Year-end report

January 1 – December 31, 2002 Thalamus Networks AB (publ)





Year-end Report

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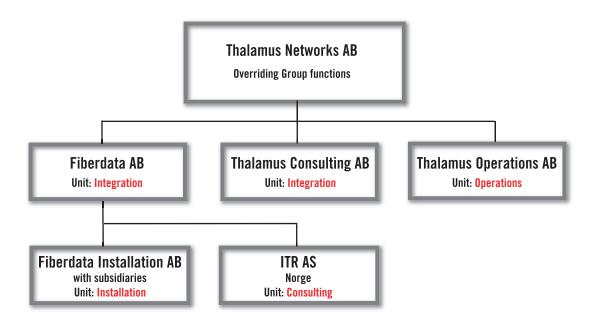
Q 1-3 in Brief

- Jan Norman assumed the post of President and Chief Executive Officer as of June 1.
- Remium Securities was appointed to act as market maker.
- Fiberdata was acquired from TurnIT AB in September.
- Thalamus obtained a total ownership stake of 17 percent in TurnIT AB as a result of the guaranty that was issued in connection with TurnIT's new issue.

Q 4 in Brief

- Net revenues rose by 265 percent to MSEK 146.2 (40.0) compared to the corresponding year-ago period. The result after financial items was MSEK 7.4 (-17.8).
- Profit for the year amounted to MSEK 11.7 (-17.7).
- Cash flow from current operations, including changes in working capital, amounted to MSEK 16.2 (-1.9).
- Thalamus Operations concluded an exclusive agreement with Stadsnät i Örebro AB whereby Thalamus will assume the role of communications operator for a period of eight years. The value of the contract is estimated to be MSEK 152 for the term of the contract.
- Thalamus Operations has signed a Letter of Intent with the municipality of Kumla relating to the role of communications operator.
- Fiberdata has been entrusted to build an advanced switching solution for Frösunda Assistans och Rehab Station.
- In January 2003, Fiberdata assumed a strong position in respect of the agreement for subscriber switches for The Swedish Agency for Administrative Development.

New organization for the Group



New organization

Fiberdata AB was acquired from TurnIT AB in September 2002. The job of taking advantage of all integration benefits and synergies has been largely completed and a new common organization has been established.

From November, the Group is organized in four units: Installation, Integration, Consulting and Operations.

Installation

The installations unit offers systems and services for communications infrastructure. Copper and fiber-based cable systems as well as systems for radio-based communication are offered. The organization is regional, with coordination of the functions for sales, technology and logis-

tics. The unit has a total of about 60 employees in four regions.

Integration

This unit offers customer-unique solutions for data communications and telecommunications based on standard technology. Sales are organized primarily according to customer segment and coordination of critical technology and project competencies. The unit also includes departments for control systems and ISP operations, including management. A total of about 90 employees in Sweden.

Consulting

The consulting unit offers consultants for project management, design of communications

solutions, systems management and operating systems for networks. A total of about 35 employees in Norway.

Operations

Operations acts as a communications operator in metropolitan area networks, delivers cable TV services and performs technology-independent surveillance services. Management of the proprietary metropolitan area network in the Municipality of Ängelholm is also part of operations. A total of 11 employees in Sweden.

Market

There are currently a number of procurement processes in progress for metropolitan area networks in Sweden where Thalamus is a bidder. We are convinced that the players in the market are on their way of finding functioning models for investments and profit-sharing, which is also confirmed by our deal with Örebro Stadsnät.

The market for advanced communications solutions for industry and the public sector has been stable, but somewhat hesitant. We have a strong position as a supplier to, among others, the process industry and the armed forces, and the decline in sales has been limited in comparison to others in the industry.

Consolidation continues in the data communications industry. Thalamus will be offered several interesting business opportunities, both for organic growth and acquisitions.

About the acquisition of Fiberdata

Fiberdata AB was acquired during September from TurnIT AB. The total cost of the acquisition was MSEK 22.4 and goodwill arose in conjunction with the acquisition in an amount of MSEK 7.4. Fiberdata is consolidated from September 2002 and contributed revenues of MSEK 101.3 for the period.

Fiberdata's revenues for the full year were MSEK 282. The Group's result was affected positively by the acquisition of Fiberdata for the period September to December. The new group will generate revenues of about MSEK 325–350.

Parent Company

The Parent Company's net revenues amounted to MSEK 1.1 (26.3) and the result before appropriations and taxes was MSEK 8.0 (–17.3). Financial net assets in the Parent Company, including shares in Group companies, amounted to MSEK 221 (226.2). The Parent Company's investment spending was in the form of purchase of shares in subsidiaries and TurnIT AB.

Capital expenditures

Investments in businesses (Fiberdata) during the period amounted to MSEK 10.2 (4.4) expressed as the difference between purchase money (including acquisition costs) and liquid funds in Fiberdata at the time of acquisition. The Parent Company's capital expenditures amounted to MSEK 22.4, including acquisition costs.

Capital expenditures in tangible fixed assets amounted to MSK 5.5 (11.7). Investments in financial assets amounted to MSEK 23.2 and relate to shares in TurnIT. The holding in TurnIT (183 994 Class A shares and 8 026 169 Class B shares) is valued at cost, which exceeded the market value at year-end by MSEK 7.0. The market price performance of the TurnIT share has been positive after the turn of the year.

Employees

The number of employees in December in the Fiberdata Group was about 175 in Sweden and Norway. The number of employees in the Tha-

lamus companies, including the Parent Company, was 26 (39).

Net revenues and earnings

Net revenues increased by 265 percent to MSEK 146.2 (40.0) compared to the corresponding period one year ago. Fiberdata is consolidated in the Group since September and accounts for most of the increase. The increase in net revenues not including Fiberdata was 12 percent.

The operating result was MSEK –3.0 (–26.0). The improvement is explained by successful cost-containment efforts and increased business volume. For the fourth quarter an operating loss of MSEK –0.6 is reported (–3.8).

Measures to improve profitability were implemented in January 2003 aimed at reducing costs by about MSEK 4 on an annual basis. The improvement in operating earnings compared to the year before is explained both by the acquisition of Fiberdata and by improvements in the other operations.

Earnings after financial items amounted to MSEK 7.4 (17.8). Earnings after financial items improved sharply as a result of well-performing investments in equities in an amount of MSEK 3.4.

Transactions with closely related parties

During the year, the Group paid MSEK 0.6 in fees to closely related parties. The transactions are on business-like terms and conditions.

Significant events during the period January 1 – September 30

The cutbacks implemented during September 2001 generated the desired effects on the Group's costs during the first quarter of 2002.

Jan Norman assumed the position as President and CEO of the Thalamus Group on June 1.

Remium Securities was appointed to act as market maker for the Thalamus share during the third quarter. The reason was to increase the liquidity in the share.

Fiberdata AB was acquired during September from TurnIT AB. See above.

Thalamus obtained a total stake of 17 percent of the capital and 19 percent of the votes in TurnIT AB through the guaranty that was issued in connection with TurnIT's new issue.

Important events during the fourth quarter 2002

Thalamus Operations has concluded an exclusive agreement with Stadsnät i Örebro AB to assume the role of communications operator in Örebro for a period of eight years. With a projected rate of connection of 25 percent and the present subscription prices, the value of the contract will be about MSEK 152 over the period.

Frösunda Assistans och Rehab Station has entrusted Fiberdata with delivery of an all-new, flexible telecom solution. It is based on the platform that handles contact center functions, mobile clients, hotel telephony and IP telephony. The value of the contract is about MSEK 1.4.

Significant events after the period under review

A Letter of Intent has been signed with the Municipality of Kumla relating to the role of communications operator. The intention of the parties is to conclude an agreement as soon as possible. With these transactions, Thalamus has become significantly stronger in the metropolitan area networks market and in our opinion the opportunities for doing additional business are very good.

Since before, Fiberdata has a strong position in public sector procurement of metropolitan

area networks. This position is now strengthened as the company will also conclude frame agreements with The Swedish Agency for Administrative Development for subscriber switches.

In the ranking by The Swedish Agency for Administrative Development, Fiberdata's switching solutions with peripheral systems received very high grades. A total of seven suppliers are included in the frame agreement, which is expected to generate revenues of MSEK 300 over the two-year term of the agreement. The agreement increases Fiberdata's opportunities of offering customers in the public sector pure telecom solutions as well as converging network solutions.

The future

The market for advanced communications solutions for the process industry and for the public sector is considered to be stable. In other industries there is more of a wait-and-see attitude. In the market for metropolitan area networks and property networks there will be a number of procurement efforts during 2003, in which Thalamus will partake actively.

Overall, we are not expecting volume growth for 2003. Our plan is to maintain the volumes

achieved in 2002. Profitability is of the highest priority and the goal is to report a positive operating result for the full year 2003. All units in the Group are expected to be profitable as of the beginning of the year.

The Group's long-term goal over a business cycle is an annual rate of growth of volume of 15 percent and a profit margin of 10 percent.

Liquidity and new business

The Group continues to hold considerable surplus liquidity, which portends future business opportunities. Excess liquid funds at year-end amounted to about MSEK 150.

Accounting principles

This interim report has been compiled in accordance with recommendation RR20, Interim Reporting, of the Swedish Financial Accounting Standards Council. Valuation principles are unchanged from the preceding year.

Total tax-loss carryforwards amount to MSEK 53, MSEK 38 of which have been assigned no value in the balance sheet.

Dividend

The Board of Directors proposes that no dividend be declared for the year (0).

Financial information

GROUP

SEK thousand		2002				2001		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net revenues, quarterly data	86 897	34 554	11 091	13 619	10 737	10 849	8 486	9 920
Profit/loss after financial items, quarterly data	11 676	-5 066	442	372	-2 048	-8 106	-4 503	-3 115

CONSOLIDATED STATEMENT OF INCOME					
SEK thousand	OctDec. 2002	OctDec. 2001	JanDec. 2002	JanDec. 2001	JanDec. 2000
Operating revenue	0E E20	19 254	145 850	47 203	25 735
Invoicing Change in work on contract	85 530 1 367	-8 517	311	-7 211	2 009
Net revenue	86 897	10 737	146 161	39 992	27 744
Operating expenses					
Goods for resale	-39 546	-2 231	-65 473	-16 558	-18 282
Other external costs External costs in conjunction with	-13 067	-5 871	-22 439	-18 378	-14 586
shrinking the business				-1 723	
Personnel costs	-31 662	-4 284	-49 643	-19 600	-17 113
Personnel expenses in conjunction with					
shrinking the business				-1 777	
Depreciation, amortization and writedowns of tangible and intangible assets	-3 183	-2 129	-11 627	-8 005	-1 890
Operating result	-561	-3 778	-3 021	-26 049	-24 127
Result from financial investments					
Interest income and similar revenue					
from financial investments	2 199	1 988	8 326	9 300	8 656
Interest expense and similar costs for financial investments	-635	-258	-1 326	-1 023	-376
Revaluation of long-term and short-term	-033	-236	-1 320	-1 023	-370
financial investments	10 673		3 445		
Net result after financial items	11 676	-2 048	7 424	-17 772	-15 847
Minority interest					85
Taxes	4 270	11	4 251	52	19
Net result for the period	15 946	-2 037	11 675	-17 720	-15 743
Earnings per share	1,72	-0,22	1,26	-1,91	-1,77
Number of shares outstanding	9 271 456	9 271 456	9 271 456	9 271 456	9 271 456
Average number of shares outstanding	9 271 456	9 271 456	9 271 456	9 271 456	8 897 386
CONSOLIDATED BALANCE SHEET					
SEK thousand	De	ec. 31, 2002	Dec. 31,	2001 [Dec. 31, 2000
Assets					
Goodwill		8 879		640	137
Other fixed assets Inventory and work in progress		84 771 27 885	46	926 740	3 949 2 287
Short-term receivables		70 966	10	238	12 206
Liquid funds including short-term investment	ts	170 617		593	241 586
Total assets		363 118	268	137	260 165
Shareholders' equity and liabilities Shareholders' equity *		247 866	232	990	253 710
Interest-bearing liabilities and provisions		27 373		866	233 / 10
Non-interest-bearing liabilities and provisions		27 373 87 879		281	6 455
Total shareholders' equity and liabilities		363 118		137	260 165
iotai siiaiciioiucis equity aliu liabilities		303 110	200	13/	200 100

^{*)} The entire change in shareholders' equity is attributable to the period's result and a translation difference in 2002 of MSEK 0,2.

CONSOLIDATED STATEMENT OF CASH FLOW						
SEK thousand	12 months 2002	12 months 2001	12 months 2000			
Cash flow Change in working capital Acquisitions of businesses	19 051 -2 834 -10 229*)	-9 715 7 807 -4 391*)	-17 641 -441			
Investment in fixed assets Cash flow before financing	-28 698 -22 710	-11 693 -17 992	-4 825 -22 907			
Financing operations	-14 266	-16 001 **)	237 823			
Cash flow for the period	-36 976	-33 993	214 916			
Liquid funds at beginning of year Liquid funds at end of period	207 593 170 617	241 586 207 593	26 670 241 586			

^{*)} Refers to Fiberdata AB, Engelholms Kabel-TV AB. **) Refers essentially to Engelholms Kabel-TV AB.

QUARTERLY DATA – STATEMENT OF INCOME					
SEK thousand	Actual Q4-2002	Actual Q3-2002	Actual Q2-2002	Actual Q1-2002	Actual Q4-2001
Operating revenue					
Invoicing	85 530	34 892	11 901	13 527	19 254
Change in work on contract	1 367	-338	-810	92	-8 517
Net revenue	86 897	34 554	11 091	13 619	10 737
Operating expenses					
Goods for resale	-39 546	-14 932	-4 070	-6 925	-2 231
Other external costs	–13 067	-5 080	-2 145	-2 147	-5 871
External costs in conjunction with shrinking the business Personnel costs	-31 662	-10 865	-3 707	-3 409	-4 284
Personnel costs in conjunction with shrinking the business	-31 662	-10 865	-3 /0/	-3 409	-4 284
Depreciation, amortization and writedowns					
of tangible and intangible assets	-3 183	-3 292	-2 648	-2 504	-2 129
Total operating expenses	-87 458	-34 169	-12 570	-14 985	-14 515
Operating result	-561	385	-1 479	-1 366	-3 778
Result from financial investments					
Interest income and similar revenue					
from financial investments	2 199	2 070	2 103	1 954	1 988
Interest expense and similar costs					
for financial investments	-635	-293	-182	-216	-258
Result from shares in Group companies					
Result from short-term investmensts	10 673	-7 228			
Result from financial items	11 676	-5 066	442	372	-2 048
Minority interest					
Taxes on result for the year	4 270	-50	15	16	11
Quarterly profit/loss	15 946	-5 116	457	388	-2 037

KEY FINANCIAL INDICATORS			
RET FINANCIAL INDICATORS	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
Revenue growth	265,4%	44,1%	27,5%
Capital employed	275 239	249 856	253 710
Capital employed, not including short-term investment	nts 130 638	44 856	34 991
Net financial assets	166 435	193 742	240 225
Average number of employees	84	39	32
Equity ratio	68,3%	88,0%	97,5%
Number of shares outstanding at end of period	9 271 456	9 271 456	9 271 456
Earnings per share	1,26	-1,91	-1,77
Shareholders' equity per share (SEK)	26,73	25,45	27,36

The total number of subscription options outstanding is 600 000, which if exercised would result in dilution of 6,5 percent of equity, and 3,2 percent of the votes. 500 000 of the outstanding subscription options have a strike price of SEK 5,60 and 100 000 have a strike price of SEK 136 The dilutive effect has not been taken into consideration since the subscription prices are higher than the current market price of the shar.

Definitions

The **equity ratio** is obtained by dividing shareholders' equity, including minority interest, by the balance sheet total.

The **average number of shares outstanding** is calculated taking into account when the proceeds from an issue, or the capital contributed in kind for an issue, became available to the Company.

Earnings per share refer to profit or loss after full taxes, divided by the average number of shares outstanding.

Shareholders' equity per share is obtained by dividing shareholders' equity by the number of shares outstanding at the end of the period.

Additional information is available from:

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This year-end report can be downloaded from the home page.

The Company's Annual Report will be available from March 27. The Annual General Meeting will be held April 11, 2003 at 10:00 o'clock on the premises of Fiberdata, Karlsbodavägen 39, Bromma.

An interim report for the period January 1 to March 31, 2003. will be published May 13, 2003.

Stockholm, January 31, 2003

Jan Norman President & CEO

I have reviewed this year-end report according to the recommendations issued by the Institute of Authorized Public Accountants (FAR). A review is substantially limited in comparison to a full audit. Nothing has come to light to indicate that the year-end report would fail the requirements of the laws governing the stock exchange and the Swedish Annual Accounts Act.

Stockholm, January 31, 2003

Lars Wennberg Authorized Public Accountant

