

Thalamus Networks AB

Year-end report

January 1 – December 31, 2003

January–December in summary

- Net revenues increased by 75 percent to MSEK 255.3 (146.2) compared to the corresponding year-ago period. The result after financial items was MSEK –22.3 (7.4).
- The result after financial items was affected by the result from financial investments by MSEK 13.1 (10.4), of which the result from selling shares in TurnIT AB and ProAct IT Group AB is included in the amount of MSEK –4.9 (–).
- Earnings per share for the period January to December was SEK –1.39 (1.26).
- The year's result amounts to MSEK –12.9 (11.7).
- The Board of Directors and the President propose a dividend of SEK 2.00 per share.
- Measures were implemented during the period to improve profitability; a positive result is reported for the fourth quarter.

October – December in summary

- Net revenues for the period October – December 2003 rose to MSEK 69.6 (86.9).
- The operating result for the fourth quarter 2003 was MSEK 0.2 (–0.6).
- The result after financial items amounted to MSEK 1.9 (11.7), of which the result from the sale of shares in ProAct is included in the amount of MSEK 0.3.
- From the fourth quarter the Group is organized in four regions, North, Central, Southwest and Norway.
- During the period Fiberdata received renewed confidence from the Swedish Agency for Public Management (Statskontoret). A frame agreement has been concluded for network solutions and ancillary services.

Significant events after the end of the period

- After the end of the period under review, Thalamus has sold its remaining shares in ProAct. The sale resulted in a capital gain of MSEK 10.8.

Market

Fiberdata's invoicing during the period January through December was weaker than expected. The main reason is a weak economic development and a wait-and-see attitude on the part of our customers. Measures were instituted during the year to adapt the organization to the new premises. Significant cost-containment action has been implemented and the Group has been organized in regions.

Cost savings have been mainly in the form of personnel reductions. Due to the delayed effect thereof, the Group reports significant operating losses for the first nine months of 2003.

Thalamus is currently an active bidder in a large number of procurements in the public sector. In our judgment, this part of the market will show a positive development. During the fall of 2003 we have been successful in deliver-

ing ADSL solutions for metropolitan area networks. In cooperation with our partner Alcatel, we have assumed a market-leading position in Sweden for ADSL communication. This part of the market still has considerable potential for 2004 since expansion of metropolitan area networks continues.

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

Net revenues and result

Net revenues increased by 75 percent to MSEK 255.3 (146.2) compared to the corresponding year-ago period. Fiberdata was included in last year's figures from September. If Fiberdata's rev-

enues are included for the entire 2002 financial year, the Group's revenues declined by 21.9 percent.

The operating result was MSEK -35.4 (-3.0). The lower result is explained primarily by a lower business volume, where the Group's cost reductions have not yet fully impacted the full-year result. An extensive restructuring and efficiency-improvement program was implemented during the year, which among other things entailed savings of MSEK 24 annually. The aim was to adjust the organization to the current market situation.

Costs for cutting back operations, including provisions, were charged to income during the period January-September in an amount of MSEK 11.6. A total of about 35 persons have left the Group, primarily in the area of Integration. Efforts to improve the Group's profitability continue.

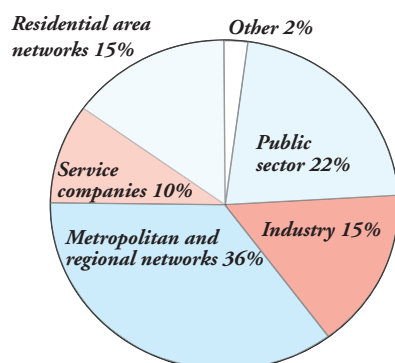
The result after financial items amounts to MSEK -22.3 (7.4). This result was impacted in a positive direction during the period by the Company's portfolio of shares in an amount of MSEK 16.5 (3.4). The holding in TurnIT was sold (only the class A shares remain), for a total loss of MSEK -5.2.

During December, 31 500 shares in ProAct were sold with a resulting capital gain of MSEK 0.3. The remaining holding in ProAct as of December 31 was 995 100 shares, equivalent to 10.6 percent of the capital and votes. The book acquisition value was MSEK 14.0. As of December 31 the market value exceeded book value by MSEK 9.8. Deferred tax claims amount to MSEK 9.7 (0.2). Tax loss carryforwards of MSEK 55.3 have been assigned no value.

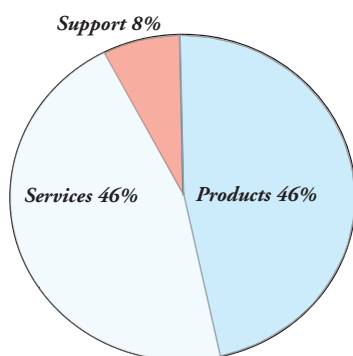
Capital expenditures

Capital expenditures in tangible fixed assets totaled MSEK 4.8 (5.5) during the period. Building the business as communications oper-

Sales by customer category



Sales by product category



ator in Örebro accounts for a significant portion of capital expenditures.

Employees

The number of employees at the end of the period under review was 163 (194).

Parent Company

The Parent Company's net revenues amounted to MSEK 4.1 (1.1) and referred to invoicing on subsidiaries. The result after financial items was MSEK 13.9 (8.0). The Parent Company's net financial assets, including shares in Group companies, amounted to MSEK 213.0 (221.0).

Significant events during the period January 1 – December 31

Linköpings Kraftnät concluded a frame agreement with Fiberdata for cooperation and equipment for Linköping's metropolitan area network. The frame agreement has an initial term until September 2005 with an option for extension for one more year. The value of the order is estimated to be MSEK 18.

Fiberdata has concluded an agreement with Stora Enso in Fors. The agreement calls for expansion of the existing backbone network for Stora Enso's new computing center. The agreement entails a total undertaking and the order value is about MSEK 2.5.

Fiberdata has been entrusted with delivery of products and services when Avesta Polarit in Avesta upgrades its internal network equipment.

The regularly scheduled Annual General Meeting held in April 2003 resolved to reduce the Company's premium reserve. In September the Nacka District Court granted Thalamus Networks AB permission to reduce its premium reserve by MSEK 235.6.

Katarina Kaldma has assumed the position as Chief Financial Officer of Thalamus Networks.

Significant events during the fourth quarter 2003

Starting with the fourth quarter, the operations of Fiberdata and Thalamus have been integrated and resources for management, sales, technology, etc. are now utilized on a joint basis. Operations have been divided into regions (North, Central, Southwest and Norway), all with independent business and profit center responsibility.

In November Fiberdata was again entrusted to conclude a frame agreement with the Swedish Agency for Public Management for network solutions and ancillary services. The frame agreement term is two years with an option to renew on the same terms and conditions for up to one year. The agreements can be utilized by government agencies, registered municipalities, regional social insurance offices, etc.

The Board of Directors meeting held November 7, 2003 resolved to authorize the President & CEO to repurchase shares, should this be deemed appropriate. The maximum number of shares that can be purchased is 10 percent of all shares outstanding. Repurchases of shares will be made at market price. The motive for the repurchase program is to enrich the remaining shareholders. Because of the cumbersome rules and regulations governing repurchases of shares, this possibility has not been utilized during 2003.

Significant events after the end of the period under review

After the end of the reporting period the remaining 995 100 shares in ProAct have been sold. The resulting capital gain was MSEK 10.8.

The future

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

Profitability remains the highest priority and measures to improve profitability are constantly under way. The obvious goal is for the Group to deliver positive operating results on a sustained basis.

The job of restructuring and coordination has now been completed for the most part. The Thalamus Group now has the organizational as well as financial power to make new acquisitions.

Dividend

The Board of Directors will propose that the Annual General Meeting declares a dividend of SEK 2.00 per share for the 2003 operating year.

Related party disclosures

Fees totaling MSEK 2.3 were paid to closely related parties. These fees are earnings-based and refer to compensation for liquidity management.

Liquidity and new business

The Group continuous to have large surplus liquidity, which means future business opportunities.

As of December 31, 2003 liquid assets in the form of short-term investments, cash and bank deposits amounted to MSEK 154.7 (170.6).

The market value of the Group's liquid assets exceeded book value by MSEK 3.5 as of December 31 (4.9).

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.

The Group's organization



The primary organization of the Group is in four regions: North, Central, Southwest and Norway.

There are joint functions for management, technology, sales support, finance, logistics and marketing.

Thanks to the regional organization we are able to capitalize on the advantages that this organization gives in the form of proximity to

customers and clear profit center responsibility. At the same time the coordination of resources for sales and technology among the regions gives us opportunities to offer solutions even for highly complex needs to our customers. There are four service areas within the Group: Installation, Integration, Consulting and Operations.

In Fiberdata we concentrate on development of our business 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 operates as an independent supplier relative to Thalamus Operations.

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

Service areas

Installation

Systems and services for communications infrastructure. Delivers copper and fiber-based cable systems as well as systems for radio-based communication.

Integration

Customized solutions for data transmission and telecommunication based on standard technology. Sales are organized on a regional basis and critical technology and project competencies are coordinated. The unit also includes a department for control systems.

Consulting

Offers consultants for project management, design of communications solutions, systems management, etc.

Operations

The Operations units 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 Ångelholm 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	10 550	8 993	8 453	11 726				
Integration	49 164	32 928	43 427	46 387				
Consulting	6 151	5 293	8 455	9 396				
Operations	7 933	7 685	7 942	7 940				
Other	-4 185	-3 511	-2 498	-6 965				
Total	69 613	51 388	65 779	68 484	86 897	34 554	11 091	13 619
Operating result, quarterly data								
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Installation	-100	-385	-2 653	-1 364				
Integration	551	-11 527	-9 133	-5 408				
Consulting	-817	-4 309	232	268				
Operations	803	352	44	-277				
Other	-243	-822	-565	-95				
Total	194	-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: -2 844 000), the main portion thereof attributable to the Integration business.

*) No comparative data are available.

CONSOLIDATED STATEMENT OF INCOME

SEK thousand	Oct.–Dec. 2003	Oct.–Dec. 2002	Jan.–Dec. 2003	Jan.–Dec. 2002	Jan.–Dec. 2001
Operating revenue Invoicing	69 613	85 530	255 264	145 850	47 203
Change in work in progress		1 367		311	–7 211
Net revenues Operating expenses	69 613	86 897	255 264	146 161	39 992
Goods for resale	–28 996	–39 546	–99 537	–65 473	–16 558
Other external costs	–9 281	–13 067	–54 546	–22 439	–18 378
External costs in conjunction with shrinking the business			–2 222		–1 723
Personnel costs	–27 001	–31 662	–111 796	–49 643	–19 600
Personnel costs in conjunction with shrinking the business			–5 358		–1 777
Depreciation, amortization and writedowns of tangible and intangible assets	–4 141	–3 183	–17 253	–11 627	–8 005
Operating result	194	–561	–35 448	–3 021	–26 049
Interest income and similar revenue from financial investments	1 028	2 199	4 613	8 888	9 300
Interest expense and similar results from financial investments	–729	–635	–3 144	–1 888	–1 023
Result on short-term investments	1 171	10 673	16 553	3 445	
Writedown of financial investment	281		–4 881		
Result after financial assets	1 945	11 676	–22 307	7 424	–17 772
Taxes	9 342	4 270	9 387	4 251	52
Net result for the period	11 287	15 946	–12 920	11 675	–17 720
Earnings per share (SEK)	1,22	1,72	–1,39	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
Average number of shares outstanding	9 271 456	9 271 456	9 271 456	9 271 456	9 271 456

CONSOLIDATED BALANCE SHEET

SEK thousand	12/31/2003	12/31/2002	12/31/2001
Assets			
Goodwill	6 733	8 879	2 640
Other fixed assets	60 939*)	61 795*)	46 926
Shares in ProAct and TurnIT	14 552	23 166	
Inventories	9 361	27 885	740
Short-term receivables	65 342	70 776	10 238
Short-term investments in listed shares	17 050	47 036	
Liquid funds and interest-bearing investments	137 644	123 581	207 593
Total assets	311 621	363 118	268 137
Shareholders' equity and liabilities			
Shareholders' equity	235 162**)	247 866	235 990
Interest-bearing liabilities and provisions	19 440	27 373	13 866
Non-interest-bearing liabilities and provisions	57 019	87 879	18 281
Total shareholders' equity and liabilities	311 621	363 118	268 137

*) Of which deferred tax claims.

9 688 190

**) Including translation difference of SEK 216 000 relating to the Norwegian business.

CONSOLIDATED STATEMENT OF CASH FLOW

SEK thousand	12 months 2003	12 months 2002	12 months 2001
Cash flow from current operations	-173	19 051	-9 715
Changes in working capital	-6 902	-6 895	7 807
Acquisition of businesses		-10 229*)	-4 391*)
Investments in fixed assets	-1 130	-24 637	-11 693
Cash flow before financing	-8 205	-22 710	-17 992
Financing operations	-7 933	-14 266	-16 001**)
Period's cash flow	-16 138	-36 976	-33 993
Liquid funds at the beginning of the year	170 617	207 593	241 586
Exchange rate difference in liquid funds	215		
Liquid funds at end of period	154 694	170 617	207 593

*) refers to Fiberdata AB and Engelholms Kabel-TV AB, respectively.

**) refers mainly to Engelholms Kabel-TV AB.

QUARTERLY VALUES – STATEMENT OF INCOME

SEK thousand	Actual Q4-2003	Actual Q3-2003	Actual Q2-2003	Actual Q1-2003	Actual Q4-2002
Operating revenue					
Invoicing	69 613	51 388	65 779	68 484	85 530
Change in work on contract					1 367
Net revenues	69 613	51 388	65 779	68 484	86 897
Operating expenses					
Goods for resale	-28 996	-20 099	-23 073	-27 369	-39 546
Other external expenses	-9 281	-13 592	-16 802	-14 871	-13 067
Personnel expenses	-27 001	-25 145	-30 758	-28 892	-31 662
Depreciation, amortization and writedowns of tangible and intangible assets	-4 141	-4 507	-4 377	-4 228	-3 183
Costs for shrinking the business		-4 736	-2 844		
Total operating expenses	-69 419	-68 079	-77 854	-75 360	-87 458
Operating result	194	-16 691	-12 075	-6 876	-561
Result from financial investments					
Interest income and similar results on financial investments	1 028	826	1 793	966	2 199
Interest expense and similar results on financial investments	-729	-1 465	-390	-560	-635
Result from short-term investments in shares	1 171	5 311	10 696	-625	10 673
Result from financial assets	281	-1 771	-3 391		
	1 751	2 901	8 708	-219	12 237
Result after financial items	1 945	-13 790	-3 367	-7 095	11 676
Taxes on the year's result	9 342	14	15	16	4 270
Net result for the quarter	11 287	-13 776	-3 352	-7 079	15 946

KEY FINANCIAL INDICATORS

	2003-12-31	2002-12-31	2001-12-31
Revenue growth	74,6%	265,4%	44,1%
Capital employed	254 602	275 239	249 856
Capital employed, not including short-term investments	125 371	130 638	44 856
Financial assets	149 816	166 435	193 742
Number of employees	163	194	39
Equity ratio	75,5%	68,3%	88,0%
Number of shares outstanding at end of period	9 271 456	9 271 456	9 271 456
Shareholders' equity per share (SEK)	25,36	26,73	25,45

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), respectively. 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.

Definitions

The equity ratio is obtained by dividing shareholders' equity 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 year-end report can be downloaded from our home page.

The Group's Annual Report will be available from March 11.

The Annual General Meeting will be held at 3:00 p.m., March 26, on the Company's premises, Karlsbodavägen 39 in Bromma.

Stockholm, February 13, 2004

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, February 13, 2004

Lars Wennberg,
Authorized Public Accountant