



LEDSTIERNAN

INTERIM REPORT ★ JANUARY-JUNE 2003

- ★ The result after net financial items for the first half of the year was a loss of MSEK 19.5, equal to a loss of SEK 0.14 per share (Jan-June 2002: loss MSEK 58.5 or SEK 0.54/share), of which write-downs during Q1 accounted for MSEK 13.2 (50).
- ★ Closing equity amounted to MSEK 564 or SEK 4.12 per share (583 or 4.26/share). The equity ratio was 99 per cent.
- ★ Investments in the portfolio during the period amounted to MSEK 55, all of them follow on investments (including acquisition investments) in the portfolio companies. The total need for second phase investments in the portfolio is estimated at less than MSEK 65.
- ★ The portfolio company **North Node** acquired ABB Metering in the second quarter, making it the leading player on the energy metering market.

The portfolio company **Infomakers** acquired Gordion, which is in the same sector, in the second quarter, making it the leading company in the growing loyalty solutions segment (CRM solutions).

The portfolio company **Voice Provider** signed agreements on voice control systems in the second quarter with a number of companies including Nordnet, UC Upplysningscentralen and Svenska Spel.

- ★ Closing liquid funds amounted to MSEK 168 or SEK 1.23 per share. Ledstiernan remains free from debt with an unchanged high cash reserve.
- ★ International venture capital was raised by several of Ledstiernan's portfolio companies, including **Emic Networks**, which raised financing from the Finnish venture capital company Aura Capital, and **Hotsip**, which raised financing from the Japanese Bell Net, both at attractive levels. The recently completed financing of 6 of the portfolio companies indicates a value of about SEK 1.36 per share only for these six holdings.
- ★ Continued focus on development of the principal holdings in the portfolio towards an exit to an industrial buyer as well as an active work for market quotation in some of the companies.
- ★ New tax legislation that came into effect on July 1, 2003 means Ledstiernan will not have any liability to capital gains tax on exits.

LEDSTIERNAN'S BUSINESS

Ledstiernan is a venture capital company with its investment focus in IT and communication technology. The portfolio consists of 17 core holdings, primarily in mobile communication and wireless technology, together with a number of smaller holdings. The average equity interest is between 35 and 40 per cent. Ledstiernan is an active shareholder and proactively engaged in the development of these companies. The holdings are exited primarily by divestments to an industrial buyer or a stock market flotation.

FINANCIAL RESULTS

Ledstiernan's first quarter result after financial net was a loss of MSEK 19.1 (-58.5). Write-downs of MSEK 13.2 (50) made during the first quarter in the value of Ledstiernan's portfolio were charged against the result. This brings the accumulated write-downs in the value of the portfolio to MSEK 175.7, as of June 30, 2003. This is a provision and not a realised loss.

Ledstiernan's management costs have been reduced and are now running at some MSEK 20 a year, amounting during the period to MSEK 11.2. The somewhat higher level during the first six months was caused by non-recurring costs incurred on the move to less expensive premises.

LIQUIDITY AND FINANCIAL POSITION

As of June 30, 2003, Ledstiernan had cash reserves of MSEK 168, or SEK 1.23 per share. The company has no interest-bearing debt. The need for second phase investments in the existing portfolio is now estimated at less than MSEK 65. Ledstiernan's strategy for new investments is to focus primarily on the acquisition of companies that complement our core holdings, such as the acquisition of ABB Metering by North Node and the acquisition of the competitor Gordion by Infomakers.

PORTFOLIO DEVELOPMENTS

INVESTMENTS AND FOLLOW-ON INVESTMENTS

At the end of the period, Ledstiernan had 27 holdings whereof 17 core holdings. In most case, Ledstiernan is the principal shareholder in these companies, and plays a very active role in their development.

Holdings of less than 10 per cent, or those in which Ledstiernan has a passive role, are stated as a separate group entitled "Other holdings". As of 2003, the companies in this group will not be described individually but only in summary as a group. Ledstiernan does not plan to make any further investments in these companies and will exit them in due order. During the period **Codefactory**, **Goyada**, **Start and Rund** and **Verktgshuset** have been sold and **CCNOX** and **MGON** went bankrupt.

The total capital invested in the existing portfolio amounts to MSEK 572, or SEK 4.18 per share, of which MSEK 425 has been invested in the 17 core holdings.

The total book value of the portfolio as of June 30, 2003 amounted to MSEK 396.7, or SEK 2.90 per share. First quarter investments in portfolio companies, all of which were second phase investments, amounted to MSEK 55 also including the financing of the acquisition of complementary companies in the holdings North Node and Infomakers.

Since the autumn of 2001 Ledstiernan, in connection with second phase investments and stock issues, has renegotiated most of its existing investments in portfolio companies into line with current market conditions, which means that Ledstiernan's potential equity interest in the form of convertibles and without the injection of new capital, could be higher than the figure shown in the table on page 7.

ACQUISITION VALUE OF PORTFOLIO COMPANIES JUNE 30, 2003

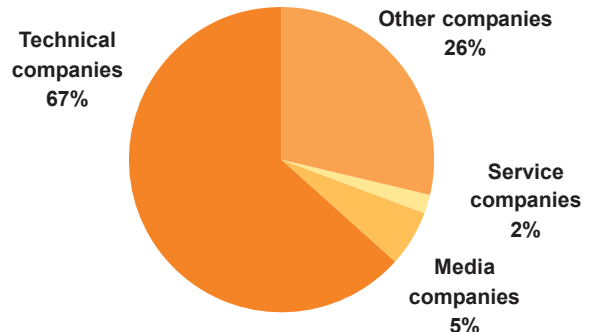
Acquisition value inclusive loans and convertibles

Technical companies	358,661	67%
Media companies	31,539	5%
Service companies	9,564	2%
Other companies	146,557	26%

Total acquisition value	572,321	100%
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“Other companies” have been written down by 93% to a book value of 10,9 MSEK.

BREAK DOWN OF ACQUISITION VALUE OF PORTFOLIO COMPANIES



Valuation of portfolio companies

Ledstiernan states its investments at the lower of acquisition value and estimated market value. When closing the books at the end of each quarter an assessment is made for each holding of the need to determine whether its value exceeds or falls short of the acquisition value. In the event of the value being higher, this does not give rise to a change in the book value, and there is consequently no effect on the income statement. Should the value of a portfolio company be below its book value, the book value is written down to the estimated value. This write-down is taken to the income statement, giving rise to a cost equal to the write-down. Should the market value of a company whose book value has been written down be higher than the book value as a result, say, of external financing or a significant commercial breakthrough, and if this new value can be expected to last, the previous write-down is re-entered to the maximum acquisition value. These adjustments in value have no effect on the company's cash flow.

The assessments of the need for write-downs are made in accordance with the Swedish Financial Accounting Standards Council's recommendation No. 17, Write-downs. As Ledstiernan's portfolio consists of unlisted companies, still at a relatively early development phase, Ledstiernan has therefore opted to use the following method for valuing these companies.

- Where external financing has been recently arranged, the company is valued at Ledstiernan's equity interest in relation to this valuation. However, account is taken of significant events during the company's development phase since the date of the valuation.
- For companies the nature and size of whose business may be compared with listed companies, a comparison is made with the market capitalisation of such companies.
- For companies with a historic cash flow, and where the cash flow can be foreseen for the coming 3-5 years, a discounted cash flow method is used.

For companies for which there has been no external financing or a DCF model cannot be applied, a comparative valuation is made with companies having a similar business, that are at a similar phase of their development, and which have been valued externally or where there are other indicators that could reflect a relevant market valuation.

On average, Ledstiernan's portfolio companies are three years old, and they have all reached their commercialisation phase. The following events occurred during the first quarter.

Columbitech has entered into an agreement with Hewlett-Packard (HP) on the joint canvassing of the telematics market, primarily vehicle telematics, by combining HP's know-how in infrastructure, mobile solutions and system integration with Columbitech Wireless VPN, which secures the data communication and improves the performance of wireless networks. The partnership with Symbol Technologies is progressing as well.



Emic Networks, which launched its Enterprise Application Toolkit / Emic Application Cluster (EAC) for MySQL and signed a marketing and sales agreement with MySQL last year, has quickly acquired customers on all continents. In April this year, the company received MSEK 4.5 in financing from Aura Capital, the Finnish venture capitalist company, at a valuation in excess of our book value.



ipUnplugged has announced a far-reaching OEM agreement with the Japanese company NEC, with a focus on both corporate and operator clients. NEC has recently launched the first joint product series and estimates the sales potential for the forthcoming three-year period at JPY 10 billion, which is equivalent to MSEK 700-750. ipUnplugged has also entered into a dealer agreement with Commworks with a focus on the operator market. The company has raised financing of MUSD 4.3, of which MUSD 3 comes from MIC, the Japanese venture capital company, at the same valuation as previously, which gives a postmoney valuation of MUSD 23.5.



Infomakers has acquired sector colleague Gordion. The merged company is now the strongest supplier in Scandinavia of IT solutions for customer communication (CRM solutions) via electronic media – “information kiosks” and mobile terminals – in shops, offices and public places. Among the customers are ICA, IKEA, Nordea, SEB, NK and Svenska Bilprovning.

Hotsip organised a major event in Stockholm in February at which 50 companies from 19 countries took part to test their products' interoperability (i.e. how they functioned together). The event, whose sponsors included Cisco and Tele2, was a great success. Hotsip has acquired a new external investor – BellNet – which is also one of the company's partners. BellNet has invested MEUR 3 for 10 per cent of the shares. This corresponds to a total market capitalisation for the company of some MSEK 275. Ledstiernan has an interest of 21.5 per cent.



SVM North Node has acquired ABB Metering, which makes it the leading player on the Swedish energy metering market. The company, which will be named SVM North Node, co-operates with major players like IBM, Landis and Gyr, ABB and Bravida, when bidding for large contracts. Prior to the acquisition, the company had also signed a framework agreement with the Municipality of Karlstad covering deliveries to 1,000 dwellings with an option to supply a further 1,000 over a two-year period. The company's products will more than satisfy the coming law on automatic meter reading for electricity consumers, concerning which Vattenfall recently announced that it intends to invest no less than MSEK 600 in this field in the next few years. SVM North Node's products can also be used to measure consumption of district heat, gas and water, as well as making possible other services such as security and other alarms.

Voice Provider which has a unique arrangement with Scandinavian IT Group (a subsidiary of SAS) whereby it is the leading supplier of voice-controlled services, has signed an agreement with Nord Net concerning voice controlled buying and selling of shares which has been very successful. Agreement has also been signed with UC Upplysningscentralen covering voice-controlled reporting of loss of identification papers as well as a agreement with Svenska Spel covering voice-controlled telephone reporting of the correct results of popular betting activities such as Lotto, Stryktipset and Oddset.

EXITS IN FIRST QUARTER

During the first half of the year, Ledstiernan sold its interest – 9 per cent – in **Goyada** for MSEK 0.9, which corresponds to a total market value of MSEK 10.

Verktygshuset (33%) has been sold to **BIG** for SEK 233,000, and **VS Market** (1.4%) has been sold back to its founders for the symbolic sum of SEK 2,000.

Start and Run has been sold to **Punkt B**, a media company that distributes **Campus**, **Chili**, **Ungdomsbarometern** and other student journals.

MGON, a betting company, went bankrupt in January 2003. The value of Ledstiernan's interest had already been written down to zero.

CCNOX, a firm of consultants, went bankrupt in April. The investment was written down during the first quarter by 7.5 MSEK

DEVELOPMENTS AND FUTURE PROSPECTS

Ledstiernan has a strong financial position with 17 core holdings with considerable development potential, most of which have achieved their commercial breakthrough. However the goals that were set out in the Annual Report 2002 regarding sales and net result will not be achieved.

The technology/product companies have entered into important distribution agreements with the world's leading distributors. On a difficult VC market new investors have opted to invest specifically in Ledstiernan's companies. All in all this provides a sound platform for steady development towards phased exits.

The need for second phase investments in Ledstiernan's portfolio will decline further in the future. We estimate the need for the existing portfolio at less than MSEK 65, excluding financing of mergers in the portfolio.

Ledstiernan's portfolio companies are active in numerous underlying sectors, such as property, energy, finance, gaming etc. Consequently, Ledstiernan's portfolio is well diversified and has great potential.

Ledstiernan's administrative costs will be further reduced in 2003, and are expected to amount to less than MSEK 20 net for the year as a whole. The slightly too high costs during the first half of the year are attributable to the costs associated with the move to less expensive premises.

IMPORTANT EVENTS AFTER END OF PERIOD

Ledstiernan's option programme, involving 1,150,000 shares, will expire on August 20, 2003. The exercise price was SEK 43.50 and no shares were subscribed to.

The portfolio company **Code Factory** (5%) has been sold back to the founders.

OTHER

- A new bonus programme has been approved for key employees of Ledstiernan . The amount on which the bonus is based, or the amount of the bonus, is calculated in accordance with the definition in the dividend policy, namely:

“When Ledstiernan has divested all or part of its holding in a portfolio company for cash (or for shares that are then sold for cash), 7.5% of the net cash capital gain on divestments during the year, i.e. sales proceeds after deduction of acquisition costs, may be paid out by way of bonus. Divestment does not include discontinued or liquidated companies.”

The amount of bonus is a gross amount that includes statutory social security charges and it is paid out after deduction of preliminary tax. The bonus does not qualify for calculation of pension rights. The key employees at the same time waive their right to draw 10-15 % of their salary as one means of further reducing Ledstiernan’s administrative costs.

- As of July 1, 2003 a new law will apply to capital gains tax on the sale of unlisted holdings. This means that the capital gains made by Ledstiernan on its exists will not be liable to tax.

EMPLOYEES

The number of employees at the end of the period was 9 (11).

Stockholm August 21, 2002

LEDSTIERNAN AB (publ)

Johan Wachtmeister
President and CEO

This report has not been examined by the company’s auditors.

Forthcoming reports

Nine-month report 2003

October 23, 2003

PORTFOLIO HOLDINGS AS OF JUNE 30, 2003

(SEK '000) Company	Acquisition date	Present interest ²⁾	Acquisition-value shares	Convertible loan	Other loan	Total investments	External valuation transaction post-money ³⁾
Technical companies							
Ambio Tech i Sverige AB ¹⁾	Sep-00	49.9%	12,999		9,151	22,150	
Columbitech AB	May-00	18.3%	16,630			16,630	13,725
Emic Networks OY	June-02	40.9%	4,606	2,019	828	7,453	11,414
Grupo Rodania S.L.	Oct-00	49.0%	7,650		2,371	10,021	
Hotsip AB	June-02	21.5%	24,185			24,185	59,147
Incomit AB	Aug-00	43.5%	58,035	5,000		63,035	
GordionInfomakers AB	July-99	49.9%	25,781		2,072	27,853	
ipUnplugged AB	Jan-00	40.8%	80,278			80,278	72,933
Mint AB	May-00	33.1%	45,280			45,280	27,101
SVM North Node AB ¹⁾	May-01	42.0%	29,396	3,416		32,812	
Repeatit AB	March-00	43.4%	15,846	4,652		20,498	
the Phone Pages of Sweden AB	March-00	31.3%	28,350			28,350	20,345
Voice Provider Sweden AB ¹⁾	Nov-00	21.3%	6,116			6,116	
Sub-total Technical companies			355,152	15,087	14,422	384,661	
Media companies							
It's Alive Mobile Games AB	June-02	30.4%	6,015	2,587	450	9,052	
Millennium Media Group AB	Dec-99	36.2%	21,787	700		22,487	
Sub-total Media companies			27,802	3,287	450	31,539	
Service companies							
Corvus Corax AB	Feb-03	38.9%	2,854			2,854	
Sourcebynet Pty Ltd	Jun-02	10.4%	6,710			6,710	8,490
Sub-total Service companies			9,564	-	-	9,564	
Other companies			145,847	-	710	146,557	
Acquisition vaule shares and loans			538,365	18,374	15,582	572,321	
Write-downs						-175,669	
Book value						396,652	

1) Ledstiernan has issued call options on 5% of its total holding as an incentive.

2) Exkluding convertible loans.

3) Excluding convertible loans and where financing has been made during the last 12 months period.

INCOME STATEMENT

(SEK '000)	Quarter 2 2003	Quarter 2 2002	Jan-June 2003	Jan-June 2002	Year 2002
Income from/loss on portfolio holdings					
Exit results	-150	-	988	-	690
Write-downs	-	-50,000	-13,228	-50,000	-114,854
Total income from/loss on portfolio holdings	-150	-50,000	-12,240	-50,000	-114,164
Other costs					
Administrative costs	-5,756	-6,139	-11,245	-12,413	-24,079
Depreciation	-229	-273	-479	-464	-1,359
Total other costs	-5,985	-6,412	-11,724	-12,877	-25,438
Operating loss	-6,135	-56,412	-23,964	-62,877	-139,602
Financial items	1,751	2,434	4,432	4,350	9,545
Loss before tax	-4,384	-53,978	-19,532	-58,527	-130,057
Tax	-	-	-	-	-
Net loss for the period	-4,384	-53,978	-19,532	-58,527	-130,057
	Shares thousands	Shares thousands	Shares thousands	Shares thousands	Shares thousands
Average number	136,834	108,954	136,834	108,954	122,822
At end of period	136,834	136,360	136,834	136,360	136,834
Loss per share, SEK ¹⁾	-0.03	-0.50	-0.14	-0.54	-1.06

1) According to the Swedish Financial Accounting Standards Council's recommendation RR18, the effect of dilution should be calculated if "earnings per share" deteriorates. There is no dilution effect.

BALANCE SHEET

(SEK '000)

Assets		2003-06-30	2002-06-30	2002-12-31
Tangible fixed assets		1,621	2,106	1,207
Financial fixed assets				
Participation in associated companies	1)	363,933	336,058	324,785
Other long-term holdings of securities	1)	32,719	25,089	32,719
Total financial fixed assets		396,652	361,147	357,504
Total fixed assets		398,273	363,253	358,711
Current assets				
Current receivables		5,085	4,296	5,429
Commercial papers		124,485	115,324	224,976
Cash and bank		43,144	215,245	16,968
Total current assets		172,714	334,865	247,373
Total assets		570,987	698,118	606,084
Equity and liabilities				
Equity		563,779	652,588	583,311
Current liabilities, not interest bearing				
- Convertible loan		-	17,664	-
- Other liabilities		7,208	27,866	22,773
Total equity and liabilities		570,987	698,118	606,084
1) Includes shares and convertible loans				
Change equity				Year 2002
		2003-06-30	2002-06-30	
Opening balance		583,311	580,940	580,940
New share issue		-	130,175	132,428
Loss for the period		-19,532	-58,527	-130,057
Closing balance		563,779	652,588	583,311

CASH FLOW ANALYSIS

(SEK '000)

	Jan-June 2003	Jan-June 2002	Year 2002
<i>Current operations</i>			
Cash flow from current operations	-6,786	-8,875	-12,949
Cash flow change in working capital	-2,214	6,309	-11,466
Cash flow from current operations	-9,000	-2,566	-24,415
Cash flow from investment activities	-55,181	-27,915	-86,994
<i>Financing activities</i>			
Amortisation of loans	-10,134	-	-7,698
Share issue	-	133,613	133,614
Cash flow from financing activities	-10,134	133,613	125,916
Cash flow for the period	-74,315	103,132	14,507
Opening liquid funds	241,944	227,437	227,437
Closing liquid funds	167,629	330,569	241,944

FINANCIAL RATIOS

	2003-03-31	2002-03-31	2002-12-31
Result, MSEK	-20	-59	-130
Result/share, MSEK	-0,14	-0.54	-1.06
Equity, MSEK	564	653	583
Equity/share, MSEK	4.12	4.79	4.26
Equity ratio, %	99	94	96
Capital invested in existing portfolio, MSEK	572	545	576
Capital invested/share, SEK	4.18	4.00	4.21
Cash/share, SEK	1.23	2.43	1.69
Administrative costs/average equity% ¹⁾	3.77	6.41	4.20
Closing listed price, SEK	2.40	5.40	3.10
Market capitalisation, MSEK	328	736	424

1) Based on a current 12-months period

Accounting principles

The Interim Report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20, "Interim Reports". The accounting principles applied remain unchanged compared to the Annual Report 2002.

Warrants in issue have caused no dilution effect for any of the reported periods. In the event that all warrants are converted into shares a maximum of 1,150,000 shares could be issued.