

# Half-year report January–June 2008

**INVISIO**<sup>®</sup>  
NO NOISE. ONLY YOUR VOICE.

## April–June

- Net sales totaled SEK 18.9 m (4.1).
- Gross profit was SEK 3.7 m (3.1).
- The gross margin was 19.7% (74.4%).
- Loss after tax was SEK -11.6 m (-16.5).
- Earnings per share were -0.58 (-1.06).

## January–June

- Net sales totaled SEK 28.4 m (8.3).
- Gross profit was SEK 6.8 m (5.9).
- The gross margin was 24.0% (71.1%).
- Loss after tax was SEK -26.5 m (-31.0).
- Earnings per share were SEK -1.34 (-2.04).

## Important events April–June

- Motorola and INVISIO Headsets entered into a strategic and exclusive license and development agreement.
- The new, advanced INVISIO<sup>®</sup> product family was unveiled at EUROSATORY in Paris.
- Order received from the U.S. Naval Special Warfare Command.
- New reference orders received from U.S. SWAT Teams for INVISIO<sup>®</sup> Pro.
- Significant order for consumer products received from European distributor.
- The company's patent for a wireless terminal for VoIP communication granted in China.
- Cost-cutting program launched, with annual savings of approximately SEK 6 m.
- Company's name changed from Nextlink AB (publ) to INVISIO Headsets AB (publ).
- Partly new board and new Chairman elected at 2008 Annual General Meeting.

## Important events after the end of the period

- The company's patent for a wireless terminal for VoIP communication has been granted in Japan.
- New issue of shares through exercise of issued subscription options.

INVISIO Headsets AB is a public company listed on First North (ticker code: IVSO), an alternative marketplace on the OMX Nordic Exchange Stockholm. INVISIO Headsets holds the patents for Bone Conduction technology, which provides the best possible speech in extreme sound environments, and for Soft Spring, for optimal wearing comfort. Both patents are featured in the company's INVISIO<sup>®</sup> headsets for professional and consumer applications, which are used by military personnel, Special Forces, police, fire fighters and security companies around the world

Additional information is available on the company's website: [www.invisioheadsets.com](http://www.invisioheadsets.com).

Mangold Fondkommission AB (tel. +46-8-503 015 50) is the Certified Adviser for INVISIO Headsets AB on First North.

**INVISIO**<sup>®</sup> HEADSETS AB (publ.)



### **When communicating in extreme conditions**

## **CEO's comments**

The report for the first quarter of 2008 was our last under the company name Nextlink AB (publ). Following the name change that was approved at the 2008 AGM, since June 4, 2008, the company is operating under the name INVISIO Headsets AB (publ). Name changes can often be cosmetic, but in this case the reason reflects a genuine change in strategy.

In recent years the market for professional headsets and related equipment has widened. For our part, these market changes entail that we can now significantly grow the very strong but small position we have had for many years in this area. INVISIO® Pro is the product name we have used for our professional products for many years. Through the name change, our company name and brand have now been brought together. This should be viewed as a refocusing of the company's resources toward the professional market – a strategy shift that we have been working towards for several years and which has been made possible through cooperation with Motorola on the consumer products side. As a result of the name change, the ticker symbol for trading in the company's shares on First North has been changed to IVSO. Naturally, the company's Web address and market profile have also been changed. Please pay us a visit at [www.invisioheadsets.com](http://www.invisioheadsets.com).

### **Professional Products business area**

The market for our professional products is steadily widening, mainly as a result of a growing preference for in-ear headsets, new combinations of headsets and hearing protection, and a shift from analog to digital communication solutions. INVISIO has been well-known for many years in these markets by virtue of its unique technology for speech conduction via a jawbone microphone. Our focus on developing a broader product portfolio, increasing the number of sales outlets, establishing more distributors and forging agreements with system integrators is proceeding according to plan and is gradually coming to greater fruition. The first half of this year showed a sales increase in excess of 83%, and we are highly optimistic about the rest of this year and 2009. We are maintaining good margins, our product portfolio is widening, and the number of queries as well as outgoing estimates is growing.

In April INVISIO Headsets received an important reference order for INVISIO® Pro headsets from the U.S. Naval Special Warfare Command. In addition, during the second quarter the company successfully participated in a couple of strategically important international trade shows focusing on the needs of professional users.

In May, INVISIO® Pro headsets were shown at the TETRA World Congress in Hong Kong, which led to several new contacts with presumptive partners and customers. TETRA (Terrestrial Trunked Radios) is a fast-growing, open digital standard for mobile radio communication. The majority of users are in the professional segments for defense, rescue operations, commercial applications and industry, where personnel often work under difficult and noisy conditions, which makes the INVISIO® Pro product array particularly useful and competitive.



## When communication is mission-critical

During our participation at the EUROSATORY trade show in Paris in June, we launched the INVISIO® X50 from our new series of headsets and systems for professional users. The INVISIO® X50 is the world's first headset to employ jawbone conduction technology together with hearing protection. These new products clearly address the market's need for digital headsets that are placed directly in the ear and equipped with integrated hearing protection. The first products in the new series will be ready to deliver for customer tests during the third quarter of 2008. And in late June we received several reference orders for INVISIO® Pro products from new SWAT (Special Weapons And Tactics) team customers in the U.S. Buyers included the Vernon Police Department SWAT Team and the Maui Police Department Special Response Team.

### **Consumer Products business area and cooperation with Motorola**

During the last three years the company has made very large and costly investments in the development and launch of consumer products. Despite these, we have never fully succeeded in obtaining a market breakthrough for these products no matter how much praise they have received in technology magazines or how many awards we have received for these in general. It is now entirely clear that, in order to achieve definitive success also in this area, we must find a sustainable form of cooperation with a partner that has a deeper understanding of the consumer market and that also has extensive distribution capacity and a strong brand.

We were therefore very pleased in April when we succeeded in forging a license and development agreement with Motorola for wireless headsets for the consumer market. This five-year agreement gives Motorola exclusive global access to INVISIO Headsets' patented technology with the right to manufacture market and sell jointly developed headsets.

The first product that Motorola intends to launch is based on INVISIO Headsets' award-winning Q7 headset, which is a highly advanced headset based on jawbone technology that allows conversations in very noisy and windy environments. In a consumer launch, balance must be struck between a number of factors, including technical quality, perceived consumer value, price, production cost, and so on. The work conducted by Motorola and INVISIO Headsets since entering the agreement has convincingly shown that the optimal launch date is a bit into 2009. What is decisive for INVISIO Headsets' part is that we – after all our years of working with consumer products – can ensure success for the first product to be launched by Motorola and INVISIO Headsets. Not only because the royalty revenues may be great, but because the successful, practical cooperation that will then be established will lead to further product launches on the market.

During the second quarter, the agreement with Motorola had two effects on INVISIO Headsets:

- Since INVISIO Headsets now works only in a limited part of the value chain for consumer products, with Motorola handling such functions as logistics, administration and sales, we have been able to reduce the number of employees at



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INVISIO Headsets by eight, and certain other costs have been eliminated or reduced. On a yearly basis these savings amount to approximately SEK 6 m and will have full effect starting in August.

- Moving forward, INVISIO Headsets will no longer sell or market consumer products on its own. During the second quarter, sales of remaining products, mainly the INVISIO® G5, were initiated at the best market price that could be obtained. A major order worth SEK 4.5 m will be delivered and credited to earnings during the third quarter. The sale of consumer products that has been conducted under own management is thus being discontinued, and impairment charges and thus a lower gross profit have already been recognized.

#### **Greater cost control and transparency**

As part of the continued efficiency-improvement work at INVISIO Headsets and preparations for the company's stock market introduction, extensive work was conducted during the period to further develop the company's segmental reporting of income and expenses. Added to this, a changeover has been made to an income statement classified by function. This new structure facilitates our internal follow-up of goals and plans at the same time that it will make our external reporting clearer.

#### **Patent portfolio**

In our first-quarter interim report for 2008 we announced the start of a process to sell our VoIP patent. Work is being conducted with great expediency to ensure that we realize the economic value that exists in the patent and elsewhere.

#### **Summary of second quarter 2008**

On the whole, business events during the second quarter can be characterized as positive and of major significance for INVISIO Headsets' continued development. The agreement with Motorola has been instrumental in finding a way to maintain full focus on two separate business areas – professional products and consumer products – in one and the same company. As a result of the Motorola agreement, we have been able to slim down our organization somewhat. In addition, INVISIO Headsets' organization has become less complex, especially in consumer products, since we are now working only in a limited part of the value chain and now only conduct development under assignment for Motorola. Moreover, new systems and routines for cost follow-up and control are enabling more suitable business control.

We are looking forward to a second half of the year with continued good revenue from our professional products, additional revenue from the final sale of remaining consumer products, some revenue from Motorola, and a decrease in operating overheads.

Lars Højgård Hansen  
CEO



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the only option**

## Net sales and earnings, April–June

Net sales for the second quarter totaled SEK 18.9 m (4.1). The considerable jump in sales compared with the same period a year ago is attributable to both professional and consumer products.

Gross profit was SEK 3.7 m (3.1). The gross margin was 19.7% (74.4%). The lower gross margin is partly attributable to the write-down of inventories – mainly of the INVISIO® G5 – and of components for consumer products that will no longer be used, and to a product mix that entails a greater share of sales of consumer products with lower gross margins.

The order book amounted to SEK 7.5 m (19.9) at the end of the quarter. The decline is attributable to consumer products, since INVISIO Headsets will no longer be conducting own sales in this area.

Operating expenses for the second quarter amounted to SEK 14.9 m (18.6). Operating expenses were charged with substantial marketing costs in connection with participation in numerous trade shows, totaling SEK 0.4 m, and advisory and consulting fees including outlays in connection with the Motorola agreement, totaling SEK 0.9 m. In addition, a provision of SEK 0.5 m was made during the period for the employment-related stock option program. No provisions were made for the performance-based option program, as no options have been granted yet.

The loss after tax for the second quarter was SEK -11.6 m (-16.5), or SEK -0.58 per share (-1.06).

### Professional Products

A total of 2,416 (1,806) units were sold during the second quarter to existing as well as a number of new customers. Net sales amounted to SEK 3.9 m (1.4), an increase of 179%. The gross margin for the business area was 44.4% (79.3%). The gross margin for professional products can fluctuate sharply from quarter to quarter depending on the share of sales that are made directly to end customers, with higher margins, compared with the share of sales made through distributors. During the second quarter the gross margin was affected in part by the product mix and in part by a lower share of direct sales.

The order book for professional products amounted to SEK 2.8 m (3.2) at the end of the period.

### Consumer Products

A total of 38,166 (3,011) units were sold during the second quarter. These consisted of INVISIO® B3 and INVISIO® G5 units. Net sales amounted to SEK 15.0 m (2.8), an increase of 436%. The gross margin for the business area was 13.2% (72.0%). The gross margin was affected by an impairment charge of SEK 3.7 m attributable to the write-down of inventories – mainly INVISIO® G5 – to fair value and to the write-down of consumer products that will no longer be used.

As a direct effect of the Motorola agreement, the order book for consumer products decreased substantially and amounted to SEK 4.7 m (16.7) at the end of the period.



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for misunderstanding**

## Sale and earnings, January–June

Net sales for the first half of the year amounted to SEK 28.4 m (8.3). The considerably higher sales compared with the same period a year ago is attributable to both professional and consumer products.

Gross profit was SEK 6.8 m (5.9). The gross margin was 24.0% (71.1%). The lower gross margin is attributable in part to the write-down of inventory – mainly INVISIO® G5 – and components for consumer products that will no longer be used, and to a product mix which contains a larger share of sales of consumer products with lower gross margins.

Operating expenses for the first half of the year amounted to SEK 32.4 m (36.2). Operating expenses were charged with sizable marketing costs in connection with participation in a number of trade shows, totaling SEK 0.6 m, and advisory and consulting fees including outlays in connection with the Motorola deal, among other things, totaling SEK 1.7 m. In addition, a provision of SEK 1.0 m was made during the period for the employment-related stock option program. No provisions were made for the performance-based option program, as no options have been granted yet.

The loss after tax for the first half of the year was SEK -26.5 m (-31.0), or SEK -1.34 per share (-2.04).

### Professional Products

A total of 5,389 (3,928) units were sold during the first half of the year. Net sales amounted to SEK 10.8 m (5.9), an increase of 83%. The gross margin for the business area was 48.0% (77.5%). The gross margin for profession products can fluctuate sharply from period to period depending on the share of sales that are made directly to end customers, with higher margins, compared with the share of sales made through distributors. During the second half of the year the gross margin was affected in part by the product mix and in part by a lower share of direct sales.

Both the number of units and sales show a sharp increase during the first half of the year and can be credited to greater focus on the business area. A number of reference orders and thus new customers were received during the first half.

### Consumer Products

A total of 48,158 (32,939) units were sold during the first half of the year. These consisted of INVISIO® B3 and INVISIO® G5 units. Net sales amounted to SEK 17.6 m (2.4), an increase of 627%. The gross margin for the business area was 9.2% (55.4%). The gross margin was affected by an impairment charge of SEK 3.7 m attributable to the write-down of inventories – mainly INVISIO® G5 – to fair value and to the write-down of consumer products that will no longer be used.

## Capital expenditures, cash flow and shareholders' equity

### Capital expenditures

Capital expenditures during the first half of the year amounted to SEK 5.3 m (2.2), of which SEK 5.3 m (0) consisted of capitalized development costs. Capital expenditures pertained primarily to



**In extreme heat**

**In combat**

**Even while submerged**

development of future professional products.

Certain tools and test equipment for consumer products were sold to Motorola during the second quarter as part of the agreement between the two companies.

#### **Cash flow and liquidity**

Cash flow from operating activities was SEK -15.3 m (-28.8) during the first half of the year. Cash and cash equivalents held by the Group amounted to SEK 8.6 m (9.9) at the end of the first half.

In the same way as previously, the company is working continuously and actively with its liquidity. The focus on professional products is leading to an increase in trade receivables due to the longer payment cycles in the industry. However, the changed business focus regarding consumer products has resulted in a lower level of tied-up capital, since Motorola is responsible for manufacturing, logistics, distribution, and so on. On the whole, the new business model will result in a lower level of tied up capital over time; moreover, management is working intensively to lower continuing operating expenses.

The company management and Board's view is the same as previously, namely, that necessary liquidity will be generated and added to operations through continuing revenues and one-time revenues, such as from the sale of the VoIP patent, borrowing, etc. When in time and at what price the VoIP patent can be sold are a couple of factors that affect this view.

#### **Shareholders' equity**

Shareholders' equity amounted to SEK 2.2 m (16.5) at the end of the first half of the year.

#### **Parent company**

Net sales of the parent company amounted to SEK 60 thousand (330) during the first half of the year, with a loss after tax of SEK -5.4 m (-4.9).

Cash and cash equivalents held by the parent company amounted to SEK 4.7 m (11.0) at the end of the first half, and the equity ratio was 86% (74%). The parent company had 1 employee (2).

#### **Important events April–June**

##### **Motorola and INVISIO Headsets enter into strategic and exclusive license and development agreement**

In early April Motorola and INVISIO Headsets entered into a five-year strategic and exclusive cooperation agreement for wireless headsets for the consumer market. The agreement gives Motorola the exclusive global rights to manufacture, market and sell jointly developed headsets. INVISIO Headsets will also continue to develop headsets for Motorola based on INVISIO Headsets' patented technology.

##### **New, advanced INVISIO® product family unveiled at EUROSATORY trade show in Paris.**

In June, at the EUROSATORY trade show in Paris, the INVISIO® X50



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was launched from the company's new series of headsets and systems for professional users. Development work is proceeding according to plan, and the first products in the new series will be ready to deliver for customer tests during the third quarter of 2008.

#### **Order received from the U.S. Naval Special Warfare Command**

The order covers INVISIO® headsets valued at SEK 1.5 m, which will be delivered during the third quarter.

#### **New reference orders for INVISIO® Pro from U.S. SWAT Teams**

Customers include the Vernon Police Department SWAT Team and the Maui Police Department Special Response Team. Deliveries will take place during the third quarter.

#### **Significant order for consumer products received from European distributor**

The order, worth SEK 4.5 m, pertains to INVISIO® G5 consumer headsets and will be delivered during the third quarter.

#### **The company's patent for a wireless terminal for VoIP communication granted in China**

The company's patent for a wireless terminal for VoIP communication has been granted in China. Patents have been previously granted in Europe and the U.S.

#### **Cost-cutting program launched with annual savings of approximately SEK 6 m**

During the second quarter a cost-cutting program was launched as a result of the Motorola agreement. Cost savings are estimated to amount to be approximately SEK 6 m on a yearly basis.

#### **Name changed from Nextlink AB (publ) to INVISIO Headsets AB (publ)**

With effect on June 4, 2008, Nextlink AB (publ) has changed its name to INVISIO Headsets AB (publ). As a result of the name change, the ticker symbol for trading in the company's stock on First North has also been changed, to IVSO.

#### **Partly new board and new Chairman elected at 2008 AGM**

The 2008 Annual General Meeting elected a partly new board, whereby Heléne Bergquist was elected as a new director and as Chairman of the Board. Christian Paulsson, Fredrik Sandelin and Jan Werne were re-elected as directors.

### **Important events after the end of the period**

#### **The company's patent for a wireless terminal for VoIP communication granted in Japan**

The company's patent for a wireless terminal for VoIP communication has now also been granted in Japan. Patents were previously granted in Europe, the U.S. and China.

#### **New issue of shares through exercise of issued subscription options**

In July, 231,154 subscription options from series 2006/2008 were





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exercised. One subscription option entitles its holder to subscribe for 1.04 new shares at a subscription price of SEK 25.19 per share. The company received approximately SEK 6.1 m as a result of this exercise of options. The share capital will increase by SEK 240,000 to SEK 20,066,084, and the number of shares outstanding will increase by 240,000 to 20,066,084.

### **Outlook for second half of 2008**

Operations will be focused on INVISIO Headsets' activities in the professional market and on the cooperation with Motorola.

#### **Professional Products business area**

The decision was made in 2007 to develop a new technological platform for professional products. This work is proceeding according to plan and is currently in the final phase.

In June, the INVISIO® X50 was launched at the EUROSATORY trade show in Paris. The INVISIO® X50 is the world's first headset employing jawbone conduction technology and hearing protection. The new products address in all respects the market's rising need for digital in-ear bone conduction headset systems with hearing protection. The first products in the new series will be ready to deliver for customer tests during the third quarter of 2008.

With high-quality products and strong references in the professional market, INVISIO® has a very strong competitive position, with favorable opportunities to grow volumes already during 2008 and achieve good profitability over time.

INVISIO Headsets is working intensively on increasing the number of distributors and major cooperation partners internationally. The company expects to enter into additional cooperation agreements during the second half of the year. In addition, during the second quarter, the company successfully participated in a couple of strategically important international trade shows focusing on the needs of professional customers. Apart from the EUROSATORY trade show in Europe, INVISIO® Pro headsets were presented in May at the TETRA World Congress in Hong Kong, which resulted in several new contacts with presumptive partners.

It is expected that revenues from professional products have the potential to be at least as high during the second half of the year as during the first half.

#### **Consumer Products business area**

In future quarters INVISIO Headsets will continue its cooperation with Motorola in accordance with the license and development agreement reached between the two companies. The agreement with Motorola entails lower costs, more controlled and limited risk, and greater opportunities for substantial revenues as products come to market.

Just as important as it is that product launches get under way, it is equally important that the products have the right reception among broad consumer groups that clearly understand and value the qualities of their superior technology. In connection with consumer product launches, a balance must be struck between a number of



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factors, such as technical quality, perceived consumer value, price, production cost, and so on. The work conducted by Motorola and INVISIO Headsets since the inception of the agreement has convincingly shown that the optimal launch date is some time into 2009. What is decisive for INVISIO Headsets is that we – after the many years of work we have put into consumer products – ensure success for the first product brought to market by Motorola and INVISIO Headsets, not only because the royalty revenues may be substantial, but because of the successful, practical cooperation that would then be established, which will lead to further products on the market. In 2008 the agreement with Motorola will generate revenues for the company in the form of product development compensation.

### **Operating expenses**

Operating expenses for the first half of 2008 amounted to SEK 32.4 m, including SEK 3.9 m in depreciation. Of operating expenses, approximately SEK 1.7 m can be classified as nonrecurring costs for advisory and consulting fees, including outlays, in connection with the Motorola deal, among other things. Operating expenses during the second half of 2008 will decrease as a result of the personnel reductions carried out during the second quarter and stricter cost follow-up and control.

### **Accounting principles**

The Group applies International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act and Swedish Financial Accounting Standards Council recommendation 30 – Supplementary Accounting Rules. The half-year interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, which is in accordance with the requirements made in Swedish Financial Accounting Standards Council recommendation 31, Interim reporting for groups.

During the period, a changeover was made to an income statement classified by function. In addition, the Group's segmental reporting of income and expenses has been further developed. Comparison figures have not been changed.

The half-year interim report has not been reviewed by the company's auditors.

### **Significant risks and uncertainties**

INVISIO Headsets' business and earnings are affected by a number of external and internal factors. A continuous process is conducted to identify all risks and to assess how each respective risk shall be managed.

The risks that the company is mainly exposed to are market-related risks (including competition, technological development and political risks), operating risks (including product liability, intangible rights and disputes, customer dependence and contract risks), and financial risks (including primarily liquidity and currency risks).

In the company's opinion, no additional significant risks or uncertainties have arisen in 2008, apart from those reported on p. 28 and Note 2 of the 2007 Annual Report, and in this half-year interim



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report.

## Related party transactions

A reserve has been set up for outlays for board member Christian Paulsson during the first half of the year, for a combined value of SEK 405 thousand (0), which will be invoiced from Lage Jonason AB. Of this amount, SEK 155 thousand (0) was charged against the first quarter. These outlays pertain to costs incurred during the first half of the year in connection with negotiations with Motorola, among other things.

A reserve totaling SEK 70 thousand (0) has also been set up for consulting and other outlays during the first half of the year, which will be invoiced from Lage Jonason AB, of which SEK 70 thousand (0) was charged against the second quarter. This reserve pertains to employees' participation in projects concerning financial control.

During the first half of the year, board member Jan Werne, via the company JW Management Consulting, invoiced consulting fees of SEK 420 thousand (0), of which SEK 0 thousand (0) was charged against the second quarter. This work pertained to management support and consulting on various contractual matters.

## Future reporting dates

As announced on July 9, the Board has decided to adjust the dates for INVISIO Headsets' market reporting:

Interim report third quarter, July–September: November 5, 2008

Year-end report for 2008: February 16, 2009

Stockholm, August 5, 2008

Heléne Bergquist  
Chairman of the Board

Jan Werne  
Director

Fredrik Sandelin  
Director

Christian Paulsson  
Director

Lars Højgård Hansen  
CEO

INVISIO Headsets AB (publ)



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## Consolidated Income Statement

SEK 000s

Income statement	April-June 2008	April-June 2007	Jan.-June 2008	Jan.-June 2007	2007
Net sales	18 920	4 148	28 452	8 332	22 786
Cost of goods sold	-15 192	-1 063	-21 636	-2 412	-14 720
<b>Gross profit</b>	<b>3 728</b>	<b>3 085</b>	<b>6 816</b>	<b>5 920</b>	<b>8 066</b>
Operating expenses <sup>1)</sup>	-14 866	-18 600	-32 368	-36 169	-74 871
<b>Operating loss</b>	<b>-11 138</b>	<b>-15 515</b>	<b>-25 552</b>	<b>-30 249</b>	<b>-66 805</b>
Net financial items	-438	-1 020	-991	-706	-1 267
<b>Loss after financial items and before tax</b>	<b>-11 576</b>	<b>-16 535</b>	<b>-26 543</b>	<b>-30 955</b>	<b>-68 072</b>
Tax	-	-	-	-	-1 262
<b>Loss after tax</b>	<b>-11 576</b>	<b>-16 535</b>	<b>-26 543</b>	<b>-30 955</b>	<b>-69 334</b>

<sup>1)</sup> Of which, depreciation -1 734 -937 -3 894 -1 867 -3 192

Per-share data	April-June 2008	April-June 2007	Jan.-June 2008	Jan.-June 2007	2007
Earnings per share, SEK	-0,58	-1,06	-1,34	-2,04	-4,22
Earnings per share after full dilution, SEK	-0,58	-1,06	-1,34	-2,04	-4,22
Shareholders' equity per share, SEK	0,11	0,98	0,11	0,98	0,85
Shareholders' equity per share after full dilution, SEK	1,08	3,41	1,08	3,41	1,16
Equity ratio	4%	32%	4%	32%	30%
Antal utestående aktier	20 066 084	16 797 782	20 066 084	16 797 782	19 623 779
Number of shares outstanding	19 825 684	15 614 643	19 795 280	15 141 676	16 432 882
Average number of shares outstanding after full dilution	21 017 190	19 704 649	21 017 190	19 704 649	19 685 384
Share price, SEK	23,00	19,00	23,00	19,00	19,00

## Consolidated Balance Sheet

SEK 000s

Assets	6/30/2008	6/30/2007	31/12/2008	31/12/2007
Intangible assets	21 521	11 213	19 951	19 316
Tangible assets	2 777	5 101	5 504	5 984
Financial assets	707	4 365	704	3 983
Inventories	4 392	10 967	8 594	4 415
Accounts receivable - trade	10 393	7 324	8 882	6 797
Other receivables <sup>1)</sup>	3 896	3 194	1 866	6 916
Cash and bank balances	8 569	9 852	1 864	11 633
<b>Total assets</b>	<b>52 255</b>	<b>52 016</b>	<b>47 365</b>	<b>59 044</b>

<sup>1)</sup> Including a bank guarantee of SEK 1,622 thousand as per 12/31/2007.

Shareholders' equity and liabilities	6/30/2008	6/30/2007	31/12/2008	31/12/2007
Shareholders' equity <sup>2)</sup>	2 200	16 488	7 759	20 031
Liabilities to credit institutions	14 583	17 653	15 550	13 195
Accounts payable - trade	16 299	13 906	10 408	13 352
Other liabilities	19 173	3 969	13 648	12 466
<b>Total shareholders' equity and liabilities</b>	<b>52 255</b>	<b>52 016</b>	<b>47 365</b>	<b>59 044</b>

Changes in shareholders' equity	6/30/2008	6/30/2007	31/12/2008	31/12/2007
Opening balance	20 031	16 688	20 031	16 688
Translation difference	450	-383	490	257
New issues	8 262	31 138	2 806	72 420
Adjustment of new issue	-	-	-601	-
Loss after tax	-26 543	-30 955	-14 967	-69 334
<b>Closing balance</b>	<b>2 200</b>	<b>16 488</b>	<b>7 759</b>	<b>20 031</b>

<sup>2)</sup> Of which, 240,000 share under registration as per June 30, 2008, corresponding to an increase in share capital of SEK 240,000 and an increase in other shareholders' equity of SEK 5,815,250.

**Cash Flow Statement - Group**

SEK 000s

<b>Cash flow</b>	<b>April-June 2008</b>	<b>April-June 2007</b>	<b>Jan.-June 2008</b>	<b>Jan.-June 2007</b>	<b>2007</b>
<b>Loss before tax</b>	-11 576	-16 535	-26 543	-30 955	-68 072
Adjustments for non-cash items	1 383	-153	4 351	1 270	4 813
Taxes	-	-	-	-	-1 262
<b>Cash flow from operating activities before changes in working capital</b>	<b>-10 193</b>	<b>-16 688</b>	<b>-22 192</b>	<b>-29 685</b>	<b>-64 521</b>
Changes in working capital	6 189	-5 182	6 908	850	11 308
<b>Cash flow from operating activities</b>	<b>-4 004</b>	<b>-21 870</b>	<b>-15 284</b>	<b>-28 835</b>	<b>-53 213</b>
Capitalization of development costs	-2 797	-	-5 260	-	-8 048
Acquisition/divestment of financial assets	-	-130	-	57	203
Acquisition/divestment of property, plant and equipment	2 950	381	2 909	-2 163	-3 494
<b>Cash flow from investing activities</b>	<b>153</b>	<b>251</b>	<b>-2 351</b>	<b>-2 106</b>	<b>-11 339</b>
New issues	6 057	31 138	8 262	31 138	72 420
Change in financial assets	-	-	4 892	-3 516	-4 892
Change in liabilities to credit institutions	4 469	-	1 401	-	-4 651
<b>Cash flow from financing activities</b>	<b>10 526</b>	<b>31 138</b>	<b>14 555</b>	<b>27 622</b>	<b>62 877</b>
<b>Cash flow for the period</b>	<b>6 675</b>	<b>9 520</b>	<b>-3 080</b>	<b>-3 319</b>	<b>-1 675</b>
Cash and cash equivalents at start of period	1 864	333	11 633	13 171	13 171
Translation difference of cash and cash equivalents	30	-	16	-	137
Cash and cash equivalents at end of period	8 569	9 852	8 569	9 852	11 633

**Parent Company Income Statement**

SEK 000s

Income statement	April-June 2008	April-June 2007	Jan.-June 2008	Jan.-June 2007	2007
Net sales	30	-	60	330	584
<b>Total operating income</b>	<b>30</b>	<b>-</b>	<b>60</b>	<b>330</b>	<b>584</b>
Operating expenses	-2 634	-1 655	-4 716	-4 749	-8 368
<b>Operating loss</b>	<b>-2 604</b>	<b>-1 655</b>	<b>-4 656</b>	<b>-4 419</b>	<b>-7 784</b>
Net financial items	-155	-249	-749	-502	-980
<b>Loss after financial items and before tax</b>	<b>-2 759</b>	<b>-1 904</b>	<b>-5 405</b>	<b>-4 921</b>	<b>-8 764</b>
Tax	-	-	-	-	-
<b>Loss after tax</b>	<b>-2 759</b>	<b>-1 904</b>	<b>-5 405</b>	<b>-4 921</b>	<b>-8 764</b>

**Parent Company Balance Sheet**

SEK 000s

Assets	6/30/2008	6/30/2007	31/12/2008	31/12/2007
Tangible assets	13	19	13	13
Shares in subsidiaries	81 871	9 676	81 871	81 871
Other non-current receivables	-	-	-	3 270
Receivables from Group companies	57 310	94 751	55 356	43 119
Other receivables	2 463	845	1 138	3 448
Cash and bank balances	4 647	11 025	245	7 017
<b>Total assets</b>	<b>146 304</b>	<b>116 316</b>	<b>138 623</b>	<b>138 738</b>
<b>Shareholders' equity and liabilities</b>	<b>6/30/2008</b>	<b>6/30/2007</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
Shareholders' equity <sup>1)</sup>	125 285	85 542	122 588	122 428
Liabilities to credit institutions	14 502	15 002	10 002	10 002
Accounts payable - trade	3 226	3 448	2 927	1 772
Liabilities to Group companies	1 588	12 152	1 618	3 010
Other liabilities	1 703	172	1 488	1 526
<b>Total shareholders' equity and liabilities</b>	<b>146 304</b>	<b>116 316</b>	<b>138 623</b>	<b>138 738</b>
<b>Changes in shareholders' equity</b>	<b>6/30/2008</b>	<b>6/30/2007</b>	<b>2008-03-31</b>	<b>2007-12-31</b>
Opening balance	122 428	58 772	122 428	58 772
New issues <sup>2)</sup>	8 262	31 691	2 806	72 420
Loss after tax	-5 405	-4 921	-2 646	-8 764
<b>Closing balance</b>	<b>125 285</b>	<b>85 542</b>	<b>122 588</b>	<b>122 428</b>

<sup>2)</sup> Of which, 240,000 share under registration as per June 30, 2008, corresponding to an increase in share capital of SEK 240,000 and an increase in other shareholders' equity of SEK 5,815,250.

### Consolidated Income Statement - Segmental Breakdown

SEK 000s

Income statement, segmental breakdown, April-June 2008	Consumer Products	Professional Products	Other	Total
Net sales	14 974	3 946	-	18 920
Cost of goods sold	-12 997	-2 195	-	-15 192
<b>Gross profit</b>	<b>1 977</b>	<b>1 751</b>	-	<b>3 728</b>
Selling and marketing expenses	-2 873	-3 272	0	-6 145
Administrative expenses	-1 423	-1 713	-2 073	-5 209
Research and development costs	-1 042	-2 470	0	-3 512
<b>Operating loss <sup>1)</sup></b>	<b>-3 361</b>	<b>-5 704</b>	<b>-2 073</b>	<b>-11 138</b>
Net financial items	-	-	-438	-438
<b>Loss after financial items and before tax</b>	<b>-3 361</b>	<b>-5 704</b>	<b>-2 511</b>	<b>-11 576</b>
Tax	-	-	-	-
<b>Loss after tax</b>	<b>-3 361</b>	<b>-5 704</b>	<b>-2 511</b>	<b>-11 576</b>

<sup>1)</sup> Includes depreciation of SEK 1,734 thousand for the period April-June.

Income statement, segmental breakdown, Jan.-June 2008	Consumer Products	Professional Products	Other	Total
Net sales	17 614	10 838	-	28 452
Cost of goods sold	-15 996	-5 640	-	-21 636
<b>Gross profit</b>	<b>1 618</b>	<b>5 198</b>	-	<b>6 816</b>
Selling and marketing expenses	-6 469	-7 356	-	-13 825
Administrative expenses	-2 688	-3 172	-4 861	-10 721
Research and development costs	-2 060	-5 762	0	-7 822
<b>Operating loss <sup>1)</sup></b>	<b>-9 599</b>	<b>-11 092</b>	<b>-4 861</b>	<b>-25 552</b>
Net financial items	-	-	-991	-991
<b>Loss after financial items and before tax</b>	<b>-9 599</b>	<b>-11 092</b>	<b>-5 852</b>	<b>-26 543</b>
Tax	-	-	-	-
<b>Loss after tax</b>	<b>-9 599</b>	<b>-11 092</b>	<b>-5 852</b>	<b>-26 543</b>

<sup>1)</sup> Includes depreciation of SEK 3,894 thousand for the period Jan.-June.

Income statement, segmental breakdown, April-June 2007	Consumer Products	Professional Products	Total
Net sales	2 797	1 351	4 148
Cost of goods sold	-784	-279	-1 063
<b>Gross profit</b>	<b>2 013</b>	<b>1 072</b>	<b>3 085</b>
Undistributed operating expenses	-	-	-17 663
Undistributed depreciation	-	-	-937
<b>Operating loss</b>	-	-	<b>-15 515</b>
Undistributed net financial items	-	-	-1 020
<b>Loss after financial items and before tax</b>	-	-	<b>-16 535</b>
Tax	-	-	-
<b>Loss after tax</b>	-	-	<b>-16 535</b>

Income statement, segmental breakdown, Jan.-June 2007	Consumer Products	Professional Products	Total
Net sales	2 424	5 908	8 332
Cost of goods sold	-1 081	-1 331	-2 412
<b>Gross profit</b>	<b>1 343</b>	<b>4 577</b>	<b>5 920</b>
Undistributed operating expenses	-	-	-34 302
Undistributed depreciation	-	-	-1 867
<b>Operating loss</b>	-	-	<b>-30 249</b>
Undistributed net financial items	-	-	-706
<b>Loss after financial items and before tax</b>	-	-	<b>-30 955</b>
Tax	-	-	-
<b>Loss after tax</b>	-	-	<b>-30 955</b>

Income statement, segmental breakdown, Jan.-Dec. 2007	Consumer Products	Professional Products	Total
Net sales	8 646	14 140	22 786
Cost of goods sold	-8 504	-6 216	-14 720
<b>Gross profit</b>	<b>142</b>	<b>7 924</b>	<b>8 066</b>
Undistributed operating expenses	-	-	-71 679
Undistributed depreciation	-	-	-3 192
<b>Operating loss</b>	-	-	<b>-66 805</b>
Undistributed net financial items	-	-	-1 267
<b>Loss after financial items and before tax</b>	-	-	<b>-68 072</b>
Tax	-	-	-1 262
<b>Loss after tax</b>	-	-	<b>-69 334</b>