

ANNUAL REPORT 2005

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Nextlink manufactures and sells different types of headsets for mobile telephones and two-way radio units. The vision is to make it possible for people to communicate in demanding sound environments.

The main product strategy is to develop as small units as possible for the user, with high performance and innovative , advanced technology. There is a product line that is aimed at consumers and one product line aimed at professional users.

Nextlink is originally a Danish company founded in 1999. Since 2004, the Parent Company is Swedish, but operations are conducted mainly in Gentofte, Denmark. The Parent Company's shares are traded on the Nordic OTC list in Stockholm since June 2004.

PRESIDENT'S STATEMENT

Nextlink is now facing an exciting phase in its development. Prerequisites are good for now taking the next step, from an entrepreneurial company to an industrial growth company. New innovative headset products as well as significant co-operation and distribution agreements have substantially strengthened our position in the market. As new chief executive I have a very positive view of the Company's future prospects.

2005 was something of a break-through year in Nextlink's development. Several important events during the past year, and during the first part of the current year, have contributed to getting the Company well on its way to the position as an advanced supplier of headsets for professional users as well as a broader consumer market.

In September 2005 an exclusive, global distribution agreement was entered into with RadioShack Corporation, one of USA's and the world's leading distributors of consumer electronics with more than 8,000 retail outlets. The agreement gives RadioShack the exclusive right to distribute, market and sell Nextlink's consumer products. The agreement also contains a joint plan for development and launching of new products during 2006 and the years beyond. In connection with entering into the agreement RadioShack also received warrants that will make it possible for the company to become a part owner of Nextlink.

New products and increased sales

During the past year we also initiated talks for development of new products with one of the world's leading manufacturers of mobile telephones. The agreement concluded in the beginning of this year means that Nextlink, together with the mobile telephone manufacturer, which is one of the world's three largest, will develop and market an entirely new generation of Bluetooth headsets based on Nextlink's patented technologies. Roll-out of the new products, and hence royalty revenue for Nextlink, is expected to occur as early as by the end of 2006. If we succeed with these new products, the potential is very large, not to say enormous, for a company the size of Nextlink.

These two co-operation agreements show that our unique technology for headsets is attracting highly successful and demanding players in electronics and mobile telephony. Product offerings were broadened during the year and the new consumer-oriented Bluespoon products 5G and AX2 were both well received in the marketplace. Sales of our consumer products grew almost ten-fold during 2005 and the prospects are good for continued growth.

Also our products for professional users, Invisio, have scored successes. Sales of these products increased by 12 percent during 2006 and in the beginning of the current year we got our largest order to date from the French armed forces. The Invisio products have been developed to meet highly demanding users' requirements for communication and are used by the special forces of the police and military in several countries, among them the United States and the United Kingdom. Invisio gives Nextlink stable and profitable sales in a market characterised by less price competition and fluctuations than in the fast-moving consumer market.

Sales as a whole doubled during 2005 to close to MSEK 40. However, the result was a loss of approximately MSEK 10, in part as a consequence of growing development and marketing costs, as well as costs incurred in connection with the agreements entered into.

The Company strengthened its financial position during 2005 through a rights issue that generated MSEK 33. It is my opinion, and that of the Board of Directors, that this provides a sound financial foundation for upcoming product and other initiatives.

Several strong factors

Nextlink is in many ways a unique company. Let me point out three success factors that make Nextlink stand out among many smaller technology and development companies.

- Our products are based on a unique and patented technology around the jaw-bone microphone that offers the market's best speech quality in demanding sound environments.
- We have managed to conclude agreements with a couple of the world's leading players in mobile telephony and distribution, and as a result we have excellent opportunities of actually reaching the market.
- Some of the most demanding customers, such as the US Navy Seals and the British SAS Special Forces have chosen Nextlink's products, which constitutes a confirmation that our technology stands up to severe international competition.

The combination of world-class technology and a path to the market afford us good opportunities to utilise the potential that also exists from a revenue standpoint. The products exist, the large reseller agreements are in place and we also possess the knowledge for continued product development.

Beginning of a new phase

As newly appointed chief executive, I have been impressed by the technological know-how that exists in the Company, and which has been founded by the previous President. Nextlink has developed from a local technology company to a company that has developed some of the market's most advanced and innovative headset products, which have aroused interest on a world-wide basis.

It is now time to take the company from being entrepreneurial and product-oriented to being more industrial and growth-focused. This will be the great challenge for 2006 and the years thereafter.

The Company will be strengthened in several areas. Internally, we will organise ourselves to handle the expansion that has just begun, our own processes will be improved and new functions will be built in areas such as marketing and sales. We have further developed our strategy aimed at concentrating the Company's resources on those areas that generate the most money. We will fully utilise the potential of our unique and patented technology that will be transformed into products with potential for significant revenue.

We intend to broaden our product portfolio in the consumer segment, which today is too small. The products will distinguished by what Nextlink stands for, namely small headsets at the leading edge of development and the market's best speech quality, based on our patents around the jaw-bone microphone.

Outlook for 2006

During 2006 we will launch not less than six new products in the consumer segment. Five proprietary products and the headset that we are developing for one of the world's leading mobile telephone manufacturers.

Never before have so many products been developed simultaneously and our product development department can look forward to a tough period during the year. We will also launch five new models and updates in the Invisio segment for the professional market.



Significant investments in the Company's organisation will be required to implement and support these product launches.

My ambition is to at least double sales during 2006. We will lay the foundation for continued growth in 2007 and 2008 that will take us to significantly higher levels. That is my message to the shareholders.

The journey has begun!

A handwritten signature in blue ink, appearing to read 'Fredrik Olsson'. The signature is stylized and fluid.

Fredrik Olsson

NEXTLINK IN BRIEF

Business concept

Nextlink's business concept is based on developing, marketing and selling headset products for audio communication, under its own brand name as well as on an OEM¹ basis.

Vision

Nextlink's vision is to enable people to communicate in demanding sound environments.

Mission

The company's vision is to provide world leading products and technology for sending and receiving high quality speech for communication in demanding sound environments.

Goals

Over-arching goal

Nextlink's over-arching goal is to further strengthen its position as a market-leading supplier of quality headsets for the consumer and professional markets, thereby creating stable shareholder value.

Financial goals

The Company's long-term goals are:

- To achieve average annual growth of 60 percent over the next five years.
- To achieve a sustained EBIT margin of 25 percent within the next five years.

Strategies

Strategies for technology and products

The over-arching strategy is to continue developing, strengthening and broadening the Company's product portfolio.

Through continued efforts in R&D we are expecting to retain the leading position in the market for headsets based on Bluetooth. The strategy also includes increased focus on the VoIP and IP telephony market.

Strategy for marketing and sales

To retain the present market-leading position in the professional market through sharper focus on sales and marketing. The Company's unique competence in Bluetooth also gives us opportunities of finding and developing co-operation with new OEM partners.

Continued focus on sales on the three prioritised market, North America, Europe and Asia.

Strategy work in progress

The new President has set in motion the work to adjust and clarify the Company's goals and strategies. Revised goals and strategies will be announced during spring 2006.

Nextlink's background

In 1992 Peer Kuhlmann, subsequently one of the founders of Nextlink, started the work to develop a new communications product that could be connected to a radio unit, i.e. a walkie-talkie. The idea was to convert speech vibrations from the jaw-bone to a microphone, thereby developing a jaw-bone microphone. The advantage of this novel technology was that the headset could be used in very noisy environments with minimal interference from surrounding sound, at the same time as it could be made very compact and light. A patent for the technology was applied for the same year.

Nextlink.to A/S was founded in 1999 with approximately MSEK 22 in start-up capital by Peer Kuhlmann and Lars Stenfeldt. The following year the Company launched its first product in the market, Invisio Custom Made. The product was developed for professional users, such as the military, rescue operations, lifeguards, etc. in Scandinavia, England, Germany and the United States. One year later another model was introduced, Invisio Standard, with the same technology and developed for the same target group, but at a lower price.

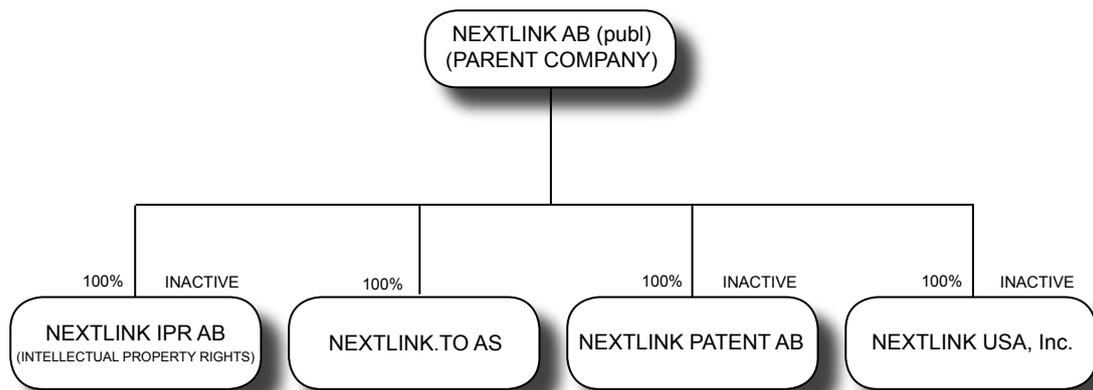
In 2002 Nextlink began to sense growing demand for products aimed at the consumer market. A few years before, Ericsson Mobile Communications had taken the initiative to develop a new technique for an entirely different part of the mobile communications process, namely a radio interface with low current and low cost between mobile telephones and their accessories. The interface, subsequently dubbed Bluetooth, has today been generally accepted by the mobile telephony industry. Based on this technology, Nextlink developed the Bluetooth headset Bluespoon, the first model of which was launched during 2002. By venturing into the consumer market, Nextlink had now substantially broadened the target group for its products.

In order to facilitate future financing and to prepare for going public, Nextlink AB was formed during the autumn of 2003 and during the spring of 2003 Nextlink AB acquired Nextlink.to S/A through a non-cash issue. The reason for choosing Sweden as venue for going public was that the business climate was deemed to be better for technology companies in Sweden than in Denmark. The Parent Company Nextlink AB is a pure holding company without any other operations and all business is conducted in wholly owned subsidiary Nextlink.to S/A. The Parent Company Nextlink AB was listed on Nordic Growth Markets Nordic OTC list in June 2004.

Two major agreements have been concluded during the past six months, both of which are very important to Nextlink's future. In September 2005 a global distribution agreement for consumer products was concluded with RadioShack Corporation. In January 2006 a product development and licensing agreement was concluded with one of the world's largest mobile telephone manufacturers. These agreements make Nextlink stand prepared for the future and mean that it is time to take the step from entrepreneurial company to a more industrial sales-oriented company.

¹ Contract manufacturing

GROUP STRUCTURE



Nextlink.to A/S was founded in 1999. Nextlink AB was formed in 2003.

Nextlink IPR AB, Nextlink Patent AB and Nextlink USA, Inc. were formed during 2005. The Company's patents, which were previously owned by Nextlink.to A/S, were transferred to Nextlink IPR AB and Nextlink Patent AB during 2006.



INVISIO STANDARD-
A two-way headset with jaw-bone technology intended for professional users.

PRODUCT DEVELOPMENT

Internal product development – Nextlink's strength

Research and product development is mostly done internally within Nextlink. This activity is the core of the Company and Nextlink's developers provide product families Invisio and Bluespoon with technology and competitiveness. During 2005 Nextlink began co-operating with a professional design firm for the design of new headsets for the consumer market. Technical development is still handled by Nextlink's own development engineers. The main focus of Nextlink's work is on development of software and hardware for integrated headsets with Bluetooth technology and audio DSP systems. Most engineers work with improvements of products produced under the proprietary brand names.

Associated member of Bluetooth SIG¹

Nextlink's consumer products are based on the wireless Bluetooth technology which is patented by Bluetooth SIG. Bluetooth SIG has about 4,000 member companies licensed to sell product with Bluetooth technology. Nextlink is included in the body of about 200 companies also permitted to further develop their own Bluetooth products.

Patents

Nextlink has a patent strategy under which the Company actively applies for patents in the areas of wireless communication and audio technology. Nextlink currently has two registered patents and a pending patent application.

Jaw-bone microphone

The invention consists of an ear microphone with integrated speaker which is built into a small ear plug (10–12 mm) that is placed in the outer ear (see pictures in the section on Invisio products). Speech sound is transferred via the user's jaw-bone and is shielded from airborne sound signals, which thus ensures direct transmission of the user's voice, other external surrounding sound notwithstanding. When people speak, speech vibrations are generated in the throat and vocal chords. These vibrations are transmitted through bone and tissue. The jaw-bone in particular, which passes close to the front part of the outer ear, produces a strong transmission and transmits significantly more "sounds" than if the signal came from the throat.

Patents have been granted in the United States, Europe and Singapore.

VoIP terminal

Nextlink was granted a European patent for wireless communication solutions for IP telephony during April 2004. The patent covers every portable electronic terminal able to produce VoIP connectivity to a wireless network or the Internet. The patent has been granted in Europe and an equivalent patent application is being processed for the markets in the United States, China, Japan and Taiwan.

Soft Spring ear fixture

The patent applies to the special ear fixture that Nextlink uses to fasten the Bluespoon products AX2 and 5G, for example, to the user's ear. Soft Spring is the small flexible member that holds the Bluespoon headset in place in the ear. The patent application for Soft Spring ear fixture is being processed.

¹ Special Interest Group

MARKET AND PRODUCT DESCRIPTION

Market description

Nextlink manufactures and sells headsets and accessories both for professionals and consumers.

The professional market

By the professional market is meant users who in their professional roles need headsets with very high performance and quality. Here we have users who need to communicate in demanding sound environments, such as in noisy areas, severe weather, silence, etc. Customers are found primarily in the military and among police authorities, where many of the world's most famous special forces, such as the Navy Seals and SAS are represented. Another large customer group in the professional market is private companies, in areas such as the security, construction, marine and aviation industries.

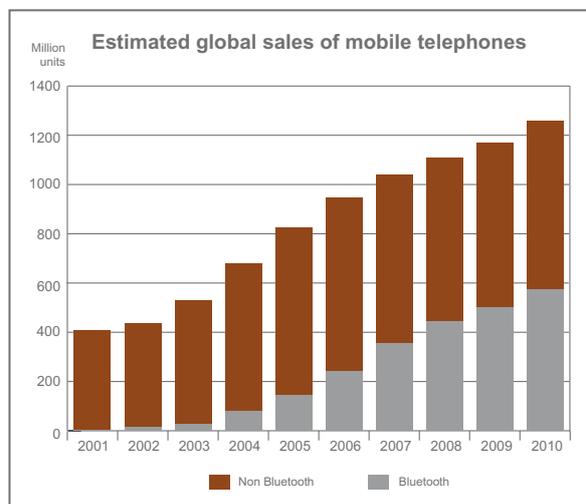
Globally, Nextlink estimates that there are approximately 2.2 million users of professional headsets in the main target group. The main target group includes users in the military, police, fire fighting and security segments. The total number of users is based on data from the American market. The American market is estimated to account for approximately 50 percent of the world market for professional headsets. Nextlink estimates that professional users replace their headsets every two years on average.

Based on the number of global users, a two-year replacement cycle, and the fact that Nextlink manufactures two different models of headsets for the professional market, the Company estimates that there is a potential global market for approximately 1.4 million headsets per year. With an approximate price of SEK 1,500 per headset, the potential market for Invisio is calculated to be worth approximately SEK 2.1 billion annually. The market for professional headsets has a steady growth rate of 1–2 percent per year.

The estimate of Nextlink's market potential is based on the type of Invisio headsets Nextlink manufactures today. If Nextlink were to enter more general markets with its Invisio products, the market potential would be even greater.

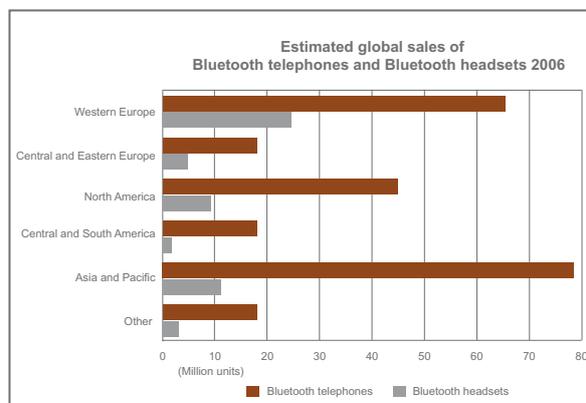
The consumer market

There are about 2.2 billion mobile telephone subscribers in the world. Nextlink's consumer market is limited, however, to mobile telephone users who own Bluetooth-enabled handsets. Global sales of mobile telephone handsets during 2005 were 820 million, 18 percent of which were Bluetooth-enabled.

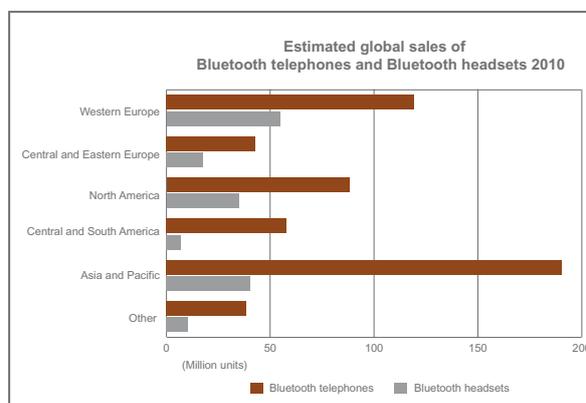


Source: Strategy Analytics, February 2006 (Total sales of mobile telephones)
Strategy Analytics, June 2005 (Sales of Bluetooth-enabled mobile telephones)

The market for Bluetooth telephones and Bluetooth headsets is thus at early stages of its development, but is expected to grow strongly over the next several years.



Source: Strategy Analytics, June 2005



Source: Strategy Analytics, June 2005

A major portion of the growth for Bluetooth telephones is expected to be derived from the American market, a market that is about two years behind in sales of Bluetooth-enabled telephones compared to Europe.

The use of headsets among those who already have a Bluetooth-enabled telephone is still relatively low. Sales of Bluetooth headsets are equivalent to approximately 15 percent of the actual sales of Bluetooth-equipped telephones.

The entry of music into the mobile telephone has contributed to additional growth in the market for Bluetooth headsets, since the area of application has been expanded to include stereo earphones. Mobile units are expected to be increasingly used in the future for both telephony and listening to music, which will raise the requirements for sound quality in the earphones.

Geographic market

Geographically, Nextlink sells its products in Europe, North & South America and Asia. The products for the professional market, Invisio, are sold mostly through Nextlink's sales force, but Invisio products are also sold via agents and as OEM products. For distribution of the consumer-oriented Bluetooth products, Nextlink has always co-operated with major distributors.

Market for VoIP

VoIP (Voice over Internet Protocol) is a technology that allows an IP network to handle telephone traffic in data format, i.e. telephone traffic via broadband, something which has certain advantages compared to the traditional system with telephone lines. Applications such as Skype and MSN are big in this area. VoIP allows the creation of new productive applications and creates room for cost savings from an integrated voice/data network, lower investments in equipment and lower operating costs. Nextlink is expecting that in the years immediately ahead companies will invest primarily in productivity by improving network technologies such as VoIP. This technology will gradually replace the voice technology prevalent today among companies.

The present macro-economic situation and the general state of the economy is the main factor influencing the time for building new networks. VoIP is gaining terrain in the corporate market and according to an estimate by IDC, some 20–25 percent of all corporate users are implementing the new technology. It is VoIP operators such as Vonage, 8x8, Skype and pulver.com who create a market for Nextlink's product offerings. Telecom operators such as AT&T in the United States, Tele2 in Europe and broadband operators such as Fast-web in Italy and Bredbandsbolaget in Sweden, just to mention a few, have now began in earnest to offer VoIP services in the housing market. Within the not too distant future, virtually all broadband users in the world are expected to have access to VoIP service, which creates a large market potential for consumer products in VoIP.

In order to increase the market potential, Nextlink will also position its consumer products, Bluespoon, as headsets for wireless communication via IP telephony (VoIP). The theory is that Bluespoon will be used for IP telephony via a computer, or directly to the Internet via an IP terminal connected directly to the wall outlet. In

this way a cost-effective wireless communications environment is created in workplaces and in the home environment.

Sales

Exclusive global distribution agreement with RadioShack

In September an exclusive global distribution agreement was concluded with RadioShack Corporation. Under the agreement, RadioShack will handle distribution, marketing and sales of all Nextlink's products for the consumer market. RadioShack also has a non-exclusive right to sell Nextlink's products for the professional market. The co-operation agreement between Nextlink and RadioShack also means that a joint plan for development and launch of new products has been drawn up. Several new products will be launched by Nextlink and RadioShack during the second half of 2006.

The distribution agreement with RadioShack constitutes a great success for Nextlink and will have serious consequences for the sale of Bluespoon products. RadioShack co-operates with major distributors in the world market and on the U.S. market RadioShack has 6,200 of its own stores and 2,000 franchise outlets spread all over the country. Taken together, this means very broad coverage. The large number of stores in the United States means that 90 percent of the country's population is no more than five minutes away from the nearest RadioShack store.

RadioShack is also one of the four large mobile distributors in the mobile and purchasing alliance Braxda. The other players in the alliance are Brightstar (North and South America), Axiom Telecom (the Middle East) and Dangaard Telecom (Europe). Together, the members of the Braxda alliance represent the world's second largest purchasing volume; only China Telecom has larger purchasing volumes. In terms of distribution, the alliance reaches approximately 70,000 stores worldwide.

Product development together with one of the world's largest mobile telephone manufacturers

In January 2006 a co-operation agreement was concluded between Nextlink and one of the world's largest mobile telephone manufacturers for development of a Bluetooth headset with Nextlink's patented technology. This will be the first product where the different technologies are assembled for the purpose of developing an entirely unique, technically advanced headset. The launch of the new product is expected to take place under the mobile telephone manufacturers own brand name, which at the time of a launch in itself means an enormous market potential for this product.

Product description

Nextlink's headset products and accessories are divided into two product lines, Invisio and Bluespoon.

The Invisio products are intended for the professional market, while the Bluespoon and VoIP products are aimed at the consumer market. The product lines and their models are presented in greater detail on the next spread.

INVISIO- products for professional users

Invisio was the first product launched by Nextlink. The product is aimed at the professional market, with users such as the military, rescue operations and the security industry. Professional users operate in extreme environments with specific requirements for functionality. Invisio was developed for two-way communication, i.e. communication with the aid of exclusive radio units and walkie-talkies.

Unique jaw-bone technology

The Invisio products are developed with a highly unique, by Nextlink patented technology, so-called jaw-bone technology. The technology consists of an ear microphone with an integrated speaker which is built in a small ear-plug (10–12 mm) that is inserted in the outer ear. When the user of the headset speaks, the speech sound is transmitted through speech vibrations formed in the user's jaw-bone. Sound vibrations are generated in the throat and by the vocal chords. These vibrations are then transmitted through bone and tissue. The jaw-bone in particular, which passes near the front part of the outer ear, produces strong transmission and transmits significantly more "sounds" than if the signal is generated from the throat and out into the atmosphere. The Invisio user can speak with a very low voice and the speech still reaches the recipient loud and clear.

The technique of transmitting speech vibrations via the jaw-bone also means that interfering air-borne sound signals are totally screened off, sounds that would otherwise, with regular microphone technology, be picked up by the microphone. This means that by using jaw-bone technology a very clear transmission of the user's voice is ensured, regardless of the sound level in the surrounding area.

Market

Invisio is aimed at the professional market which is characterised by a steady rate of growth of 1–2 percent per year. The primary market-driving force is the number of exclusive walkie-talkies sold to professional users.

The professional market is divided into two separate types of customers based on their different purchasing needs. Government buyers, such as police departments, lifeguard units, rescue squads and military units, as well as private buyers in the construction, marine and aviation industries, have in common that they to a large extent use walkie-talkies with high performance requirements.

Competition

The market is rather fragmented with small, local players. There is no clear market leader within the segment. Peltor, Davies Communications, Motorola and New Eagle are among the top competitors in the segment. Neither of these offer products with equivalent technology and performance as Invisio. Due to the rather complicated technology and the high proportion of customised products, Asia low-price companies have yet to enter the market. Nextlink has well-established co-operation agreements with Sonic and Davies, which include sales of the products.

Models

Nextlink has so far developed and launched two models of Invisio. The headsets are delivered world-wide and are also found in OEM products.

Invisio Custom Made

This model of Invisio can be adapted to fit every individual user's ear and is manufactured individually with the aid of a formable impression. The light weight in combination with the ergonomic design has the effect that the user barely feels that the headset is in his or her ear and the risk for discomfort even with prolonged use is significantly smaller than with the use of other types of headset systems. The user can freely choose between shapes for the left or the right ear and individual ear impressions are easy to make by Nextlink or a local audionome.

Invisio Standard

Invisio Standard is manufactured in a standard format to fit the right ear. Even though it is not individually fitted, the light and durable material also here allows the user to wear the headset for extended periods without discomfort. Invisio Standard is a unique product developed and marketed solely by Nextlink. Invisio Standard is delivered with a cord and is compatible with a large number of radio and mobile systems from any of the leading manufacturers.

PTT (Push To Talk)

Nextlink has developed a selection of PTT units in order to be able to deliver a unified solutions to its customers. The PTT unit is the speech button that the user pushes to communicate in a two-way communications system.

Coming models

Nextlink's position in the professional market for headsets will be strengthened further with the aid of new, innovative models and versions of Invisio. Among them there will be versions with DSP technology (Digital Signal Processing) and double headsets. Coming Invisio products will also be improved in terms of quality, in part by hearing protection certification and adaptation to other higher specification requirements from the market.



Invisio Standard



Invisio Custom Made



Finger PTT

Invisio, number of units sold	2003	2004	2005
Totalt	3 234	5 729	6 405



Bluespoon AX2



Bluespoon 5G



Bluespoon SPIDER

Bluespoon, number of units sold	2003	2004	2005
Totalt	10 090	10 060	109 243

BLUESPOON - Products for consumers

The Bluespoon product line consists of headsets aimed at mobile telephone users and early IP telephone subscribers (VoIP) in the consumer market. The first Bluespoon headset was launched in 2002. Since then, Nextlink's development of new versions and products has continued. Common to all the Bluespoon products is that they are wireless and contain Bluetooth¹ technology (the patented Bluetooth technology is used through a licence agreement with Bluetooth SIG).

Market

The market for headsets based on Bluetooth technology is determined by the volume of sales of Bluetooth-enabled mobile telephones. The Bluetooth market is still at an early stage of its development and is expected to grow strongly over the next several years. Nextlink is projecting that the market will grow by about 50 percent per year until 2010. The European market is well on its way in terms of market penetration of Bluetooth telephones. On the American market a mere 3 percent of the mobile telephones sold during 2005 were Bluetooth-enabled. The growth potential on these markets is therefore substantial during coming years. On the U.S. market alone, expectations are that sales of mobile telephones with Bluetooth will increase sharply during 2006, as about 30 percent of the number of telephones sold this year will be Bluetooth-enabled.

The use of headsets for mobile telephones is in itself still rather low. Some market analysts point out that fewer than 10 percent of mobile telephone subscribers use headsets. There are several factors that indicate increased usage, for example this risk of driving a car at the same time as speaking on the phone, an increased need to look at the screen when talking on the telephone, and the risk of radiation from mobile telephones. The risk of driving while on the phone has already been addressed as certain countries have introduced legislation with restrictions in this area, among them United States and the United Kingdom.

Nextlink's market is likely to differ from other markets in consumer electronics and we are expecting a development with declining prices. Components become less expensive and increased volumes make manufacturing more cost-effective and lower the unit cost substantially. We expect that the intense competition in the market guarantees that reduced manufacturing costs will be reflected in the end price in the market.

Competition

Competition in the headset market is intense and we expect that the current intense level of competition will persist. Nextlink will be meeting the same competitors in the Bluetooth market as in the market for headsets with a cord. Companies such as GN Netcom, Plantronics, SonyEricsson and Nokia represent 95 percent of the market. Together with Siemens, Samsung and Logitech, Nextlink has a market share of about 3 percent. The remainder is held by a number of smaller manufacturers.

Models

Bluespoon AX2

AX2 was launched in September 2005 and is a follow-up of the previous model, AX. AX2 has the same size as its predecessor, 42 mm long, 25 mm wide and weighs 10 grams. This makes it one of the market's smallest Bluetooth headsets. The headset is placed in the user's ear with the help of Nextlink's unique Soft Spring fixture, that makes it very easy to wear and provides good ergonomic comfort. AX2 has received improved technology compared with the precursor, in the form of speech and standby time. Bluespoon AX2 is Nextlink's next big seller.

Bluespoon 5G

The 5G model is a headset differentiated in terms of size. The product is developed for the discriminating user. The size, 30 mm long, 17 mm wide and a weight of 5.85 grams makes it the market's clearly lightest and smallest wireless headset. Just like the AX2 model, the 5G is placed in the ear with Soft Spring technology, which ensures user friendliness and comfort.

Bluespoon Spider

In April 2006 Nextlink's new product, Spider, will be introduced. The product is a wireless stereo headset intended for mobile Bluetooth communication as well as for music. The Spider headset is placed on both ears and around the back of the head. The headset can also be used for VoIP communication and has a range of 100 meters within visual field.

Coming models

New, further developed, innovative models will be launched during the year. Nextlink has taken the step from in-house design to soliciting help from professional industrial designers in developing new products. A further development of AX2 will be launched during the second or third quarter. A mass-produced further development of 5G, the world's smallest headset, will be launched during 2006, as well as a high-end version of the Spider stereo headset.

¹ Disclaimer



The Bluetooth word mark and logos are owned by the Bluetooth SIG, Inc., and any use of such marks by Nextlink.to is under license.

BOARD OF DIRECTOR'S REPORT

The Board of Directors and the President of Nextlink AB (publ), company number 556651-0987, hereby submit their Annual Accounts and consolidated financial statements for the 2005 financial year.

Ownership situation

Nextlink AB's major shareholders as of the balance sheet date were Lage Jonason and family, Alecta, Teena International N.V., Stenfeldt Hansen Invest Asp and Roburs Exportfond.

Corporate information

The consolidated financial statements for Nextlink AB for the financial year ended 31 December 2005 have been approved by the Board of Directors and the President for publication 4 April 2006 and will be presented to the 2006 Annual Meeting for adoption. The Parent Company is a Swedish public company with its registered office in Stockholm, Sweden.

Information about the business

Nextlink is a technology company that develops headsets and related products for professional users and consumers. The Company has developed the Invisio product concept for professional users and the Bluespoon concept for the consumer market.

The core of Nextlink's business originates from the Invisio products, which are based on the Company's patented technology in the field of jaw-bone microphones. Users of the Invisio products are found primarily among professional user categories, such as military specialist units, security forces, police personnel and other so-called super users.

The Company's Bluespoon products are advanced Bluetooth headsets aimed at the consumer market. In recent years the Company has launched a number of successful models. Sales have increased substantially during the past year, at the same time as a foundation has been laid for world-wide distribution through a co-operation agreement with the American company RadioShack.

Nextlink holds a number of important patents in its area of operation, on which the developed products are based.

Business concept

Nextlink's business concept is based on developing, marketing and selling headset products for audio communication, under its own brand name as well as on an OEM¹ basis.

Significant events during the financial year

Bluespoon

Sales of Bluespoon AX and AX2 were successful during the year. The accumulated number of sold units during the year amounted to 109,243 (10,060). During the fourth quarter the Company elected to phase out of certain products, instead concentrating its resources totally on a new product portfolio in the American market beginning during the second quarter of 2006.

Invisio

The professional products marketed under the Invisio name display continued stable development. Accumulated for the full year, the number of units sold amounted to 6,405 (5,729).

Revenue and result

Nextlink's accumulated 2005 sales doubled to MSEK 38.0 (19.1). The result after taxes declined, however, to MSEK -11.0 (-5.3), which is equivalent to SEK 1.02 (-0.76) per share. Most of the loss was generated during the fourth quarter. The result for the fourth quarter, MSEK -10.1, was charged with one-time costs of MSEK 4.0 relating to inventory impairment of earlier product generations and one-time expenses in connection with the agreement with RadioShack.

Exclusive distribution agreement with RadioShack

On 29 November 2005 Nextlink entered into a global distribution agreement with RadioShack Corporation. The agreement gives RadioShack the exclusive right to distribute, market and sell Nextlink's consumer products and related technology. RadioShack also gets a non-exclusive right to distribute Nextlink's professional products. The agreement gives Nextlink an opportunity of spanning a significant market in an efficient manner.

Since September, the co-operation has been broadened with, among other things, a joint plan for developing and launching new products during 2006. This plan will be realised on an ongoing basis during the year and is expected to yield effects during the second half of 2006 and the full year of 2007. Nextlink is convinced that this agreement will generate significantly higher sales than the Company would have been able to achieve on its own. Nextlink is now working on development of the new products needed for the consumer market to gain full leverage from the co-operation with RadioShack.

¹ OEM = contract manufacturing

Organisation and personnel

Three new subsidiaries were formed during 2005. Two Swedish subsidiaries to own and manage Nextlink's patents, and one American subsidiary for handling the American market. The organisation was strengthened during the year through a number of important recruitments in marketing, logistics and research & development. The number of employees as of 31 December 2005 was 22. Additional personnel will be hired during the spring in order to meet the expectations the Company's customers has on Nextlink.

Research & Development

Nextlink's core competence is in development and design of high-quality headsets. Nextlink's VoIP patent was registered in Europe's five most populous nations during the year. This patent covers wireless, portable terminals for broadband telephony via the Internet (VoIP). The equivalent patent applications are pending in the markets in North America, China, Japan and Taiwan. Since before, Nextlink has a patent for the jaw-bone microphone integrated into the Invisio products.

A large number of new projects have been initiated, both in the professional and the consumer segments. These projects are expected to lead to product sales during the second half of 2006.

Events after the end of the period

During the month of January 2006, Nextlink entered into a development and licensing agreement with one of the world's largest mobile telephone manufacturers. Under the agreement, Nextlink and the mobile telephone manufacturer will together develop an entirely new generation of Bluetooth headsets for mobile telephones based on Nextlink's patented technology. The agreement involves generating revenue during the development phase of USD 1 million. Nextlink will also receive a royalty per manufactured unit. Such royalty may be received already during 2006.

On 30 January 2006 Lars Stenfeldt Hansen left the post of President and was replaced by Fredrik Olsson, the former President of OptiMail AB, listed on the O-list of the Stockholm Stock Exchange.

In February, Nextlink received its largest order to date for Invisio products from the French armed forces. A first partial delivery to be made during the first half of the year contains 2,300 units and a strong continuation is expected for the remainder of 2006.

In February, a manager was hired for Nextlink USA's operations. A business and presence has thus been established in USA.

The Board of Directors has initiated a strategy review for the Company with the aim of clarifying the company's position within the various areas of operation. Nextlink is hoping to announce its strategic platform during the first half of 2006.

Financial development

Capital expenditures

The Group's accumulated capital expenditures in equipment amounted to MSEK 2.3 (0.2) during the year.

The Parent Company

The Parent Company's revenues amounted to MSEK 0.0 (0.0) and the result after taxes amounted to MSEK -0.7 (-0.7). The debt equity ratio stood at 97 (98) percent. Liquid funds amounted to MSEK 5.3 (0.5). Capital expenditures amounted to MSEK 0.3 (0.0) and refer to investments in shares in subsidiaries in its entirety. The Parent Company had no employees during the year.

Liquidity and cash flow

The Group's liquid funds amounted to MSEK 19.4 (8.2) as of 31 December 2005. Cash flow from current operations for the full year amounted to MSEK -17.8 (-5.0).

Shareholders' equity

Nextlink's shareholders' equity as of 31 December 2005 amounted to MSEK 33.3, equivalent to SEK 2.60 per share. Shareholders' equity on a fully diluted basis amounts to SEK 5.87 per share.

Dividend

The Board of Directors proposes that no dividend will be paid for the 2005 financial year.

Work of the Board of Directors

Nextlink's Board of Directors annually adopts rules of procedure for the Board of Directors and instructions for the President. The rules of procedure include provisions for the duties of the Board of Directors, the distribution of responsibility, a meeting schedule and defines the kind of issues to be brought before the Board of Directors. During 2005 the Board of Directors consisted of five directors. After the end of the financial year the number of directors was reduced to four as Fredrik Olsson took up his duties as President of Nextlink. The Company's Board of Directors held ten meetings during the year at which minutes were taken. In addition hereto, directors have maintained ongoing contacts with the Company's President. Issues dealt with at the meetings, at which minutes were taken, include those set out in the rules of procedure, such as the state of the market, results and financial position, interim reports and annual financial statements, as well as major capital spending decisions. The Board of Directors has its registered office in Stockholm.

Accounting policies

From 2005 Nextlink applies IFRS (International Financial Reporting Standards) to its consolidated financial statements. This is a consequence of an EU regulation that applies to all listed companies in EU. In the reporting for 2005, comparative data for 2004 have also been recalculated in accordance with IFRS, with the exception of IAS 39 in accordance with a voluntary exemption in IFRS 1.

Business risks and risk management

Principles for financing and financial risk management

Nextlink's strategy includes to minimise business and operational risks on an ongoing basis, at the same time taking advantage of opportunities in the marketplace. For management of the financial risks, the Group works in accordance with a financial policy adopted by Nextlink's Board of Directors. This policy sets out the financial risk levels that are acceptable to the Group, including foreign exchange exposure and various financing risks, and how risk minimisation is to be handled.

Additional comments on risk management will be found in Note 1, page 28.

Disputes

Subsidiary Nextlink.to A/S is currently involved in two disputes. One dispute relates to the right of former employees to acquire options. The other dispute relates to a former supplier's unauthorised product copying and Nextlink's refusal to pay supplier invoices from this supplier.

Outlook for 2006

The Company has a good market position in the professional segment, Invisio. Sales efforts have been intensified and additional resources have been expended to ensure that this segment reaches high sales volumes and good results. Since most of the sales go to the military and to police authorities, lead times can be long, but the Company is well established with these customers.

Nextlink expects strong growth on the American market in coming years. The product development projects now under way will give the Company a strong product portfolio during the second half of 2006 and during 2007. Given the effect of the Radio Shack distribution agreement, we are therefore expecting continued good growth during 2006 and 2007.

Proposed treatment of accumulated loss (SEK thousand)

Parent Company

The following amount is available to the Annual Meeting:

Accumulated loss	-715
Result for the year	-720
	<u>-1,435</u>

To be dealt with as follows:

To be brought forward	-1,435
	<u>-1,435</u>

CONSOLIDATED INCOME STATEMENTS

GROUP

SEK thousand	Note	2005	2004
	1		
Operating revenue	2		
Net revenue		38 028	19 060
Total operating revenue		38 028	19 060
Operating expenses	2		
Raw materials and consumables		- 28 972	-10 207
Other external costs	3,4	-8 373	-6 807
Personnel costs	6	-9 604	-8 547
Depreciation, amortisation and impairment	8,9	-1 255	-850
Other operating expenses/revenue	5	-	2 093
Total operating expenses		-48 204	-24 318
OPERATING RESULT		-10 176	-5 258
Result from financial investments			
Other interest income and similar items		41	6
Other interest expense and similar items		-828	-136
Total financial items		-787	-130
RESULT AFTER FINANCIAL ITEMS		-10 963	-5 388
Taxes on the year's result	7	-	-
NET RESULT FOR THE YEAR		-10 963	-5 388
Result for the period attributable to the minority		121	-73
Result for the period attributable to the Parent Company's shareholders		- 11 084	- 5 315
Earnings per share (SEK)		-1,03	-0,76
Earnings per share, fully diluted basis (SEK)		-1,03	-0,76
Number of shares outstanding (thousands)		12 797	10 664
Average number of shares outstanding (thousands)		10 757	7 008
Number of shares outstanding, fully diluted basis		15 901	11 764

CONSOLIDATED STATEMENTS OF CASH FLOW

GROUP

SEK thousand	Note	2005	2004
	1		
Current operations			
Result before taxes		-10 963	-5 388
Adjustment for items not included in cash flow, see A below		1 498	-3 024
Current taxes		-	-
Cash flow from current operations before changes in working capital		-9 465	-8 412
Change in inventory		-3 872	1 222
Change in operating receivables		-6 715	168
Change in operating liabilities		2 250	2 068
Cash flow from changes in working capital		-8 337	3 458
Cash flow from current operations		-17 802	-4 954
Investment activities			
Acquisition of subsidiaries	14	-	3 269
Capitalisation of internal development costs		-	-1 127
Acquisition of tangible non-current assets		-2 249	-237
Acquisition of financial non-current assets		-69	-10
Sale of tangible non-current assets		312	-
Cash flow from investment activities		-2 006	1 895
Financing activities			
New issues		28 946	11 265
Loans raised		2 075	-
Cash flow from financing activities		31 021	11 265
CASH FLOW FOR THE YEAR		11 213	8 206
Liquid funds at beginning of period		8 206	-
Liquid funds at end of period		19 419	8 206
Additional cash flow statement disclosures			
Interest income during the year		41	6
Interest expense during the year		-521	-136
A) Adjustment for items not included in cash flow			
Depreciation and amortisation		1 255	850
Reversal of negative goodwill		-	-2 835
Translation difference		444	120
Capital gain/loss		-201	-
Net impairment of inventory/reversal of accounts payable		-	-1 159
Total		1 498	-3 024

CONSOLIDATED BALANCE SHEETS

GROUP

SEK thousand	Note	2005	2004
ASSETS	1		
Non-current assets			
Capitalised expenses for development work, etc.	8	2 168	2 871
Equipment, tools, fixtures and fittings	9	2 245	500
Other long-term receivables	10	216	141
Total non-current assets		4 629	3 512
Current assets			
Work in progress		8 273	4 401
Accounts receivable		7 964	3 636
Other receivables		3 158	788
Accrued income and prepaid expenses		17	-
Liquid funds		19 419	8 206
Total non-current assets		38 831	17 031
TOTAL ASSETS		43 460	20 543
SHAREHOLDERS' EQUITY AND LIABILITIES	1		
Shareholders' equity	12		
Share capital		12 797	10 664
Other contributed capital		36 078	9 265
Other reserves		648	39
Result brought forward including result for the year		-16 399	-5 315
Shareholders' equity attributable to the Parent Company's shareholders		33 124	14 653
Minority interest		156	35
Total shareholders' equity		33 280	14 688
Current liabilities			
Liabilities to credit institutions		4 447	2 372
Accounts payable		4 849	1 646
Other liabilities		2	748
Accrued expenses and prepaid income	13	882	1 089
Total current liabilities		10 180	5 855
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		43 460	20 543
Pledged assets	15		
Contingent liabilities	15		

CHANGE IN SHAREHOLDERS' EQUITY

GROUP

SEK thousand, Note 1	Share capital	Other capital contributed	Other reserves	Result brought forward	Minority interest	Total shareholder's equity
Group contribution	100	-	-	-	-	100
Effect of new accounting policies IAS 1, Minority interest					108	108
New issues	10 564	9 265	-	-	-	19 829
Translation difference	-	-	39	-	-	39
Net result for the year	-	-	-	-5 315	-73	-5 388
Amount at end of 2004	10 664	9 265	39	-5 315	35	14 688
Amount at beginning of 2005	10 664	9 265	39	-5 315	35	14 688
New issues	2 133	26 813	-	-	-	28 946
Translation difference	-	-	609	-	-	609
Net result for the year				-11 084	121	-10 963
Amount at end of 2005	12 797	36 078	648	-16 399	156	33 280

Accumulated translation differences amount to SEK 648,000 (39,000).

CONSOLIDATED INCOME STATEMENTS

PARENT COMPANY

SEK thousand	Note	2005	2004
	1		
Operating revenue	2	-	-
		-	-
Operating expenses	2		
Other external expenses	3	-912	-715
Total operating expenses		-912	-715
OPERATING RESULT		-912	-715
Result from financial investments			
Other interest income and similar items		393	-
Other interest expense and similar items		-201	-
Total financial items		192	-
RESULT AFTER FINANCIAL ITEMS		-720	-715
Taxes on the year's result	7	-	-
NET RESULT FOR THE YEAR		-720	-715

CONSOLIDATED STATEMENTS OF CASH FLOW

PARENT COMPANY

SEK thousand	Note	2005	2004
	1		
Current operations			
Result before taxes		-720	-715
Current taxes		-	-
Cash flow from current operations before changes in working capital		-720	-715
Change in operating receivables		-23 551	-10 357
Change in operating liabilities		985	303
Cash flow from changes in working capital		-22 566	-10 054
Cash flow from current operations		-23 286	-10 769
Investment activities			
Acquisition of subsidiaries	14	-252	-
Cash flow from investment activities		-252	-
Financing activities			
New issues		28 320	11 265
Cash flow from financing activities		28 320	11 265
CASH FLOW FOR THE YEAR		4 782	496
Liquid funds at beginning of period		496	-
Liquid funds at end of period		5 278	496
Additional cash flow statement disclosures			
Interest income during the year		393	0
Interest expense during the year		-201	-

CONSOLIDATED BALANCE SHEETS

PARENT COMPANY

SEK thousand	Note	2005	2004
ASSETS			
Financial non-current assets	1		
Shares in subsidiaries	11	8 916	8 664
Total non-current assets		8 916	8 664
Current assets			
Due from Group companies		32 666	9 528
Other receivables		1 242	829
Total non-current assets		33 908	10 357
Cash and cash equivalents		5 278	496
Total current assets		39 186	10 853
TOTAL ASSETS		48 102	19 517
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	12		
Restricted equity			
Share capital		12 797	10 664
Legal reserve		35 452	9 265
Total shareholders' equity		48 249	19 929
Unrestricted equity			
Result brought forward		-715	-
Net result for the year		-720	-715
Total unrestricted equity		-1 435	-715
Total shareholders' equity		46 814	19 214
Current liabilities			
Accounts payable		1 198	-
Other liabilities		2	253
Accrued expenses and prepaid income	13	88	50
Total current liabilities		1 288	303
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		48 102	19 517
Pledged assets	15	50	50
Contingent liabilities		Inga	Inga

CHANGE IN SHAREHOLDERS' EQUITY

PARENT COMPANY

SEK thousand, Note 1	Share capital	Legal reserve	Result brought forward	Net result for the year	Total shareholder's equity
Corporate formation	100	-	-	-	100
New issues	10 564	9 265	-	-	19 829
Net result for the year	-	-	-	-715	-715
Amount at end of 2004	10 664	9 265	-	-715	19 214
Amount at beginning of 2005	10 664	9 265		-715	19 214
Transfer of previous year's result	-	-	-715	715	-
New issues	2 133	26 187	-	-	28 320
Net result for the year				-720	-720
Amount at end of 2005	12 797	35 452	-715	-720	48 814

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

ACCOUNTING AND VALUATION POLICIES, ETC.

General information

Nextlink and its subsidiaries develop headsets and related products for professional users and consumers. Nextlink AB is a Swedish limited liability company with its registered office in Stockholm, Sweden. The Company's share is traded on the Nordic OTC list.

Statement on compliance with regulatory framework applied

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Since the Parent Company is a company in EU, only IFRS approved by EU are applied. The consolidated financial statements are further prepared in accordance with Swedish law by applying recommendation RR 30 (Supplementary Accounting Regulations for Groups) of the Swedish Financial Accounting Standards Council. The Parent Company's Annual Accounts are prepared in accordance with Swedish law and applying recommendation RR 32 (Accounting for Legal Entities) of the Swedish Financial Accounting Standards Council.

Basis for preparation of the report

The consolidated financial statements are based on historical acquisition values, except in the case of derivative financial instruments and available-for-sale financial assets and financial assets valued at fair value via the income statement. The reported value of hedged assets and liabilities that would normally be accounted for at acquisition value have been adjusted for changes in fair value attributable to the hedged risks (fair value hedging). Unless otherwise specifically stated, all amounts are given in thousands of Swedish kronor.

Basis of consolidation

The consolidated financial statements cover the Parent Company, Nextlink AB (publ) and its subsidiaries. The financial reports for Nextlink AB and subsidiaries included in the consolidated financial statements refer to the same period and have been prepared in accordance with the accounting policies applied by the Group. All intra-group transaction, revenue and costs, profit or losses that arise in transactions among companies covered by the consolidated financial statements are eliminated in their entirety. A subsidiary is included in the consolidated financial statements from the time of acquisition, which is the date when the Parent Company gains a controlling influence, and is included in the consolidated financial statements until the date when such controlling influence ceases to exist.

Foreign subsidiaries

The result and financial position for all Group companies with a functional currency other than the reporting currency are recalculated as follows: assets and liabilities for each of the balance sheets are recalculated using the closing day rate; revenue and costs for each of the income statements are recalculated at the average rate of exchange. All exchange rate differences that arise are accounted for as a separate part of equity.

The following rates of exchange were used when translating the Danish subsidiary: DKK/SEK 1.25 for the income statement and DKK/SEK 1.26 for the balance sheet.

Classification

Non-current assets, long-term liabilities and provisions consist essentially of amounts expected to be recovered or paid after more than twelve months from the balance sheet date. Current assets and liabilities consist essentially of amounts expected to be recovered or paid within twelve months of the balance sheet date. Any departure from this principle is reported in a note to the respective balance sheet item.

Revenue recognition

The Group's net revenue consists of sales of goods. Sales of goods are accounted for upon delivery to the customer in accordance with the terms of sale. This means that revenue is recognised when significant risks and rewards associated with the goods have been transferred to the buyer and the seller no longer has control over the goods. Sales are reported net after deduction of value added tax, rebates, and exchange rate differences, in the case of sales in foreign currency. Intra-group sales are eliminated in the consolidated financial statements.

Taxes

For items accounted for in the income statement, the related taxes is accounted for in the income statement. For items accounted for directly against equity, any taxes are also accounted for directly against equity. Deferred taxes are calculated in accordance with the balance sheet method for all significant temporary differences. A temporary difference exists when the book value of an asset or liability differs from the written-down value. Such a difference may, for instance, arise when an asset is written up or down, or when the accounting policies applied differ between individual Group companies' accounting and the consolidated accounting.

Impairment loss of assets

The reported values of the Group's assets, with the exception of financial assets that are reported at fair value with changes in value in the income statement in accordance with IAS 39, are tested on each balance sheet date for indications of write-down requirement. Where any such indication exists, the recovery value of the asset is calculated. An impairment charge is reported when the reported value of an asset exceeds the recovery value. Impairment is charged in the income statement.

Calculation of recovery value

The recovery value of assets belonging to the categories loan receivables and accounts receivable accounted for at accrued acquisition value is calculated as the present value of future cash flows discounted at the effective rate of interest prevailing when the asset was first reported. Assets with a short term are not discounted.

The recovery value of other assets is the higher of fair value, less selling costs, and the value in use. When calculating the value in use, future cash flows are discounted using a discount factor that takes risk-free interest into account and the risk associated with the specific asset. For an asset that does not generate cash flow that is significantly independent of other assets, a common recovery value is calculated for the cash-generating units to which the asset belongs.

Reversal of impairment charge loss

Impairment loss charges are reversed where a later increase of the recovery value objectively can be attributed to an event that has occurred after the impairment loss charge was made, and that changes have occurred in the assumptions that constituted a basis for calculating the recovery value. An impairment loss charge is reversed only to the extent the reported value of the asset after reversal does not exceed the reported value that the asset would have had had no impairment loss charge been made, taking the depreciation that would then have been charged into account.

Financial instruments

Financial instruments are valued and accounted for in the Group in accordance with the rules in IAS 39 Financial Instruments: Recognition and Measurement. Financial instruments are initially reported at acquisition value equivalent to the instrument's fair value plus transaction costs for receivables and liabilities valued at accrued acquisition value. Other financial assets and liabilities are initially valued not including transaction costs. A financial asset or a financial liability is entered in the balance sheet when the company becomes a party to the contractual terms and

conditions of the instrument. Accounts receivable are entered in the balance sheet when an invoice has been dispatched. Liabilities are entered when the counterparty has performed and a contractual obligation to pay exists, even where an invoice has not yet been received. Accounts payable are entered when an invoice has been received. A financial asset is removed from the balance sheet when the rights according to the agreement have been realised, mature or the company loses control over it. The same is true for part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or is otherwise extinguished. The same is true for part of a financial liability. Acquisition and sale of financial assets shall be accounted for on the transaction day, which is the day when the company undertakes to acquire or to sell the asset.

Research and development costs

Nextlink applies IAS 38 Intangible Assets. In accordance with this accounting recommendation, expenditure for development of new products, product systems and software should be accounted for as intangible assets where such expenditure with a high degree of probability will lead to future economic benefits for the Company. The acquisition value for such an asset should be depreciated over its estimated useful life.

Tangible fixed assets / depreciation

Assets are reported at acquisition cost, less depreciation according to plan based on an assessment of the useful life of the assets.

Depreciation and amortisation

Depreciation and amortisation according to plan has been charged as follows:

Intangible assets	20%
Equipment, tools, fixtures and fittings	20%

Inventories

Inventories are valued using the FIFO principle, at the lower of acquisition value and fair (net realisable) value on the balance sheet date.

Receivables

Receivables are carried at the amounts expected to be collected.

Liquid funds

Liquid funds consist solely of bank deposits.

Receivables and liabilities in foreign currency

Receivables, liabilities and provisions in foreign currency in individual companies are translated using the balance sheet date rate of exchange. When the exchange rate has been hedged by a forward transaction, the rate of the forward transaction is used.

Borrowing costs

Borrowing costs are charged to earnings in the period to which they refer, irrespective of how the borrowed funds were used.

Employee benefits

All of the Group's employees are employed by the Danish subsidiary, Nextlink.to A/S. There is no defined benefit pension plan. Nextlink pays no pension premiums for its employees.

Leasing

Fixed assets held via leases are classified in accordance with the economic purpose of the lease contract. Leasing objects held under finance leases are accounted for as fixed assets and future lease fees are reported as interest-bearing liabilities. For lease objects classified as held under operating leases, the lease cost is accounted for as an operating cost in the income statement.

Cash flow statement

The cash flow statement is compiled in accordance with IAS 7 using the indirect method. This means that the cash flow has been adjusted for transactions that do not result in cash receipts or disbursements during the period. Liquid funds include cash and bank balances.

Related party disclosures

The following transactions between the brokerage firm Lage Jonason AB, owned by Lage Jonason, and Nextlink AB were made during the year: In connection with a rights issue by Nextlink in November 2005, the brokerage firm received a fee for counselling in the amount of SEK 1,759,000, not including value added tax. The Chairman of the Board of Directors, Christian Paulsson is an employee of Lage Jonason AB.

In September 2005 Nextlink AB raised a loan in the amount of MSEK 10 from Traction AB at an annual rate of interest of 8 percent. The loan was repaid in December. When the loan was raised, Traction was represented on the Board of Directors of Nextlink AB via Klas Åström, who served as CFO of Traction at the time. Traction has also received compensation in the amount of SEK 100,000 for handling the Parent Company's administration.

Teena International received a guarantee commission in the amount of SEK 256,000 in connection with Nextlink's rights issue in November 2005.

Other closely related parties include the Board of Directors and management and with these individuals there have been no transactions other than those reported in Note 8.

Financial risks

In its operations the Group is exposed to financial risks, such as market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow risk. The over-arching risk management policy, which is adopted by the Board of Directors, is to strive to minimise unfavourable effects on the financial result and position.

Market risk

Foreign exchange risk: Purchases and sales are mostly in US dollars (USD) so foreign exchange exposure is limited.

Price risk: The Company's exposure to price risk is deemed to be inconsequential.

Interest rate risk: The Company's interest rate risk is limited to bank balances and interest-bearing liabilities, which carry a variable rate of interest. The Group's net liabilities (liquid funds less interest-bearing liabilities) amounted to SEK 14,972,000 (5,834,000) at year-end.

Credit risk

The Group has adopted policies to ensure that sales are to customers with a favourable credit history, so the credit risk is deemed to be balanced.

Liquidity risk

The risk that the Group encounters problems in financing undertakings associated with financial instruments is deemed to be reasonably low.

Adoption of IFRS

From 2005 the Group reports in accordance with International Financial Reporting Standards, IFRS, in accordance with the requirements adopted by the European Commission (EC). Comparative data for 2004 have been recalculated in accordance with these standards.

The adoption of IFRS is reported in accordance with IFRS 1 First-time Adoption of IFRS. Nextlink has elected to apply the following exemptions permitted under IFRS 1:

- IAS 32 and 39, for handling financial instruments, are prospective applied from 1 January 2005.
- Non-current assets are valued at acquisition cost and not at fair value.

The Company's financial reports have been affected by changed requirements for classification and disclosures in accordance with IFRS. The minority interest is now reported as a separate component of equity. This has affected key financial indicators. The key financial indicators for 2004 have been recalculated.

The application of IAS 32 and 39 from 1 January 2005, without a requirement for recalculating the 2004 comparative year, had no effect on shareholders' equity as of 1 January 2005.

The International Financial Reporting Standards and interpretations published, but which had not yet gained legal force as of 31 December 2005, are not expected to affect the Group's financial reports for 2006.

Critical judgements and estimates

Management makes estimates and assumptions about the future which affect reported values. The consequence is that reported amounts in these cases seldom agree with actual values. The estimates and assumptions that involve a significant risk for substantial adjustments during the next-following financial year are attributable to intangible non-current assets.

Capitalised expenditure for development work, etc.

Management determines assessed period of use and hence the relevant amortisation of capitalised expenditure for development work, etc. To the greatest extent possible, these estimates are based on historical knowledge of the period of use of similar assets. The period of use and the estimated residual value are tested on each balance sheet date and adjusted in case of need. There are no current indications that the period of use is shorter than five years.

NOTE 2

INTRA-GROUP SALES

There have been no intra-Group sales.

NOTE 3

REMUNERATION TO AUDITORS

The term audit engagement refers to the auditing of the annual accounts and the accounting records, and of the administration by the Board of Directors and the President, other tasks to be performed by the Company's auditor, and counselling and other assistance prompted by observations made in the course of such examination, or the execution of such other tasks. All other activities are defined as other assignments.

	Group		Parent company	
	2005	2004	2005	2004
<i>Audit</i>				
SET Revisionsbyrå	76	50	76	50
Palsgaard & Hansen	224	178	-	-
<i>Other assignments</i>				
SET Revisionsbyrå	48	22	48	22
Palsgaard & Hansen	-	56	-	-
Total	348	306	124	72

NOTE 4

LEASES

The Company has no financial lease contracts. Operating lease costs, which in their entirety refers to rent for premises, are accounted for in the income statement under the item External costs.

Operating leases	2005	2004
Lease payments made during the year	507	607
Nominal value of contractual future lease fees:		
Within 1 year	812	607
Later than in 1 year but within 5 years	-	-
Later than 5 years	-	-
Total	812	607

NOTE 5

OTHER OPERATING COSTS/INCOME

Other operating costs/income	2005	2004
Exchange rate losses on receivables and liabilities of an operating character	-	-797
Reversal of provision for supplier liability due to dispute	-	3 289
Other	-	-399
Total	-	2 093

NOTE 6

PERSONNEL

Average number of employees	2005		2004	
	Of whom	Of whom	Of whom	Of whom
	Employees	men	Employees	men
Parent company	-	-	-	-
Subsidiary:				
Denmark	15	11	15	11
Total	15	11	15	11

Salaries and other remuneration:	Group		Parent company	
	2005	2004	2005	2004
President and Board of Directors	1 196	1 163	-	-
Other employees	8 072	6 423	-	-
Total salaries and other remun.	9 268	7 586	-	-

Other personnel costs:				
Social benefits	85	76	-	-
Other personnel costs:	251	885	-	-
Total other personnel costs	336	961	-	-

Total personnel costs	9 604	8 547	-	-
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Absence due to illness

Nextlink AB has no employees. No data on absence due to illness are therefore reported for the Parent Company.

Pensions

Nextlink A/S pays no pensions to its employees.

Remuneration to the Board of Directors and members of senior management

Board of Directors

Fee to the directors in accordance with a resolution by the Annual Meeting SEK 0. No compensation except for reimbursements was paid to the Board of Directors.

President

For 2005 the President received a salary of SEK 1,196,000 (1,163,000). The President's basic salary was SEK 1,196,000 (1,163,000) and no bonus was paid. Other remuneration refers to the benefit of a company car. No costs for pensions have been charged to the Company.

There are no incentive programs for the President in the form of allocation of financial instruments, options or similar. The President has a period of notice of 6 months, during which an obligation to work is in effect. The same principle applies if the President is terminated at the initiative of the Company.

Employees were offered to acquire warrants under program 2004–2008 on market terms. Employees acquired a total of 385,700 warrants, of which the management group in Nextlink.to A/S (not including the president) acquired 238,500.

	Fixed salary	Variable comp.	Other benefits	Total comp.	Pension benefits
SEK Thousand					
Board of directors	-	-	-	-	-
President	1 196	-	114	1 310	-

Fredrik Olsson, who took up his duties as President 30 January 2005 was offered the following terms of employment: A fixed annual salary of SEK 1,885,000 and a pension premium of 30 percent of the fixed salary. At present there are now bonus agreements or agreements for allocation of financial instruments.

Compensation to subsidiary Boards of Directors

No directors fees have been paid to subsidiary directors.

Disclosure of Board of Directors and senior management gender distribution

No. of women 2005-12-31, per cent	Group	Parent company
Board of Directors	-	-
Other members of senior management	25	-

NOTE 7

TAXES

Group	2005	2004
Taxes on the year's result		
Current taxes	-	-
Deferred tax	-	-
Total	-	-

Reconciliation of effective taxes, Group

Result before taxes	-10 963	-5 388
Taxes in accordance with current tax rate of 28%	3 069	1 508
Increase in tax loss carryforward without corresponding capitalisation of deferred taxes	-3 069	-1 508
Reported effective taxes	-	-

Accumulated tax loss carryforwards in the Danish subsidiary amounted to just over MSEK 26 as of year-end. These tax loss carryforwards can be used to reduce taxes on future profits. Since there is uncertainty with respect to the possibility of utilising these tax loss carryforwards, and during which period of time, they have not been capitalised as deferred tax claims. Renewed evaluation of how to account for deferred taxes will be performed on an ongoing basis.

NOTE 8

INTANGIBLE NON-CURRENT ASSETS

Group	2005	2004
Opening acquisition value	4 489	-
Via acquisitions/disposals, etc.	-	3 453
Internally developed assets	-	1 127
Translation differences for the year	195	-91
Closing accumulated acquisition value	4 684	4 489
Opening amortisation	-1 618	-
Opening amortisation	-	-1 051
Amortisation for the year	-816	-595
Translation differences for the year	-82	28
Closing accumulated amortisation	-2 516	-1 618
Closing reported value	2 168	2 871

NOTE 9

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

Group	2005	2004
Opening acquisition value	2 059	-
Via acquisitions/disposals, etc.	-	1 872
Additions	2 249	237
Sales and disposals	-551	-
Year's translation differences	114	-50
Closing accumulated acquisition value	3 871	2 059
Opening depreciation	- 1559	-
Via acquisitions, etc.	-	-1 339
Year's depreciation	-439	-255
Sales and disposals	440	-
Year's translation differences	-68	35
Closing accumulated depreciation	- 1626	-1 559
Closing reported value	2 245	500

NOTE 10

FINANCIAL NON-CURRENT ASSETS

Group	2005	2004
Opening acquisition value	141	-
Via acquisitions/disposals, etc.	-	134
Additions	69	10
Year's translation differences	6	-3
Closing reported value	216	141

NOTE 11

SHARES IN SUBSIDIARIES

Parent company	2005	2004
Opening book value	8 664	-
Additions	252	8 664
Closing reported value	8 916	8 664

Shares owned by the Parent Company

Company	VAT no.	Registered office	No. of shares	Stake (%)	Book value
Nextlink.to AS*	20758236	Gentofte Denmark	666 455	99	8 664
Nextlink IPR AB	556080-1774	Stockholm	1 000	100	100
Nextlink Patent AB	556080-1775	Stockholm	1 000	100	100
Nextlink USA Inc.		Delaware USA	10 000	100	52

*An agreement has been reached with the minority shareholders to acquire all shares owned by the minority, 6,245 shares. Nextlink AB has offered these shareholders the same exchange relationship as obtained by the other shareholders during the spring of 2004, with an adjustment for the stock dividend element in the rights issue in November 2005. A total of 86,056 shares will be issued.

**NOTE 12
SHAREHOLDERS' EQUITY**

See also report Change in shareholders' equity, page 26.

Parent Company

As of 31 December 2005 the share capital amounted to SEK 12,796,698, divided into 12,796,698 shares, each with a quotient value of SEK 1. The number of outstanding warrants is 3,103,867 divided into 5 series (each warrant entitles its holder to subscribe for 1 new share):

- Series 1 amounts to 464,000 warrants entitling their holders to subscribe for newly issued shares at a price of SEK 3.88 each until 27 April 2007.
- Series 2 amounts to 228,000 warrants entitling their holders to subscribe for newly issued shares at a price of SEK 5.70 each until 27 April 2007.
- Series 3 amounts to 530,000 warrants entitling their holders to subscribe for newly issued shares at a price of SEK 14.10 each until 31 January 2008.
- Series 4 amounts to 864,642 warrants entitling their holders to subscribe for newly issued shares at a price of SEK 23.75 each until 1 December 2010.
- Series 5 amounts to 1,017,225 warrants entitling their holders to subscribe for newly issued shares at a price of SEK 28.50 each until 1 December 2011.

Nextlink A/S owns 392,000 of the above warrants through warrant program 3. If all warrants are subscribed Nextlink's shareholder equity will increase by 60 MSEK.

Warrants series 1-3 have been acquired by Nextlink.to A/S at market price. The warrants have been valued using Black & Scholes option valuation model. Nextlink.to A/S has subsequently sold these warrants at market price. Series 4-5 have been obtained by RadioShack Corporation in connection with a business transaction.

**NOTE 13
ACCRUED EXPENSES AND PREPAID INCOME**

Group	2005	2004
Personnel-related costs	794	1 039
Other	88	50
Total	882	1 089

Parent company	2005	2004
Personnel-related costs	-	-
Other	88	50
Total	88	50

**NOTE 14
NET ASSETS IN ACQUIRED COMPANIES**

The value of acquired assets and liabilities was as follows according to the acquisition analysis:

Group	2005	2004
Intangible non-current assets	-	2 402
Tangible non-current assets	-	533
Financial non-current assets	-	134
Inventories	-	7 712
Short-term receivables	-	4 592
Liquid funds	-	3 269
Total assets	-	18 642
Minority	-	108
Provisions	-	2 835
Current liabilities	-	7 035
Total liabilities	-	9 978
TOTAL ASSETS - LIABILITIES	-	8 664
Less: Non-cash issue	-	-8 664
Purchase money disbursed	-	-
Liquid funds in the acquired company	-	3 269
Effect on the Group's liquid funds	-	3 269

**NOTE 15
PLEGGED ASSETS AND CONTINGENT LIABILITIES**

	Group		Parent company	
	2005	2004	2005	2004
Pledged assets				
For liabilities to credit institutions				
Bank deposits	50	50	50	50
Pledged accounts receivable	7 964	3 636	-	-
Total	8 014	3 686	50	50
Contingent liabilities	None	None	None	None

The Board of Directors assures that, to the best of its knowledge, the Annual Accounts are prepared in accordance with generally accepted auditing standards for stock market companies, data provided agree with the actual circumstances and that nothing of significant importance has been omitted that could affect the image of the Company created by the Annual Accounts.

Stockholm, 4 April 2006

Christian Paulsson
Chairman

Birger Flygare

Christer Fähræus

Jan Werne

Fredrik Olsson
President & CEO

My audit report with respect to these annual accounts was submitted 4 April 2006.

Anders Bergman
Authorised Public Accountant

AUDIT REPORT

To the Annual Meeting of Nextlink AB (publ), company number 556651-0987

I have examined the Annual Accounts, the consolidated financial statements, the accounting records and the management by the Board of Directors and the President of Nextlink AB (publ) for 2005. Responsibility for the accounting records and management, and for application of the Swedish Annual Accounts Act in preparing the Annual Accounts, and for application of International Financial Reporting Standards (IFRS) as adopted by EU and the Swedish Annual Accounts Act in preparing the consolidated financial statements, rests with the Board of Directors and the President. My responsibility is to render my opinion on the Annual Accounts, the consolidated financial statements and the management based on my audit.

The audit has been performed in accordance with generally accepted auditing standards in Sweden. This means that I have planned and performed the audit in such a way as to get high but not absolute assurance that the Annual Accounts and the consolidated financial statements contain no material errors. The audit procedure includes examination of a sample of supporting documentation for amounts and other information in the accounting records. An audit also includes a test of the accounting principles, and the Board of Directors' and the management's application thereof, and making an assessment of the critical estimates made by the Board of Directors and the President in preparing the Annual Accounts and the consolidated financial statements, and forming an opinion of the aggregate information contained in the Annual Accounts and the consolidated financial statements. As a basis for my statement on discharge from liability, I have examined significant decisions, actions and circumstances in the company to allow me to form an opinion as to whether any Director or the President is liable for damages to the company. I have also examined whether

any director or the President has acted contrary to the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. I am of the opinion that my audit gives me a reasonable ground for my statements below.

The Annual Accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide a true and fair picture of the company's performance and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU and the Swedish Annual Accounts Act and provide a true and fair picture of the group's performance and financial position. The Administration Report is consistent with the other parts of the Annual Accounts and the consolidated financial statements.

I recommend that the General Meeting adopts the income statement and the balance sheet for the Parent company and the Group, deals with the loss in the Parent Company in accordance with the recommendation contained in the Administration Report and that the members of the Board of Directors and the President be granted discharge from liability for the financial year.

Stockholm, 4 April 2006

Anders Bergman
Authorised Public Accountant

BOARD OF DIRECTORS, SENIOR MANAGEMENT AND AUDITORS

Board of Directors

Christian Paulsson, born 1975

Chairman since November 2005

Director of Nextlink since April 2005.

Main occupation: Manager, Lage Jonason AB

Number of shares held in Nextlink: 17,280

Birger Flygare, born 1937

Director of Nextlink since October 2005.

Main occupation: Senior Advisor

Other assignments: Chairman of Ductor AB

Number of shares held in Nextlink: 0

Christer Fåhraeus, born 1965

Director of Nextlink since 2004.

Main occupation: President, Agellis Group AB

Other assignments: Chairman of Anoto Group and Respirator AB. Director of Precise Biometrics AB, Cella Vision AB and Agellis Group.

Number of shares held in Nextlink: 12,000

Jan Werne, born 1952

Director of Nextlink since 2004.

Main occupation: President, Tilgin AB

Other assignments: None

Number of shares held in Nextlink: 15,000

Senior management

Fredrik Olsson, President, born 1964

President of Nextlink since January 2006. Before Nextlink, Fredrik was President of the O-listed OptiMail for almost 5 years. Previously, Fredrik has worked as a management consultant and in the Trelleborg Group.

Other assignments: None

Number of shares held in Nextlink: 0

Klas Åström, Chief Financial Officer, born 1959

CFO of Nextlink since 2004. Through his prior assignment at Traction, Klas was a director of Nextlink during 2004 and 2005.

Other assignments: Various companies in the Traction Group.

Number of shares held in Nextlink: 25,600, and 25,000 call options and 106,000 warrants.

Auditor

Anders Bergman, born 1963

SET Revisionsbyrå AB

Auditor of Nextlink since 2004.

5-YEAR SURVEY

INCOME STATEMENTS

SEK thousand	2001*	2002*	2003*	2004	2005
Revenue	7 204	17 131	23 723	19 060	38 028
Cost of goods sold	-7 938	-5 748	-13 089	-10 207	-28 972
Gross profit	-734	11 383	10 634	8 853	9 056
Gross profit	-14 885	-9 915	-13 513	-13 261	-17 977
Depreciation and amortisation	-791	-830	-1 636	-850	-1 255
Operating result	-16 410	638	-4 514	-5 258	-10 176
Net financial items	-196	-380	-408	-130	-787
Result after financial items	-16 606	258	-4 922	-5 388	-10 963

BALANCE SHEETS

SEK thousand	2001*	2002*	2003*	2004	2005
Assets					
Non-current assets					
Intangible assets	994	3 080	2 573	2 871	2 168
Tangible non-current assets	880	636	559	500	2 245
Financial non-current assets	109	119	131	141	216
Total non-current assets	1 983	3 835	3 263	3 512	4 629
Current assets					
Inventories	1 590	4 952	8 068	4 401	8 273
Accounts receivable	1 589	3 758	4 454	3 636	7 964
Other receivables	256	322	0	788	3 175
Cash and cash equivalents	452	1 131	615	8 206	19 419
Total current assets	3 887	10 163	13 137	17 031	38 831
Total assets	5 870	13 998	16 400	20 543	43 460

SHAREHOLDERS' EQUITY AND LIABILITIES

SEK thousand	2001*	2002*	2003*	2004	2005
Shareholder' equity	-2 826	5 191	7 012	14 688	33 280
Current liabilities					
Liabilities to credit institutions	6 784	5 301	2 522	2 372	4 447
Accounts payable	1 912	3 506	4 402	1 646	4 849
Other current liabilities	-	-	2 464	1 837	884
Total current liabilities	8 696	8 807	9 388	5 855	10 180
Total shareholders' equity and liabilities	5 870	13 998	16 400	20 543	43 460

* Pro forma. Data refer to the Danish company alone since the Group had not yet been formed.

CASH FLOW STATEMENT

SEK thousand	2001*	2002*	2003*	2004	2005
Result before taxes	-16 606	258	-4 922	-5 388	-10 963
Adjustment for items not included in cash flow	790	830	1 636	-3 024	1 498
Adjustment for items not included in cash flow before changes in working capital	-15 816	1 088	-3 286	-8 412	-9 465
Changes in working capital	1 104	-5 452	-2 560	3 458	-8 337
Cash flow from operating operations	-14 712	-4 364	-5 846	-4 954	-17 802
Cash flow from investment activities	2	-2 696	-1 081	1 895	-2 006
Cash flow from financing activities	10 850	7 743	5 851	11 265	31 021
CASH FLOW FOR THE YEAR	-3 860	683	-1 076	8 206	11 213

KEY FINANCIAL INDICATORS

	2001*	2002*	2003*	2004	2005
Gross margin	-10,2%	66,4%	44,8%	46,4%	23,8%
Debt equity ratio	-48,1%	37,1%	42,8%	71,3%	76,6%
Shareholders' equity per share, SEK	-212,74	33,76	10,42	1,37	2,61
Earnings per share, SEK	neg.	1,68	neg.	neg.	neg.
Number of shares outstanding at year-end	13 282	153 760	672 700	10 663 915	12 796 698
Share price at year-end	-	-	-	8,50	26,00
Number of Invisio sold	2 500	3 213	3 234	4 155	6 405
Number of Bluespoon sold	0	3 022	10 090	10 060	109 243
Number of employees	12	10	11	15	22

Definitions of key financial indicators

Gross margin: Gross profit in percent of net sales.

Earnings per share: The year's profit divided by average number of shares outstanding.

Shareholders' equity per share: Shareholders' equity divided by number of shares outstanding at year-end.

* Pro forma. Data refer to the Danish company alone since the Group had not yet been formed.

THE NEXTLINK SHARE

Share capital

The Nextlink share is listed on the Nordic OTC list in Stockholm since 7 June 2004. The share capital was SEK 12,796,698 as of 31 December 2005, divided into 12,796,698 shares, each with a quotient value of SEK 1.00. A trading lot of Nextlink shares is equivalent to 200 shares. Each share owns an equal portion of the Company's assets and entitle the holder to the same voting right. At general meetings each person entitled to vote may vote the full number of shares owned without limitation of the voting right. As of 31 December 2005 there were a total of 315 shareholders in Nextlink AB.

Turnover

A total of 11.4 million shares were traded during 2005. The average turnover per trading day was approximately 45,000 shares.

Price performance

At year-end the Company's market capitalisation was approximately MSEK 330, as compared with approximately MSEK 60 at the beginning of the year. During 2005 the market price of the share rose by about 200 percent, compared with a rise of 32 percent for Affärsvärlden's composite index during the same period.

Dividend policy

The goal for the dividend is to be maintained within 25–50 percent of profit after taxes. The Company is not expecting to declare dividends for the next several years. All internally generated capital will be used to finance future expansion.

Option programs

There are currently 5 outstanding warrant programs in Nextlink AB:

Warrant program No. 1

464,000 warrants entitling the holder to subscribe for one new share in Nextlink AB at a subscription price of SEK 3.88 per share during the period 27 April 2004 to 27 April 2007. All warrants have been subscribed for by Lars Stenfeldt Hansen, President. Upon full utilisation of the warrants, the share capital may increase by a maximum of SEK 464,000.

Warrant program No. 2

228,000 warrants entitling the holder to subscribe for one new share in Nextlink AB at a subscription price of SEK 5.70 per share during the period 27 April 2004 to 27 April 2007. Upon full utilisation of the warrants, the share capital may increase by a maximum of SEK 228,000.

Warrant program No. 3

530,000 warrants entitling the holder to subscribe for one new share in Nextlink AB at a subscription price of SEK 14.10 per share during the period 1 February 2005 to 31 January 2008. These warrants have been subscribed for by employees of Nextlink and some have been saved for future recruitments. Upon full utilisation of the warrants, the share capital may increase by a maximum of SEK 530,000.

Warrant program No. 4

864,642 warrants entitling the holder to subscribe for one new share in Nextlink AB at a subscription price of SEK 23.75 per share during the period 1 December 2006 to 1 December 2010. Upon full utilisation of the warrants, the share capital may increase by a maximum of SEK 864,642. All these warrants have been subscribed for by RadioShack Corporation.

Warrant program No. 5

1,017,225 warrants entitling the holder to subscribe for one new share in Nextlink AB at a subscription price of SEK 28.50 per share during the period 1 December 2007 to 1 December 2011. Upon full utilisation of the warrants, the share capital may increase by a maximum of SEK 1,017,225. All these warrants have been subscribed for by RadioShack Corporation.

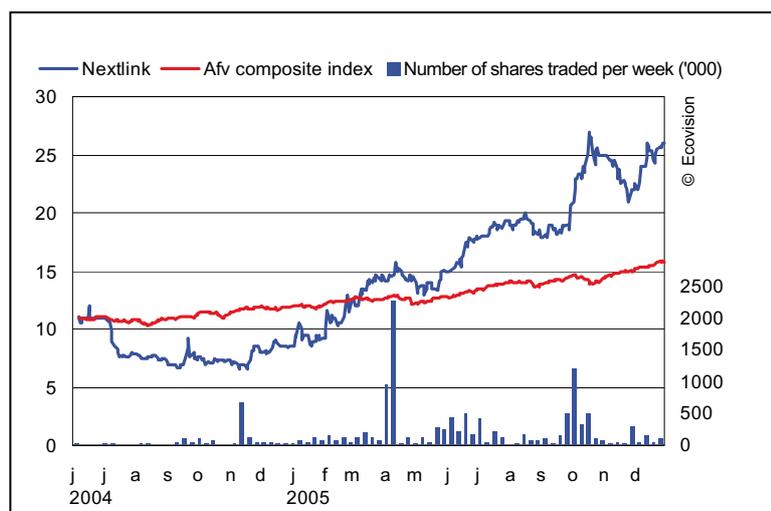
Ownership structure

Nextlink has a total of 315 shareholders as of 31 December 2005. The largest shareholders as of 31 December 2005 were:

	NO. OF SHARES	% VOTES AND CAPITAL
SHAREHOLDERS		
Lage Jonason and family	2 663 631	20,8
Alecta	2 124 000	16,6
Teena International NV	1 610 853	12,6
Stenfeldt Hansen Invest Aps	642 000	5,0
Robur Exportfond	369 000	2,9
Theodor Jeansson	360 000	2,8
Nordea Bank Finland ABP	336 000	2,6
Carnegie Bank A/S	320 060	2,5
Banco Teknik & Innovation	272 000	2,1
Second AP fund	227 000	1,8
Other shareholders	3 872 154	30,3
Total	12 796 698	100

According to the share register, about 40 percent of the shares outstanding are owned by Swedish private individuals, the remaining 60 percent owned by institutions.

Market price performance since going public



Per-share data

	2004	2005
Market price at year-end	8,50	26,00
Profit, SEK	0	0
Dividend, SEK	-	-
P/E ratio	neg.	neg.
Shareholders' equity, SEK	1,37	2,61
Total turnover of shares (million) ^{1,5*}		11,4

*The share was listed in July 2004.

Definition:
P/E ratio: Market price divided by the year's earnings per share.

Change in share capital over time

Year	Transaction	Increase in number of shares	Increase in share capital, SEK	Total share capital, SEK	Number of shares	Quotient value of shares, SEK
2003	Formation of company	1 000	100 000	100 000	1 000	100,00
2004	Split	99 000	0	100 000	100 000	1,00
2004	New issue	400 000	400 000	500 000	500 000	1,00
2004	Non-cash issue	8 663 915	8 663 915	9 163 915	9 163 915	1,00
2004	New issue	1 500 000	1 500 000	10 663 915	10 663 915	1,00
2005	Rights issue (1:5)	2 132 783	2 132 783	12 796 698	12 796 698	1,00

Summary of outstanding warrant programs

Warrant program	Number of warrants	Subscription price, SEK	Potential increase in share capital, SEK	Subscription period	Dilutive effect	Cumulative dilutive effect
2004/2007 no. 1	464 000	3,88	464 000	2004-04-27 - 2007-04-27	3,49%	3,49%
2004/2007 no. 2	228 000	5,70	228 000	2004-04-27 - 2007-04-27	1,75%	1,69%
2004/2008 no. 1	530 000	14,10	530 000	2005-02-01 - 2008-01-27	3,97%	3,78%
2006/2010 (loan 2005A)	864 642	23,75	864 642	2006-12-01 - 2010-12-01	6,32%	5,80%
2007/2011 (loan 2005B)	1 017 225	28,50	1 017 225	2007-12-01 - 2011-12-01	7,36%	6,39%
Total	3 103 867		3 103 867			19,52%

Size classes

	Number of owners	Number of shares	Proportion of capital, %
1-500	35	8 125	0,0
501-1 000	25	15 314	0,1
1 001-5-000	113	261 869	2,0
5 001-10 000	47	314 840	2,5
10 001-20 000	36	480 821	3,8
20 001-50 000	28	908 326	7,1
50 001-100 000	9	651 565	5,1
100 001-	22	10 155 838	79,4
Total	315	12 796 698	100,0

FINANCIAL INFORMATION

Publication schedule for financial information 2006:

Interim Report, January – March	3 May 2006
Interim Report, January – June	9 August 2006
Interim Report, January – September	25 October 2006
Year-end Report	14 February 2007

SHAREHOLDER INFORMATION

Annual Meeting

The regularly scheduled Annual Meeting will be held at 9:00 a.m., 3 May 2006 at Mannheimer & Swartling Advokatbyrå, Norrmalmstorg 4, Stockholm.

Application to attend

Applications to participate in the proceedings of the Annual Meeting should be submitted in writing to Nextlink AB, Box 3314, SE-103 66 Stockholm, Sweden, telefax: +46 8 506 289 30 or by e-mail to investor_relations@nextlink.se.

Applications must be submitted no later than by 4 p.m. on 28 April 2006.

To be entitled to participate in the proceedings of the Annual Meeting and to vote, shareholders must be registered in the register of shareholders maintained VPC AB, no later than 26 April 2006. Shareholders whose shares are registered in the name of a nominee must, to be entitled to participate in proceedings of the Annual Meeting, temporarily re-register their shares in their own name well in advance of that date.

ADDRESSES

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