



Interim report for the period 1 January 2009 to 31 March 2009

Preparations, analysis and establishment of a new strategy

- Net sales for the first quarter amounted to SEK 1.5 million (SEK 0.9 million)
- The net loss for the first quarter amounted to SEK –7.7 million (SEK -6.6 million)
- Three antenna systems were delivered and recognised as revenue during the period
- Order bookings during the period comprised two antennas
- Order bookings after the conclusion of the period thus far include another ten antennas
- C2SAT has successfully carried out a new share issue of SEK 29.6 million
- C2SAT has issued warrants exercisable in June 2009
- C2SAT has opened a representative office in China

Key figures, SEK million	Jan-Mar 2009	Jan-Mar 2008	Jan-Dec 2008
Net sales	1.5	0.9	4.9
Net profit/loss	- 7.7	- 6.6	- 35.1
Liquid assets	5.0	0.7	0.8
Net earnings per share	- 0.02	- 0.03	- 0.15
Order bookings, SEK million*	1.1	-	-

* No data reported for 2008

Statement from the CEO

For those of us in the new management, the first quarter was largely spent analysing C2SAT's position and opportunities, meeting current and potential customers, and, based on this process, agreeing on a new strategy for the Company. As a result, we also took a number of measures during the quarter and established clear, measurable goals to ensure C2SAT's transformation from a development company to a well-functioning industrial company. The measures will not be fully implemented and have an impact until the end of the second quarter at the earliest, however.

The Company has established a number of clearly defined goals, both short- and long-term, including that C2SAT will generate quarterly sales growth of at least 50 per cent over a two-year period. Moreover, we will reach positive cash flow no later than 2010 and within two years C2SAT will be established as one of three global antenna manufacturers, with a market share of 15 per cent.

We have focussed on C2SAT's product portfolio, adapted our offering to the market, and strengthened the organisation through recruitments, mainly in sales though also with respect to technical, service and administrative staff. C2SAT's product portfolio is competitive in terms of both our antennas' performance capabilities and their functionality. It has been important, however, to reassess how we present and sell our products. End-customers are price-sensitive and want standardised products with quick deliveries. Further, they are buying a service, not just hardware. Development activities are continuing, but now with a focus on system integration to ensure that C2SAT will meet the future requirements of leading system integrators.

The emphasis today is on establishing a distribution network, with the highest priority being Asia, the Middle East and Europe. This distribution network, which also includes an installation and service network, should be in place before the end of the third quarter. This is crucial in order to generate steady sales, whereas before the Company focussed on large procurements with long sales cycles. We must be able to actively support our distribution network. It is against this backdrop that additional sales employees are being recruited. In addition, it has been important to quality assure all deliveries and to provide support and maintenance in connection with the installation and ramp-up of new antenna systems.

The first visible signs that changes have begun should soon become evident in the form of increased order bookings and invoicing. We would already note that C2SAT received more orders during the period April-May than during the entire previous fiscal year and that we expect to win additional orders before the end of the second quarter.

With our shareholders' support, we were able to successfully complete a new share issue in January, which provided the Company with SEK 29.6 million before issue expenses. The issue was oversubscribed and generated sufficient liquid assets to assure the Company's operations and production in the short term. To ensure its long-term needs, C2SAT has also issued warrants exercisable in June. If fully exercised, the warrants would provide C2SAT with SEK 49 million. With these funds, C2SAT can implement the strategy adopted by management and be well-equipped for the future.

Solna, Sweden, May 2009

Fredrik Nygren, CEO

Group operating review

Financial overview

Group

Consolidated net sales for the first quarter amounted to SEK 1.5 million (SEK 0.9 million). The consolidated operating loss amounted to SEK -7.4 million (SEK -6.8 million). The net loss for the period was SEK -7.8 million (SEK -6.6 million).

Earnings in the first quarter were not charged with any items affecting comparability or additional write-downs of the Group's financial assets. The measures implemented by the new management did not yet have an impact during the period.

Retained development expenses are decreasing compared with the previous year as the production portfolio is completed. Capitalised development expenses for the period amounted to SEK 0.3 million (SEK 1.7 million).

Parent Company

The revenue of the Parent Company, C2SAT holding AB (publ.), corp. ID no. 556536-0954, amounted to SEK 1.7 million (SEK 0.4 million) during the first quarter. Net profit for the period amounted to SEK 0.1 million (SEK -0.4 million)

Revenue pertains to expenses invoiced internally to subsidiaries.

Events during the period

In January 2009 C2SAT holding AB (publ) carried out a new share issue.

In March 2009 C2SAT holding AB (publ) issued warrants exercisable in June.

C2SAT delivered, invoiced and recognised as revenue three (3) antennas sold to two customers in Europe.

In March C2SAT opened a representative office in Shanghai to establish more effective co-operations in China.

C2SAT has recruited additional resources in order to expand its marketing and to increase its installation and service capacity.

During the first quarter the Company focussed its resources on increasing delivery capacity, improving quality assurance in existing production facilities, shortening lead times through increased production, and modifying the inventory structure to achieve a better distribution between critical components and finished products in inventories on the balance sheet. This work is continuing.

Events after the conclusion of the period

After the conclusion of the fiscal period C2SAT issued a convertible to Gestrike Invest AB, as approved by the Annual General Meeting on 7 May.

Previously announced orders from Indonesia were delivered after the conclusion of the fiscal period, and an additional order was received for one (1) C-band antenna. In total these orders comprise six (6) C-band antennas, including previous orders for five (5) antennas.

During and after the period work was done to improve delivery quality and correctly ramp up three of these antennas. The ramp-up and delivery of more antennas will continue during the second quarter.

Moreover, C2SAT received an order for two (2) antennas from LCDR in France with delivery scheduled for the second quarter 2009.

Lastly, C2SAT received an order for seven (7) C-band antennas from an unnamed customer in China. C2SAT already has the material in place in China, and preparations are under way to upgrade and produce antennas locally with the help of C2SAT's on-site staff.

Among the financial consequences of the above order is that C2SAT can invoice an upgrade using materials and antennas that are already on site and that it can convert materials and antennas in China from a fixed asset on the balance sheet to liquid assets.

After the conclusion of the fiscal period the Company intensified its marketing activities. In addition to its participation in the Satellite 2009 Conference in the USA, Digital Ship in Dubai and the upcoming CommunicAsia Expo in Singapore, it has hired another person for its sales department. C2SAT's sales department consists of three employees as of 31 May.

The Annual General Meeting on 7 May re-elected the previous Board of Directors with the exception of Jan Axel Näsman, who was elected as a new member to succeed Tomas Mikaelsson.

Financing and liquidity

In January 2009 the Company carried out a new share issue that provided SEK 29.6 million in liquid assets before issue expenses.

Management of the Company continuously monitors market developments and utilises various scenarios to manage cash flows, bridge financing, credits and other financing.

As a result of the above, the Annual General Meeting resolved on 7 May to issue convertibles to Gestrike Invest AB and during the period amortised SEK 5 million of a previous bridge loan. The convertible is designed in a way that the Company can choose to redeem loans corresponding to SEK 14 million and replace them with shares issued at a price of 50 öre. The potential liquidity savings of SEK 14 million would significantly strengthen the Company's solidity.

The Company has also issued warrants to subscribe for shares expiring in June. Depending on the share price on the exercise date, the Company's financing needs will differ. If the warrants are exercised fully or in large part, the Company's capital needs will be assured for a long time to come, which would create a sense of security for the Company and its customers.

Naturally management's aim is that the Company will eventually be able to manage with cash flows generated internally through operations and that the recent share issue will be sufficient to maintain sustainable internal cash flows. At the AGM on 7 May, management announced the Company's internal target to maintain a positive cash flow by 2010.

Other

Investments

The period's investments in tangible assets amounted to SEK 0.0 million (SEK 1.1 million). The period's investments in research and development amounted to SEK 0.3 million (SEK 1.7 million). Investments in product development are expected to decrease in the future as the product portfolio is completed.

Disputes

On 23 December the County Administrative Court announced its ruling on C2SAT's case regarding the denial of the deductibility of previous value-added tax. The County Administrative Court ruled in favour of the Swedish tax authority. The dispute pertains to the company C2SAT holding AB (publ). The Group had previously allocated a corresponding amount in its accounts.

In February C2SAT appealed the case to the Administrative Court of Appeal, but it will not be heard until late 2009 or 2010 at the earliest.

The Company has a dispute with ISN Mätinstrument AB regarding payment of a receivable of approximately SEK 1 million backed by a promissory note in connection with the final payment for C2SAT Development AB in 2007. The Company considers its chances of getting paid for the receivable to be good. The case has been submitted to arbitration for a ruling.

Disputes are regularly monitored by the Group's Board of Directors.

Risks and uncertainties

Since no significant changes took place during the period with respect to company-specific risks and uncertainties, reference is made to the administration report in the annual report 2008 as well as Note 2 Risk Management for a more detailed description of the Company's financial and operational risks.

Next reporting date

The interim report for the second quarter, 1 March 2009 to 30 June 2009, will be presented on 31 August 2009.

Contact information

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General information

Through its subsidiaries, C2SAT communications AB and C2SAT production AB, the Parent Company, C2SAT holding AB (publ), corp. ID no. 556536-0954, develops, manufactures and sells stabilised antenna systems for satellite-based broadband communications.

C2SAT holding AB (publ) owns 35% of the shares of the associated company WermTec Elektronik AB. C2SAT holding (publ) also owns 8.8% of the shares of Advanced Inertial Measurement Systems Sweden AB (AIMS).

The Parent Company's address is Dalvägen 16, SE-169 56 Solna, Sweden.

Accounting principles

Parent Company and Group

The Group's financial reports are prepared in accordance with the International Financial Reporting Standards (IAS/IFRS as adopted by the European Union) issued by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The key accounting principles according to IFRS, which constitute the accounting norms used in the preparation of this interim report, can be found in note 1 on pages 35-39 of the annual report for 2008. The Group's segments are reported as of 1 January 2009 according to IFRS 8 instead of IAS 14. According to the new principle, the segments will still be Sweden and Asia. The revised version of IAS 1 Presentation of Financial Statements is applied as of 1 January 2009. The revision has affected C2SAT's reporting retroactively from 31 December 2007 and means, among other things, that revenues and expenses previously recognised directly in equity are now recognised in a Statement of Comprehensive Income. The Parent Company's financial reports are prepared in accordance with the Annual Accounts Act and RFR 2.1 Accounting for Legal Entities. The key accounting principles for the Parent Company can be found on pages 35-39 in the annual report for 2008.

Review report

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

Board assurance

The Board of Directors and the CEO certify that the interim report provides a fair view of the performance of the business, position and profit or loss of the Company and the Group and describes the principal risks and uncertainties faced by the Company and the companies in the Group.

Stockholm, 19 May 2009

Fredrik Nygren, CEO

The Board of Directors of C2SAT holding AB (publ)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Jan-Mar 2009	Jan-Mar 2008	Jan-Dec 2008
Net sales	1.5	0.9	4.9
Other operating revenue	0.1	0.0	2.1
Total operating revenue	1.6	0.9*	6.9*
Direct expenses	-1.8	-1.3	-5.3
External expenses	-3.4	-2.8	-16.2
Personnel expenses	-2.9	-2.2	-10.8
Profit shares from associated companies	-0.0	-0.3	-0.0**
Depreciation/amortisation	-0.9	-0.9	-3.5
Other operating expenses	-0.1	-0.1	-0.0
Total operating expenses	-9.1	-7.7	-35.9
Operating profit/loss	-7.4	-6.8	-29.0
Financial items	-0.5	0.0	-7.2
Profit after financial items	-7.9	-6.8	-36.2
Income tax	0.2	0.2	1.1
Net profit/loss for the period	-7.7	-6.6	-35.1
Other comprehensive income	0.0	0.0	0.0
Total comprehensive income for the period, net after taxes	-7.7	-6.6	-25.1

Net profit/loss for the period / total comprehensive income attributable to

Shareholders of the Parent Company	-7.7	-6.6	-35.1
Minority interests	0.0	0.0	0.0

* Includes inventory changes and capitalised work for own account.

** SEK- 0.4 million included in 2008 financial items. Reclassification from associated company to long-term financial fixed asset in the fourth quarter 2008.

DATA PER SHARE

SEK	Jan-Mar 2009	Jan-Mar 2008	Jan-Dec 2008
Earnings per share before dilution	-0.03	-0.03	-0.15
Earnings per share after dilution	-0.02	-0.03	-0.15
Equity per share at the end of the period	0.16	0.30	0.17
Number of shares at the beginning of the period	236,639,748	236,639,748	236,639,748
Average number of shares during the period	295,799,685	236,639,748	236,639,748
Number of shares at the end of the period	354,959,622	236,639,748	236,639,748
Share price at the end of the period	0.50*	2.75	0.37

* 31 March 2009, bid price

CONSOLIDATED BALANCE SHEET

SEK million	31 March 2009	31 March 2008	31 Dec 2008
Goodwill	20.8	20.8	20.8
Intangible fixed assets	33.6	35.5	34.0
Tangible fixed assets	1.4	1.9	1.5
Financial fixed assets	1.6	8.0	1.6
Total fixed assets	57.4	66.1	57.9
Inventory and current receivables	21.3	17.0	19.4
Liquid assets	5.1	0.7	0.8
Total current assets	26.3	17.7	20.3
Total assets	83.7	83.8	78.2
Shareholders' equity	57.2	69.8	40.3
Long-term interest-bearing liabilities	1.0	1.0	1.1
Long-term non-interest-bearing liabilities	3.6	4.7	3.8
Current interest-bearing liabilities	14.0	0.6	17.5
Current non-interest-bearing liabilities	7.9	7.7	15.5
Total equity, provisions and liabilities	83.7	83.8	78.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Share capital	Other paid-in capital	Retained earnings incl. net profit/loss for the period	Total
Opening balance, 1 Jan 2008				
Amount at the beginning of the year according to the adopted balance sheet	30.8	116.5	-70.8	76.5
Adjustment of opening balance	0.0	0.0	-0.1	-0.1
Ongoing share issue	0.0	0.0	-0.9	-0.9
Total comprehensive income for the period	0.0	0.0	-35.1	-35.1
Closing balance, 31 Dec 2008	30.8	116.5	-107.0	40.3
Opening balance, 1 Jan 2008				
Amount at the beginning of the year according to the adopted balance sheet	30.8	116.5	-70.8	76.5
Total comprehensive income for the period	0.0	0.0	-6.6	-6.6
Closing balance, 31 March 2008	30.8	116.5	-77.4	69.9
Opening balance, 1 Jan 2009				
Amount at the beginning of the year according to the adopted balance sheet	30.8	116.5	-107.0	40.3
New share issue	15.4	9.2	0.0	24.6
Total comprehensive income for the period	0.0	0.0	-7.7	-7.7
Closing balance, 31 March 2009	46.1	129.7	-114.7	57.2

Issue expenses recognised in equity amounted to SEK 5.0 million (0.0) for the period and SEK 0.9 million (0.0) for the full-year 2008.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Jan - Mar 2009	Jan - Mar 2008	Jan - Dec 2008
Cash flow from operating activities before changes in working capital	-7.0	-5.5	-26.0
Changes in working capital	-14.3	-1.7	3.6
Cash flow from operating activities	-21.3	-7.2	-22.4
Cash flow from investing activities	-0.4	-1.8	- 2.5
Cash flow from financing activities	25.9	-0.1	16.0
Cash flow for the period	4.2	-9.1	- 9.0
Liquid assets at the beginning of the year	0.8	9.8	9.8
Liquid assets at the end of the period	5.1	0.7	0.8

KEY FIGURES

	Jan - Mar 2009	Jan - Mar 2008	Jan - Dec 2008
Net sales, SEK million	1.5	0.9	4.9
Operating margin, %	neg	neg	neg
Profit margin, %	neg	neg	neg
Net debt/equity ratio, %	-0,26	-1	- 44
Return on equity, %	neg	neg	neg
Return on total capital, %	neg	neg	neg
Equity/assets ratio, %	68	83	52
Number of employees at the end of the period	14	10	9

PARENT COMPANY INCOME STATEMENT

SEK million	Jan - Mar 2009	Jan - Mar 2008	Jan - Dec 2008
Net sales	1.7	0.4	1.5
Direct expenses	0.0	0.0	0.0
External expenses	-1.2	-0.5	-3.8
Personnel expenses	-0.0	0.0	-2.1
Profit shares from associated companies	0.0	-0.3	0.0*
Depreciation/amortisation	0.0	0.0	0.0
Total operating expenses	-1.2	-0.8	-5.9
Operating profit/loss	0.4	-0.4	-4.4
Write-down of shares in subsidiaries	0.0	0.0	-28.3
Financial items	-0.4	0.0	-0.2
Profit after financial items	0.1	-0.4	-29.5
Income tax	0.0	0.0	0.0
Net profit/loss for the period	0.1	-0.4	-29.5

* SEK -0.3 million included in the write-down of shares in subsidiaries

PARENT COMPANY BALANCE SHEET

SEK million	31 March 2009	31 March 2008	31 Dec 2008
Financial fixed assets	43.8	50.2	43.8
Total fixed assets	43.8	50.2	43.8
Receivables from subsidiaries	34.8	30.7	20.7
Current receivables	1.2	1.1	1.2
Liquid assets	3.7	0.3	0.0
Total current assets	39.7	32.0	21.9
Total assets	83.5	82.2	65.7
Shareholders' equity	72.9	81.7	48.2
Long-term liabilities	0.0	0.0	0.0
Current liabilities	10.6	0.5	17.5
Total equity, provisions and liabilities	83.5	82.2	65.7