEK thousand)

Q2 2007

	IPTV	IP-RG	Other	Group
Net sales	15 277	39 889	0	55 166
Operating result	**-34 367**	**-4 684**	**-2 701**	**-41 753**
Investments in fixed assets	5 098	3 953	76	9 128
Assets	72 961	83 515	42 779	199 254
Liabilities	45 928	41 405	3 020	90 352

Q2 2006

	IPTV	IP-RG	Other	Group
Net sales	78 498	25 575	0	104 074
Operating result	**-10 769**	**-2 420**	**-8 498**	**-21 687**
Investments in fixed assets	4 482	2 372	16	6 869
Assets	101 531	35 936	18 125	155 592
Liabilities	67 798	32 858	17 189	117 845

H1 2007

	IPTV	IP-RG	Other	Group
Net sales	107 771	75 996	0	183 767
Operating result	**-33 194**	**-1 299**	**-5 205**	**-39 698**
Investments in fixed assets	11 365	8 158	183	19 706
Assets	72 961	83 515	42 779	199 254
Liabilities	45 928	41 405	3 020	90 352

H1 2006

	IPTV	IP-RG	Other	Group
Net sales	149 410	48 937	0	198 346
Operating result	**-14 358**	**-3 006**	**-15 154**	**-32 518**
Investments in fixed assets	10 292	5 116	105	15 513
Assets	101 531	35 936	18 125	155 592
Liabilities	67 798	32 858	17 189	117 845

July 2006 - June 2007

	IPTV	IP-RG	Other	Group
Net sales	306 381	131 985	0	438 367
Operating result	**-33 936**	**-2 803**	**-1 454**	**-38 193**
Investments in fixed assets	21 396	14 797	432	36 624
Assets	72 961	83 515	42 779	199 254
Liabilities	45 928	41 405	3 020	90 352

Full year 2006

	IPTV	IP-RG	Other	Group
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	32 431
Assets	203 611	64 049	96 489	364 149
Liabilities	156 593	45 129	13 218	214 940

Key ratios and definitions, group

(SEK thousand if not otherwise stated)	Q2 2007	Q2 2006	H1 2007	H1 2006	July 2006 - June 2007	2006
Gross profit	-2 336	21 132	30 852	40 740	88 108	97 996
Gross margin, %	-4%	20%	17%	21%	20%	22%
Operating margin, %	neg.	neg.	neg.	neg.	neg.	neg.
Net margin, %	neg.	neg.	neg.	neg.	neg.	neg.
Shareholders' equity	108 902	37 747	108 902	37 747	108 902	149 209
Average shareholders' equity	130 030	48 857	129 056	53 927	73 325	109 658
Capital employed	122 622	80 621	122 622	80 621	122 622	247 194
Average capital employed	165 661	93 561	184 908	103 762	101 622	187 049
Interest-bearing debt	13 720	42 874	13 720	42 874	13 720	97 985
Balance sheet total	199 254	155 592	199 254	155 592	199 254	364 149
Financial expenses	-727	-810	-2 056	-1 495	-4 752	-4 191
Investments in tangible fixed assets	-687	-263	-1 651	-1 115	-3 972	-3 436
Return on average shareholders' equity, %	neg.	neg.	neg.	neg.	neg.	neg.
Return on average capital employed, %	neg.	neg.	neg.	neg.	neg.	neg.
Equity/assets ratio, %	55%	24%	55%	24%	55%	41%
Debt/equity ratio, times	0.1	1.1	0.1	1.1	0.1	0.7
Interest coverage ratio, times	-57	-26	-19	-21	-8	-7
Share of risk-bearing capital, %	55%	24%	55%	24%	55%	41%
Net debt(+)/receivable(-)	-24 705	29 041	-24 705	29 041	-24 705	5 668
Net debt ratio, times (- = receivable)	-0.2	0.8	-0.2	0.8	-0.2	0.0
Working capital as a percentage of sales	10%	14%	10%	14%	10%	28%
Number of employees at period end	104	95	104	95	104	104
Average number of employees in period	105	93	106	91	103	95
Sales per employee	526	1 120	1 742	2 189	4 278	4 771
Operating profit/loss per employee	-398	-233	-376	-359	-373	-326
Dividend per share (SEK)	-	-	-	-	-	-
Number of shares before dilution	22 274 600	12 118 393	22 274 600	12 118 393	22 274 600	22 165 060
Number of shares after dilution	22 274 600	12 283 455	22 274 600	12 283 455	22 274 600	22 269 932
Average number of shares in period, before dilution	22 274 600	12 118 393	22 256 053	12 078 119	19 101 197	14 054 057
Average number of shares in period, after dilution	22 274 600	12 283 455	22 279 307	12 283 455	19 180 107	14 223 260

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: 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 periods have been adjusted in accordance with this new basis of calculation. The company's various financial instruments (such as convertible bonds and warrants) 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.

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)	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007
Net sales	87 182	68 735	94 272	104 074	86 626	167 973	128 601	55 166
Other operating income	2	3 923	46	64	975	0	112	26
Total sales	**87 184**	**72 658**	**94 319**	**104 138**	**87 601**	**167 973**	**128 713**	**55 192**
Gross profit	10 804	9 624	19 607	21 132	15 140	42 117	33 188	-2 336
Gross margin	12%	14%	21%	20%	17%	25%	26%	-4%
Operating result	**-13 421**	**-33 581**	**-10 830**	**-21 687**	**-5 822**	**7 328**	**2 054**	**-41 753**
Net loss	-14 542	-34 050	-11 357	-22 218	-7 196	6 330	1 093	-42 255
IPTV								
Net sales	71 783	50 649	70 911	78 498	63 120	135 491	92 494	15 277
Operating result	**-7 521**	**-22 260**	**-3 589**	**-10 769**	**-6 928**	**6 186**	**1 173**	**-34 367**
IP residential gateway								
Net sales	15 399	18 087	23 361	25 575	23 507	32 482	36 107	39 889
Operating result	**-3 050**	**-6 606**	**-585**	**-2 420**	**-1 341**	**-163**	**3 384**	**-4 684**
Other products and services								
Net sales	0	0	0	0	0	0	0	0
Operating result	**-2 850**	**-4 715**	**-6 656**	**-8 498**	**2 447**	**1 304**	**-2 503**	**-2 701**
Net sales per product segment, %								
IPTV	82%	74%	75%	75%	73%	81%	72%	28%
IP residential gateway	18%	26%	25%	25%	27%	19%	28%	72%
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)	40 361	25 894	34 642	45 282	35 938	78 476	53 300	7 957
IP residential gateway (Vood)	26 421	28 047	38 259	45 138	44 325	59 714	67 187	80 979
Total	**66 782**	**53 941**	**72 901**	**90 420**	**80 263**	**138 190**	**120 487**	**88 936**
Net sales per geographical area								
EMEA	85 151	63 030	90 935	101 287	82 841	162 850	123 895	53 180
North America	2 023	4 193	2 395	2 633	2 192	4 233	2 869	993
ROW	9	1 512	943	154	1 594	890	1 836	993
Total	**87 182**	**68 735**	**94 272**	**104 074**	**86 626**	**167 973**	**128 601**	**55 166**
(EMEA = Europe, Middle East, Africa)								
Net sales per geographical area, %								
EMEA	98%	92%	96%	97%	96%	97%	96%	96%
North America	2%	6%	3%	3%	3%	3%	2%	2%
ROW	0%	2%	1%	0%	2%	1%	1%	2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Orders received and order backlog								
Orders received in period	52 669	59 616	118 167	123 822	118 761	153 208	77 253	86 695
Order backlog	56 841	48 630	74 592	87 524	121 708	102 973	43 369	72 641
Avg. rate used for orders received, USD	7.68	7.97	7.78	7.40	7.24	7.08	7.01	6.87
Avg. rate used for orders received, EUR	9.37	9.48	9.35	9.30	9.23	9.13	9.19	9.26
Avg. rate used for order backlog, USD	7.78	7.95	7.75	7.26	7.31	6.87	7.00	6.88
Avg. rate used for order backlog, EUR	9.34	9.43	9.40	9.22	9.27	9.05	9.33	9.24

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