

Interim Report

January 1 – September 30, 2003

Thalamus Networks AB (publ)

January – September summary

- Net revenues increased by 213 percent to MSEK 185.7 (59.3) compared to the corresponding period one year ago. The result after financial items was MSEK –24.3 (–4.3). The period's result was affected negatively by one-time costs of MSEK –11.6 (–).
- The result after financial items was affected by results of financial investments in an amount of MSEK 15.4 (–) and results from financial fixed assets in an amount of MSEK –5.2 (–7.2).
- Earnings per share for the period January to September were SEK –2.61 (–0.46).
- Additional action has been taken to improve profitability expected to yield MSEK 24 in savings on an annual basis. The goal to achieve a positive operating result from the fourth quarter remains.

July – September summary

- Net revenues amounted to MSEK 51.4 (34.6) and the result after financial items

was MSEK –13.8 (–5.1).

- The result after financial items was affected by one-time costs of MSEK –8.7 (–).
- Earnings per share amounted to SEK –1.49 (–0.55).
- Fiberdata has concluded a frame agreement with Linköpings Kraftnät. The value of the contract is estimated to be MSEK 18 over a two-year period.
- Fiberdata has concluded an agreement with Stora Enso for network expansion. The contract is expected to be worth about MSEK 2.5.
- AvestaPolarit renews its cooperation with Fiberdata.

Significant events after the end of the period

- Starting with the fourth quarter, the operations of Fiberdata and Thalamus are integrated. The Group is now organized in four regions: North, Central, Southwest and Norway.

Market

Fiberdata's invoicing was weaker than expected during the period January through September. This is a consequence of the weak economy and a wait-and-see attitude on the part of many of our customers. The third quarter is weak by tradition and the vacation period tends to become even more protracted.

Procurement activity is under way in the public sector in a number of instances where Thalamus is an active bidder. In our judgment capital spending in the public sector will increase.

The market for advanced communications solutions for industry and the public sector continued to be stable.

Capital expenditure

Capital spending in tangible fixed assets totaled MSEK 9.6 (4.9) during the period. Building the business as communications operator in Örebro accounts for a significant portion of the period's capital expenditures.

The reported value for investments in financial fixed assets amounts to MSEK 15.0 and refers

to shares in ProAct and remaining class A shares in TurnIT AB. The holding in ProAct consists of 1 026 600 shares, equivalent to 10.9 percent of capital and votes. The holding in TurnIT consists of 183 994 class A shares after all class B shares were sold during the period under review. The holding in ProAct is carried at cost, MSEK 14.4, which was lower than the current market value by MSEK 5.6 as of September 30.

Employees

The number of employees was 162 (201) at the end of the period under review.

Net revenues and result

Net revenues amounted to MSEK 185.7 (59.3), which is an increase of 213 percent compared to the corresponding period one year ago. Fiberdata is consolidated in the Thalamus Group since September 2002 and accounts for the increase in its entirety.

The operating result was MSEK –35.6 (–2.5) and the lower result is explained mainly by lower business volume where downward adjustment

of the Group's costs has not yet had its effect. Costs for shrinking the business, including provisions, were charged to the result in an amount of MSEK -11.6 during the period under review. Implemented action to improve profitability will result in cost reductions at an annual rate of about MSEK 24 compared to the first six months of 2003. A total of about 35 persons have left the Group, mainly from business area Integration. Efforts to improve the Group's profitability continue.

The result after financial items was MSEK -24.3 (-4.3). This result was impacted in a positive direction by the performance of the Company's equity portfolio in a total amount of MSEK 15.4 (-). The sale of class B shares in TurnIT resulted in a loss of MSEK -5.2.

In September, the Nacka District Court granted Thalamus Networks AB to reduce the premium reserve by MSEK 235.6, following a resolution by the Annual General Meeting. The Board of Directors has instructed the President to repurchase own shares at suitable points in time.

Significant events during the reporting period

Linköpings Kraftnät has concluded a frame agreement with Fiberdata for cooperation and equipment for Linköping's metropolitan area network. The term of the agreement is until September 2005, with an option for one additional year. The contract is estimated to be worth about MSEK 18.

Fiberdata has concluded an agreement with Stora Enso in Fors. The agreement includes expansion of the existing trunk network for Stora Enso's new computing facility. The agreement is a total undertaking and the order is worth about MSEK 2.5.

Fiberdata has again been entrusted to deliver products and services in connection with AvestaPolarit's replacement in Avesta of equipment for their internal network.

Significant events after the end of the reporting period

The operations in Fiberdata and Thalamus have been integrated. Starting in October, resources

for management, technology, sales support, finance, logistics and marketing will be utilized jointly. Operations have been divided into regions (North, Central, Southwest and Norway) with independent business and profit center responsibility.

Major parts of the action program in Fiberdata in Sweden announced during spring have been implemented. Further action was taken in conjunction with the establishment of a new organization during the third quarter.

The future

We will continue our efforts to secure Fiberdata's position as a high-quality, independent systems integrator, and to develop the role of Thalamus Operations as a communications operator.

A number of steps were taken during the first three quarters of the year to achieve profitability. Cost reductions at an annual rate of MSEK 24 have been implemented. In region North in particular, the business has regained its momentum after organizational changes made and changes in management.

Action taken, combined with a slightly better market, clears the way for profitable operations starting in the fourth quarter. The goal that all of the Group's units shall achieve profitability from the fourth quarter 2003 remains.

Related party disclosures

Fees totaling MSEK 1.2 were paid to closely related parties.

Liquidity and new business

The Group continues to have considerable excess liquidity, which means future business opportunities. At the end of September this excess liquidity amounted to about MSEK 130.

Accounting principles

This interim report has been compiled in accordance with recommendation RR20 Interim reporting of the Swedish Financial Accounting Standards Council. The same accounting principles have been applied as for the annual report for 2002. Due consideration has been given to the new recommendations applicable as of January 1, 2003.

Organization

Thalamus Networks AB



As of October 1, 2003 the Group is organized in four regions: North, Central, Southwest and Norway.

There are joint functions for management, technology, sales support, finance, logistics and marketing. Business within Integration and Installation will be conducted under the Fiberdata brand name. Operations will be conducted under the Thalamus brand name.

With a regional organization we will be able to take advantage of benefits on the form of proximity to customers and profit responsibility. Through coordination among the regions and our sales and technology resources, we will be able to offer solutions also to customers with extremely complex needs.

Within each region the business is organized in four areas of activity: Installation, Integration, Consulting and Operations.

In Fiberdata we are concentrating on development of our business of acting as an independent systems integrator. Delivery of converging solutions between IP and telephony is a high-priority area and it is important for us that Fiberdata is positioned and acts as an independent supplier relative to Thalamus Operations.

Thalamus Operations concentrates its marketing efforts to assuming a significant role as a communications operator in the ongoing expansion of metropolitan and residential area networks in Sweden.

All transactions between the companies are on a strictly commercial basis where each company acts based on customer benefit, performance and quality.

Installation

The Installation unit offers systems and services for communications infrastructure. The unit delivers copper-based and fiber-based cable systems for radio-based communication.

Integration

The Integration unit offers customer-adapted solutions for data transmission and telecommunication based on standard technology. Sales are organized primarily on a regional basis and depending on how the critical technology and project competencies are coordinated. The unit also includes a department for control systems.

Consulting

The Consulting unit offers consultants for project management, design of communications solutions, systems management, etc.

Operations

The Operations unit acts as a communications operator in metropolitan area networks, delivers cable TV services and performs technology-independent surveillance services. The unit's own metropolitan area network in the Municipality of Ängelholm is also part of Operations.

Financial Information

GROUP									
SEK thousand	2003				2002				
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Net revenues, quarterly data									
Installation		8 993	8 453	11 726					
Integration		32 928	43 427	46 387					
Consulting		5 293	8 455	9 396					
Operations		7 685	7 942	7 940					
Consolidation eliminations		-3 511	-2 498	-6 965					
Total		51 388	65 779	68 484	86 897	34 554	11 091	13 619	
Operating result, quarterly data									
Installation		-385	-2 653	-1 364					
Integration		-11 527	-9 133	-5 408					
Consulting		-4 309	232	268					
Operations		352	44	-277					
Parent Company, consolidation elim.		-822	-565	-95					
Total		-16 691	-12 075	-6 876	-561	385	-1 479	-1 366	

The operating result for the third quarter includes costs for shrinking the business in a total amount of SEK -4 736 000 (Q2: SEK -2 844 000), the main portion thereof attributable to the integration business.

CONSOLIDATED STATEMENT OF INCOME

SEK thousand	Jul.-Sep. 2003	Jul.-Sep. 2002	Jan.-Sep. 2003	Jan.-Sep. 2002	Jan.-Dec. 2002	Jan.-Dec. 2001
OPERATING REVENUE						
Invoicing	51 388	34 892	185 651	60 320	145 850	47 203
Change in work in progress		-338		-1 056	311	-7 211
Net revenues	51 388	34 554	185 651	59 264	146 161	39 992
OPERATING EXPENSES						
Goods for resale	-20 099	-14 932	-70 541	-25 927	-65 473	-16 558
Other external costs	-13 592	-5 080	-45 265	-9 372	-22 439	-18 378
External costs in conjunction with shrinking the business	-2 078		-2 222			-1 723
Personnel costs	-25 145	-10 865	-84 795	-17 981	-49 643	-19 600
Personnel costs in conjunction with shrinking the business	-2 658		-5 358			-1 777
Depreciation, amortization and writedowns of tangible and intangible assets	-4 507	-3 292	-13 112	-8 444	-11 627	-8 005
Operating result	-16 691	385	-35 642	-2 460	-3 021	-26 049
RESULT FROM FINANCIAL INVESTMENTS						
Interest income and similar revenue from financial investments	826	2 070	3 585	6 127	8 326	9 300
Interest expense and similar results from financial investments	-1 465	-293	-2 415	-691	-1 326	-1 023
Result from short-term investments	5 311		15 382		3 445	
Result from financial assets	-1 771	-7 228	-5 162	-7 228		
Result after financial items	-13 790	-5 066	-24 252	-4 252	7 424	-17 772
Taxes	14	-50	45	-19	4 251	52
Net result for the period	-13 776	-5 116	-24 207	-4 271	11 675	-17 720
Earnings per share (SEK)	-1,49	-0,55	-2,61	-0,46	1,26	-1,91
Number of shares outstanding at end of period	9 271 456	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	9 271 456	9 271 456

CONSOLIDATED BALANCE SHEET

SEK thousand	09/30/2003	12/31/2002	12/31/2001
Assets			
Goodwill	7 269	8 879	2 807
Other fixed assets	59 832	61 605	46 098
Shares in TurnIT and ProAct	15 005	23 166	
Inventories	13 915	27 885	3 118
Short-terms receivables	53 806	70 966	13 513
Short-terms investments in listed shares	13 368	47 036	
Liquid funds and interest-bearing investments	139 570	123 581	212 163
Total assets	302 765	363 118	277 699
Shareholders' equity and liabilities			
Shareholders' equity	223 817*)	247 866	238 028
Interest-bearing liabilities and provisions	23 635	27 373	19 033
Non-interest-bearing liabilities and provisions	55 313	87 879	20 638
Total shareholders' equity and liabilities	302 765	363 118	277 699

*) Including translation difference of SEK 158 000 relating to the Norwegian business.

CONSOLIDATED STATEMENT OF CASH

SEK thousand	9 months 2003	9 months 2002	12 months 2002
Cash flow from current operations	-5 961	4 173	19 051
Changes in working capital	-7 733	-11 768	-2 834
Acquisition of business		-10 229*)	-10 229*)
Desinvestment in TurnIT	18 028		
Investments in fixed assets	-9 601	-25 599	-28 698
Investment in ProAct	-14 450		
Cash flow before financing	-19 717	-43 423	-22 710
Financing operations	2 560	24 069**)	-14 266**)
Period's cash flow	-17 157	-19 354	-36 976
Liquid funds at the beginning of the year	170 617	207 593	207 593
Exchange rate difference in liquid funds	-522		
Liquid funds at end of period	152 938	188 239	170 617

*) refers to Fiberdata AB

***) refers mainly to Fiberdata AB

KEY FINANCIAL INDICATORS

	09/30/2003	09/30/2002	12/31/2002
Revenue growth	213,3%	102,6%	265,4%
Capital employed	247 452	273 544	275 239
Capital employed, not including short-term investments	117 493	107 047	130 638
Financial assets	144 308	167 078	166 435
Number of employees	162	201	194
Equity ratio	73,9%	61,0%	68,3%
Number of shares outstanding at end of period	9 271 456	9 271 456	9 271 456
Shareholder's equity per share (SEK)	24,14	25,00	26,73

The total number of warrants outstanding is 1,000,000, which upon subscription have a dilutive effect of 10.8 percent of the capital and 5.4 percent of the votes. The warrants have a subscription price of SEK 45.60 (500,000 warrants) and SEK 36 (500,000 warrants). The dilutive effect has not been taken into account since the subscription price exceeds the current market price of the share. The term of the subscription period for the warrant program runs to March 31, 2004 and April 30, 2006, respectively.

QUARTERLY VALUES – STATEMENT OF INCOME

SEK thousand	Actual Q3–2003	Actual Q2–2003	Actual Q1–2003	Actual Q4–2002	Actual Q3–2002
Operating revenue					
Invoicing	51 388	65 779	68 484	85 530	34 892
Change in work on contract				1 367	–338
Net revenues	51 388	65 779	68 484	86 897	34 554
Operating expenses					
Goods for resale	–20 099	–23 073	–27 369	–39 546	–14 932
Other external expenses	–13 592	–16 802	–14 871	–13 067	–5 080
Personnel expenses	–25 145	–30 758	–28 892	–31 662	–10 865
Depreciation, amortization and writedown of tangible and intangible fixed assets	–4 507	–4 377	–4 228	–3 183	–3 292
Costs for shrinking the business	–4 736	–2 844			
	–68 079	–77 854	–75 360	–87 458	–34 169
Operating result	–16 691	–12 075	–6 876	–561	385
Result from financial investments					
Interest income and similar results on financial investments	826	1 793	966	2 199	2 070
Interest expense and similar results on financial investments	–1 465	–390	–560	–635	–293
Result from short-term investments in shares	5 311	10 696	–625	10 673	–7 228
Result from financial assets	–1 771	–3 391			
	2 901	8 708	–219	12 237	–5 451
Result after financial items	–13 790	–3 367	–7 095	11 676	–5 066
Taxes on the year's result	14	15	16	4 270	–50
Net result for the quarter	–13 776	–3 352	–7 079	15 946	–5 116

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.

Further information

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This interim report can be downloaded
from our home page. See address above.
It has not been subject to review by the
Company's auditors.
Year-end Report for the period
January 1 – December 31, 2003 will be
presented Februari 13, 2004.

Stockholm, November 7, 2003

Jan Norman
PRESIDENT & CEO