



**Year-end report  
1 January – 31 December 2007**

Nextlink AB (publ.)

**Fourth quarter 2007**

- Revenue amounted to SEK 9.3m (9.7)
- Gross profit was SEK 0.1m (5.9)
- Gross margin was 1.3 percent (60.8)
- Loss after tax amounted to SEK -27.4m (-19.7)
- Earnings per share were SEK -1.50 (-1.34)
- The order stock amounted to SEK 30.0m (19.7)
- Nextlink has obtained breakthrough-orders for the new consumer product INVISIO G5
- Nextlink has received significant orders for professional headsets from SELEX Communication in the United Kingdom and from Canadian Special Forces
- Nextlink's preferential share issue was fully subscribed
- Niels-Henrik Valentin Knudsen has been recruited as Vice President Marketing

**January - December 2007**

- Revenue amounted to SEK 22.7m (57.5)
- Gross profit was SEK 8.1m (23.2)
- Gross margin was 35.4 percent (40.3)
- Loss after tax amounted to SEK -69.0m (-46.1)
- Earnings per share were SEK -4.20 (-3.15)

**Significant events further to the end of the fourth quarter**

- Nextlink has obtained a prestigious order from BAE Systems for INVISIO Pro headsets
- Awards and finalist placing for INVISIO Q7 during the CES fair in Las Vegas

**About Nextlink AB**

Nextlink AB is a public company listed on the First North (ticker code: NXTL) an alternative market on the OMX Nordic Exchange Stockholm. Nextlink holds the patents for Bone Conductive Technology, which provides the best possible speech in all sound environments, and the Soft Spring, for optimal wearing comfort. Both patents are featured in the company's INVISIO® consumer and military communications headsets. Nextlink's professional products are used by police forces, fire fighters, military personnel, security units and special forces around the world.

Additional information is available on the company's website at [www.nextlink.se](http://www.nextlink.se)

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

## **Report from the CEO**

This time last year, we knew that 2007 would be a testing year. We were right in our prediction. It was a difficult year, but we passed the test.

### **Product development has succeeded**

The products that Nextlink works with hold a world-class position from a technical aspect. They have been developed to be sold against tough competition on markets amounting to multi-billion figures – and that are growing. We win distinguished awards for our products year after year, and we maintain close contact with world-leading distributors and partners. But what we have laboriously learned in 2006 and 2007 is that it is one thing to develop a product at prototype level and something completely different to make the same product ready for mass-production – and to manage separate purchasing groups' often tough demands with regard to testing and certification. The year was a large success for product development, albeit delayed by about three months.

CES, the Consumer Electronics Show in Las Vegas, USA – the world's largest annual fair for consumer electronics – was a significant success for Nextlink. Among more than 2,700 exhibiting companies, the INVISIO Q7 headset was elected by the American Laptop Magazine as "Best of CES Cell Phone Accessory". INVISIO Q7 was also finalist when CNET nominated "Best of CES" in the Mobile Telephones and Smart Phones category, as well as receiving the "Innovation Honouree Award". The nominations and awards were only conferred on a few products of all those exhibited at the CES.

The technical development of our products designed for the professional market took major steps forward in 2007, and will be completed in the first half-year of 2008. The new product line, developed to meet the most advanced military specifications, is planned to be launched in the second half-year of 2008.

Our new headsets for the consumer market continue to impress customers and the media. Customer interest has accelerated since INVISIO G5 and INVISIO Q7 were completed. We obtained significant orders for INVISIO G5 in the last quarter 2007, including from Carphone Warehouse, which is the UK's and one of Europe's largest retail chains for mobile telephones and accessories. We also have the pleasure of noting, before the launch of INVISIO Q7 due in March, that we have already obtained orders for considerable volumes from more than ten customers.

### **All prerequisites are present for large-scale production**

We established production cooperation agreements during the year with world-leading contractual manufacturers such as PartnerTech and Flextronics. We thereby no longer produce anything ourselves and simultaneously obtain conditions to address anticipated increased volumes and product requirements. The choice of PartnerTech and Flextronics will benefit purchasers because these companies have an extraordinarily good reputation for their quality production.

### **Market trends in our favour**

The market for consumer headsets based on Bluetooth is increasing. Of more than one billion telephones that will be sold in 2008, close to half will be equipped with Bluetooth. Legislation is moving to requiring that headsets be used when, for example, driving a vehicle. Headsets are a kind of accessory that is an important source of revenue for mobile telephone manufacturers. With the launch of INVISIO Q7, we have set a new standard and solved a basic consumer need through the considerable reduction in surrounding noise, such as wind and other disturbances.

The market for professional headsets is also growing. We can see a distinct trend towards using "in-ear headsets" within the military and other professional areas of use. Nextlink is one of the few companies in the world that has patented technology to be able to develop in-ear headsets based on jawbone microphones.

### **We have left several footprints in the market, with broad penetration**

With high-class products designed for two growing markets, the remaining task is to find ways out into the market that can be combined with good margins with reasonable sales overheads.

In 2007, we continued the process of primarily selling through distributors. The year's sales consisted principally of the relatively low-priced consumer product INVISIO B3 and the professional products that the Company previously provided. New customers were gained during the year, on both the consumer and the professional side, who are expected to be very considerable orderers in the forthcoming years. The overall sales for 2007 were very low and are not comparable with the volumes we are striving to achieve with the new comprehensive product range.

The strategy for consumer products is to work with retail chains, certain distributors and to enter into OEM agreements with, for example, mobile phone manufacturers.

The distributors that we currently have, or are in negotiation with, work primarily in the European market where we believe that premium products similar to ours have the best market. The first major order was received from Carphone Warehouse, which is now selling INVISIO G5 in a very large number of stores in the UK and Ireland in gradually rising volumes. Negotiations are in progress with a large number of distributors.

No OEM agreement has been signed for the time being, but negotiations will be entered into during the first quarter.

The strategy for professional products is to cooperate with leading systems integrators, who in turn sell to primarily the defence industry. Nextlink has been identified by world-leader MSA Sordin as global partner, and a Letter of Intent was signed in 2007. This Letter of Intent will be further negotiated in the beginning of 2008 to become a delivery agreement for several important markets. In general, Nextlink has established contact and in certain cases negotiations with a handful of systems integrators that comprise the market's players.

### **Back on track**

With two years of significant losses behind us, it may sound like a madman's opinion to say that Nextlink now has stronger operations than ever before as a new year gets under way, but I really cannot find any other way of expressing it. We would not have managed without our patient and loyal shareholders. I myself became shareholder during the year. Our personnel increased their shareholding last year, as well as in the beginning of this year. Their skills and competence are at an absolute top level and the internal processes are functioning very well. The list of prospectuses and customers has never been so comprehensive.

We are now in pole position thanks to our shareholders' long-term objectivity, steady and purposeful development work, strong patents, strong partners, loyal personnel and many promising customer negotiations. We are now back on track!

Lars Højgård Hansen  
Chief Executive Officer

## Fourth quarter

**Nextlink has obtained several new orders for INVISIO G5 as well as continued orders for INVISIO B3.**

Orders have been received from several major European mobile distributors in the fourth quarter amounting to SEK 13.2m. Parts of the orders were delivered during the quarter and the remainder will be delivered in the first quarter 2008.

**Nextlink has received orders for professional headsets from SELEX Communication and Canadian Special Forces.**

The order from SELEX Communication concerns INVISIO Pro headsets and PTTs (Push-To-Talk). The value of the order totalled SEK 1.8m with delivery in the first quarter 2008.

The order from Canadian Special Forces also concerns INVISIO Pro headsets and PTTs. Delivery took place during the fourth quarter 2007 as well as a certain part in the first quarter 2008.

Even if the value of these orders is relatively small, they are nonetheless significant breakthroughs with important customers.

**Preferential share issue was fully subscribed**

It was resolved in the third quarter to carry out a preferential share issue of approximately SEK 46.2m with subscription privilege for shareholders.

The issue was fully subscribed and provided the Company with SEK 46.2m before issue costs. None of the available guarantees needed to be called. Further to the new issue, the number of outstanding shares was 19,623,779.

**New Marketing Director recruited**

Niels-Henrik Valentin Knudsen joined Nextlink on 1 December 2007 as Vice President Marketing with responsibility for Nextlink's product management and marketing.

Niels-Henrik comes most recently from GN Netcom, where he was responsible for Product Partnerships. Niels-Henrik has 20 years' experience of product management and marketing in executive positions at

GN Netcom/Jabra, Orange, D:E:R Thorn and Peter Justesen. Niels-Henrik is 40 years old and will be a member of the Company's management group.

## Sales summary

**Sales, gross profit and pending orders**

Nextlink had low sales in 2007, with less than half of last year's figures. The G5 and Q7 consumer products are now ready for large-scale industrial production, albeit with a further delay of about three months. Considerable product development of the professional products has been carried out in parallel. The consumer products available for sale during the year were consequently only the B3 headset, as well as the G5 during the last months of the year. On the professional side, the Company continued to sell the existing product range.

Revenue for the full-year 2007 amounted to SEK 22.8m (57.5), representing a fall of 60.4 percent compared with 2006.

- Consumer products stood for SEK 8.6m (39.7), representing a decline of 78 percent compared with last year.
- Professional products stood for SEK 14.2m (17.8), representing a decrease of 21 percent compared with last year. Mainly standard products were sold during the year, which have lower unit prices than custom-made.

Gross profit for the full-year 2007 amounted to SEK 8.1m (23.2), representing a fall of 65 percent compared with last year.

Gross margin for the full-year was 35.4 percent compared with 40.4 percent last year.

Revenue for the fourth quarter amounted to SEK 9.3m (9.7) – a decline of 4.1 percent compared with the same quarter last year.

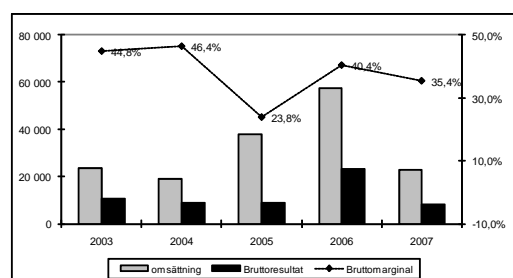
Gross profit for the fourth quarter was SEK 0.1m (5.9), representing a fall of 98 percent compared with the same quarter last year. Gross profit for the fourth quarter was burdened with a provision for

development work and non-recurring start-up costs for both Partnertech and Flextronics amounting in total to almost SEK 1.4m, which had previously been recognised as income.

Furthermore, in conjunction with the relocation of production, component sales of about SEK 3.5m were made at cost-price. Excluding provisions and start-up costs, the gross profit was SEK 1.5m.

Gross margin for the fourth quarter was 1.3 percent (60.8). Excluding provisions, start-up costs and the component sales, the gross margin for the fourth quarter was 22.7 percent.

Nextlink obtained new orders in the fourth quarter for a total of approximately 38,500 units, representing SEK 21.3m. Pending orders at the end of the year amounted to SEK 30.0m.



### Consumer products

Nextlink sold 48,913 units (173,392) during the full-year 2007, and 13,031 units (26,231) in the fourth quarter.

Pending orders for consumer products amounted to SEK 23.4m at the end of the period, with delivery in the first quarter of 2008.

INVISIO G5, one of the world's smallest headsets, was launched in the fourth quarter and deliveries started in December.

### Professional products

Nextlink sold 7,276 units (10,282) during the full-year 2007, and 948 units (2,325) in the fourth quarter.

Pending orders for professional products amounted to SEK 6.6m at the end of the period, with deliveries in the first quarter of 2008.

## Costs and earnings

### Operating costs

Operating costs for the full-year 2007 amounted to SEK 71.6m (65.0), and SEK 26.1m (22.6) for the fourth quarter.

Operating costs for 2007 include non-recurring items of SEK 17.6m that consist primarily of the write-down of inventories by SEK 11.9m, a provision of SEK 3.1m regarding a dispute with previous employees, as well as salaries for redundant personnel of SEK 2.6m.

Adjusted for the aforementioned non-recurring items, operating costs amounted to SEK 54m.

Nextlink devoted considerable resources in 2007 to complete its new products for the consumer market and to start the development of the next generation's advanced products for the professional market.

Development costs for the year amounted to SEK 16.8m, of which SEK 8.2m have been capitalised. No development costs were capitalised in the first two quarters of the year.

Nextlink centralised management functions in Copenhagen during the year, and has changed the local office in Dallas into a sales office. Marketing and product development functions continued to be strengthened. The total number of employees at Nextlink at the end of the year was 40 (39).

### Earnings

The loss after tax for the full-year was SEK -69.0m (-46.1) representing SEK -4.20 (-3.15) per share.

Adjusted for the above non-recurring items, the loss was SEK -51.4m.

## Investments, liquidity, equity and financial position

### Investments

Nextlink made investments of SEK 11.8m in 2007, of which SEK 8.2m (10.7) consisted of capitalised development costs. In the fourth quarter, Nextlink invested SEK 3.8m (7.8). The investments

were composed primarily of test equipment, tools and software for the development of the new INVISIO G5 and INVISIO Q7 products. Test equipment for INVISIO Pro is also included to a certain degree in conjunction with the moving of production to PartnerTech.

### **Liquidity**

At the end of the year, Nextlink had SEK 11.6m (13.2) in cash and cash equivalents.

### **Shareholders' equity**

The Group's equity amounted at the end of the year to SEK 20.0m (16.7).

The total number of shares at the end of the year was 19,623,779. Further to full exercise of outstanding subscription options, the number of shares amounts to 19,685,384. The Group's equity ratio was 34 percent (31) at the end of the year.

### **Cash flow and financial position**

Cash flow from current operations amounted to SEK -66.0m (-42.5) for the full year 2007.

### **Parent Company**

Revenue in the Parent Company was SEK 1.2m (3.5), and the loss after tax amounted to SEK -10.9m (-17.7).

The equity ratio was 88 percent (71). Cash and cash equivalents amounted to SEK 8.6m (10.2) at the end of the year. The number of employees in the Parent Company was 1 (1).

## **Significant events further to the end of the year**

### **Prestigious order from BAE Systems for INVISIO Pro headsets**

The order has been received from BAE Systems in the United Kingdom and concerns Nextlink INVISIO Pro headsets and PTTs (Push-To-Talk) that will be used for communication onboard submarines. The value of the order is SEK 2.1m and delivery will take place in the first and second quarters of 2008.

### **Awards and finalist placing for INVISIO Q7 during the CES fair in Las Vegas**

Nextlink's new wireless INVISIO Q7 headset was elected at this year's CES fair

in Las Vegas by the American Laptop Magazine as "Best of CES Cell Phone Accessory". INVISIO Q7 was also finalist when CNET nominated "Best of CES" in the "Mobile Phones and Smart Phones" category, as well as receiving the "Innovation Honouree Award" at the fair.

### **Redemption of subscription options**

Subscription options were exercised in January 2008, providing the Company with SEK 2.5m and resulting in the issue of 201,905 new shares.

## **Outlook for forthcoming quarters**

### **Consumer products**

Both INVISIO B3 and INVISIO G5 are now fully developed and a number of major orders have been received from several significant European mobile distributors. Production is in progress and will be raised in tandem with the anticipated increase in number of orders.

The products have been very well received by potential customers and partners in many European countries. In North America, final negotiations are in progress with a number of potential customers, and interest is also strong in parts of Asia and the Middle East.

INVISIO Q7, which is based on Nextlink's patented jawbone microphone, will be launched in the first quarter of 2008. Interest from customers and the media has been very strong in view of this patented technology offering completely new communication opportunities in noisy and windy environments. Nextlink is also pleased to note that a considerable volume of orders has already been received from more than ten customers prior to the launch of INVISIO Q7 in March.

INVISIO Q7 was elected "Best of CES" by Laptop Magazine (see above).

To summarise, Nextlink will sell and deliver all new consumer products that were mainly developed in 2007 as of the second quarter 2008.

### **Professional products**

Nextlink focused in 2007 on increasing sales of the INVISIO Pro products by

adding new distributors and systems integrators. This implies better market penetration in Europe, North America and parts of Asia. The strategy to sell via distributors and systems integrators will continue to be applied during the forthcoming quarters.

The moving of production to PartnerTech has implied continued high product quality and improved delivery reliability, as well as enabling prerequisites for the greater volumes that the Company anticipates.

INVISIO Pro has held a strong position for many years particularly among military special and emergency forces. Through the development of a completely new and technically very advanced product line, this position will be even further strengthened. At the same time, the new product line creates preconditions for processing several new customer segments. The new product line is planned to be launched in the second half-year 2008.

Talks are being held with major systems integrators with regard to using the next generation of INVISIO Pro in their total solutions, particularly for military applications.

Nextlink believes that the ongoing negotiations will result in new contracts and delivery agreements in the first half-year 2008. Several of these deals have prerequisites to becoming significantly larger than previously experienced by Nextlink.

#### **OEM and licensing**

A number of talks are being held concerning OEM collaboration and other industrial agreements. Nextlink believes that the ongoing negotiations will result in new contracts in 2008. Discussions are in

progress within both the consumer and professional product areas.

#### **Patents**

Nextlink holds several patents. The VoIP patent concerns technology to enable a voice call being made via IP from a mobile hand unit (e.g. mobile phone), wireless and at short distance (Bluetooth, Dect, WLAN) by connecting to a home gateway. A considerable number of validations were made during the year concerning the value of this patent in particular. The conclusion is that the VoIP patent, correctly used, should be able to have significant financial value. The process to realise this value has been started.

#### **Stock-exchange listing**

Preparations for a listing on the OMX Nordic Exchange continue, but the Company currently prefers to wait for an improvement in the market climate.

#### **Other information**

##### **Accounting principles**

The Group applies International Financial Reporting Standards (IFRS) as adopted by the European Union, the Swedish Annual Accounts Act, and the Swedish Financial Accounting Standards Council's recommendation RR 30 – Supplementary Accounting Regulations. Interim reports are prepared in accordance with IAS 34 – Interim Reporting, which corresponds to the demands placed in the Swedish Financial Accounting Standards Council's recommendation 31 – Interim Reports for Groups.

This report has not been examined by the Company's auditors.

##### **Financial reporting dates**

Yearly report to be published 14 March at the latest  
Interim report January-March: 28 April 2008  
Interim report April-June: 17 July 2008  
Interim report July-September: 27 October 2008  
Year-end report 2008: 16 February 2009

Stockholm, 14 February 2008

*The Board of Directors  
Nextlink AB (publ)*

Further information is available from:

Lars Højgård Hansen, CEO  
Mobile: +45 72 40 55 55  
E-mail: [lh@nextlink.to](mailto:lh@nextlink.to)

Bengt Nilsson, CFO  
Mobile: +45 72 40 55 60  
E-mail: [bengt.nilsson@nextlink.to](mailto:bengt.nilsson@nextlink.to)

Address and contact information:

Nextlink AB (publ)  
Box 49 149  
100 29 Stockholm  
Sweden

Corporate ID number: 556651-0987

## Nextlink Group

KSEK

<b>Income Statement</b>	<b>Oct-Dec 2007</b>	<b>Oct-Dec 2006</b>	<b>Jan-Dec 2007</b>	<b>Jan-Dec 2006</b>
Revenue	9.319	9.729	22.786	57.517
Cost of goods sold	-9.195	-3.814	-14.720	-34.293
<b>Gross Profit</b>	<b>124</b>	<b>5.915</b>	<b>8.066</b>	<b>23.224</b>
Operating expenses	-26.065	-22.550	-71.573	-64.996
Depreciation	-954	-911	-3.192	-1.957
<b>Operating profit</b>	<b>-26.895</b>	<b>-17.546</b>	<b>-66.699</b>	<b>-43.729</b>
Financial income and expenses	-500	-2.134	-1.323	-2.414
<b>Profit before income tax</b>	<b>-27.395</b>	<b>-19.680</b>	<b>-68.022</b>	<b>-46.143</b>
Tax	-43	0	-1.018	-
<b>Net profit</b>	<b>-27.438</b>	<b>-19.680</b>	<b>-69.040</b>	<b>-46.143</b>
	0	0	0	0
Net profit for minorities	0	0	0	0
Net profit for shareholders in the parent company	-27.438	-19.680	-69.040	-46.143

<b>Share data</b>	<b>Oct-Dec 2007</b>	<b>Oct-Dec 2006</b>	<b>Jan-Dec 2007</b>	<b>Jan-Dec 2006</b>
Earnings per share, SEK	-1,50	-1,34	-4,20	-3,15
Earnings per share, fully diluted basis SEK	-1,50	-1,34	-4,20	-3,15
Equity per share SEK	1,02	1,14	1,02	1,14
Equity per share, fully diluted basis SEK	1,16	1,61	1,16	1,61
Equity ratio, %	34%	31%	34%	31%
Number of shares outstanding	19.623.779	14.663.453	19.623.779	14.663.453
Average number of shares outstanding	18.315.527	14.661.725	16.432.882	13.290.448
Numbers of shares outstanding, fully diluted basis	19.685.384	17.590.320	19.685.384	17.590.320
Share price SEK	19,00	23,00	19,00	23,00

## Nextlink Group

### **Balance sheet**

KSEK

<b>Assets</b>	<b>31-12-2007</b>	<b>31-12-2006</b>
Intangible assets	19.315	12.248
Tangible assets	5.984	3.654
Financial assets	3.983	889
Inventory	4.416	13.709
Trade receivables	6.797	8.271
Other receivables	5.781	1.059
Cash and bank	11.633	13.171
<b>Total assets</b>	<b>57.909</b>	<b>53.001</b>
<b>Equity and liabilities</b>		
Equity	19.958	16.688
Long term debt	13.195	17.734
Trade payables	13.351	13.640
Other liabilities	11.405	4.939
<b>Total equity and liabilities</b>	<b>57.909</b>	<b>53.001</b>

<b>Consolidated statement of changes in shareholders equity</b>	<b>18-07-2058</b>	<b>08-02-2045</b>
Balance at the beginning of the period	16.688	33.280
Exchange rate adjustment of investments in subsidiary	462	270
New share issues	71.848	29.281
Net profit for the period	-69.040	-46.143
<b>Balance at the end of the period</b>	<b>19.958</b>	<b>16.688</b>

### **Nextlink Group**

-  
KSEK

<b>Cash flow</b>	<b>Oct-Dec 2007</b>	<b>Oct-Dec 2006</b>	<b>Jan-Dec 2007</b>	<b>Jan-Dec 2006</b>
<b>Result before taxes</b>	-27.395	-19.680	-68.022	-46.143
Adjustment for non-cash items	490	3.301	3.010	3.664
Taxes	-43	-	-1.018	-
<b>Cash flow from operations before changes in working capital</b>	<b>-26.948</b>	<b>-16.379</b>	<b>-66.031</b>	<b>-42.479</b>
Changes in working capital	8.575	1.719	12.222	4.729
<b>Cash flow from operations</b>	<b>-18.373</b>	<b>-14.660</b>	<b>-53.809</b>	<b>-37.750</b>
Capitalization of internal development costs	-3.106	-6.635	-8.245	-10.653
Acquisitions in financial non-current assets	145	204	217	-862
Acquisitions in tangible non-current assets	-840	-1.190	-3.711	0
<b>Cash flow from investment activities</b>	<b>-3.801</b>	<b>-7.621</b>	<b>-11.739</b>	<b>-11.515</b>
New share issues	40.365	742	71.818	29.731
Bank guarantee	364	-	-3.270	-
New / repayment of loans	-8.012	5.000	-4.539	13.286
<b>Cash flow from financing activities</b>	<b>32.717</b>	<b>5.742</b>	<b>64.009</b>	<b>43.017</b>
<b>Total cash flow</b>	<b>10.543</b>	<b>-16.539</b>	<b>-1.538</b>	<b>-6.248</b>
Liquid funds at beginning of period	1.090	29.710	13.171	19.419
Liquid funds at end of period	11.633	13.171	11.633	13.171