

ANNUAL REPORT 2008



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## Information to Our Shareholders

### Annual General Meeting 2009

The Annual General Meeting will be held at 4 pm on Tuesday, 21 April 2009 at Gustafs Konferens Bar & Matsal at Gustavslundsvägen 149 A in Bromma (Metro station: Alvik). An official notification will be published no earlier than six weeks and no later than four weeks before the Meeting. To be entitled to participate in the Annual General Meeting, shareholders must be registered in the share register maintained by Euroclear Sweden AB (previously VPC AB - Swedish Central Securities Depository & Clearing Organization) no later than 15 April 2009 and must notify the company of their intention to attend the Annual General Meeting by 4 pm on Wednesday, 15 April 2009. To be entitled to participate in the Meeting, shareholders whose shares are held in the name of a trustee must temporarily re-register their shares with Euroclear Sweden AB in their own name. Such registration must be completed no later than 15 April 2009.

### Financial Reporting

JANUARY–MARCH 2009: 21 APRIL

JANUARY–JUNE 2009: 21 JULY

JANUARY–SEPTEMBER 2009: 20 OCTOBER

YEAR-END REPORT 2009: 27 JANUARY 2010

ALL FINANCIAL REPORTS AND OTHER PRESS COMMUNIQUÉS ARE AVAILABLE FROM THE COMPANY'S WEBSITE AT [WWW.EFFNETHOLDING.SE](http://WWW.EFFNETHOLDING.SE).

N.B. The Annual Report is prepared in Swedish and translated into English. Should differences occur between the Swedish Annual Report and the English translation, the Swedish version shall prevail



# About Effnet Holding – developing leading edge technology for digital communication

## The Business

The Effnet Group is active within advanced digital communication and, within its niches, serves customers in market segments characterized by high growth potential. The Group's products are based on leading technology and its mission is to be the leader in the respective market segments.

The Group has two business areas, Digital Broadcasting and Header Compression.

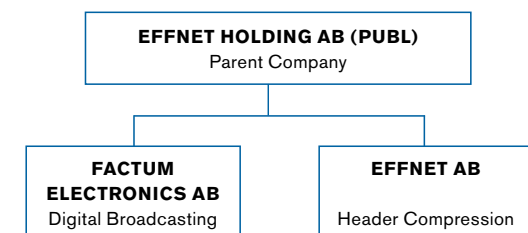
## Digital Broadcasting

Factum Electronics AB is a leader in digital broadcasting via DAB/DAB+/DMB. Factum Electronics develops and sells systems and components, including testing and monitoring equipment to broadcasting companies and network operators worldwide. Factum Electronics also supplies modular software developed by the company (middleware) for manufacturers of chipsets for DAB/

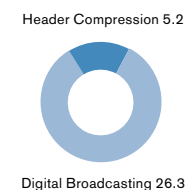
DAB+/DMB receivers including mobile telephones. Additionally, Factum sells components for digital stereo sound for analogue television broadcasts (NICAM) to broadcasting companies and network operators. As of early 2009, Factum Electronics will also sell third-party products within the area of DAB/DAB+/DMB.

## Header Compression

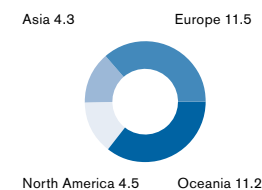
Effnet AB develops and sells the Effnet Header Compression family of software products. Effnet Header Compression increases the efficiency, speed and reliability of IP traffic in mobile, fixed and satellite based networks. Typical customers include manufacturers of chipsets, protocol stack vendors and manufacturers of infrastructure systems and terminals, mainly within telecommunications. Effnet is the leading supplier in its field.



NET SALES 2008, MSEK



NET SALES 2008, MSEK



EARNINGS TREND, MSEK

	2008	2007	2006	2005
Net sales	31.5	24.6	36.3	53.8
Operating profit	-9.2	-15.3	-3.6	14.6
Net profit/loss	-8.9	-14.7	1.2	17.8
Number of employees at year-end	24	30	27	23



## Highlights of 2008

### The Group

- The Group reported an increase in net sales of 28% to MSEK 31.5 (24.6). Excluding restructuring costs of MSEK 1.8, last year's loss was reduced by half to MSEK -7.2 (-14.7), or SEK -0.07 (-0.14) per share.
- In the fourth quarter, the Group generated a profit and positive cash flow.

### Factum Electronics AB

- Factum Electronics increased its net sales by 32% to MSEK 26.3 (20.0) but generated negative income and cash flow.
- The most significant event of the year for Factum Electronics was when the order was won from Commercial Radio Australia for DAB+ systems for the rollout of digital radio in Australia.
- Factum Electronics supplied systems to Malta for the first commercial DAB+ broadcasts in Europe and to Switzerland for the rollout of public service DAB+.
- Other orders during the year for DAB/DAB+/DMB systems were received from customers in China, Germany, Italy, and South Korea.
- Factum Electronics licensed its DAB/DAB+/DMB middleware to the US chipset manufacturer Analog Devices, Inc.
- Deliveries of equipment to Norway for rolling out mobile TV via DMB were commenced.
- Sales of NICAM products increased by 10% during the year.

### Effnet AB

- In 2008, Effnet AB increased its net sales from MSEK 4.6 to MSEK 5.2 and generated (excluding central costs) both a positive net income and cash flow.
- Effnet entered into agreements concerning several production licences, among them one with Cisco.
- Effnet successfully licensed its simulation tool, HC-Sim.
- Collaboration was commenced with three chipset companies.
- Effnet also reached new customer categories, for example within safety, emergency and rescue services, and also the public sector. ABB also became a new customer within the segment of communications via power lines.

### Events at the beginning of 2009

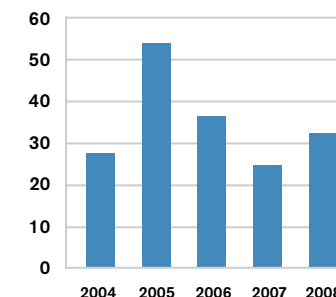
- At the beginning of the year, Joakim Enerstam took up the post as President of the subsidiary Effnet AB.
- In January, Factum Electronics entered into a collaboration agreement with All in Media Ltd and Unique Interactive Ltd, which both produce software for data services within the field of digital broadcasting. The strategy of selling third-party products widens and supplements the product range of Factum and aims to increase its competitiveness, sales and income.
- Kenneth Lundgren succeeded Hans Runesten as CEO and President of the Parent Company on 1 March 2009.
- As of 2 March 2009, Effnet Holding AB is listed on NASDAQ OMX First North Premier.

## Five Year Summary and Key Ratios

MSEK unless stated otherwise	2008	2007	2006	2005	2004
Net sales	31.5	24.6	36.3	53.8	27.3
Sales growth	28 %	-32 %	-32 %	97 %	32 %
Operating income	-9.2	-15.3	-3.6	14.6	-7.2
Operating margin	Neg	Neg	Neg	27 %	Neg
Value added ratio	51 %	36 %	49 %	64 %	49 %
Net profit/loss	-8.9	-14.7	1.2	17.8	Neg
Cash flow from operating activities	-10.0	-6.4	-4.5	13.4	-10.6
Total assets	27.4	34.1	47.4	46.0	26.3
Equity	17.4	26.0	39.8	37.9	20.1
Equity/assets ratio	63 %	76 %	84 %	83 %	76 %
Cash and cash equivalents	5.7	16.0	23.4	29.2	16.5
Return on equity	Neg	Neg	3 %	61 %	Neg
Return on capital employed	Neg	Neg	Neg	50 %	Neg
Number of employees	24	30	27	23	22
Average number of employees	26	26	24	21	22
Net sales per employee	1.2	0.9	1.5	2.6	1.2
Value added per employee	0.6	0.3	0.7	1.6	0.6
Number of shares, thousands, at end of year	108.668	108.668	108.668	108.668	108.668
Number of shares, thousands, average	108.668	108.668	108.668	108.668	108.668
Number of shares with maximum dilution, thousands, at end of year	112.108	112.358	112.633	108.668	108.668
Net sales per share, SEK	0.29	0.23	0.33	0.50	0.25
Earnings per share, SEK	Neg	Neg	0.01	0.16	Neg
Cash flow per share, SEK	-0.09	-0.06	-0.04	0.12	-0.10
Cash and cash equivalents per share, SEK	0.05	0.15	0.22	0.27	0.15
Equity per share, SEK	0.16	0.24	0.37	0.35	0.19
Share price at year-end, SEK	0.38	0.95	1.86	2.14	0.49
Price/equity	238 %	398 %	508 %	613 %	265 %
Market value	41.3	103.2	202.1	232.5	53.2
Dividend per share, SEK	0.00*	0.00	0.00	0.00	0.00

\* Board of Directors' proposal.

NET SALES, MSEK



### Comments

The present number of outstanding shares has been used in the calculation of key ratios. At the Annual General Meeting on 26 April 2006, it was resolved to issue an option programme directed towards the employees. As per 31 December 2008, outstanding options could be converted to 3 440,000 (3,690,000) shares. The exercise price of SEK 4.92 exceeded the market price at the turn of the year and, consequently, no dilution has been considered in the calculation of the key ratios.

Pro forma figures are presented for 2004 - see Note 2.4. Consequently, certain comparative figures are not meaningful.

A financial glossary is available on page 38.



Bright future for Factum despite tough competition

Growing contract stock for Header Compression

## CEO's Comments – Well prepared for turbulent times

Sales increased by 28% last year, but unfortunately 2008 still produced a loss. However, if we eliminate the restructuring expenses incurred at the turn of the year, this loss is reduced by half compared with the preceding year. The Group produced both a profit and a positive cash flow during the fourth quarter.

### **Bright future for Factum despite tough competition**

Factum's system sales have for the second year in a row struggled with low volumes and profit margins partly due to the ongoing technology shift towards DAB+ but primarily due to tough price competition. This has eroded profitability and had a negative impact on the entire Group. We have however reason to believe that the rate of growth in the market will increase and that price competition will become less intensive.

Despite the tough competition, Factum improved its strong market position during the year, mainly owing to the company winning the order from Commercial Radio Australia. This order related to DAB+ systems, which are to be used for the launch of digital radio in Australia's five largest cities in 2009. The systems ordered were delivered to satisfied customers by the end of the year. Systems were also supplied to several other customers and countries in 2008. At the end of the year, we supplied the first DMB systems for mobile TV to Norway. This order is of particular interest as it confirms DMB as a particularly suitable technology for broadcasting mobile TV.

Factum's middleware made a commercial breakthrough in 2008 when a licence and cooperation agreement was concluded with Analog Devices, Inc. This business area, like Header Compression, will gradually generate regular and growing revenues, which will in turn improve Factum's business model and its capacity

to generate profits and cash flow. Sales of Factum's NICAM components were surprisingly strong and rose by 10% compared with the previous year. Factum released a new generation of systems during the year and also completed products for testing and monitoring. In order to increase Factum's competitiveness, profit and cash flow, a decision was taken to supplement the product range by selling third-party products.

### **Growing contract stock for Header Compression**

The work continued successfully within the Header Compression business area to build up a portfolio of licence contracts with long-term royalty revenues. Among other things, a licence agreement was concluded with Cisco. A number of customers were licensed for new areas of use during the year, such as, for instance, telephony via power lines. Contracts were also concluded with customers in new segments, such as the areas of safety, emergency and rescue services. Furthermore, the exposure of this business area to the public sector was expanded through a new production licence. Effnet AB also made progress with the licensing of its Effnet HC-Sim simulation tool. In the future, Effnet AB will continue to give priority to the development of a portfolio with long-term royalty contracts, rather than settling for short-term licence revenues.

### **Plan of action**

A reorganisation of the Group and a cost-cutting programme were initiated at the end of the year. Kenneth Lundgren became President and CEO as of 1 March 2009. Kenneth has been the CEO of Factum Electronics since 2004. The Stockholm office will close and operations will be run from the subsidiaries' premises in Linköping and Luleå. Group functions will move to Linköping, which

will consequently become our new headquarters. This programme, together with the cutbacks previously implemented, will result in the Group's fixed costs reducing by a third when compared with the start of 2008.

In order to emphasise our ambitions for transparency and market communications, we applied for the Effnet share to be listed on the NASDAQ OMX First North Premier at the end of February 2009. The company was admitted to this list as of 2 March 2009, which represents a further seal of approval for our company.

### Some reflections...

Now that I approach the end of my term as President and CEO, I can look back over some exciting years. At the end of 2001, I joined what was then Effnet Group AB, where there was a great need for action. The company did not have any marketable products and its only obvious asset was a very large amount of cash, which was used at an alarming pace. A lot has happened since then. We started to implement gradual changes to the board, management and ownership. An unsuccessful acquisition was wound up and unproductive and expensive offices were closed both in Sweden and abroad. In parallel with this, a productization of the company's software and a market orientation of the company's operation were carried out. In 2002, the subsidiary Factum Electronics AB was acquired. A property portfolio was acquired in 2004 and the company changed its name to AB Sagax. Sagax became a very successful property company and it is now listed on the main list of the Stockholm Stock Exchange. Effnet Group AB concentrated the technical businesses into the company Effnet Holding AB in conjunction with the property acquisition. This company was distributed to our shareholders with a separate listing. In 2005, Effnet Holding's subsidiary Effnet AB made a major market breakthrough for its header compression software when it was licensed to the US company Qualcomm. This led to a record year for the Group both as regards sales and profits.

### ...and looking forward

Over recent years the Group has secured the subsidiaries' strong brands and market positions. Factum has improved its competitiveness by expanding its range of products. Strategic alliances have been forged with the former competitor Harris Corp., as well as the leading manufacturer of chipsets for DAB/DAB+/DMB, Frontier Silicon Ltd.

Effnet AB's header compression software has been developed to become virtually the de facto standard within both telecommunications and mobile broadband. Effnet AB is continually adding new prestigious customers to its list of accounts.

Factum Electronics and Effnet AB are both prominent within their respective niches. The companies have leading technologies, high quality products, strong brands and market positions and also, not least, skilled staff. It is the latter who have enabled the successes of the Group and made it such a privilege for me to lead this company. I would like to express my greatest and heartfelt gratitude to the Group's staff for their invaluable contributions over the years.

During my time as President and CEO, long-term investors who have retained both their Effnet and Sagax shares will have seen the value of their shareholding increase by 373%. This can be compared with Affärsvärlden's general index, which only rose by 28% over the same period.

We now find ourselves in very turbulent times and, as always, the future remains uncertain. However, I consider that the Group is well positioned for the future and I wish Kenneth every success as the new President and CEO.

Stockholm, March 2009

Hans Runesten  
President and CEO of Effnet Holding AB  
(up to and including February 2009)  
hans.runesten@effnet.com

A selection of our new customers in 2008:

The logo for ABB, consisting of the letters 'ABB' in a bold, red, sans-serif font.The logo for Broadcom, featuring a red stylized 'A' shape above the word 'BROADCOM' in a bold, black, sans-serif font, with a red wavy line underneath.The logo for Cisco, featuring a stylized green and blue bridge icon above the word 'CISCO' in a bold, red, sans-serif font.The logo for Commercial Radio Australia, featuring a blue and white stylized wave icon to the left of the text 'commercial radio australia' in a blue, sans-serif font.The logo for NEONSEVEN, featuring the word 'NEONSEVEN' in a bold, red, sans-serif font with a red heart shape to the right.The logo for NMTV, featuring a red and white stylized star icon to the left of the text 'NMTV. NORGES MOBIL-TV AS' in a black, sans-serif font.The logo for SWR, featuring the letters 'SWR' in a bold, blue, sans-serif font followed by a red arrow pointing to the right.



## Mission Statement, Goals and Strategies – Shareholder value through long term profitable growth

### **Mission statement**

The Group's mission is to deliver leading-edge products and services within digital communication to customers in market segments with high growth potential.

### **Overall goals**

The Group's overall goal is increased shareholder value created primarily through long-term profitability and growth.

### **Financial goals**

A number of financial goals have been established. The aim of these goals is to strengthen the focus of the operations on the Group's overall goal, and to limit risk. The financial goals apply to the present Group structure and risk level, and may be adjusted due to changes, such as an acquisition.

### **Cash flow and result Cash flow and result**

Each business area should show a positive cash flow and make an operating profit.

### **Equity/assets ratio**

Considering that the business has a relatively high risk level, the equity/assets ratio should be at least 40 per cent.

### **Earnings per share**

Earnings per share should continuously improve. The Group may issue new shares in conjunction with an acquisition, or for other reasons. The guideline when doing so is that earnings per share should always be improved.

### **Dividend**

Currently, the Board prioritizes the Company's capital requirements for expansion, as well as investment in product development and in new or complementary businesses.

### **Strategies**

The Group's main strategy is to further develop its businesses on the basis of organic growth. In addition, the Group can be expanded with new or complementary businesses through acquisition, provided that they create added value for the shareholders.

# Personnel and Organization – competent employees

## Organization structure

The organization of the Effnet Group is strongly customer oriented, with marketing and sales staff closely tied to the respective business areas. Both business areas have strong research and development departments. The business of Factum Electronics is conducted in Linköping, whereas Effnet AB is located in Luleå. Group functions are located at the headquarters of this company, which as of March 2009 will be located in Linköping.

The sales organizations for the business areas consist partly of own personnel based in Sweden, with a global field of operation, and partly of an expanding network of agents in key markets. Development engineers are increasingly being involved in the sales process, which is very technology-intensive.

## Number of employees

The average number of employees during the year amounted to 26 (26). At the turn of the year, there were 24 (30) employees, of whom 3 (3) were women. The reduced number of employees is a result of ongoing cost savings, which were made possible since the product families of the subsidiaries now require a lower level of development resources.

## Equal opportunities

The Group is active in a traditionally male-dominated field. The Effnet Group offers its employees equal opportunities regardless of gender, ethnic origin, religion or other background or affiliation. Competence

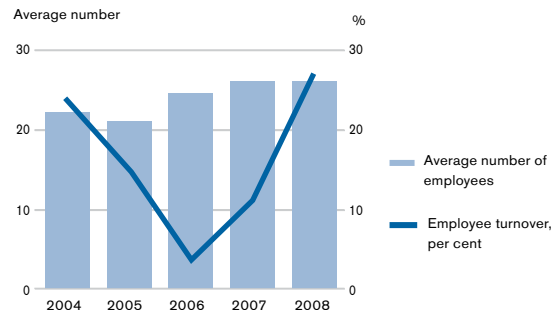
and achievement are the only criteria in employment and promotion.

## Flexibility

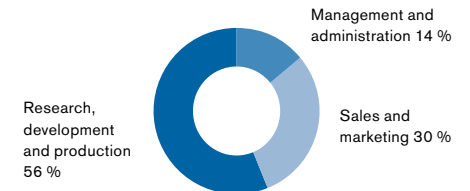
The Group strives for a great deal of mutual flexibility vis-à-vis its employees. This flexibility means that the Group is positively inclined to parental leave and, for instance, leave for studies. In return, the employees are expected to be flexible regarding working hours, holidays and the like.

## Competent personnel/High level of education

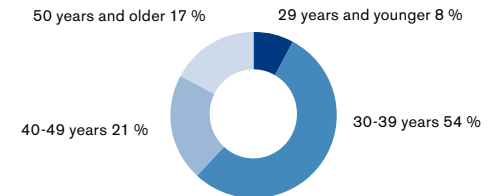
The Group's personnel generally have a high level of education. The development engineers have extensive experience and sound knowledge within their respective fields.



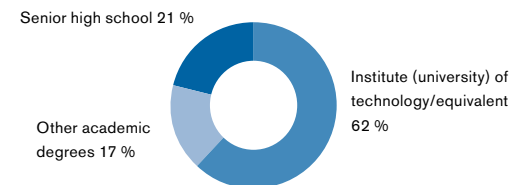
## EMPLOYEES PER FUNCTION 2008



## AGE STRUCTURE 2008



## EDUCATIONAL LEVELS WITHIN THE GROUP 2008





## Factum Electronics AB – continued strong position in the market

Factum Electronics AB develops and sells components, software and systems for digital broadcasting, such as digital radio (DAB/DAB+) and mobile TV (DMB), as well as components for digital stereo sound for analogue TV broadcasts (NICAM). Customers include radio and TV companies worldwide and their network operators.

Factum has also developed middleware for DAB/DAB+/DMB, which is licensed to manufacturers of chipsets and receivers. As of early 2009, Factum will also sell third-party products within the area of DAB/DAB+/DMB.

### **Digital Broadcasting (DAB/DAB+/DMB)**

#### **Customer value**

DAB/DAB+/DMB is a worldwide standard for digital broadcasts of radio, data and to mobile and stationary receivers. DAB/DAB+/DMB technology offers customers the possibility of providing a broader offering in combination with lower operating costs and better quality. Additionally, capacity utilization can be adjusted over time. The introduction of the new audio coding standard DAB+ enables operators to transmit approximately three times as many radio channels using the same infrastructure rolled out for DAB.

DMB is, technically and financially, the most efficient method of broadcasting mobile TV.

#### **Products and technological development**

Factum Electronics is a world leading supplier of complete systems solutions within DAB/DAB+/DMB. “DAB/DAB+/DMB by Factum” is now an established and strong brand which stands for user-friendly, flexible and high-quality systems, software and components. The product range includes audio encoders, multiplexers, equipment for IP and video broadcasting, control and monitoring systems, testing systems and solutions

for complete system redundancy. Customers use the equipment in the interface between the studio and the broadcasting mast. Requirements for the availability of services and reliable systems solutions are increasing in line with the rise in the number of regularly scheduled digital broadcasts, which implies significant market advantages for Factum Electronics' solutions for redundancy, that is, back-up systems for assured operation.

What's more, Factum Electronics engages in continuous development and refinement of its product range in close collaboration with customers. In 2008, Factum Electronics developed, among other things, a new generation of DAB/DAB+/DMB systems based on a more up-to-date platform, in addition to improved functionality when handling redundancy. The systems have also been better adapted for integration into our customers' system configurations.

Factum Electronics began selling third-party products in 2009 in order to widen the product range and increase the level of competitiveness and thus increase sales and improve the financial result. In January, Factum Electronics concluded an agreement with All In Media Ltd and Unique Interactive Ltd concerning sales of their software for DAB/DAB+/DMB data services. These products

supplement Factum Electronics' own DAB/DAB+/DMB systems and are directed at the same customer groups.

During the year, Factum Electronics was continuously active in WorldDMB and participated in both the technological and the market-related development of the DAB/DAB+/DMB standard, among other things by being represented on its board.

### Market

As of the addition of DAB+ to the DAB standard, which enables tripling in the number of services, the interest in digitizing analogue radio has increased markedly, and consequently expectations on market growth over the next few years are also high. The frequencies available for digital broadcasting will increase gradually as analogue TV and radio broadcasts are switched off. The European frequency conference RRC06 decided that the frequencies where analogue TV and radio are currently being broadcast will gradually be used for digital broadcasting. However, this kind of extensive technology shift can take several years and often depends on other political decisions.

At the present time, over 500 million people can be reached by more than 1,000 different DAB/DAB+/DMB services. The number of consumers and the number of services are expected to increase as more licences are granted and more countries introduce the DAB/DAB+/DMB standard.

Denmark, Norway, South Korea, Switzerland and the UK are among the leaders within DAB/DAB+/DMB, with reception in a large proportion of the respective countries. In South Korea, the aggregate number of DMB users amounted to just over 17 million by the end of 2008, an increase of some 60% since 2007.

Rollout in the United Kingdom was delayed in 2008, but is planned to continue over the next two years. The number of DAB receivers sold in the UK amounted to 8.5 million in 2008 and an estimated 35% of the population now have access to a DAB receiver.

In Denmark, the number of DAB receivers sold has increased tenfold over the most recent three-year period and at the end of the year amounted to 1.3 million. In 2008, Europe's first commercial DAB+ broadcast commenced in Malta, including 28 radio channels, and in Switzerland, which has a fully rolled out DAB network, DAB+ broadcasts commenced in the eastern part of the country.

Both public service and commercial radio stations in Australia will start to transmit in DAB+ in the five largest cities in the country during 2009.

In France, rollout is planned in 19 cities over the course of 2009. In Italy and Germany, market stakeholders have agreed to transmit in DAB+, with these countries expected to build new networks in 2009. In Germany, Factum Electronics supplied equipment to Südwest Rundfunk's (SWR) innovative project entitled "Future Radio". The project will test new visual and interactive services via radio on the existing DAB platform in Germany.

In several other countries, tests are underway with DAB/DAB+/DMB. These countries include, for example, the Czech Republic, Indonesia, Malaysia, Mexico, New Zealand and Vietnam.

Broadcasts in Sweden currently cover all metropolitan areas, representing approximately 35 per cent of the population. However, the broadcasting network already covers 85 per cent of the population. The Swedish Radio and TV Authority, which has been commissioned by the government to investigate future radio technology in Sweden, submitted its final report in June 2008. The report recommends that DAB+ should be used if radio is digitized, something which private and public radio enterprises, in addition to the network operator TeraCom, also agree on.

### Customers

Factum Electronics is currently the leading supplier within DAB/DAB+/DMB. Factum Electronics has sold complete DAB/DAB+/DMB systems and components to public and private network operators and to broadcasting



### FACTUM ELECTRONICS' PRODUCTS AND MARKETS

Product group	Standard	Market segments	Target groups
DAB/DAB+/DMB systems	ETS 300 401	Digital broadcasting networks, digital mobile phone networks	Broadcasters, system suppliers and network operators
Middleware	ETS 300 401 ETSI TS 802 818/102 371 ETSI EN 301 234 v2.1.1 ETSI TS 101 499 v2.1.1	Mobile phones and digital radio receivers	Chip manufacturers, manufacturers of mobile phones and digital radio receivers
NICAM encoders/modulators	EN 300 163	Analogue broadcasting networks, cable TV	TV stations, system suppliers and network and cable TV operators

An in-depth technical description of Factum Electronics' products is available at [www.factum.se](http://www.factum.se). More information on DMB is available at [www.worlddab.org](http://www.worlddab.org).



companies in a large number of countries. Examples of customers include Swedish Radio and Teracom in Sweden, NRK and Norkring in Norway, Danish Broadcasting Corporation in Denmark, Media Broadcast in Germany, SRG SSR idée Suisse in Switzerland, VRT in Belgium, RaiWay in Italy, the BBC in the UK, Commercial Radio Australia in Australia, Digi B Network in Malta and Radio Beijing in China. In South Korea, Factum Electronics is the leading supplier of DMB Systems, with all major broadcasting companies as customers.

Mobile TV via DMB will bring new customers such as TV companies and mobile operators.

#### **Competitors**

There are only a few competitors within the DAB/DAB+/DMB market today. Measured in new sales of DAB/DAB+/DMB multiplexer systems, Factum Electronics is the market leader, followed by the competitors RadioScape (UK), VDL (F) and Digidia (F). The latter competitor has only sold one system to date. In this context, it is also worth noting that our main competitor, RadioScape, appears to be grappling with severe financial difficulties. The USA and Japan have chosen other standards for digital radio, HD Radio and ISDB, respectively. Furthermore, there are other standards regarding digital long-wave radio and satellite radio. Within mobile TV, there is also competition from the standards DVB-H and MediaFLO.

#### **Middleware**

##### **Customer benefits**

DAB/DAB+/DMB technology is now sufficiently mature for more advanced data services, and interest in such services has increased among both broadcasters and consumers. This means that digital radio receivers and mobile phones must be able to handle the decoding of these new services. Such program modules, which functionally lie between the operating system of the receiver and the applications, are called middleware.

Low development costs and time-to-market are important for chip and receiver manufacturers and, thus, access to ready-made program modules for the decoding of advanced services is also important.

#### **Products and technological development**

As the leading developer of DAB/DAB+/DMB systems, Factum Electronics has unique knowledge as regards the manner in which the different services are coded before broadcasting. Based on this knowledge, Factum Electronics has, in 2008, continued to develop middleware modules for decoding different types of data services, for example electronic programme guide (EPG) and slide show (SLS). Through its capacity to develop and test the entire chain, the compatibility of Factum's middleware modules with the DAB/DAB+/DMB standard is guaranteed. Factum Electronics also offers chipset and receiver manufacturers a DAB/DAB+/DMB test system, which is a system with limited functionality used to locally transmit DAB/DAB+/DMB signals and thereby enable the testing of chipsets and receivers.

#### **Markets**

The market for DAB/DAB+/DMB receivers is expanding rapidly. For instance, Eureka Research now estimates that 131 million receivers for DAB/DAB+/DMB will have been sold by the year 2015, where receivers for mobile TV (T-DMB) will total 61 million. This, together with the need for advanced data services, makes middleware a strong growth market.

#### **Customers**

Customers can be divided into three groups: chipset manufacturers, module manufacturers (provide the base chip with processor capacity and certain software) and receiver manufacturers. The chipset manufacturers deliver to several module manufacturers who, in turn, deliver to many receiver manufacturers. By chiefly focussing on the chipset manufacturers, a huge number

of end users can be reached efficiently.

2008 was a breakthrough year for the middleware products of Factum Electronics, since an agreement was concluded with the American chipset manufacturer Analog Devices, Inc. concerning the licensing of Factum Electronics' middleware in addition to a collaboration project involving technology and marketing. The largest concentrations of chipset manufacturers within DAB/DAB+/DMB are located in India, China, the United Kingdom, South Korea and Taiwan, countries where Factum Electronics is already active with DAB/DAB+/DMB systems.

Since 2006, Factum Electronics has had a strategic alliance with Frontier Silicon, the leading manufacturer of chipsets for DAB/DAB+/DMB.

### **Competitors**

Competition consists of the larger receiver manufacturers developing their own middleware modules. Examples of such competitors, who could conceivably sell their program modules separately, are Imagination Technologies/Pure (UK) and NDS (IL).

### **Digital stereo sound in TV broadcasts (NICAM)**

#### **Customer benefits**

The transition to digital TV is underway. In the interim, NICAM (Near Instantaneous Companded Audio Multiplex) is a cost-effective solution for the network operator when upgrading existing analogue TV broadcasts with digital stereo sound. The network operator also gains the possibility of broadcasting two languages simultaneously via their analogue system. NICAM, like teletext, is a supplementary service. NICAM receivers are integrated in all modern TV sets.

#### **Products and technological development**

Factum Electronics offers well-tested NICAM components for installation in a TV studio or in a TV transmitter. Factum Electronics also sells NICAM modules to suppliers of complete centrals for cable TV.

The main product is a component for NICAM encoding developed by the company. The products are continuously being adapted for customers and modernized.

### **Markets**

Today, NICAM is used in approximately 35 countries. At present, the largest share of the NICAM market consists of reconditioning and complementary additions to existing networks. For an additional number of countries, NICAM could be an interesting solution for upgrading analogue TV networks. In 2008, sales of NICAM increased by 10%.

### **Customers**

Factum Electronics has NICAM customers among TV companies, network operators, system integrators and transmitter manufacturers around the world.

### **Competitors**

Factum Electronics is currently meeting insignificant competition within NICAM as regards broadcasting. Within the cable TV sector, there are some minor competitors.

### **Business model**

Factum Electronics' revenues within DAB/DAB+/DMB and NICAM refer to delivered systems and components. Added to this are fees for customization projects and training, as well as revenues from maintenance. Factum Electronics sells a large number of systems and components every year, where a component can be priced at a few thousand Swedish kronor, whereas a system can cost anywhere from a hundred thousand to several million Swedish kronor.

The middleware business area includes sales based on licence revenues and royalties from chipset and receiver manufacturers, for example mobile telephone manufacturers. Sales of third-party products are commission-based.

In 2008, Factum Electronics had net sales of MSEK 26.3 (20.0) and generated a negative financial result and cash flow.





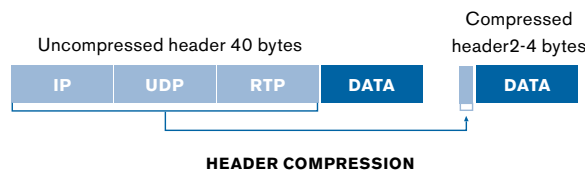
## Effnet AB – continued build-up of the contract portfolio

Effnet AB develops and sells the Effnet Header Compression family of software products and related support services to manufacturers of chipsets, protocol stacks, infrastructure equipment and terminals, mainly within telecom. Effnet Header Compression saves bandwidth and improves the efficiency, speed and reliability of IP traffic in mobile, fixed and satellite based networks.

### Effnet Header Compression (HC)

#### Customer benefits

In IP traffic, information is sent in data packets consisting of a header and a message. The header, which can be the largest portion of the data packet, is essentially an address label containing information regarding the packet's contents, origin and destination. Effnet's Header Compression products compress the header of the data packet so that space is freed in the data link and more data packets can be sent, increasing the transfer



In IP traffic, information is sent in data packets consisting of a header and a message. Effnet's Header Compression products compress the header of the data packet so that space is freed in the data link and more data packets can be sent, increasing the transfer speed.

speed. The reduced packet size also improves reliability and quality, as the risk of interference decreases.

Effnet Header Compression provides the greatest user value for applications sending many small information packets in which the "header" is relatively large, such as Voice over IP (voice traffic via Internet), Video over IP (image traffic via Internet) and multimedia services, as well as for mobile IP via links with limited and costly bandwidth. This makes the products attractive, for example, to manufacturers of infrastructure systems and terminals for fixed and mobile networks and their subcontractors, as well as to manufacturers of equipment for satellite networks.

#### Telecom: Mobile networks

Effnet Header Compression enables a more efficient usage of expensive network capacity. Through reduced bandwidth requirements and decreased packet losses, capacity in the networks is increased while response times are simultaneously shortened. The increased speed of information transmission also results in increased quality and interactivity during multimedia transmission. Studies have shown that Robust Header

Compression can improve capacity by 50 to 100 per cent for VoIP, depending on the network type, and reduce costs. The operators can also take advantage of Effnet Header Compression in IP based radio access networks where the cost of bandwidth is high.

#### ***Telecom: Fixed networks***

Traditional fixed networks are also moving towards IP based technology to achieve cost advantages and be able to handle both standard telephony and data traffic. The telecom operators are shifting their services to IP based networks in order to compete with the Internet service providers' telephony services. Effnet Header Compression enables the operators to economize on bandwidth, while still allowing a large number of users at a lower cost. The advantages of IP traffic are obvious.

#### ***Satellite networks***

Routing IP traffic via satellite results in access anywhere, but this traffic has hitherto been expensive, and suffered from latency and low bandwidth. However, the satellite networks are moving towards supporting IP traffic at

a rapidly increasing pace. Effnet Header Compression functions efficiently in this environment and contributes to an increased utilization of bandwidth. In this manner, carriers with satellite networks can offer all types of IP based services.

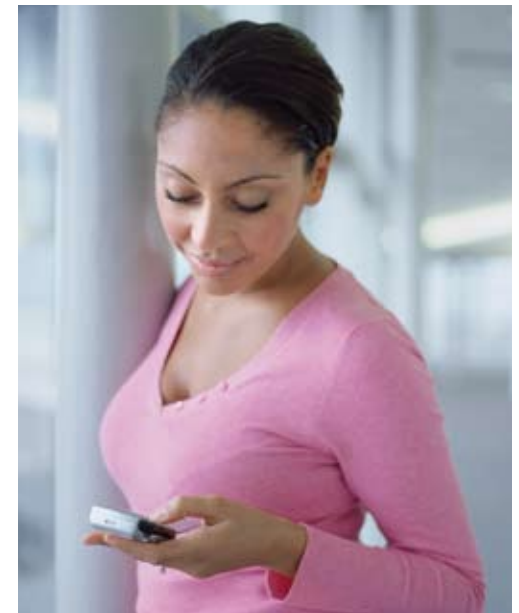
#### ***Military networks***

Military networks often adopts new and advanced technology such as IPv6, multicasting/broadcasting and mesh/adhoc. Furthermore, they must function under challenging circumstances. Effnet Header Compression is deemed to be able to substantially enhance communication within military networks.

#### ***Products and technological development***

Effnet offers a complete range of software developed in-house under a strong brand: "Effnet - the Experts in IP Header Compression". Effnet also offers effective software for integration, testing and validation.

Header compression is based on several open standards, which means that the basic principles are commonly known. Effnet develops implementations of header compression that maintain a very high quality



**THE EFFNET HEADER COMPRESSION PRODUCT FAMILY AND ITS MARKETS**

Product group	IETF standard	Market segment	Target groups
Effnet IPHC™ (Internet Protocol Header Compression)	RFC 2507	Satellite networks and mobile networks, such as 2.5G and 3G	Manufacturers of infrastructure systems and terminals and their sub-suppliers
Effnet CRTP™/ ECRTP™ (Compressed Realtime Transport Protocol)	RFC 2508/ RFC 3545	Satellite networks and fixed networks especially for VoIP and Multimedia	Manufacturers of network equipment and their sub-suppliers
Effnet ROHC™ (RObust Header Compression)	RFC 3095	Satellite networks and mobile networks, for instance 2.5G and 3G, VPN	Manufacturers of infrastructure and terminals and their sub-suppliers
Effnet HC-Sim™ (Header Compression Simulator)		All of the above	All of the above

An in-depth technical description of Effnet Header Compression products is available on [www.effnet.com](http://www.effnet.com).

For more information on header compression and the telecom industry, see [www.ietf.org](http://www.ietf.org), [www.3gpp.org](http://www.3gpp.org) and [www.3gpp2.org](http://www.3gpp2.org).

and very high performance, something that has been proven in interoperability testing conducted by IETF (Internet Engineering Task Force), as well as by testing with customers. Development also takes place in close cooperation with research and standardization organizations such as IETF, 3GPP, 3GPP2, WiMAX and WorldDMB. Effnet is working to establish Effnet Header Compression as a de facto standard within telecommunications and mobile broadband, for example WiMAX and LTE.

Effnet's Header Compression products are off-the-shelf software which can quickly and easily be integrated into customers' products. At present, the development of new products and further technical development of existing products are in progress, as are certain customer adaptations.

In 2008, Effnet continued its work to update the ROHC standard within IETF. This updating work was performed in the IETF's working group for ROHC, where employees of Effnet participated by, for example, holding the post of chairperson. The new updates have been published in the form of RFC 4995 and RFC 5225. Effnet has updated its product range in accordance with the new standard and continues to port and optimize its products for other platforms and operating systems. Effnet's products fulfil 3GPP's requirements

and support MBMS. Collaboration with new partners who use various advanced technical platforms continue with the aim of improving these products' performance. Continued interoperability work with various companies has further increased the level of quality and compatibility of the products.

**Markets**

Development of the latest standard, Long Term Evolution (LTE), has increased the need for Effnet's products. LTE is completely based on packet-switched communication, which means that VoIP is used instead of circuit-switched voice traffic. The upgrade of the WCDMA network to HSPA has led to a sharp increase in data traffic, which also favours Effnet's products which reduces the need for bandwidth. The use of WiMAX, a technology where header compression is of great use, has increased in several places around the world. Fixed network carriers, regardless of whether they have fibre, copper or cable networks, are eager to supply their customers with Triple-play or even with Quadruple-play, which is enabled by the IP-based networks. The satellite networks need to support All-IP, and the military sector adapts to or in some cases directs this development. Combined with a large number of users and the increasing traffic, this is building Effnet's future market.

### **Customers**

In 2008, Effnet continued to break new ground by winning customers within new market segments. One new area was communication over power lines. Another new area was products for safety, emergency and rescue services, where customers are mainly found within the public sector. During the year, Effnet concluded agreements concerning several new production licences and successfully licensed its simulation tool, HC-Sim. Most customers work within WiMAX, CDMA2000, WCDMA and LTE. Collaboration was also commenced during the year with three companies within the semiconductor industry.

New customers in 2008 include ABB, Broadcom, Cisco and Neonseven. Effnet has good relationships with all customers. Generally, customers with maintenance agreements extend these contracts on a rolling basis.

### **Competitors**

Effnet is the only independent supplier with a comprehensive product family within Header Compression. The company's competition mainly consists of the research and development units of potential customers. Even here, Effnet has managed to convince customers

of the advantages of Effnet Header Compression, which offers well-tested, well-functioning Header Compression products with access to support and updates.

### **Business model**

Effnet's revenues derive from licence fees and royalties from test and production licences and fees from maintenance, support, training and customization projects. The number of licences sold each year is relatively small, but each individual licence can generate revenues of many millions of Swedish kronor. Effnet is building a contract portfolio with recurring and rising revenues.

In 2008, Effnet AB had net sales of MSEK 5.2 (4.6) and generated (excluding central costs) both a positive financial result and positive cash flow.



# Board of Directors, Management and Auditors

## Board of Directors



### GÖRAN E LARSSON

Chairman of the Board since November 2006, elected to the Board in August 2002.

Born in 1943. M.Sc. in Engineering from the Royal Institute of Technology in Stockholm and M.Sc. in Economics from the Stockholm School of Economics.

Göran is the chairman of the Board of AB Sagax (publ), ReadSoft AB (publ), Aqeri Holding AB (publ) and Deputy Chairman of Avega AB (publ) as well as a member of the Board of Habia Cable AB. Göran has previously been President of Micronic Laser Systems AB, Standard Radio AB, Tidningarnas Telegrambyrå AB, Norstedts Tryckeri AB and Interforward AB, among other companies.

Not independent.

**SHAREHOLDING:** 12,872,163 SHARES\*



### PETER JACOBSSON

Board Member, elected to the Board in November 2006.

Born in 1955. M.Sc. in Engineering from Chalmers University of Technology in Gothenburg.

Peter is the CEO of Floatel International AB, a marine service company in the oil and gas industry based in Gothenburg. Peter has extensive experience in international marketing and sales, including, as the CEO of the previously listed company, Consafe Offshore AB. Previous positions include Commercial Manager for the underwater companies, Rockwater/Subsea 7 in Stavanger. Has also previously served as Marketing Manager for Safe Service Ltd. in London

Independent in relation to the company and its principal owners.

**SHAREHOLDING:** 0 SHARES



### LENNART PIHL

Board Member, elected to the Board in November 2006.

Born in 1950. B.Sc. in Economics from Lund University.

Self-employed management consultant since 2003. Works with interim management and general financial consultancy, among other assignments as Senior Advisor to the investment bank EVLI.

Lennart is Chairman of the Board of MultiQ International AB (publ) and a member of the Board of ReadSoft AB (publ), Duroc AB (publ), Formpipe AB (publ) and Heatex AB.

Lennart has previously been President of listed companies Bong-Ljungdahl AB and Acrimo/Metallhyttan

Independent in relation to the company and its principal owners.

**SHAREHOLDING:** 0 SHARES



### HANS RUNESTEN

Board Member, elected to the Board in August 2002. Chief Executive Officer of the Effnet Group from May 2003 up to and including February 2009.

Born in 1956. B.Sc. in Economics from Stockholm University.

Hans has extensive international experience from the financial industry and has also worked with the European Commission in Brussels. Hans was previously active within the EuroNordic Group and Mellon Bank in London and in the USA, where he held a number of management positions at various levels. Prior to that, he worked for Deutsche Bank in Germany.

Hans is Chairman of the Board of Scan Baltic Limited, London.

Not independent.

**SHAREHOLDING:** 12,872,163 SHARES\*,  
375,000 EMPLOYEE OPTIONS

## Management



### HANS RUNESTEN

Chief Executive Officer of the Effnet Group from May 2003 up to and including February 2009 and President of Effnet AB from March 2005 up to and including December 2008.

See the Board of Directors.



### KENNETH LUNDGREN

President of Factum Electronics AB since January 2004. Chief Executive Officer of the Effnet Group and President of the Parent Company from March 2009.

Born in 1953. M.Sc. in Engineering from Linköping University.

Kenneth has 20 years of experience from international business operations. Kenneth has been President of several technology companies and has held senior marketing and sales positions at companies such as Imtec, Teragon Systems, Innovativ Vision and Powerit PS. Most recently, Kenneth was Executive Vice President in charge of marketing at Powerit PS AB (publ).

**SHAREHOLDING:** 30,000 SHARES,  
262,500 EMPLOYEE OPTIONS



### MARCUS OLSSON

Chief Financial Officer of the Effnet Group since June 2007.

Born in 1975. M.Sc. in Economics from Växjö University.

Marcus has worked as Chief Accountant at Adecco Sweden AB and has been manager and Approved Public Accountant at Deloitte.

**SHAREHOLDING:** 30,000 SHARES,  
0 EMPLOYEE OPTIONS



### JOAKIM ENERSTAM

President of Effnet AB since January 2009.

Born in 1973. M.Sc. in Engineering from the Luleå University of Technology.

Joakim has 10 years of experience from Effnet AB, both from research & development and sales & marketing.

**SHAREHOLDING:** 5,000 SHARES,  
187,500 EMPLOYEE OPTIONS

*Shareholdings are reported according to Euroclear Sweden AB's shareholder register as per 30 December 2008. Shareholdings include shares held by close families or through companies.  
\* At the end of the year, Göran E. Larsson and Hans Runesten owned their shares through the jointly owned company Four Invest AB, whose holdings in Effnet Holding AB have been allocated in the reporting above.*

### AUDITORS

*PricewaterhouseCoopers AB with authorized public accountant Lars Wennberg, born in 1957, as auditor in charge.*

## The Effnet Share and Shareholders

<b>EFFNET'S LARGEST SHAREHOLDERS,</b> 30 December 2008	<b>NUMBER OF SHARES</b>	<b>SHARE OF CAPITAL, %</b>
Four Invest AB	25,744,326	23.7
JP Morgan Bank	4,225,650	3.9
Nordnet Pensionsförsäkring AB	2,420,888	2.2
Försäkringsaktiebolaget Avanza Pension	2,300,726	2.1
Wermlands Invest KB	2,264,000	2.1
Olsson, Björn	1,636,000	1.5
E*Trade DK A./S	1,239,745	1.1
Ancoria Insurance Ltd	1,193,570	1.1
Nordnet SA	1,103,375	1.0
Credit Agricole Indosuez Luxembourg	1,079,050	1.0
Total of the 10 largest shareholders	43,207,330	39.7
Other shareholders	65,460,886	60.3
<b>Total</b>	<b>108,668,216</b>	<b>100.0</b>

<b>DISTRIBUTION OF SHARE- HOLDERS BY COUNTRY</b> 30 December 2008	<b>NUMBER OF SHAREHOLDERS</b>	<b>SHARE OF VOTES/ CAPITAL %</b>
Sweden	6,286	78.5
Denmark	265	6.8
United Kingdom	19	4.1
Luxembourg	22	3.6
Switzerland	16	2.2
Cyprus	3	1.5
Other countries	128	3.3
<b>Total</b>	<b>6,739</b>	<b>100.0</b>

### Share trading

#### Share capital

At the end of the year, the share capital of Effnet Holding AB (publ) amounted to SEK 1,086,682.16 represented by 108,668,216 shares with a quota value of SEK 0.01. Each share carries one (1) vote.

#### Listing

Effnet Holding AB's share (designation EFFN) has been listed on the NASDAQ OMX First North Premier since March 2009. The trading ticket size at year-end was 1 share.

#### Certified Adviser

Companies traded on NASDAQ OMX First North Premier are required to have a Certified Adviser, who is to perform certain supervisory duties. Remium AB is Effnet's Certified Adviser.

#### Share performance and turnover

Compared with the end of 2007, the share price fell by 60 per cent from SEK 0.95 to SEK 0.38, while the Stockholm Stock Exchange as a whole (OMXS index) fell by 42 per cent, and the IT index (SX IT) fell by 28 per cent. Effnet's market capitalization as per 31 December 2008 was MSEK 41.3 (103.2).

A total of approximately 52 million (160) Effnet shares were traded during 2008, which implies that the total number of outstanding shares turned over 0.5 times during the year. An average of approximately 0.2 million shares changed hands per day. The highest number of shares traded on a single day was 1.8 million shares (6 May). The share was the object of transactions on all but two of the trading days in 2008. The lowest closing price during the year was SEK 0.33 (18 December) and the highest was SEK 0.99 (6 May).

### Shareholders

#### Effnet's shareholders

There were 6,739 shareholders at the end of the financial year. The company's largest shareholder per 30 December 2008 was Four Invest AB, representing 23.7 per cent of the capital and votes.

#### Shareholder agreements

At the end of the year there was a shareholder agreement between the owners of Four Invest AB, which is controlled by two Board members. This agreement stated that the parties shall act in a concerted manner in conjunction with significant resolutions to be adopted by the General Meetings of Effnet Holding AB. The Board of Directors is not aware of any other shareholder agreements involving Effnet Holding AB.

## Dividend

All shares are of one and the same category, and therefore, carry the same right to the company's assets, profit and dividend.

The Annual General Meeting has at its disposal unrestricted funds in the Parent Company amounting to MSEK 14.1. The current dividend policy recommends no dividend since the funds are needed to build up the operations, which is why the Board of Directors proposes that no dividends be paid.

## Other information

### Options programme

At the Annual General Meeting on 26 April 2006, an options programme directed towards employees was approved corresponding to 4,000,000 shares. During the year, 250,000 (275,000) options were forfeited due to terminated employments. Per 31 December 2008, there were subsequently outstanding options equivalent to 3,440,000 (3,690,000) shares, including 935,000 (935,000) reserved for future recruitments, which is equivalent to a maximum dilution of 3.1 (3.3) per cent of the capital. Aside from this options programme, there are no other share-based remuneration programmes or similar instruments.

## Authorization

During the Annual General Meeting 2008, the Board of Directors was granted the authority to resolve upon the issuance of new shares or other financial instruments equivalent to a total of 37,000,000 shares in connection with alliances and acquisitions. The authorization is valid until the next Annual General Meeting. The authorization had not been exercised as per the end of the year.

## Insider reporting

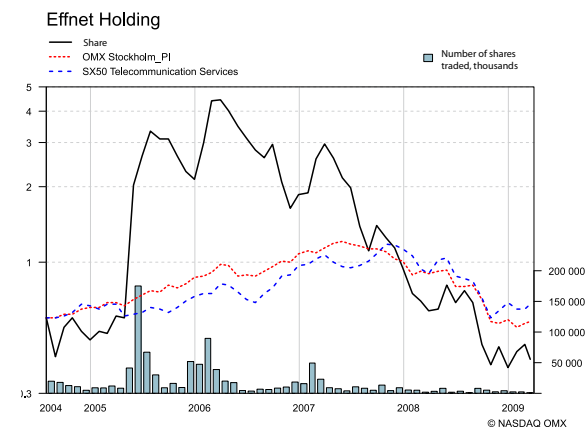
The shares in Effnet Holding AB are traded on the NASDAQ OMX First North Premier. Trading of the Effnet share by insiders is published on the company's website, but not reported to the Financial Supervisory Authority.

The company has defined the Members of the Board and Senior Management as insiders. All of the company's insiders have signed an agreement for individuals having insider positions. All employees are subject to current insider legislation and to an internal insider policy aimed at preventing the purchase or sale of Effnet shares based on undisclosed information.

## Analysts

Effnet Holding is analyzed by Kristian Kierkegaard, Remium Securities, and Smallcap.

## PRICE DEVELOPMENT OF THE EFFNET SHARE



DISTRIBUTION OF SHAREHOLDERS BY SIZE OF HOLDING, 30 December 2008	NUMBER OF SHAREHOLDERS	SHARE OF VOTES/CAPITAL %
1 - 1,999	4,300	1.8
2,000 - 9,999	1,395	4.7
10,000 - 99,999	891	21.2
100,000 - 999,999	142	31.6
1,000,000 -	11	40.7
<b>Total</b>	<b>6,739</b>	<b>100.0</b>

For Key financial indicators per share, see the Five year Summary on page 5.

# Board of directors' report

Effnet Holding AB (publ), corporate identity number 556526-6516, has its registered offices in Stockholm, Sweden. The company's share (designation EFFN) has been listed on NASDAQ OMX First North Premier since March 2009.

## **Type of operations and focus**

### ***Parent Company***

Effnet Holding AB (publ) is the Parent Company of the Group with operations within digital communication. The Parent Company's mission is to develop these operations and the Group as a whole. At year-end 2008, the Parent Company had two operational subsidiaries, each with its own business area:

### ***Digital Broadcasting***

Factum Electronics AB is a leader in DAB/DAB+/DMB (Digital Audio Broadcasting and Digital Multimedia Broadcasting). Factum Electronics develops and sells systems and components, including test and monitoring systems, to radio and television companies, as well as network operators, around the world. Factum Electronics also delivers modular software (middleware) to manufacturers of chipsets for DAB/DAB+/DMB receivers, and components for digital stereo sound for analogue television broadcasts (NICAM) for radio and television companies and network operations. As of early 2009, Factum will also be selling third-party products within the areas of DAB/DAB+/DMB.

### ***Header Compression***

Effnet AB develops and sells the Effnet Header Compression software family. Effnet Header

Compression increases efficiency, speed and reliability of IP traffic in mobile, fixed and satellite based networks. Typically, customers are manufacturers of chipsets, protocol stack vendors and manufacturers of infrastructure systems and terminals, primarily within the telecom sector. Effnet is the leading supplier in its field.

### ***Other Subsidiaries***

In addition to the above subsidiaries, the Group includes a Swedish subsidiary, which is dormant.

## **The Group's operations during 2008**

### ***Market conditions***

The markets for the Group's products continued to be characterized by very long sale cycles. Both subsidiaries are active in markets in early stages with great potential, but also with erratic sales trends.

As of the addition of DAB+ to the DAB standard, which enables tripling in the number of services, the interest in digitizing analogue radio has increased markedly around the world, and consequently expectations on market growth over the next few years are also high.

The most significant event of the year for Factum Electronics was when the order was won from Commercial Radio Australia for DAB+ systems for the rollout of digital radio in Australia. Also, Factum Electronics supplied systems to Malta for the first commercial DAB+ broadcasts in Europe and to Switzerland for the rollout of public service DAB+. Factum Electronics licensed its DAB/DAB+/DMB middleware to the US chipset manufacturer Analog Devices, Inc.

Effnet entered into agreements concerning several production licences, among them one with Cisco, and successfully licensed its simulation tool, HC-Sim.

Effnet also reached new customer categories, for example within safety, emergency and rescue services and also the public sector. ABB also became a new customer within the segment of communications via power lines.

### ***Net sales and result***

Net sales amounted to MSEK 31.5 (24.6), of which MSEK 26.3 (20.0) referred to Digital Broadcasting and MSEK 5.2 (4.6) to Header Compression. Development expenditures of MSEK 2.3 (2.4) were capitalized and other income of the Group amounted to MSEK 0.3 (0.1).

Operating expenses amounted to MSEK 43.3 (42.4). External expenses amounted to MSEK 18.2 (18.2) and personnel costs to MSEK 22.1 (21.6), including a theoretical cost of MSEK 0.3 (0.9) for employee options issued during 2006. Personnel costs for 2008 include a provision for restructuring costs totalling MSEK 1.8 (0.0). Depreciation amounted to MSEK 3.0 (2.6), of which MSEK 2.2 (1.8) referred to capitalized development expenditure. Operating income amounted to MSEK -9.2 (-15.3).

Net interest income amounted to MSEK 0.3 (0.6). Net loss for the year amounted to MSEK -8.9 (-14.7).

### ***Tax issues***

In last year's tax assessment (Tax08), the Group reported a total loss carry-forward of approximately MSEK 40.1. Including the assessment for 2008, the amount is expected to increase to approximately

MSEK 47.4. This is expected to be offset against future profits, which, at a tax rate of 26.3 per cent, implies future savings totalling MSEK 12.5 (of which MSEK 7.5 has previously been recognized as income). In the annual accounts for 2008, no deferred tax has been capitalized nor recognized as income. See Note 11.

#### **Investments**

During the year, the Group's subsidiaries capitalized development expenditures of MSEK 2.3 (2.4), in addition to which investments in equipment were made for a total of MSEK 0.3 (1.0).

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

Cash flow from operating activities amounted to MSEK -10.0 (-6.4). The cash flow was generated in the Swedish Parent Company and its wholly-owned subsidiaries.

As per 31 December 2008, the Group had cash and cash equivalents of MSEK 5.7 (16.0) and no loans.

#### **Equity**

The Group's equity at year-end amounted to MSEK 17.4 (26.0). The number of shares was unchanged at 108,668,216.

The equity/assets ratio at year-end amounted to 63 (76) per cent.

At the Annual General Meeting on 26 April 2006, it was resolved to initiate an options programme equivalent to 4,000,000 shares directed towards the personnel. During the year, 250,000 (275,000) options were forfeited due to terminated employments. Therefore, per 31 December 2008, there were outstanding options equivalent to 3,440,000 (3,690,000) shares, including

935,000 (935,000) reserved for future recruitments, which is equivalent to a maximum dilution of 3.1 (3.3) per cent of the capital.

A theoretical cost of MSEK 0.3 (0.9) has been charged to income for the approximately two and a half million options remaining outstanding to employees at the end of the year. This amount is based on the estimated fair value of the options and is allocated over their duration. An amount equivalent to this theoretical cost has been added to equity and, therefore, there is no change in the total amount of equity.

For a description of the terms of the options programme, see Note 16.3, Equity. Other than this options programme, there are no share-based remuneration programmes or similar instruments.

#### **Personnel**

The average number of employees during the year amounted to 26 (26) persons. The reduced number of employees is a result of ongoing cost savings, which were made possible since the product families of the subsidiaries now require a lower level of development resources. At year-end, the number of employees amounted to 24 (30), of whom 1 (2) was a part-time employee. See Note 9.

#### **The Parent Company's operations during 2008**

##### **Share capital**

At year-end, the share capital in Effnet Holding AB (publ) amounted to SEK 1,086,682.16 represented by 108,668,216 shares where each share carries one (1) vote at the Annual General Meeting and all shareholders have equal rights to participation in the company's assets, profit and dividend.

The only owner who represented at least a tenth of the votes per 30 December 2008 was Four Invest AB, representing 23.7 per cent of the votes.

More detailed information about the shares and owners is in the chapter, "Shares and owners," See page 20.

#### **Net sales and results**

Net sales in 2008 amounted to MSEK 0.6 (0.6). Sales were of an intra-group nature and primarily referred to management and administrative expenses. Personnel costs for 2008 include a provision for restructuring costs totalling MSEK 1.8 (0.0). Operating income was MSEK -6.2 (-5.7). Income after financial items amounted to MSEK -5.6 (-4.7).

#### **Investments**

As in the previous year, the Parent Company did not make any investments during the year.

#### **Financial position**

The Parent Company's equity at year-end amounted to MSEK 22.5 (27.5), of which MSEK 8.4 (8.4) was restricted equity. The Parent Company's cash and cash equivalents amounted to MSEK 4.5 (14.3).

#### **Development and production**

##### **Quality certification**

Factum Electronics is certified in accordance with ISO 9001:2000 for its development, production, sales and support. The company conducts annual quality audits.

### **Development work**

Customization and development take place on a continuous basis. Development work leads to the presentation of both new versions of existing products and completely new products and product lines. Considering the rapid pace of technological development, the Group was conservative in its valuation of these development efforts, capitalizing only MSEK 2.3 (2.4) during the year.

### **Protection of IP rights**

Factum Electronics primarily has proprietary systems and components for DAB/DAB+/DMB, NICAM and middleware. Newly developed products and solutions are continuously evaluated to determine the necessity of patent protection to prevent other companies from copying the product.

Header compression is an open standard, which means that the basic principles are generally known. Effnet AB develops its own high quality implementations of header compression. These implementations are copyright protected, which means that the code may not be copied.

### **Social responsibility**

#### **Environmental impact**

The Group's operations are considered to have a minimal environmental impact. The majority of subcontractors are environmentally certified in accordance with ISO 14000.

In Factum Electronics, the comprehensive adaptation of the company's products to the EU's new ROHS directive (lead-free products) is in progress. The Group's companies continuously follow trends regarding environmental law.

### **Code of ethics**

The Effnet Group strives to conduct its operations in accordance with prevailing laws and regulations, and to ensure that its operations meet the highest demands for quality, integrity and ethics. Each business area manager is responsible for these issues in the individual companies, and reports directly to the CEO.

### **Corporate governance**

#### **Annual General Meeting**

The Annual General Meeting is the Company's highest decision-making body. The Parent Company's Annual General Meeting, to which all shareholders are invited, is normally held in April.

#### **The Board of Directors**

The Parent Company's Board of Directors consists of four members and remained unchanged during the year and consisted of

Göran E Larsson (Chairman)

Peter Jacobsson (Independent Board member)

Lennart Pihl (Independent Board member)

Hans Runesten (President and Chief Executive Officer)

For a presentation of the Board of Directors, see page 18.

#### **Board of Directors' work during the year**

During the year, the Board of Directors held eleven minuted Board meetings. Adoption and follow-up of strategy, evaluation of the subsidiaries' operations, the Group's and the subsidiaries' financial development and

potential acquisitions were the main issues addressed by the Board during the year. All members of the Board were present at all meetings, with the exception of Peter Jacobsson, who was absent from one meeting.

#### **Formal work plan for the Board of Directors**

The Board of Directors annually revises and adopts a formal work plan, including instructions regarding the division of duties between the Board of Directors and the CEO and for economic reporting.

#### **Authorization**

During the Annual General Meeting of 2008, the Board of Directors was granted the authority to resolve upon the issuance of new shares or other financial instruments equivalent to a total of 37,000,000 shares in connection with alliances and acquisitions. The authorization is valid until the next Annual General Meeting. The authorization had not been exercised as per the end of the year.

#### **Remuneration Committee**

Board fees are determined and allocated by the Annual General Meeting. Any remuneration in addition to such fees is determined by the Board of Directors; however, the Board member in question does not participate in decisions concerning his/her own remuneration.

The Group's Board has appointed a Remuneration Committee comprising Board members Peter Jacobsson and Lennart Pihl. The Committee prepares a proposal for the Board of Directors regarding conditions for remuneration of the CEO and other senior executives, See Note 9.5.

### **Remuneration of the CEO and senior management**

The Remuneration Committee prepares proposals to the Board of Directors concerning the principles for remuneration including performance-based remuneration to the CEO and senior management. The remuneration of the CEO and other senior executives consists of a fixed portion, and a variable part, bonus. The bonus depends on how well individual and financial targets are met. For the CEO and the other executives of the Group, a total of 3 persons, the total bonus for 2008 could reach a maximum of MSEK 1.5. No bonus was payable for 2008.

The Board of Directors has decided that the principles for remuneration of the CEO and other senior executives will remain unchanged for 2009.

### **Audit Committee**

Since the Board of Directors is small, no Audit Committee has been appointed. Instead, Effnet's auditors meet annually with the entire Board of Directors to discuss their observations and conclusions from their audit of the company's accounting records, administration and annual accounts.

### **Internal control**

For internal control purposes, the Board of Directors has established authorization instructions and other regulations which are annually reviewed.

The Board of Directors conducts follow up by receiving detailed monthly reports regarding the earnings trend, liquidity and order intake. In connection with the quarterly accounts, the Board of Directors also reviews the individual subsidiaries' financial positions.

### **Nomination Committee**

The Annual General Meeting of 2008 did not appoint a Nomination Committee.

### **Management team**

During the year, the Group's management team consisted of the Parent Company's President, as well as Chief Executive Officer Hans Runesten, who was also the President of Effnet AB; Chief Financial Officer Marcus Olsson; and the President of Factum Electronics AB, Kenneth Lundgren.

For presentation of the Group's current management team, see page 19.

### **Information policy**

The Effnet Group has a policy of openness in the publication of information. However, this does not imply that confidentiality clauses in customers' agreements may be breached or that business-critical information may be revealed. Nor may information that can impact the share price be disclosed selectively. The Group issues press releases and other information in order to satisfy listing requirements and to facilitate marketing efforts of its subsidiaries.

### **Code of Corporate Governance**

The shares of Effnet Holding AB are traded on the NASDAQ OMX First North Premier and the company consequently has no obligation to follow the Swedish Code of Corporate Governance. Effnet is following the development of the Code and strives to adapt where appropriate.

### **Other disclosures**

#### **Risk analysis**

The Group is subject to various risks through its operations. The Group's risk analysis and risk management are described in Note 3.

#### **Disputes**

As far as the Board of Directors is aware, there is no current or planned litigation or legal action against the Group.

### **Entering 2009**

#### **Events after the end of 2008**

At the beginning of the year, Joakim Enerstam took up the post as President of the subsidiary Effnet AB.

In January, Factum Electronics entered into a collaboration agreement with All in Media Ltd and Unique Interactive Ltd, which both produce software for data services within the field of digital broadcasting. The strategy of selling third-party products widens and supplements the product range of Factum and aims to increase its competitiveness, sales and income.

Kenneth Lundgren succeeded Hans Runesten as CEO and President of the Parent Company on 1 March 2009.

As of 2 March 2009, Effnet Holding AB is listed on NASDAQ OMX First North Premier.

### **Outlook for 2009**

The Board of Directors continues to have a positive view of the prospects for both of the Company's business areas. In the long term, it is deemed that the Group will be able to report good profitability.

# Income statements

AMOUNTS IN SEK MILLIONS (MSEK)	NOTE	GROUP		PARENT COMPANY	
		2008	2007	2008	2007
Net sales	5.6	31.5	24.6	0.6	0.6
Capitalized development costs	7	2.3	2.4	-	-
Other operating revenues		0.3	0.1	-	-
<b>Total revenues</b>		<b>34.1</b>	<b>27.1</b>	<b>0.6</b>	<b>0.6</b>
External costs	8	-18.2	-18.2	-1.2	-1.9
Personnel costs	9	-22.1	-21.6	-5.6	-4.4
Depreciation	10	-3.0	-2.6	0.0	0.0
<b>Total operating expenses</b>		<b>-43.3</b>	<b>-42.4</b>	<b>-6.8</b>	<b>-6.3</b>
<b>Operating income</b>	5	<b>-9.2</b>	<b>-15.3</b>	<b>-6.2</b>	<b>-5.7</b>
Interest income and similar profit/loss items		0.3	0.6	0.6	1
Interest expenses and similar profit/loss items		0.0	0.0	0.0	0.0
<b>Total financial items</b>		<b>0.3</b>	<b>0.6</b>	<b>0.6</b>	<b>1.0</b>
<b>Income before taxes</b>		<b>-8.9</b>	<b>-14.7</b>	<b>-5.6</b>	<b>-4.7</b>
Tax	11	-	-	0.0	0.0
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>-8.9</b>	<b>-14.7</b>	<b>-5.6</b>	<b>-4.7</b>
Earnings per share, SEK	16	-0.08	-0.14		

Notes 1-22 on pages 30-36 are an integral part of these income statements.

# Cash flow statements

AMOUNTS IN SEK MILLIONS (MSEK)	NOTE	GROUP		PARENT COMPANY	
		2008	2007	2008	2007
Operating income		-9.2	-15.3	-6.2	-5.7
Depreciation		3.0	2.6	0.0	0.0
Capitalized development costs		-2.3	-2.4	-	-
Other items		0.3	0.8	0.0	0.2
Total items with no impact on cash flow		1.0	1.0	0.0	0.2
Interest received and	19	0.3	0.8	0.3	0.8
Interest paid		0.0	0.0	0.0	0.0
Taxes paid	19	-	-	-	-
Total financial items and taxes		0.3	0.8	0.3	0.8
Change in inventories		-0.4	0.2	-	-
Change in current receivables		-3.6	6.4	1,6	-0.1
Change in current liabilities		1.9	0.5	1.2	0.7
Total change in working capital		-2.1	7.1	2,8	0.6
<b>Cash flow from operating activities</b>		<b>-10.0</b>	<b>-6.4</b>	<b>-3.1</b>	<b>-4.1</b>
Acquisition of fixed assets		-0.3	-1.0	-	-
Shareholders' submitted contribution		-	-	-3.8	-9.8
<b>Cash flow from investing activities</b>		<b>-0.3</b>	<b>-1.0</b>	<b>-3.8</b>	<b>-9.8</b>
Change in loans to Group companies				-2.9	6.7
<b>Cash flow from financing activities</b>		<b>-</b>	<b>-</b>	<b>-2.9</b>	<b>6.7</b>
Cash and cash equivalents at the beginning of the year		16.0	23.4	14.3	21.5
Change in cash and cash equivalents		-10.3	-7.4	-9.8	-7.2
<b>Cash and cash equivalents at year-end</b>		<b>5.7</b>	<b>16.0</b>	<b>4.5</b>	<b>14.3</b>
Cash flow per share, SEK	16	-0.09	-0.06		

Notes 1-22 on pages 30-36 are an integral part of these cash flow statements.

# Balance sheets

AMOUNTS IN SEK MILLIONS (MSEK)	NOTE	GROUP		PARENT COMPANY	
		31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
<b>ASSETS</b>					
Capitalized development costs	7	3.2	3.1	-	-
Equipment and computers	12	1.0	1.5	0.0	0.0
Deferred tax assets	11	7.5	7.5	-	-
Shares in Group companies	13			16.9	13.1
<b>Total fixed assets</b>		<b>11.7</b>	<b>12.1</b>	<b>16.9</b>	<b>13.1</b>
Inventories	14	2.6	2.2	-	-
Trade receivables	15	6.1	1.6	-	-
Receivables from Group companies				4.1	1.2
Other current receivables		0.7	1.6	0.0	0.6
Prepaid expenses and accrued income	15	0.6	0.6	0.0	0.1
<b>Total current receivables</b>		<b>7.4</b>	<b>3.8</b>	<b>4.1</b>	<b>1.9</b>
Cash and cash equivalents		5.7	16.0	4.5	14.3
<b>Total current assets</b>		<b>15.7</b>	<b>22.0</b>	<b>8.6</b>	<b>16.2</b>
<b>TOTAL ASSETS</b>	5	<b>27.4</b>	<b>34.1</b>	<b>25.5</b>	<b>29.3</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital		1.1	1.1	1.1	1.1
Restricted reserves				7.3	7.3
<b>Total restricted equity</b>				<b>8.4</b>	<b>8.4</b>
Other capital contributions		12.9	12.9		
Profit/loss brought forward		12.3	26.7	19.7	23.8
Net profit/loss for the year		-8.9	-14.7	-5.6	-4.7
<b>Total non-restricted equity</b>				<b>14.1</b>	<b>19.1</b>
<b>Total equity</b>	16	<b>17.4</b>	<b>26.0</b>	<b>22.5</b>	<b>27.5</b>
Advance payments from customers		0.1	0.9	-	-
Trade payables		1.5	1.8	0.1	0.2
Liabilities to Group companies				0.2	0.2
Other current liabilities		0.4	0.4	0.1	0.1
Derivative instruments	17	0.1	-	-	-
Accrued expenses and deferred income	18	7.9	5.0	2.6	1.3
<b>Total current liabilities</b>	5	<b>10.0</b>	<b>8.1</b>	<b>3.0</b>	<b>1.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27.4</b>	<b>34.1</b>	<b>25.5</b>	<b>29.3</b>
<b>MEMORANDUM ITEMS</b>	20	None	None	None	0.4

Notes 1-22 on pages 30-36 are an integral part of these balance sheets.

# Changes in equity

<b>GROUP</b>	<b>SHARE CAPITAL (NOTE 16)</b>	<b>OTHER CAPITAL CONTRIBUTIONS</b>	<b>PROFIT/LOSS BROUGHT FORWARD</b>	<b>NET PROFIT/ LOSS FOR THE YEAR</b>	<b>TOTAL EQUITY</b>
<b>AMOUNTS IN SEK MILLIONS (MSEK)</b>					
Equity per 1 January 2007	1.1	12.9	24.6	1.2	39.8
According to resolution of Annual General Meeting			1.2	-1.2	0.0
Net profit for the year				-14.7	-14.7
<b>Total income and costs</b>	<b>1.1</b>	<b>12.9</b>	<b>25.8</b>	<b>-14.7</b>	<b>25.1</b>
Contributed theoretical value of employee options			0.9		0.9
<b>Equity per 31 December 2007</b>	<b>1.1</b>	<b>12.9</b>	<b>26.7</b>	<b>-14.7</b>	<b>26.0</b>
Equity per 1 January 2008	1.1	12.9	26.7	-14.7	26.0
According to resolution of Annual General Meeting			-14.7	14.7	0.0
Net profit for the year				-8.9	-8.9
<b>Total income and costs</b>	<b>1.1</b>	<b>12.9</b>	<b>12.0</b>	<b>-8.9</b>	<b>17.1</b>
Contributed theoretical value of employee options			0.3		0.3
<b>Equity per 31 December 2008</b>	<b>1.1</b>	<b>12.9</b>	<b>12.3</b>	<b>-8.9</b>	<b>17.4</b>
<b>PARENT COMPANY</b>					
<b>AMOUNTS IN SEK MILLIONS (MSEK)</b>					
Equity per 1 January 2007	<b>1.1</b>	<b>7.3</b>	24.9	-1.1	32.2
According to resolution of Annual General Meeting			-1.1	1.1	0.0
Net profit for the year				-4.7	-4.7
<b>Equity per 31 December 2007</b>	<b>1.1</b>	<b>7.3</b>	<b>23.8</b>	<b>-4.7</b>	<b>27.5</b>
Equity per 1 January 2008	1.1	7.3	23.8	-4.7	27.5
According to resolution of Annual General Meeting			-4.7	4.7	0.0
Group contribution received			0.9		0.9
Tax on group contribution received			-0.3		-0.3
Net profit for the year				-5.6	-5.6
<b>Equity per 31 December 2008</b>	<b>1.1</b>	<b>7.3</b>	<b>19.7</b>	<b>-5.6</b>	<b>22.5</b>

The Board of Directors proposes that no dividend be paid for 2008.

Notes 1-22 on pages 30-36 are an integral part of this account of changes in equity.

# Notes

## Note 1: General information

### Name of the parent company

Effnet Holding AB (publ), corporate identity number 556526-6516, is based in Stockholm, Sweden.

### Share capital and ownership structure of the Parent Company

The share capital in Effnet Holding AB (publ) amounted to SEK 1,086,682.16 at the end of the year, comprising 108,668,216 shares with a quotient value amounting to SEK 0.01. Each share entitles the shareholders to one (1) vote at the Annual General Meeting and all shares have equal rights to participation in the company's assets, profit and dividend.

The company's share (designation EFFN) was traded on the First North NASDAQ OMX up until 27 February 2009. As of 2 March, the company's share is listed on NASDAQ OMX First North Premier. During the financial year, the number of shareholders totalled 6,739. The only shareholder who represented at least one-tenth of the votes as per 30 December 2008 was Four Invest AB, with 23.7 per cent of the votes.

### Group structure and operations

The Group consists of four companies: the Parent Company, Effnet Holding AB (publ), the subsidiary Factum Electronics AB (corp. ID no. 556422-4532), operating within Digital Broadcasting, the subsidiary Effnet AB (corp. ID no. 556546-4566), operating within Header Compression, in addition to the dormant subsidiary Wkit Security AB (corp. ID no. 556551-9906).

### Publication

On 18 March 2009, the Board of Directors approved these consolidated accounts for publication.

## Note 2: Accounting and valuation principles

### 2.1 Basis for preparation of the reports

The consolidated accounts are prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and standard RFR 1.1 issued by the Swedish Financial Reporting Board, "Supplementary Rules for Consolidated Financial Statements" and IFRS (International Financial Reporting Standards), as adopted by the EU.

The Parent Company's Annual Report is prepared in accordance with the Swedish Annual Accounts Act and standard RFR 2.1, "Accounting for Legal Entities", issued by the Swedish Financial Reporting Board. Certain, special accounting principles applied by the Parent Company are described in Note 2.19. In other respects, the Parent Company applies the same principles used in the Group.

The Annual Report must, in a comprehensible, relevant, reliable and comparable manner, provide a true and fair view of the Group's and the Parent Company's financial position, financial result and cash flows. Preparing reports in accordance with IFRS requires the use of accounting estimates. Furthermore, company management and the Board of Directors are required to make certain assessments when applying the company's accounting principles, see Note 4.

### 2.2 Effect of new accounting standards and interpretations

#### New standards for 2008

No new standards were implemented in 2008 which are expected to have a material impact on the Group's results and financial position.

#### Standards applied in advance by the Group

During the 2008 financial year, the Group applied, in comparison with the previous year, one additional accounting regulation, namely IFRS 8 - Operative segments, which came into effect for financial years beginning 1 January 2009 or later.

The new standard requires the presentation of segment-related information from the perspective of the management team, which means that it is presented in the same way as in internal reporting.

#### Coming standards

When preparing the consolidated accounts as per 31 December 2008, a number of standards and interpretations have been published which have not yet come into effect. Further IFRS regulations and interpretations which have been published but are not yet in force and which the Group does not, to date, apply; do not have a significant impact on the Group's results and financial position.

### 2.3 Consolidated accounts

The consolidated accounts include Effnet Holding AB (the Parent Company) and all companies in which the Parent Company, directly or indirectly, held more than 50 per cent of the number of votes for all shares and participations at the end of the financial year. Companies acquired during the financial year are included in the consolidated income statement from the date of acquisition. Companies disposed of during the financial year are included in the consolidated income statement up until the date of disposal.

No acquisitions or sales of companies took place during the year.

The purchase method is applied in the preparation of the consolidated accounts. Acquisition cost is comprised of the fair value of assets rendered as payment, issued equity instruments, and resulting or assumed liabilities at the transfer date, as well as costs directly attributable to the acquisition. Acquired assets and liabilities are valued to determine their fair values.

If the acquisition cost exceeds fair value, the difference is reported as goodwill. If the acquisition cost is below the fair value (negative goodwill), the difference is reported directly in the income statement.

Intra-group transactions and balance sheet items are eliminated, as are unrealized gains on transactions between Group companies. Unrealized losses are also eliminated, unless the transaction is evidence of impairment of the transferred asset. The accounting principles for subsidiaries have, where applicable, been changed in order to guarantee consistent application of the Group's principles.

### 2.4 Comparative information

#### Pro-forma accounts

Through the re-structuring undertaken in the summer of 2004, Effnet Holding AB (publ) became the Parent Company of the Group. The constituent technology companies were acquired through an intra-group transaction on 30 June 2004. In order to provide a comparable view of the operations, pro-forma accounts have therefore been prepared. The pro-forma accounts for 2004 consist of the sum of the accounts published by the former parent company of the engineering group Effnet Group AB for the period January-June 2004 and the reporting Effnet Holding AB presented for the period July-December 2004.

### 2.5 Segment reporting

Business segments are reported in a way that agrees with the internal reporting and which is submitted to the highest executive decision-maker. The highest executive decision-maker is the function responsible for allocation of resources and assessment of the business segments' results. In the Group, this function is identified as being the CEO, who makes strategic decisions.

### 2.6 Currencies and comparative figures

The functional currency in the Parent Company and the operational subsidiaries is the Swedish krona (SEK). All amounts are rounded off to the nearest million SEK (MSEK), or rounded off to millions with a decimal, unless otherwise stated. Certain figures are reported in thousands of SEK (TSEK). The figures in parentheses refer to 2007.

Receivables and liabilities in foreign currency are reported at the closing rate of exchange. Income and expenses in foreign currencies are translated to the exchange rate on the transaction date.

### 2.7 Tangible fixed assets and depreciation

Tangible fixed assets are reported at acquisition value less depreciation. Expenses for improving the performance of the assets beyond their original level of performance increase the asset's reported value. Expenditures for repairs and maintenance are reported as costs.

Tangible fixed assets are depreciated and intangible fixed assets are amortized systematically over their estimated useful lifetimes. The straight-line method of depreciation is applied for all types of tangible fixed assets. Equipment is depreciated over 5 years and computers over 3-5 years. The residual value and useful lifetime of the assets are tested at each balance sheet date and adjusted if needed.

Profits and losses from disposals are established by comparing the sales revenue and the carrying amount and are reported as other operating revenues/net operating expenses in the income statement.

The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds its assessed recoverable amount.

Write-downs are immediately expensed in the income statement.

## 2.8 Development expenditures and Intangible assets

The basic development of the Group companies' products has already been completed, and the expenditures have been recognized as expenses. Direct expenditure for customer-related and production-related technology and product development are recognized as expenses on a current basis. Expenses regarding larger development projects attributable to new products or upgrades of current products are capitalized as intangible assets to the extent to which these products are expected to generate future economic benefits. Development expenditures previously recognized as an expense are not reported as an asset in the following periods. Capitalized development costs are depreciated using the straight-line method over the period in which the anticipated benefits are expected to accrue to the company, although over no more than three years. Expenditures for standard computer software are expensed on an ongoing basis. Expenditures for patent and trademark protection are recognized as expenses on an ongoing basis.

The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds its assessed recoverable amount. Write-downs are immediately expensed in the income statement.

## 2.9 Deferred tax assets

Deferred tax assets regarding loss carried forward or other future tax deductions are reported to the extent that it is probable that the deduction can be settled against a surplus at future tax assessments.

## 2.10 Financial assets

### Receivables

Receivables, including trade receivables, are reported in the amounts that, on the basis of individual assessment, are estimated to be received.

Since these receivables are current, the book value corresponds to the fair value since the discounting effect is immaterial.

## 2.11 Derivative instruments

Derivative instruments are reported in the balance sheet on the contract date and valued at fair value, both initially and in connection with subsequent revaluations. Profits and losses from changes in fair value are reported directly in the income statement unless the derivative is identified as a hedging instrument for cash flow hedging when the change in fair value is reported in equity.

The Group only uses currency forward contracts. Forward contracts may be taken out for hedging of trade receivables. The corporate management intends to retain such contracts until maturity. Forward contracts are valued at the closing day rate. Value adjustments of forward contracts and underlying trade receivables are reported gross.

## 2.12 Inventories

Inventories are valued at the lowest of acquisition cost and estimated net realizable value. Acquisition cost includes all costs for purchases, costs for production and other costs for delivering the goods to their current location and condition.

## 2.13 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances.

## 2.14 Trade payables

Trade payables are initially reported at fair value and thereafter at the accumulated acquisition cost while applying the effective interest method.

## 2.15 Employee Benefits

### Pension commitments

For defined contribution pension plans, the Group pays charges to public or privately administered pension insurance plans on a compulsory, contractual or voluntary basis. The Group has no further payment obligations once these contributions have been paid. The responsibility and risk relating to the future pension are, therefore, carried by the employee and the pension institution invests the funds in accordance with the employee's wishes. The contributions are reported as personnel costs when they fall due for payment.

### Severance pay

No severance pay over and above salaries during legislated or agreed period of notice of a maximum of one year is paid in connection with termination by either party.

## Share-based benefits

At the Annual General Meeting in April 2006, an options programme directed toward the personnel was decided upon. For a description of the scope and conditions, etc., see Note 16.3, Equity.

## 2.16 Revenue

Sales revenue is reported net after the deduction of value added tax and discounts. Intra-group sales are eliminated in the consolidated accounts. Revenue attributable to licences, systems and components is reported when the delivery, or when applicable, the partial delivery, has been completed and no significant commitments remain. Revenue attributable to royalties is reported in accordance with the current agreement's economic meaning. Revenue attributable to maintenance agreements is distributed over the period to which the agreement refers. Expected losses are reported immediately as expenses.

Interest is reported in the period in which it is attributable.

## 2.17 Leasing

Lease agreements in which the risks and benefits of the ownership are retained by the lessor are classified as operational leasing and taken up as expenses using the straight-line method over the leasing period. Nor the Group or the Parent Company has any financial lease agreements.

## 2.18 Cash Flow Statements

The cash flow statements have been prepared according to the indirect method, which means that the result is adjusted for transactions that do not result in receipts or payments. In addition to cash and bank balances, short-term investments are also classified as cash and cash equivalents, in applicable cases.

## 2.19 Special accounting principles for the Parent Company

As a legal entity, the Parent Company shall comply with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board. The standard RFR 2.1 "Accounting for Legal Entities" issued by the Swedish Financial Reporting Board states that as a main rule, listed parent companies should apply IFRS with the exception of the Swedish Annual Accounts Act. These rules establish certain requirements on information and special presentation formats, which have been taken into consideration. In addition, the Parent Company reports certain balance sheet items for which special accounting and valuation principles have been applied.

## Shares in subsidiaries

The Parent Company's shares in subsidiaries have been valued at the lower of acquisition cost and assessed fair value, the latter calculated through cash flow and/or substance valuation.

### Group contributions and shareholders' contributions

Group contributions are reported based on their financial significance. This means that any group contribution paid with the aim of minimizing the total tax of the Group is reported directly against unappropriated earnings following deduction for the tax effect achieved. Group contributions that are equivalent to shareholders' contributions are reported, taking the tax effects into consideration, by the recipient directly against retained earnings. The provider reports the group contributions and relevant tax effect as an investment interest in Group companies, to the extent that a write-down is not required.

Shareholders' contributions are posted directly to equity at the recipient and are capitalized as shares and participating interests at the provider, to the extent that a write-down is not required.

## Note 3: Risk analysis and risk management

### 3.1 The business cycle and competition risk

The Group's sales take place on markets which, in recent years, have developed positively. The Group generally benefits from a strong business cycle since the players then become more prone to investment, which creates increased demand.

Regardless of the business cycle, the Group's business areas face competition in the form of other companies with similar products or in the form of other technical standards, see 3.2 below. The degree of competition can affect the Group's volumes and the Group's pricing.

### 3.2 Technology risk

It is the opinion of the Board that the Group's products have a high level of quality and that the technology choices made are the best available at hand. Nevertheless, it can be noted that the technological development is rapid and that new alternative technologies can make existing products obsolete, just as standards that are not technologically optimal can be dominating.

### 3.3 Financial risks

The Group is subject to different financial risks through its operations. The Group strives to minimize the effect of these risks on the Group's results. Here, a financial policy is applied, which contains rules for currency and liquidity as laid down by the Board of Directors.

#### Market risk: Interest rate risk

The Group is relatively resilient to changes in interest rates; a change in interest rates by +/- 1 percentage point affects the net financial income of the Group by approximately MSEK +/- 0.1.

#### Market risk: Exchange rate risk

Most Group invoicing takes place in foreign currency, whereas the costs are primarily in Swedish kronor, for which reason currency exposure

arises between income and costs, as well as between assets and liabilities. Long-term fluctuations in exchange rates mean, to the extent that prices cannot be adjusted, that income and thus the financial result are affected. Short-term fluctuations in exchange rates mean that the exposure of the Group to assets in foreign currency (trade receivables) entails a risk. According to the Group's currency rules, this exposure must be minimized at a reasonable expense through hedging of substantial and/or long-term trade receivables.

CURRENCY	Share of sales 2008	Effect on earnings +/- 10%, MSEK	Exchange rate change 2008, %
EUR	49 %	+/-1.5	15.4
AUD	36 %	+/-1.1	-5.2
USD	11 %	+/-0.3	19.9
SEK	3 %	-	-
GBP	1 %	+/-0.0	-12.8

### Credit risks

All trade receivables are associated with credit risks. In order to reduce this risk, advances and letters of credit can be requested, primarily for large deliveries in terms of value and with deliveries to customers in countries with significant country risk. The Group's companies also actively monitor overdue trade receivables. In 2008, customer losses amounted to MSEK 0.0 (0.0).

### Liquidity risk

The cash and cash equivalents of the Group are managed at a very low level of risk and cash and cash equivalents can be made available at very short notice. This means that the Group has a very low level of liquidity risk.

The table below shows the Group's financial liabilities, specified on the basis of the time remaining on+ balance sheet date until the contractual due date. The amounts stated in the table are the contractual, undiscounted cash flows. The amounts falling due within 12 months correspond with the book amounts, as the discounting effect is insignificant.

PER 31 DECEMBER 2008 (GROUP)	Less than 1 year	Between 1 and 2 years	More than 2 years
Advance payments from customers	0.1	-	-
Accounts payable – trade	1.5	-	-
Other current liabilities	0.4	-	-
Derivative instruments	0.1	-	-
Accrued expenses & deferred income	7.9	-	-

PER 31 DECEMBER 2008 (GROUP)	Less than 1 year	Between 1 and 2 years	More than 2 years
Advance payments from customers	0.9	-	-
Accounts payable – trade	1.8	-	-
Other current liabilities	0.4	-	-
Derivative instruments	-	-	-
Accrued expenses & deferred income	5.0	-	-

### 3.4 Capital risk

The Group's goal regarding the capital structure is to ensure the Group's ability to continue its operations so that it can generate earnings for the shareholders and benefits for other stakeholders and maintain an optimal capital structure to keep the expenses for the capital low.

In order to maintain or adjust the capital structure, the Group can change the dividend which is paid to the shareholders, repay capital to the shareholders, issue new shares or sell assets to reduce debts.

Due to the relatively high level of risk of the operation, the objective is that the equity/assets ratio should be at least 40%. As per 31 December 2008, the equity/assets ratio amounted to 63% (76%).

## Note 4: Significant estimates and assessments for accounting purposes

The Board of Directors and corporate management make estimates and assumptions regarding the future. These estimates and assessments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that can be seen as reasonable under the current circumstances and with the knowledge available at hand. Estimates for accounting purposes will, per definition, rarely be equivalent to the real outcome. For certain items, primarily deferred tax assets and capitalized expenditure for development work, these underlying estimates and assumptions imply a certain risk for adjustments in reported values during upcoming financial years.

## Note 5: Segment divided income statement and balance sheet

### 5.1 Business segments

The senior executives have defined the operative segments based on the information dealt with by the CEO and which is used for strategic decision-making. The Group is organized into two main business segments. The Digital Broadcasting segment includes the DAB/DMB/DAB+, Middleware and NICAM product groups and their income refers to systems and components and customizations, maintenance and training. The Header Compression segment includes the Effnet

Header Compression software family and the income refers to licences, royalties, maintenance agreements and customizations.

There are no transactions between the business segments. Central operating expenses have been divided between the business segments. Financial items and taxes have not been divided between the business segments.

The assets of a business segment comprise fixed assets, finished products and goods for resale and receivables directly attributable to the individual segment. Business segment liabilities are comprised of operating liabilities directly attributable to the respective segment. Investments are comprised of capitalized development costs and purchases of tangible fixed assets, including purchases via acquisitions of business operations.

The income statement reported by segment has only been prepared pro forma and only down to the operating income level. Comparisons below this level are not meaningful.

All assets, liabilities and investments are attributable to Sweden.

2008	Digital Broadcasting	Header Compression	Not allocated	Group
Net sales	26.3	5.2	-	31.5
Capitalized development costs	1.6	0.7	-	2.3
Amortization/Depreciation	-2.4	-0.6	0.0	-3.0
<b>Operating income</b>	<b>-6.9</b>	<b>-2.3</b>	-	<b>-9.2</b>
Financial Items, net				0.3
Income after financial items				-8.9
Tax				-
<b>Net loss</b>				<b>-8.9</b>
Assets	12.3	3.0	12.1	27.4
Liabilities	5.8	1.4	2.8	10.0
Investments	1.9	0.7	-	2.6

Income from a customer within the Digital Broadcasting segment corresponds to approximately MSEK 11 out of the total income of the company

2007	Digital Broadcasting	Header Compression	Not allocated	Group
Net sales	20.0	4.6	-	24.6
Capitalized development costs	1.8	0.6	-	2.4
Amortization/Depreciation	-2.0	-0.7	0.0	-2.7
<b>Operating income</b>	<b>-12.1</b>	<b>-3.2</b>	-	<b>-15.3</b>
Financial items, net				0.6
Income after financial items				-14.7
Tax				-
<b>Net loss</b>				<b>-14.7</b>
Assets	9.1	2.6	22.4	34.1
Liabilities	5.2	1.3	1.6	8.1
Investments	2.8	0.6	-	3.4

## 5.2 Geographical distribution

The Group's products are sold globally. All sales are conducted from Sweden. The sales figures below are based on the region in which the customer is located. There are no sales between the geographic segments.

GROUP	2008	2007
Europe	11.5	9.9
Oceania	11.2	0.1
North America	4.5	2.3
Asia	4.3	12.3
Total	31.5	24.6

## Note 6: Intra-group revenues and expenses

All of the Parent Company's net sales derive from intra-group transactions and pertain to invoicing to companies in Sweden.

PARENT COMPANY	2008	2007
Intra-group revenue	0.6	0.6
Intra-group costs	-0.1	-0.2
Interest on intra-group loans	0.3	0.4
Net	0.8	0.8

## Note 7: Capitalized development costs

GROUP	2008	2007
Opening acquisition cost	6.0	5.0
Capitalized costs for the year	2.3	2.4
Cancelled, older than 3 years	-1.5	-1.4
Closing acquisition value	6.8	6.0
Opening accumulated amortization	-2.9	-2.5
Amortization for the year	-2.2	-1.8
Cancelled, older than 3 years	1.5	1.4
Closing accumulated amortization	-3.6	-2.9
Total book value	3.2	3.1

## Note 8: Remuneration to auditors

GROUP	2008	2007
Öhrlings PricewaterhouseCoopers AB		
- audit	0.2	0.2
- other assignments	0.1	0.1
Total	0.3	0.3

## Note 9: Personnel

### 9.1 Average number of employees

GROUP	2008	2007
Women	2	2
Men	24	24
Total, all in Sweden	26	26

PARENT COMPANY	2008	2007
Women	-	-
Men	2	2
Total, all in Sweden	2	2

### 9.2 Distribution according to gender, average 2008

GROUP	MÄN	KVINNOR	TOTALT
Parent Company's Board *	4	-	4
CEO and other senior executives	3	-	3
Other employees	21	2	23
Total employees	24	2	26

\* The Boards of the subsidiaries include representatives of the Parent Company.

### 9.3 Absence due to illness

GROUP	2008	2007
Long-term absence due to illness	-	-
Absence due to illness, all employees	1 %	1 %
Absence due to illness, men	1 %	1 %
Absence due to illness, employees aged 30-49 years	1 %	1 %

Absence due to illness is not reported for women and other age categories as there are fewer than ten employees in each of these categories.

### 9.4 Salaries, other remuneration and social security contributions

PARENT COMPANY	2008	2007
Remuneration to the Board of Directors	0.4	0.4
Salaries and remuneration, CEO	2.5	1.7
Salaries and remuneration, other employees	0.6	0.6
Pension costs, CEO	0.7	0.4
Pension costs, other employees	0.1	0.1
Social security contributions	1.3	1.1
Other personnel costs	0.0	0.1
Total	5.6	4.4

<b>SUBSIDIARIES</b>	<b>2008</b>	<b>2007</b>
Salaries and remuneration, President	0.9	0.8
Salaries and remuneration, other employees	9.8	10.0
Pension costs, President	0.2	0.2
Pension costs, other employees	1.0	1.1
Social security contributions	3.8	3.8
Other personnel costs	0.5	0.4
<b>Total</b>	<b>16.2</b>	<b>16.3</b>
<b>GROUP</b>	<b>2008</b>	<b>2007</b>
Personnel costs in the Parent Company	5.6	4.4
Personnel costs in the subsidiaries	16.2	16.3
Theoretical cost of the options programme	0.3	0.9
<b>Group total</b>	<b>22.1</b>	<b>21.6</b>

### 9.5 Remuneration to the Board, the CEO and Senior Executives

	<b>2008</b>			
	Basic salary/ Board fee	Variable re- muneration	Pension costs	Total
Chairman of the Board, Göran E. Larsson	0.2	-	-	0.2
Board member, Peter Jacobsson	0.1	-	-	0.1
Board member, Lennart Pihl	0.1	-	-	0.1
CEO	2.5	-	0.7	3.2
Other senior executives (2)	1.5	-	0.3	1.8
<b>Total remuneration to Board and senior executives</b>	<b>4.4</b>	<b>-</b>	<b>1.0</b>	<b>5.4</b>
<b>Other employees</b>	<b>9.8</b>	<b>-</b>	<b>1.0</b>	<b>10.8</b>
<b>Total salaries and remuneration</b>	<b>14.2</b>	<b>-</b>	<b>2.0</b>	<b>16.2</b>

	<b>2007</b>			
	Basic salary/ Board fee	Variable re- muneration	Pension costs	Total
Chairman of the Board, Göran E. Larsson	0.2	-	-	0.2
Board member, Peter Jacobsson	0.1	-	-	0.1
Board member, Lennart Pihl	0.1	-	-	0.1
CEO	1.4	0.3	0.4	2.1
Other senior executives (2)	1.4	0.1	0.3	1.8
<b>Total remuneration to Board and senior executives</b>	<b>3.2</b>	<b>0.4</b>	<b>0.7</b>	<b>4.3</b>
<b>Other employees</b>	<b>9.9</b>	<b>0.1</b>	<b>1.1</b>	<b>11.1</b>
<b>Total salaries and remuneration</b>	<b>13.1</b>	<b>0.5</b>	<b>1.8</b>	<b>15.4</b>

The table above shows the remuneration paid to the Board of Directors, CEO and other senior executives. In addition, the Group has had additional costs for remuneration to the Board of Directors, CEO and other senior executives in the form of employer's contributions as well as special employer's contributions. During the year, total costs for salaries, remuneration and benefits, including employer's contributions, amounted to MSEK 19.3 (18.6). During the year, total costs for pensions, including special employer's contributions, amounted to MSEK 2.5 (2.1).

### Fees paid to the Board of Directors

According to the resolution adopted at the Annual General Meeting of Effnet Holding AB on 22 April 2008, the Board fees for the period up until the next general meeting shall amount to TSEK 400 (400), to be allocated as follows: TSEK 200 (200) to the chairman, and to other members TSEK 100 (100) each. However, the CEO shall not receive any Board fees.

The Group's Board has appointed a Remuneration Committee comprising of Board members Peter Jacobsson and Lennart Pihl. The Committee's task is to prepare a proposal to the Board of Directors regarding principles for remuneration and other conditions of employment for senior executives.

### Other remuneration to members of the Board

Compensation is paid to Board members for travelling and accommodation expenses. Board member Göran E. Larsson has, through a company, invoiced TSEK 56 (56) attributable to special consulting contributions.

### Remuneration to the CEO

In 2008, the Parent Company's CEO Hans Runesten had a contractual basic salary of TSEK 117 (117) per month, and a bonus of a maximum of TSEK 1,050 (1,050) per year based on the attainment of certain predetermined goals. No bonus will be paid for 2008 (TSEK 315 prev. year). A salary from Effnet Holding amounting to TSEK 1,750 (1,421) has been paid to Hans Runesten.

Premiums attributable to pension insurances amounting to TSEK 405 (400) have been paid during the year.

In connection with the reorganization and cost-savings programme resolved in December 2008, it was agreed that Hans Runesten was to resign on 30 November 2009 without any obligation to work during the period 1 March 2009 to 30 November 2009. As per 31 December 2008, the company made a provision for this windup cost pertaining to salary, including employer's contributions, amounting to TSEK 1,390 and pensions, including payroll tax, amounting to TSEK 377.

### Other senior executives

Other senior executives include the CFO of the Parent Company and the President of the subsidiary Factum Electronics AB, a total of two people at the end of the year. In total, TSEK 1,533 (1,411) has been paid to senior executives during the year. No bonus will be paid for the year 2008 (TSEK 52 prev. year).

Premiums attributable to pension insurances amounting to TSEK 278 (255) have been paid during the year.

In the event of termination of employment on the company's initiative, an unchanged salary will be paid for 3-6 months.

As a consequence of the restructuring programme resolved in December 2008, the CFO in the Parent Company has chosen to leave

the company on 30 June 2009. Since he has a full obligation to work up until that date, no provision has been made for windup costs.

### Bonus programme

A bonus programme has been established for certain key employees of the Group. This programme is connected to the achievement of certain goals as regards earnings. No bonus will be paid for 2008 (TSEK 423 prev. year). The maximum possible bonus for 2008 for five (five) employees was MSEK 2.0 (2.0). Bonuses do not constitute pensionable income.

### Options programme

For a description of the options programme, refer to Note 16.3.

### Other information

For other information regarding pension obligations, severance pay, bonus programmes and share-related payment, see Note 2.15.

## Note 10: Amortization/Depreciation

<b>GROUP</b>	<b>2008</b>	<b>2007</b>
Amortization/depreciation of		
- intangible assets	-2.2	-1.8
- computers and equipment	-0.8	-0.8
<b>Total</b>	<b>-3.0</b>	<b>-2.6</b>

## Note 11: Tax

### 11.1 Loss carry-forward

<b>GROUP</b>	<b>2008</b>	<b>2007</b>
Opening loss carry-forward	40.1	27.0
Changes for the year	7.3	13.1
Closing loss carry-forward	47.4	40.1
Total deferred tax assets 26.3% (28%)	12.5	11.2

The change for the year 2008 and closing balance for loss carry-forward for 2008, referring to the amounts to be reported in the tax returns for 2009, are preliminary.

In addition to the loss carry-forward reported above, a further MSEK 67 is subject to considerable limitations and can only be used against gains on shares.

### 11.2 Deferred tax assets

<b>GROUP</b>	<b>2008</b>	<b>2007</b>
Opening book value	7.5	7.5
Change in deferred income tax assets for the year	-	-
Closing book value	7.5	7.5

The loss carry-forward is reported to the extent it is expected it will be offset against future profits. In the annual accounts for 2008, no additional capitalization of deferred tax was carried out.

### 11.3 Reported tax revenue (-cost)

GROUP	2008	2007
Tax to be paid	-	-
Change in deferred income tax assets	-	-
Total	-	-

PARENT COMPANY	2008	2007
Profit (loss) before tax	-5.6	-4.7
Theoretical tax	1.2	1.2
Group contributions reported as shareholders' contributions	1.1	2.8
Non-capitalized deficit	-2.3	-4.0
Profit (loss) after tax	-5.6	-4.7

### Note 12: Equipment and computers

GROUP	2008	2007
Opening acquisition cost	5.7	4.8
Purchases for the year	0.3	1.0
Sales and disposals	-0.1	-0.1
Closing acquisition cost	5.9	5.7
Opening accumulated depreciation	-4.2	-3.4
Depreciation for the year	-0.8	-0.8
Sales and disposals	0.1	0.0
Closing accumulated depreciation	-4.9	-4.2
Total book value	1.0	1.5

PARENT COMPANY	2008	2007
Opening acquisition cost	0.0	0.0
Purchases for the year	0.0	0.0
Closing acquisition cost	0.0	0.0
Opening accumulated depreciation	0.0	0.0
Depreciation for the year	0.0	0.0
Closing accumulated depreciation	0.0	0.0
Total book value	0.0	0.0

Group companies have leases for offices in Luleå and Linköping with terms running until 31 December 2011 and incurring combined annual costs of MSEK 0.5. The office in Stockholm will be closed on 31 March 2009 and the lease for 2009 will amount to MSEK 0.1.

The Group's companies have operational leasing agreements attributable to telephone switchboards, office equipment and instrumentation incurring combined annual costs of MSEK 0.1. These costs are included in external costs in the income statement.

### Note 13: Participations in Group companies

NAME OF SUBSIDIARY	Corporate Identity Number	Registered offices	Share of equity	Book value
Factum Electronics AB	556422-4532	Linköping	100 %	16.3
Effnet AB	556546-4566	Stockholm	100 %	0.4
Wkit Security AB	556551-9906	Mellerud	100 %	0.2
Total book value				16.9

Factum Electronics AB has changed the Parent Company's holdings by an equivalent amount.

### Note 14: Inventories

GROUP	2008	2007
Components and goods	2.6	2.2
Total	2.6	2.2

### Note 15: Trade receivables, prepaid expenses and accrued income

#### 15.1 Trade receivables

The Group's companies carry out the active monitoring of overdue trade receivables. In 2008, bad debt losses amounted to MSEK 0.0 (0.0).

As per 31 December 2008, overdue trade receivables amounted to MSEK 0.7 (0.3) with no write-down requirement arising. This applies to a number of independent customers with no previous payment difficulties. The age analysis of these accounts receivable is presented below:

GROUP	2008	2007
Less than 3 months	0.5	0.1
3 to 6 months	0.2	0.1
6-9 months	-	-
9-12 months	-	0.1
12 months or more	-	-
Total	0.7	0.3

The reported amounts, per currency, at fair value for the Group's trade receivables are as follows.

GROUP	2008	2007
AUD	3,5	-
EUR	2,1	1,1
SEK	0,4	0,2
USD	0,1	0,2
GBP	0,0	0,1
Total	6,1	1,6

### 15.2 Prepaid expenses and accrued income

GROUP	2008	2007
Prepaid insurance premiums	0.2	0.2
Prepaid rent	0.3	0.2
Other items	0.1	0.2
Total	0.6	0.6

PARENT COMPANY	2008	2007
Prepaid insurance premiums	0.0	0.0
Accrued interest income	0.0	0.1
Total	0.0	0.1

### Note 16: Equity

#### 16.1 The Parent Company's share capital

Effnet's share capital amounted, at year-end, to SEK 1,086,682.16, divided into 108,668,216 shares with a quotient (nominal) value of SEK 0.01. Each share entitles the holder to one (1) vote.

#### 16.2 Development of share capital

YEAR	EVENT	NUMBER OF SHARES	NOMINAL VALUE, SEK	SHARE CAPITAL, SEK
1995	The company is formed	1	100.00	100,000.00
1997	Split, new share issue	11,764	10.00	117,640.00
1998	Split, new share issue	1,319,700	0.10	131,970.00
1998	Reserve and new share issue	1,402,181	0.40	560,872.40
2000	New share issue	1,427,181	0.40	570,872.40
2004	Split, new share issue	108,668,216	0.01	1,086,682.16

#### 16.3 Share-related remuneration

At the Annual General Meeting on 26 April 2006, an options programme for the equivalent of 4,000,000 shares directed towards the personnel was resolved upon. During the year, 250,000 (275,000) options were forfeited due to terminated employments. As per 31 December 2008, there were outstanding options equivalent to 3,440,000 (3,690,000) shares, including 935,000 (935,000) reserved for future recruitment and including 375,000 (375,000) personnel options received by the CEO.

The average number of shares in thousands in connection with maximum dilution owing to options in the options programme being taken out amounted to 112,108 (112,358) as per 31 December 2008. Employees were invited either to acquire securities options at estimated market value or to receive personnel options for free. The value of the options was established by an external valuation in accordance with Black & Scholes valuation model. All employees chose personnel options, which means that one fourth of options issued have been

exempted in order to cover future social security contributions in connection with the utilization of options. Personnel options further imply that the options are personal and cannot be transferred and are lost if employment is terminated.

Options entitle the holder the right to subscription of shares at an exchange rate of SEK 4.92. One-third of the options could be utilized for subscription of shares during March-April 2007, one-third could be utilized for subscription of shares during March-April 2008 or be saved for the last subscription period of March-April 2009, when all unutilized options may be utilized accordingly.

As for the approximately 2.5 million options which were outstanding with the personnel at the end of the year, a theoretical cost of MSEK 0.3 (0.9) has been charged to income. This amount is based on the estimated fair value of the options and is allocated over the duration. An amount equivalent to this theoretical cost has been added to equity and, therefore, there is no change in the total amount of equity.

In addition to this options programme, there are no other share-related remuneration programmes or other similar instruments.

#### 16.4 Dilution

The exercise price of SEK 4.92 exceeded the market price at the turn of the year, which is the reason the key ratios have not been calculated including any dilution.

#### 16.5 Dividend

The Annual General Meeting has at its disposal unrestricted funds in the Parent Company amounting to MSEK 14.1. The Board of Directors proposes that no dividends be paid.

### Note 17: Derivative instruments

GROUP	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Currency forward contracts relating to trade receivables	-	0.1	-	-
Total	-	0.1	-	-

PARENT COMPANY	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Currency forward contracts relating to trade receivables	-	-	-	-
Total	-	-	-	-

### Note 18: Accrued expenses and deferred income

GROUP	2008	2007
Deferred income	0.8	0.4
Sales commissions	1.7	-
Accrued holiday pay and social security contributions	2.3	2.3
Bonus and other salary related costs	2.4	1.0
Other items	0.7	1.3
Total	7.9	5.0

PARENT COMPANY	2008	2007
Accrued holiday pay and social security contributions	0.2	0.2
Bonus and other salary related costs	2.0	0.7
Other items	0.4	0.4
Total	2.6	1.3

### Note 19: Supplementary information concerning the cash flow statements

#### 19.1 Difference between income-recognized and received interest

GROUP	2008	2007
Interest income according to the income statement	0.3	0.6
Less change in accrued interest income	0.0	0.2
Interest income received according to the cash flow statement	0.3	0.8

PARENT COMPANY	2008	2007
Interest income according to the income statement	0.6	1.0
Less		
- Change in accrued interest income	0.0	0.2
- Intra-group transactions	-0.3	-0.4
Interest income received according to the cash flow statement	0.3	0.8

#### 19.2 Difference between expensed and paid taxes

GROUP	2008	2007
Taxes according to the income statement	-	-
Less change in income taxes recoverable	-	-
Taxes paid according to the cash flow statement	0.0	0.0

### Note 20: Contingent liabilities

PARENT COMPANY	2008	2007
Guarantee for subsidiary's rental contracts	-	0.4
Total	-	0.4

No significant liabilities are expected to be generated by these contingent liabilities. The Group's companies have no floating charges.

### Note 21: Additional information on related parties

Separate notes provide information concerning remuneration to the Board of Directors, President and other senior executives (Note 9.5), participations in Group companies (Note 13), intra-group income and expenses (Note 6) and pledged assets and contingent liabilities for Group companies (Note 20).

### Note 22: Events after year-end

At the beginning of the year, Joakim Enerstam took up the post as President of the subsidiary Effnet AB.

In January, Factum Electronics entered into a collaboration agreement with All in Media Ltd and Unique Interactive Ltd, which both produce software for data services within the field of digital broadcasting. The strategy of selling third-party products widens and supplements the product range of Factum and aims to increase its competitiveness, sales and income.

Kenneth Lundgren succeeded Hans Runesten as CEO and President of the Parent Company on 1 March 2009.

As of 2 March 2009, Effnet Holding AB is listed on NASDAQ OMX First North Premier.

# Proposed Distribution of Unappropriated Earnings

Adoption of the income statements and balance sheets will be addressed at the Annual General Meeting on 21 April 2009.

The Parent Company's unrestricted equity available for the distribution by the Annual General Meeting consists of retained earnings of SEK 19,825,536.50 brought forward and a net loss for the present year of SEK -5,633,646.03 with a total of SEK 14,191,890.47. The Board of Directors and CEO propose that the unappropriated earnings be carried forward in full and that no dividend be paid.

The Board of Directors and CEO assure that the consolidated accounts have been established in accordance with the international accounting standards IFRS which have been enacted by the EU and give a fair reporting of the Group's financial position and net profit or loss.

The administration report for the Group and the Parent Company gives a fair reporting of the development of the Group's and the Parent Company's operations, financial positions and results and describes significant risks and uncertainties that the Parent Company and its subsidiaries face.

Stockholm, 18 March 2009

Göran E Larsson                      Peter Jacobsson  
Chairman of the Board              Board Member

Lennart Pihl                              Hans Runesten  
Board Member                          Board Member

Kenneth Lundgren  
President

Our audit report was presented on 19 March 2009.

PricewaterhouseCoopers AB  
Authorized Public Accountant

# Audit report

To the Annual General Meeting of  
Holding AB (publ)  
(Corporate Identity Number 556526-6516)

We have audited the annual report, consolidated accounts, accounting records and the administration of the Board of Directors and the CEO of Effnet Holding AB (publ) for the year 2008. The annual report of the company and the consolidated accounts are included on pages 22-37 of the printed version of this document. The Board of Directors and the CEO are responsible for these accounts and the administration of the company as well as the application of the Swedish Annual Accounts Act when preparing the annual report and the application of the international financial reporting standards IFRS as adopted by the EU and the Swedish Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual report, consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted standards in Sweden. Those standards require that we plan and perform our audit to obtain reasonable assurance that the annual report and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO and significant estimates made by the Board of Directors and CEO when preparing the annual report and consolidated accounts as well as evaluating the overall presentation of information in the annual report and consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the CEO. We also examined whether any Board member or the CEO has, in any other way, acted in contravention of the Swedish Annual Accounts Act, Swedish Companies Act or the Articles of Association. We believe that our audit provides us a reasonable basis for our opinion set out below.

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and the general advice and guidelines and gives a true and fair view of the company's result and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards IFRS as adopted by the EU and the Swedish Annual Accounts Act and give a true and fair view of the Group's result and financial position. The administration report is consistent with the other parts of the annual report and consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and the balance sheet of the Parent Company and the Group be adopted, that the profit of the Parent company be dealt with in accordance with the proposal in the administration report and that members of the Board of Directors and the CEO be discharged from liability for the financial year.

Stockholm, 19 March 2009

PricewaterhouseCoopers AB

Lars Wennberg  
Authorized Public Accountant

# Financial Glossary

**AVERAGE NUMBER OF EMPLOYEES**

Average number of employees during the year, with regard to periods of employment and degree of service.

**BALANCE SHEET TOTAL**

The total of the booked value of all assets.

**CAPITAL EMPLOYED**

Balance sheet total less non-interest-bearing liabilities.

**CASH AND CASH EQUIVALENTS PER SHARE**

Cash and cash equivalents divided by the number of shares.

**CASH FLOW**

The cash flow from operating activities, unless otherwise stated.

**CASH FLOW PER SHARE**

The cash flow divided by the number of shares.

**DEGREE OF IMPROVEMENT**

Operating profit with replacement of personnel costs and depreciation in relation to the net sales.

**EARNINGS PER SHARE**

Net profit for the year divided by number of shares.

**EQUITY**

The difference between the Group's assets and liabilities.

**EQUITY/ASSETS RATIO**

Equity as a percentage of total assets

**EQUITY PER SHARE**

Equity divided by the number of shares.

**GROWTH IN SALES, ORGANIC**

Net sales change compared with the previous year, adjusted for acquisitions.

**GROWTH IN SALES, TOTAL**

The accounting principles remain unchanged as compared with previous years

**MARKET VALUE**

The share price multiplied by the number of shares.

**MARKET VALUE AT YEAR-END**

Price paid at closing of the last date of trade for the year.

**NET PROFIT/LOSS FOR THE YEAR**

Bottom line of the income statement, result after taxes.

**NET SALES**

Sales of the companies' products, excluding VAT.

**NET SALES PER BUSINESS UNIT**

Net sales divided by the number of shares.

**NET SALES PER EMPLOYEE**

Net sales divided by the average number of employees.

**NUMBER OF EMPLOYEES**

Number of people employed in the Group at year-end, compare average number of employees.

**NUMBER OF SHARES**

Number of shares at the end of the period.

**OPERATING MARGIN**

Operating profit/loss as a percentage of net sales.

**OPERATING PROFIT**

The profit/loss generated by the operations, excluding net financial income and taxes.

**RATE/EQUITY**

Market price in relation to equity.

**RETURN ON EQUITY**

Net income for the year in relation to average equity calculated as the average of equity at the beginning and the end of the year.

**RETURN ON CAPITAL EMPLOYED**

Income after net financial income, with additions for financial expenses, as a percentage of average capital employed.

# Technical Glossary

**ALGORITHM**

Description of a step-by-step method for solving a particular type of problem.

**BANDWIDTH**

Expression for transfer capacity over a network. Measured in units bits per second, bps.

**BROADCASTING**

TV or radio transmission from one to many locations.

**CDMA**

(Code Division Multiple Access) A second generation mobile telephony standard, used primarily the USA and in parts of Asia.

**CDMA2000**

A third generation mobile telephone standard, used primarily in the USA and in parts of Asia. CDMA2000 EV-DO Rev A. is the latest version.

**CRTP**

(Compressed Realtime Transport Protocol) A protocol used to compress RTP traffic (IETF RFC 2508).

**DAB**

(Digital Audio Broadcasting) Digital radio, digital technology for radio broadcasts based on the European standards ETS 300,401, adopted by Eureka 147.

**DAB+**

An additional audio encoding algorithm for the DMB standard, based on AAC+ (Advanced Audio Coding)

**DIGITAL BROADCASTING**

Digital TV or radio transmission from one to many locations.

**DMB**

(Digital Multimedia Broadcasting) A refinement of the DAB standard which is primarily used for mobile TV.

**DVB-H**

(Digital Video Broadcasting-Handheld) Development of the DVB-T standard for broadcasting of mobile TV.

**ECRTP**

(Enhanced Compressed Realtime Transport Protocol) An expanded and more robust version of CRTP (IETF RFC 3445).

**EPG**

Electronic programme guide. Transmission of programme schedule and other information directly to DMB receivers and that are used interactively for among other things, choosing and recording programmes.

**HC**

(Header Compression) A technology that compresses the redundant information in the headers.

**HD-RADIO**

American digital radio standard.

**HSPA**

(High Speed Packet Access) is a collection of mobile telephony protocols (HSDPA and HSUPA) that extend and improve the performance of existing UMTS systems.

**IETF**

(Internet Engineering Task Force) Organization that actively defines protocol standards for the Internet and telecommunications.

**INTEROPERABILITY TEST**

Test of different implementations to ensure compatibility with relevant standard.

**IP**

(Internet Protocol) A standard protocol used for transmitting all data on the Internet.

**IPHC**

(Internet Protocol Header Compression) A protocol used to compress IP traffic (IETF RFC 2507).

**IP-TELEPHONY**

Telephony over the Internet, the same as VoIP.

**ISDB**

Japanese digital radio standard.

**Kbps**

(Kilobits per second) The unit used to measure the speed of data communication.

**LTE**

(Long Term Evolution) Development of the existing 3G standard, sometimes called '4G'.

**MediaFLO**

(Media Forward Link Only) Proprietary software owned by Qualcomm, for broadcasting of mobile TV.

**MULTIMEDIA SERVICE**

The exchange of different types of information, for example video, data, voice and images.

**MULTIPLEXER**

System component that combines several audio and data services in accordance with DAB/DAB+/DMB standard.

**NICAM**

(Near Instantaneous Companded Audio Multiplex) Standard for digital sound for analogue television broadcasts.

**NETWORK**

A number of interconnected computers that communicate with each other.

**PACKET TRANSFER**

Data is divided into a number of smaller packets and sent independently over a network to a recipient. The packets are reunited when they reach the recipient.

**PROTOCOL**

An agreed framework for how different networks will communicate with each other.

**QUADRUPLE-PLAY**

A service bundle that includes high-speed Internet, telephony and TV delivered wireless via 3G or 4G networks.

**RFC**

(Request For Comments) A document that specifies the open standard that different internet-related protocols comprise.

**ROHC**

(RObust Header Compression) Protocol for compression of RTP traffic, primarily in wireless inter-active real-time applications (IETF RFC 3095).

**RTP**

(Real-time Transport Protocol) A protocol for the transport of data with real-time requirements, such as video and audio broadcasts (IETF RFC 1889).

**T-DMB**

Terrestrial DMB, terrestrial multimedia transfer to mobile receivers, such as mobile phones via the DAB/DMB standard.

**TRIPLE-PLAY**

Telephony, Internet and television through the same network.

**UDP**

(User Datagram Protocol) A protocol for the transport of data in IP networks (IETF RFC 768).

**UMTS**

(Universal Mobile Telecommunications System) is a European third-generation (3G) mobile phone technology.

**VoIP**

(Voice over Internet Protocol) Telephony over the Internet, the same as IP-telephony.

**VPN**

(Virtual Private Network) Part of the public network made private through encryption.

**WCDMA**

(Wideband Code Division Multiple Access) A third generation standard, used in Europe and gaining recognition in other parts of the world.

**WiMAX**

(Worldwide Interoperability for Microwave Access) Standard for broadband for mobile telephones with wireless networks over large areas.

**WorldDMB**

Trade organization and standardization body for DAB/DAB+/DMB.

**2.5G**

Mobile telephony standard, data transmission speed should be between 64 kbps and 128 kbps.

**3G**

The third generation mobile standard, which will provide operators and users with access to more bandwidth, many new services and speeds in excess of 384 kbps.

**3GPP**

Standardization body for WCDMA technology.

**3GPP/2**

Standardization body for CDMA2000 technology.



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