



## Interim report

Jan – Sep 2007

- CellPoint Connect's turnover for January – September amount to SEK 7 191 (2 759) TSEK, which correspond to an increase of 60 %.
- The result for this period amounts to -18 394 (-30 963) TSEK, which corresponds to an improvement of 59 %.
- The result per share by the end of this period amounts to -0,82 (-6,40) SEK, which corresponds to an improvement of 87 %.
- Cash-flow from continuing operations amount to -9 631 (-25 514) TSEK.

### The CEO reports

The new CellPoint organization is now in place following our acquisition of Gennum Corporation's headset division. The acquisition brought with it 11 new employees, working in R & D, marketing and support. We have a new subsidiary, CellPoint Connect (Canada) Inc. with offices in Burlington, Ontario. Our sales have increased substantially, 60 % compared to the same period last year, as has our operating results, from a negative to a margin of 4 708 TSEK.

We have invested substantially into the development of our headsets. This has once again delivered a dividend with an award at the CTIA Wireless 2007, Las Vegas, USA for our future Bluetooth FlamingoStereo™ Headset, which was selected as one of the three top finalists in the CTIA Emerging Technologies (E-Tech) Award. More recently, CellPoint has had two products recognized as CES Innovation Award Honorees for the 2008 Consumer Electronics Show (CES). The first award went to the new nX6000 Noise Cancelling Bluetooth headset, which joined the CellPoint product line after the acquisition in Canada. Our Bluetooth FlamingoStereo™ Headset received the second award. It is fantastic that CellPoint received two awards at CES, and that our Stereo headset received recognition at two different trade shows. We are planning to show the headsets at the 2008 International Consumer Electronics Show (CES) in Las Vegas, USA in January. We see great potential in broadening our market segment and look forward to leveraging this positive press thru various PR and marketing initiatives.

CellPoint has always worked to be able to give the consumer the best headset with regard to comfort, design and sound quality. This shows that we are working in the right direction.

We are launching the Flamingo Wired headset at the start of the year, which will fit all music players, with the same "EarClick" wearing technology as in our Bluetooth headsets. Supporting the Active Lifestyle market, it will be available in a variety of colours.

This is an unofficial translation of the Swedish original wording. In case of discrepancy between the English translation and the Swedish original, the Swedish original text shall prevail.

CellPoint and Norwegian Trygg Trafikk have initiated a cooperative effort with a focus on safer driving with an information campaign called "Mobile sense". More and more countries are putting legislation in place that forbids the use of a mobile phone while driving, unless a hands free device is used. We see this as an important market and will cooperate with operators from both the business world and governmental authorities to increase traffic safety.

We are the lead sponsor of the Norwegian Skiing Freestyle (NSF) Association for their national team in Halfpipe, Mogul skiing and Skicross. This is a part of our marketing in support of our Active Lifestyle concept.

We see a very bright future with increased sales and result improvements. We're very proud and happy of the awards which we received but will continue to seek to improve our products to be able to offer, to the consumers, the best headsets on the market!

CellPoint Connect – For a mobile lifestyle!

*Katarina Henriksson, CEO*

### **Turnover and result**

CellPoint's turnover during the first nine months was 7 191 (2 759) TSEK. The turnover has improved via the new sales channels the company acquired thru the acquisition in Canada. CellPoint has invested substantially in marketing and positioning on the Norwegian market and further development in our products. CellPoint continues the work on reaching optimal cost terms from sub-suppliers.

The gross margin amounts to 4 708 (-115) TSEK. The consolidated group result after net interest income amounts to -18 394 (-30 963) TSEK. The result per share at interim closing balances amounts to -0,82 (-6,40) SEK.

### **Cash-flow, financial soundness and shareholders' equity**

The cash-flow from continuing operations amounts to -9 631(-25 514) TSEK. The cash-flows that are vital to the groups earning potential are partly from the continuing operations and partly from financial activities. The company's solidity per September 30, 2007 was 72,2 % (18,1 %). The shareholders' equity amounted to 68 599 (9 785). The groups spare cash at the end of September 2007 was 3 426 (6 145) TSEK.

### **Significant events during the period**

With the acquisition of Gennum Corporation's headset division in Canada, CellPoint acquired four finished headset products, a strong organization in Canada and the United States and a host of active channels in the region. This enables CellPoint to offer headsets which, in critical environments, completely eliminate background noise. It will give the company a totally new opening into new market segments focused on high-noise environments.

During the summer CellPoint launched the new "Lifestyle" product series, Flamingo Color Line under the new "HappyEar" brand. It consists of the second generation Flamingo headset in eight different colours, targeted for a different consumer segment based on lifestyle segmentation. In the beginning of next year it will be launched globally with two new products: the FlamingoStereo™ Bluetooth® Headset and Flamingo Music, a stereo headphone for iPods, music phones and Mp3 players.

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CellPoint is the head sponsor to the Norwegian Skiing Freestyle (NSF) Association for their national team in Halfpipe, Mogul skiing and Skicross. Freestyle is World cup, Championships and Olympic sports within the International Skiing Federation (FIS). This is a part of our marketing within our Flamingo HappyEar "Lifestyle" concept.

#### **Significant events after the period**

CellPoint has been recognized by the CES Innovation Award's for the new nX6000 noise-cancelling Bluetooth headset and upcoming Flamingo Stereo headset. CellPoint plans to showcase the headsets at the 2008 International Consumer Electronics Show (CES) in Las Vegas in January 2008. CES, the world's largest annual trade show for consumer technology, recognizes a select few exceptionally-designed products each year. This recognition has already increased the attention for CellPoint's products.

CellPoint and Norwegian Trygg Trafikk have joined in a cooperative effort with a focus on safer driving with an information campaign called "Mobile sense", launched in November at a trade show in Oslo. Operators from both the business world and governmental authorities participated. The campaign informs about using handsfree-equipment, headsets, when driving.

CellPoint has signed co-operation agreements with a suit of international VoIP (Voice over IP) suppliers, which will offer Flamingo products along with their own products.

#### **Future prospects**

The acquisition of Gennums headset division and CellPoints planned launch of a line of new stereo products will strengthen CellPoints opportunity to break the current Bluetooth™ market stigma and open the general consumer market and become the leading suppliers of Lifestyle Bluetooth products. The weakness CellPoint suffered from in the past, being a "one product company", has changed so CellPoint's distribution channels from now on can market a whole line of products with unique functions.

Furthermore it will enable CellPoint to establish strategic OEM with global brands.

Now when the new awarded products will be launched, the sale is expected to increase essentially. The nX6000 headset will have a new market since it hasn't been on the European market before. Flamingo Stereo headset will be launch heavily on the North American market during spring.

CellPoint's headset Flamingo Music for iPod and MP3 music players and for Apple iPhone and music cell phones will be launched globally in the beginning of 2008. The Bluetooth products Flamingo Stereo and Flamingo Sound, which both have outstanding noise quality, will be launched during the CES 2008 in January and in Europe and Asia during spring.

This marked strengthening of CellPoints technological, as well as of product- and marketable situation, means that the expectation on the company's future earnings is positive. The new products have been a bit delayed which changes the earlier forecast for operating profit during 2007 until the first quarter of 2008.

In connection with the launch of the new products CellPoint will announce a new strategic Asian manufacturing partner. The co-operation with the new partner gives CellPoint possibility to a more aggressive positioning of the Flamingo products.

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**Risks and risk management**

CellPoint's line of business is affected by a suite of factors whereof some are within the company's control while others are beyond control. CellPoint is affected by operative risks such as competition and pressure on prices, product development, manufacturing, sales and co-operation. The company's financial risks exist foremost in exchange-rate risks.

**Accounting principles**

This Interim report is drawn up according to IAS 34 Interim Financial Reporting and RR 31 Interim reporting for consolidated groups.

The Accounting principles in this report correspond with the latest delivered annual financial statements which are drawn up according to the international accounting standard IFRS.

To draw up the financial reports according to generally accepted accounting principles the Board makes assessments and assumptions on the effects on the company's results and situation and provided information for the rest. The assessments and assumptions are based on historical experiences and are seen to regularly.

This report has not been audited by the company's auditors.

**Dates of reporting**

Year End Interim report 2007, Friday February 22, 2008.

Kista, November 23, 2007

CellPoint Connect AB (publ)

*Board of Directors*

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Consolidated Income Statement TSEK	Accumulated	
	Januari - September	
	2007	2006
Net turnover	7 191	2 759
Operating expenses	-21 337	-24 555
Depreciation of assets	-3 922	-4 487
<b>Operating profit/ loss</b>	<b>-18 067</b>	<b>-26 284</b>
Result from financial investments	-327	-4 679
<b>Profit/loss before tax</b>	<b>-18 394</b>	<b>-30 963</b>
<i>Average number of shares</i>	18 409 924	4 835 546
<i>Result per share</i>	-1,00 kr	-6,40 kr
<i>Number of shares after dilution</i>	22 377 951	5 077 546
<i>Result per share after dilution</i>	-0,82 kr	-6,10 kr
<i>Number of shares at the expired period</i>	22 377 951	5 077 546

#### CONSOLIDATED BALANCE SHEET

(Currency i TSEK)	2007-09-30	2006-09-30	2006-12-31
<b>Assets</b>			
Intangible assets	74 679	32 592	22 541
Tangible assets	6 414	1 280	943
Financial assets	93	7 721	4 953
Inventories	914	763	1 821
Accounts receivables - trade	3 455	1 286	2 535
Other current receivables	5 958	4 136	1 523
Cash and bank balances	3 426	6 145	633
<b>Total assets</b>	<b>94 939</b>	<b>53 922</b>	<b>34 949</b>
<b>EQUITY AND LIABILITIES</b>			
Total equity	68 599	9 785	26 809
Provisions	-	-	-
Current liabilities	26 341	44 137	8 140
<b>Total equity and liabilities</b>	<b>94 939</b>	<b>53 922</b>	<b>34 949</b>

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## Group change in shareholders' equity

<i>TSEK</i>	Share Capital	Other paidup capital	Reserve account	Retained earnings incl profit/loss for the year	<b>Total</b>
<b>Opening balance 2007-01-01</b>	4 404	89 800	1 580	-65 233	30 552
Adjustment in exchange rates on share capital		1 170		10	1 180
New issue of shares	1 190	22 618			23 808
New issue of shares					
Unregistered share capital					0
					-
<b>Transfer between restricted and unrestricted equity</b>	5 594	113 588	1 580	-33 770	86 993
Loss for the year				-18 394	-18 394
<b>Closing balance 2007-09-30</b>	5 594	113 588	1 580	-52 164	<b>68 599</b>

Cash Flow Analysis Group	Accumulated Jan - Sep 2007	Accumulated Jan - Sep 2006
<i>TSEK</i>		
Cash flow from current operations	-9 631	-25 514
Cash flow from investment activity	-5 134	5 107
Cash flow from financing activities	27 740	20 908
Changes in liquid funds	2 783	501
Liquid funds at beginning of year	633	5 654
Exchange difference of liquid funds	10	-9
Liquid funds at period end	3 426	6 145

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## Development of Share Capital until September 2007

Registration date	Type of Transaction	Increase/ decrease no. of Shares	Total no. of Shares	Nominal amount	Acc. Share Capital
2002-12-13	Purchase	1 000	1 000	100,00	100 000,00
2003-11-21	Share Split	999 000	999 000	0,10	100 000,00
2003-12-14	New Share Issue 1-2003	858 658	858 658	0,10	185 865,80
2004-03-15	New Share Issue 2-2003	299 145	2 157 803	0,10	215 780,30
2004-03-19	Issue in kind	43 574	2 201 377	0,10	220 137,70
2004-03-24	Bonus Issue	3 302 066	5 503 443	0,10	550 344,25
2004-03-24	Reverse Share Split	-3 302 066	2 201 377	0,25	550 344,25
2004-05-27	New Share Issue 1-2004	679 900	2 881 277	0,25	720 319,25
2004-12-08	New Share Issue 2-2004	316 458	3 197 735	0,25	799 433,75
2005-01-12	New Share Issue 3-2004	616 316	3 814 051	0,25	953 512,75
2005-01-28	Warrants 1/2-2004	61 920	3 875 871	0,25	968 992,75
2005-02-09	issue in kind	217 063	4 093 034	0,25	1 023 258,50
2005-04-15	issue in kind	20 000	4 113 034	0,25	1 028 258,50
2005-04-15	Set-off issue	5 575	4 118 609	0,25	1 029 652,25
2005-11-28	issue in kind	232 937	4 351 546	0,25	1 087 886,50
2006-01-24	issue in kind	726 000	5 077 546	0,25	1 269 386,50
2006-12-21	New Share Issue	6 172 454	11 250 000	0,25	2 812 500,00
2006-12-21	Set-off issue	6 366 319	17 616 319	0,25	4 404 079,90
2007-08-13	New Share Issue	4 761 632	22 377 951	0,25	5 594 487,90

There has been no changes of the Share capital after September 30, 2007.

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