



Nextlink AB (Publ)

Quarterly report January 1st – June 30th 2006

Second quarter:

- Revenue increased with 28% to 10.4 (8.1) MSEK
- Earnings after tax (EAT) was -10.5 (0.5) MSEK which is in line with the more aggressive growth strategy implemented during the second quarter and extra ordinary expenses of 1.8 MSEK
- Earnings per share was – 0.82 (0.05) SEK
- Biggest order book ever in the end of the period: 1,481 professional units and 110,460 consumer units, estimated total value of 26.4 MSEK
- A new management team is in place since May with Andrew L Berman as CEO
- Renegotiated distribution agreement with RadioShack gave back control of global distribution to Nextlink and commitment of orders for 75,000 consumer headsets
- A sales office was opened in Dallas, Texas

January – June:

- Revenue increased with 130% to 36.1 (15.7) MSEK
- Earnings after tax (EAT) was -14.6 (-0.3) MSEK
- Earnings per share was -1.14 (-0.03) SEK
- The result for the period was burdened with extra ordinary costs of approximately 8.2 MSEK

Events after the second quarter:

- Orders of 75,000 headsets from RadioShack
- Bank loan of 10 MSEK granted to the mother company

Business Concept

Nextlink's Business Concept is to develop, market and sell products and technology for audio communication under its own brand as well as for OEM contracting.

Vision

It is our vision to enable people to communicate comfortably in all sound environments.

Mission

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

Business Areas

Nextlink operates in three Business Areas with different product lines:

- Consumer Bluetooth headsets under the brand Bluespoon.
- Professional wired headsets based on Nextlink's patented jawbone microphone technology under the brand Invisio.
- Technology development and licensing to primarily mobile handsets OEMs.

Market Overview

Consumer Markets

The global sales of mobile phones was approximately 820 million in 2005, of which 18 percent were Bluetooth enabled. In 2006 Nextlink expects a sizable growth in the overall market for Bluetooth enabled phones, but the US in particular since it lags the European market by a couple of years in adoption.

Consumer Bluetooth headset sales is still primarily driven by mobile phone applications, but Bluetooth enabled mp3-players, Ipods, gaming and VoIP are also driving the need for wireless stereo headphones.

Nextlink expects the Bluetooth headset and headphone market to grow substantially during the coming three years. The global Bluetooth headset market is estimated to grow from 60 million units in 2006 to more than 100 million units in 2008.

Professional markets

The market for Nextlinks professional products is expanding. The market growth is dependent upon the use of walkie-talkies and other types of two-way radio equipment.

The market for two-way radios is rather mature with an expected annual growth rate of 2 percent, however, the market for accessories is expanding more rapidly. Nextlink estimates the market for professional headsets to 1.4 million units per annum, with an estimated value of approximately 2.1 billion SEK. The market is characterized by high quality demand and relatively low price sensitivity.

During the last couple of years Nextlink has steadily gained market shares with the Invisio-products.

The professional customers are foremost military special forces, security services, police force and other professional categories that require high quality sound in their communication.

High-lights from the second quarter

New strategy and Management team

During the spring of 2006, the board initiated a strategy project. During the second quarter the implementation of the new strategy was started with full force. Highlights worth mentioning are clearly defined Business Areas with own sales forces, strategic Product and Brand management, financial road map and the initiation of discussions with several strategic partners in sales, marketing, product development, and manufacturing.

The new management team, headed by new CEO Andrew L Berman (previously with RadioShack), has the right blend of European and American telecommunications and consumer electronics industry experience, to be able to take market share



on both sides of the Atlantic. The entire new senior management team effective May 1, 2006 is presented below:

Andrew Berman – CEO and President

Cecilia Arneving – COO

Lars Højgård Hansen - Senior Vice President, Marketing

Kirk Ritzman - Senior Vice President, Business Development

Jay Wasserman - Senior Vice President, Worldwide Sales

Renegotiated agreement with RadioShack

During the second quarter the distribution agreement was renegotiated with a successful outcome for both parties. RadioShack will still be a preferred distributor for the US market but Nextlink regains distributions rights for all other markets. In the new agreement RadioShack has also committed to order 75,000 consumer headsets during the remainder of 2006.

Opening of a US office

Partly as a result of the new agreement with RadioShack, a Nextlink sales office has been opened in Dallas, Texas to support worldwide sales, business development and management.

Softspring patent approved in the US

In May 2006 the Softspring patent was approved both in Europe and the US. The Softspring feature makes the headset very comfortable to wear, even when wearing glasses or ear rings. The softspring is used in all Nextlink products.

Press preview of new consumer products

In June RadioShack gave the first preview of the new Nextlink consumer headsets to the press at their Holiday Line show. Target launch for the products is in Q4 exclusively in RadioShack stores and interest was very high.

Comments on sales and earnings¹

Sales

Sales increased to 35.4 (15.7) MSEK during the first six months of 2006. The second quarter sales was lower than the first quarter, as expected, with 10.4 (8.1) MSEK. This is due to transition from old product lines to new for both the professional and the consumer portfolio.

Order bookings in amounted to 26.4 MSEK, which is expected to be realised during the next three quarters. The number of units in the order book was 110,460 which is a mix of Nextlinks current and coming products lines.

Gross profit was 16.5 MSEK which equals a gross margin of 47% for the accumulated year and 4.6 MSEK and 44% respectively for the second quarter.

Bluespoon – Consumer products

The second quarter sales, in number of units, reached 27,062 compared to 27,493 in 2005. Accumulated consumer headset sales for 2006 is then 94,363 units (42,655)

Order bookings amounted of 24.1 MSEK, which is expected to be realised during the coming quarters. The number of units in the order book was 110,460, which is a mix of Nextlinks current and coming products lines.

Invisio – Professional products

As already reported in the first quarter Nextlink received and shipped its biggest order ever. Hence, accumulated sales was 6,922 (3,491) units for January to June where 3,559 (1,838) units were shipped during the second quarter.

Order bookings amounted of 2.3 MSEK, which is expected to be realised during the coming quarters. The number of units in the order book was 1,481, which is a mix of Nextlinks current and coming products lines.

OEM/Licensing

During the first six months revenue of 5.5 MSEK was generated from the new Business Area OEM/Licensing. The revenue derives from successfully delivering the first two project milestones in the OEM joint product development venture with a global mobile handset maker. In total the project covers four milestones.

Earnings

Earnings after tax was -14.6 (-0.3) MSEK, which is equivalent to -1.14 (-0.03) SEK per share for 2006. Earnings in the second quarter was -10.5 (0.5) MSEK and -0.82 (0.05) SEK per share.

Operating expenses

Operating expenses, including extraordinary expenses, dropped from 15.7 MSEK in the first quarter to 14.7 (3.3) MSEK in the second. This resulting in accumulated operating expenses of 30.4 (7.5) MSEK. As reported in April the first quarter was burdened with extra ordinary expenses of approximately 6.4 (0) MSEK. In the second quarter the extra ordinary expenses are down to 1.8 (0) MSEK. The majority of these expenses are related to starting up the Dallas office and severance payments.

Exclusive of extra ordinary expenses both in Q1 and Q2, operating expenses are up 3.6 MSEK per quarter which are in line with a more aggressive strategy, especially in strengthen the sales force in the US..

¹ Figures in brackets refers to equivalent period for 2005

Financials

Investments

The accumulated investments of the Nextlink group for the period amount to 0.5 (0.4) MSEK. In the second quarter investments amounted to 0.1 (0.4) MSEK.

Liquidity

Cash at hand at the end of June was 2.4 (4.9) MSEK compared to 19.4 (8.2) MSEK in the beginning of the year. On the 31st of March this figure was 9.6 (4.0) MSEK. In July a bank loan of 10 MSEK was granted.

Cash flow from operations

Cash flow from operations was, during the second quarter, -11.4 (0.6) MSEK as expected due to several initiatives to create a platform for future structure and growth. YTD for 2006 the total cash flow from operations is - 18.6 (-2.8) MSEK.

The mother company

Revenue in the mother company was during the period 0.0 (0.0) MSEK and the result after taxes was -9.3 (-0.4) MSEK.

Solvency ratio is 94 (94) %. Liquid assets were at the end of the period 0.2 (1.5) MSEK. Investments were 0.0 (0.0) MSEK. Number of employees in the mother company are 2 (0).

Major events after the reporting period

Orders of approximately 75,000 headsets to RadioShack

RadioShack has committed to buy 75,000 headsets from the new consumer product line for delivery during the remainder of 2006. In July orders of 52,150 units were received which amount to a value of 19 MSEK. All 75,000 units are expected to generate revenue equivalent to approximately 30 MSEK.

Loan of 10 MSEK to the mother company

Since Nextlink are in a phase of aggressive growth, investments in all forms of resources are necessary. Nextlink was granted a bank loan of 10 MSEK in July.

Outlook for the third quarter

Business Area Professional

Nextlink will continue to expand its distribution channels, in order to get broader penetration of the product line. Development of a digital product line is ongoing and the first results will be visible during the third quarter of 2006.

Business Area Consumer

Nextlink will enter into distribution contracts with new partners. This will allow for wider distribution of the portfolio of products.

Business Area OEM/Licensing

Nextlink will continue to identify and enter into discussions with potential OEM partners that will license Nextlink's patented technologies. The objective is for the OEM to differentiate their product portfolio's, with a unique headset microphone technology.

Accounting Principles

This quarterly report for Nextlink group is produced in accordance with IAS 34 Delårsrapportering.

The quarterly report has not been subjected to scrutiny by the company auditor.

Dates for coming quarterly reports

- Quarterly report for the 3rd quarter will be published on October 25th 2006
- Year end report for 2006 will be published on February 14th 2007

Stockholm, August 9th 2006

Board of Directors Nextlink AB (publ)

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Income statement

Nextlink Group

KSEK

Income Statement	apr-jun 2006	apr-jun 2005	jan-jun 2006	jan-jun 2005	2005
Revenue	10,379	8,253	36,098	15,723	38,028
Cost of goods sold	-5,810	-4,310	-19,446	-7,983	-29,280
Gross Margin	4,569	3,943	16,651	7,740	8,748
Operating expenses	-14,690	-3,295	-30,382	-7,534	-17,669
Depreciation	-345	-155	-699	-438	-1,255
Operating income	-10,466	493	-14,429	-232	-10,176
Financial income and expense	-45	-9	-205	-49	-787
Earnings before tax	-10,511	484	-14,634	-281	-10,963
Tax	0	0	0	0	0
Net profit	-10,511	484	-14,634	-281	-10,963

Net profit for minorities	0	-9	0	0	121
Net profit for shareholders in the parent company	-10,511	493	-14,634	-281	-11,084

Share data	apr-jun 2006	apr-jun 2005	jan-jun 2006	jan-jun 2005	2005
Earnings per share, SEK	-0.82	0.05	-1.14	-0.03	-1.03
Earnings per share, fully diluted basis SEK	-0.82	0.04	-1.14	-0.02	-1.03
Equity per share SEK	1.40	1.40	1.40	1.38	2.60
Equity per share, fully diluted basis SEK	8.71	2.15	8.71	2.15	5.87
Solvency ratio %	55%	61%	55%	61%	77%
Number of shares outstanding	12,796,698	10,663,915	12,796,698	10,663,915	12,796,698
Average number of shares outstanding	10,757,407	10,663,915	10,757,407	10,663,915	10,757,407
Numbers of shares outstanding, fully diluted basis	15,900,565	11,763,915	15,900,565	11,763,915	15,900,565
Share price at end of period	23.00	18.00	23.00	18.00	26.00



Balance sheet

Nextlink Group

Balance sheet

KSEK

Assets	jun 30, 2006	jun 30, 2005	mar 31, 2006	dec 31, 2005
Intangible assets	1,716	2,588	1,953	2,168
Tangible assets	2,093	1,623	2,495	2,245
Financial assets	325	147	207	216
Inventory	14,736	9,577	7,031	8,273
Trade receivables	9,310	3,510	16,913	7,964
Other receivables	2,232	2,012	4,211	3,175
Cash and bank	2,376	4,922	9,619	19,419
Total assets	32,788	24,379	42,429	43,460
Equity and liabilities				
Equity	17,924	14,908	29,063	33,280
Short term debt	6,474	3,265	2,150	4,447
Trade payables	6,579	4,473	9,591	4,849
Other liabilities	1,811	1,733	1,625	884
Total equity and liabilities	32,788	24,379	42,429	43,460
Consolidated statement of changes in equity				
	jun 30, 2006	jun 30, 2005	mar 31, 2006	dec 31, 2005
Balance at the beginning of the year	33,280	14,688	33,280	14,688
Exchange adjustment of investments in subsidiary	-723	501	-94	609
Net profit for the year	-14,634	-281	-4,123	-10,963
Balance at the end of the period	17,924	14,908	29,063	4,334



Cash flow statement

Nextlink Group

KSEK

Cash flow	apr-jun 2006	apr-jun 2005	jan-jun 2006	jan-jun 2005	2005
Result before taxes	-10,511	484	-14,634	-281	-10,963
Adjustment for items not included in cash flow	16	761	276	1,014	1,498
Taxes	0		0	0	0
Cash flow from operations before changes in working capital	-10,495	1,245	-14,358	733	-9,465
Changes in working capital	-947	-680	-4,207	-3,551	-8,339
Cash flow from operations	-11,442	565	-18,565	-2,818	-17,804
Aquisitions in financial non-current assets	-25	0	-16	0	-69
Aquisitions in tangible non-current assets	-100	-368	-489	-1,359	-1,934
Cash flow from investment activities	-125	-368	-505	-1,359	-2,003
New issues	0	0	0	0	28,945
New loans and instalments of dept	4,324	740	2,027	893	2,075
Cash flow from financing activities	4,324	740	2,027	893	31,020
Total cash flow	-7,243	937	-17,043	-3,284	11,213
Liquid funds at beginning of period	9,619	3,985	19,419	8,206	8,206
Liquid funds at end of period	2,376	4,922	2,376	4,922	19,419