

# Thalamus Networks AB (publ)

Organization number 556394-1987

## January – September in summary

- Net revenues amounted to MSEK 168.2 (185.7). The result after financial items was MSEK 0.8 (-24.3).
- The operating result for the period January – September amounted to MSEK -18.3 (-35.6) and includes the result of a sale of the Norwegian consulting operations in an amount of MSEK 5.3 (-).
- Earnings per share were SEK 0.14 (-2.61).

## July – September in summary

- Net revenues amounted to MSEK 47.9 (51.4). The result after financial items was MSEK -2.7 (-13.8).
- The operating result for the third quarter amounted to MSEK -6.7 (-16.7).
- During September, Fiberdata concluded a frame agreement with the Municipality of Avesta to expand the municipality's metropolitan area network.
- Earnings per share were SEK -0.29 (-1.49).

## Significant events after the end of the period

- Peter Kullring will assume the post of President & CEO of Fiberdata AB during the fourth quarter of 2004.
- Stora Enso Fors has concluded a three-year agreement with Fiberdata for delivery of a scalable security concept.

- After the end of the period under review, Fiberdata has concluded an agreement with Sandviken Energi for installation of a service node for its metropolitan area network.

## Market

The weak economy so far, and a wait-and-see attitude among customers, has affected the Group's business volume. Starting in the second and third quarters, the Company sees a positive development with increased activity and demand from the customers.

## Significant events during the period January 1 – September 30

During the month of September, Fiberdata concluded a frame agreement with the Municipality of Avesta to expand the municipality's metropolitan area network. The agreement is for a total undertaking, including everything from

project management and documentation to digging, canalization and laying fibre cable. The project is a part of the broadband expansion of the Municipality of Avesta.

Several measures to strengthen the sales organization were taken during the third quarter. Action taken is an element of a process of concentrating efforts and resources to communications solutions and services for metropolitan area networks and companies.

### **Net revenues and result**

#### **Group**

Net revenues amounted to MSEK 168.2 (185.7) during the period, a decrease by 9.4 percent compared to the corresponding period one year ago.

The operating result was MSEK -18.3 (-35.6). This result includes a positive result of MSEK 5.3 from the sale of the Norwegian subsidiary.

Third quarter revenue for continuing businesses increased by 3.9 percent compared to the preceding year.

The operating result for the third quarter of MSEK -6.7 includes an operating result of MSEK -1.1 for businesses in the process of being phased out. The operating result of continuing businesses for the third quarter was MSEK -5.6 (-12.4). This result is at the same level as that for the second quarter, which should be taken into consideration in view of lower industry sales during the third quarter.

The result after financial items for the interim period was MSEK 0.8 (-24.3). This result includes MSEK 10.8 from the sale of shares in ProAct IT Group AB during the first quarter.

#### **Parent Company**

The Parent Company's net revenues for the interim period amounted to MSEK 2.9 (3.1) and related to invoicing subsidiaries.

The result after financial items amounted to MSEK 14.9 (13.2), which includes the result of short-term investments in an amount of MSEK 5.8 (15.4). The Parent Company's result for the interim period includes a loss of MSEK 5.0 attributable to the sale of the shares in subsidiary ITR AS during the second quarter, and also a positive result of MSEK 10.8 from the sale of shares in ProAct IT Group AB during the month of January.

The result for the interim period amounted to MSEK 14.9 (11.4).

### **Financial position and liquidity**

#### **Group**

As of September 30, 2004 liquid assets in the form of short-term investments, cash and bank deposits amounted to MSEK 154.8 (152.9).

The equity ratio at the end of the interim period stood at 75.7 percent (73.9).

#### **Parent Company**

The financial net assets in the Parent Company, including shares in Group companies, amounted to MSEK 204.0 (210.2).

### **Capital expenditures**

Capital expenditures in tangible fixed assets totaled MSEK 8.7 (9.6) during the interim period. The bulk of the capital expenditures refers to equipment for contracted customer agreements in the communications network operator business.

### **Employees**

The number of employees at the end of the interim period was 149 (162).

### **Related party disclosures**

During the interim period Thalamus Networks AB paid MSEK 0.6 (1.2) in fees to closely related parties.

### **Accounting principles**

This interim report has been compiled in accordance with recommendation RR:20 Interim reporting of the Swedish Financial Accounting Standards Council.

The same accounting principles have been applied as for the most recent annual report. Due consideration has been given to the new recommendations applicable as of January 1, 2004.

Starting in 2005, companies within EU, whose shares or other securities are listed on a stock exchange or other marketplace, must compile consolidated financial statements in accordance with IAS/IFRS. The most significant changes for the Thalamus Group, and which are now known, relate to reporting and valuation of goodwill and short-term investments.

The Group's amortization of goodwill for the interim period amounts to MSEK 1.7 (1.7). At the end of the interim period, the market value of the Company's short-term investments exceeded the book value by MSEK 3.1 (-).

### **Significant events after the end of the interim period**

Peter Kullring will assume the post of President & CEO of Fiberdata AB during

the fourth quarter. Peter Kullring comes to Fiberdata from Alcatel AB, where he was in charge of partner operations for operator products.

From Stora Enso Fors, Fiberdata has received an order to deliver a scalable firewall system with related services. The agreement has a term of three years and includes, aside from installation of hardware, analysis of traffic flows as well as surveillance and maintenance.

Sandviken Energi and Fiberdata have concluded an agreement for delivery of a service node for Sandviken's metropolitan area network. The assignment includes a feasibility study, implementation and start-up. A service node is a very advanced network solution that gives a metropolitan area network full control over customers, suppliers and traffic flows.

### **The future**

Order bookings during the third quarter were significantly higher than invoicing.

The Group has strengthened its position through concerted cost reduction and streamlining of operations. The development of the sales organization, that begun during the second quarter is continuing. Full impact of action taken is expected during 2005.

### **Business**

Fiberdata continues to develop its operations as an independent systems integrator. A high-priority area is solutions to converge telephony and data communication. Fiberdata functions as an independent

supplier relative to Thalamus Operations.

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

The primary organization of the Group is in three regions: North, Central and Southwest. There is coordination of resources among the regions for management, technology, sales support, finance and logistics.

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 to our customers even for highly complex needs. There are three service areas within the Group: Installation, Integration and Operations.

### **Installation**

Systems and services for communications infrastructure. Delivers copper and fibre-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.

### **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 owns and manages the metropolitan area network in the Municipality of Ängelholm.

# Financial information

## CONSOLIDATED STATEMENT OF INCOME

SEK thousand	3 MONTHS		9 MONTHS		12 MONTHS	
	Jul – Sep 2004	Jul – Sep 2003	Jan – Sep 2004	Jan – Sep 2003	Jan – Dec 2003	Jan – Dec 2002
<b>Net revenues</b>	<b>47 854</b>	<b>51 388</b>	<b>168 186</b>	<b>185 651</b>	<b>255 264</b>	<b>146 161</b>
<b>Operating expenses</b>						
Goods for resale	-21 725	-20 099	-72 706	-70 541	-99 537	-65 473
Other external costs	-12 699	-15 670	-40 961	-47 487	-56 768	-22 439
Personnel costs	-17 336	-27 803	-68 985	-90 153	-117 154	-49 643
Depreciation, amortization and write-downs of tangible and intangible assets	-2 797	-4 507	-9 158	-13 112	-17 253	-11 627
Result from sales of shares in subsidiaries	-	-	5 300	-	-	-
<b>Operating result</b>	<b>-6 703</b>	<b>-16 691</b>	<b>-18 324</b>	<b>-35 642</b>	<b>-35 448</b>	<b>-3 021</b>
<b>Result from financial investments</b>						
Interest income and similar items	1 577	826	2 952	3 585	4 613	8 888
Interest expense and similar items	-94	-1 465	-483	-2 415	-3 144	-1 888
Result on financial fixed assets	-	-1 771	10 859	-5 162	-4 881	-
Result on short-term equity investments	2 516	5 311	5 842	15 382	16 553	3 445
<b>Result after financial items</b>	<b>-2 704</b>	<b>-13 790</b>	<b>846</b>	<b>-24 252</b>	<b>-22 307</b>	<b>7 424</b>
Current taxes *	15	14	483	45	9 387	4 251
<b>Net result for the period</b>	<b>-2 689</b>	<b>-13 776</b>	<b>1 329</b>	<b>-24 207</b>	<b>-12 920</b>	<b>11 675</b>
Earnings per share (SEK)	-0.29	-1.49	0.14	-2.61	-1.39	1.26
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

\* The interim period's tax revenue refers to reversal of tax liabilities attributable to untaxed reserves.

## SUMMARY CONSOLIDATED BALANCE SHEETS

SEK thousand	9/30/2004	12/31/2003	12/31/2002
<b>Assets</b>			
Goodwill	5 158	6 733	8 879
Tangible fixed assets	52 447	51 241	61 580
Deferred tax claims *	8 856	9 688	190
Other financial fixed assets	850	14 562	23 191
Inventories and work in progress	14 182	9 361	27 885
Short-term receivables	51 608	65 342	70 776
Short-term investments	143 837	129 231	144 601
Cash and bank deposits	10 939	25 463	26 016
<b>Total assets</b>	<b>287 877</b>	<b>311 621</b>	<b>363 118</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	217 948	235 162	247 866
Interest-bearing liabilities	20 718	19 440	27 373
Non-interest-bearing liabilities	49 211	57 019	87 879
<b>Total shareholders' equity and liabilities</b>	<b>287 877</b>	<b>311 621</b>	<b>363 118</b>

\* The Group's aggregate tax loss carryforwards amounted to approximately MSEK 120 as of September 30, 2004.  
Deferred tax claims relating to tax loss carryforwards have been valued at the same amount as of December 31, 2003.

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOW

SEK thousand	Jan - Sep 2004	Jan - Sep 2003	Jan - Dec 2003
<b>Cash flow from current operations before changes in working capital</b>	<b>-372</b>	<b>-5 961</b>	<b>-173</b>
Changes in working capital	1 105	-7 733	-6 902
<b>Cash flow from current operations</b>	<b>733</b>	<b>-13 694</b>	<b>-7 075</b>
Cash flow from investment operations			
Tangible fixed assets	-8 702	-9 601	-4 767
Financial fixed assets	25 316	3 578	3 637
<b>Cash flow before financing</b>	<b>17 347</b>	<b>-19 717</b>	<b>-8 205</b>
Cash flow from financing operations	-17 265	2 560	-7 933
<b>Period's cash flow</b>	<b>82</b>	<b>-17 157</b>	<b>-16 138</b>
Liquid funds at the beginning of the year *	154 694	170 617	170 617
Exchange rate difference in liquid funds	-	-522	215
<b>Liquid funds at end of period *</b>	<b>154 776</b>	<b>152 938</b>	<b>154 694</b>

\* Including short-term investments.

## NET REVENUES AND OPERATING RESULT BY BUSINESS SEGMENT

Group	2004			2003		
SEK thousand	Q 3	Q 2	Q 1	Q 3	Q 2	Q 1
<b>Net revenues, quarterly data</b>						
<b>Region North</b>						
Installation and Integration	12 636	19 120	16 850	11 954	15 840	15 878
<b>Region Central</b>						
Installation and Integration	12 721	17 034	13 624	15 590	23 113	25 888
Consulting	-	45	389	-	-	-
<b>Region Southwest</b>						
Installation and Integration	16 148	20 164	15 879	14 377	12 927	16 347
Operations	7 867	7 925	7 282	7 685	7 942	7 940
<b>Region Norway</b>						
Consulting	-	4 391	5 509	5 293	8 455	9 396
<b>Other <sup>1</sup></b>	-1 518	-5 073	-2 807	-3 511	-2 498	-6 965
<b>Total</b>	<b>47 854</b>	<b>63 606</b>	<b>56 726</b>	<b>51 388</b>	<b>65 779</b>	<b>68 484</b>
<b>Operating result, quarterly data</b>						
<b>Region North</b>						
Installation and Integration	-1 783	-1 300	-1 521	-3 539	-4 937	-3 863
<b>Region Central</b>						
Installation and Integration	-2 501	-2 220	-3 459	-6 072	-5 089	-2 409
Consulting	-621	-739	-362	-	-	-
<b>Region Southwest</b>						
Installation and Integration	-341	293	-2 263	-2 301	-1 760	-500
Operations	169	85	-103	352	44	-277
<b>Region Norway</b>						
Consulting	-	-752	-744	-4 309	232	268
<b>Other <sup>1</sup></b>	-1 626	-2 514	-1 322	-822	-565	-95
<b>Total <sup>2, 3</sup></b>	<b>-6 703</b>	<b>-7 147</b>	<b>-9 774</b>	<b>-16 691</b>	<b>-12 075</b>	<b>-6 876</b>

<sup>1</sup> The Parent Company, other common functions and consolidation eliminations.

<sup>2</sup> Refers to operating result, not including result from sale of shares in subsidiaries during the second quarter 2004 in an amount of MSEK 5.3.

<sup>3</sup> The operating result for 2003 includes costs for cut-backs of operations during the third quarter in a total amount of SEK -4 736 000 and during the second quarter SEK -2 844 000, most of which refers to the integration operations.

## COMPILATION OF CHANGES IN SHAREHOLDERS' EQUITY

### JANUARY - SEPTEMBER 2004

SEK thousand	Share capital	Restricted reserves	Unrestricted reserves	Total equity
<b>GROUP</b>				
Opening amount	927	200	234 035	235 162
Dividend			-18 543	-18 543
Result for the period			1 329	1 329
<b>Amount as of September 30, 2004</b>	<b>927</b>	<b>200</b>	<b>216 821</b>	<b>217 948</b>
<b>PARENT COMPANY</b>				
Opening amount	927	200	251 668	252 795
Dividend			-18 543	-18 543
Result for the period			14 895	14 895
<b>Amount as of September 30, 2004</b>	<b>927</b>	<b>200</b>	<b>248 020</b>	<b>249 147</b>

### JANUARY - SEPTEMBER 2003

SEK thousand	Share capital	Restricted reserves	Unrestricted reserves	Total equity
<b>GROUP</b>				
Opening amount	927	235 264	11 675	247 866
Translation difference			158	158
Result for the period			-24 207	-24 207
<b>Amount as of September 30, 2003</b>	<b>927</b>	<b>235 264</b>	<b>-12 374</b>	<b>223 817</b>
<b>PARENT COMPANY</b>				
Opening amount	927	235 568	12 713	249 208
Transfer to legal reserve		200	-200	
Result for the period			11 401	11 401
<b>Amount as of September 30, 2003</b>	<b>927</b>	<b>235 768</b>	<b>23 914</b>	<b>260 609</b>



## QUARTERLY VALUES – STATEMENT OF INCOME

SEK thousand	2004			2003			
	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
<b>Net revenues</b>	<b>47 854</b>	<b>63 606</b>	<b>56 726</b>	<b>69 613</b>	<b>51 388</b>	<b>65 779</b>	<b>68 484</b>
<b>Operating expenses</b>							
Goods for resale	-21 725	-25 905	-25 076	-28 996	-20 099	-23 073	-27 369
Other external costs	-12 699	-14 544	-13 718	-9 281	-15 670	-16 946	-14 871
Personnel costs	-17 336	-27 071	-24 578	-27 001	-27 803	-33 458	-28 892
Depreciation, amortization and write-downs of tangible and intangible assets	-2 797	-3 233	-3 128	-4 141	-4 507	-4 377	-4 228
Result from sale of shares in subsidiaries	-	5 300	-	-	-	-	-
<i>Total operating expenses</i>	<i>-54 557</i>	<i>-65 453</i>	<i>-66 500</i>	<i>-69 419</i>	<i>-68 079</i>	<i>-77 854</i>	<i>-75 360</i>
<b>Operating result</b>	<b>-6 703</b>	<b>-1 847</b>	<b>-9 774</b>	<b>194</b>	<b>-16 691</b>	<b>-12 075</b>	<b>-6 876</b>
<b>Result from financial investments</b>							
Interest income and similar items	1 577	571	804	1 028	826	1 793	966
Interest expense and similar items	-94	-150	-239	-729	-1 465	-390	-560
Result on short-term equity investments	2 516	3 303	23	1 171	5 311	10 696	-625
Result on financial fixed assets	-	-	10 859	281	-1 771	-3 391	-
	3 999	3 724	11 447	1 751	2 901	8 708	-219
<b>Result after financial items</b>	<b>-2 704</b>	<b>1 877</b>	<b>1 673</b>	<b>1 945</b>	<b>-13 790</b>	<b>-3 367</b>	<b>-7 095</b>
Current taxes	15	453	15	9 342	14	15	16
<b>Net result for the quarter</b>	<b>-2 689</b>	<b>2 330</b>	<b>1 688</b>	<b>11 287</b>	<b>-13 776</b>	<b>-3 352</b>	<b>-7 079</b>

## KEY FINANCIAL INDICATORS

	9/30/2004	9/30/2003	12/31/2003
Revenue growth, %	-9.4	213.3	74.6
Capital employed, SEK thousand	238 666	247 452	254 602
Capital employed, not including short-term investments, SEK thousand	83 890	117 493	125 371
Financial assets, SEK thousand	134 908	144 308	149 816
Number of employees	149	162	163
Equity ratio, %	75.7	73.9	75.5
Number of shares outstanding at end of period	9 271 456	9 271 456	9 271 456
Shareholders' equity per share, SEK	23.51	24.14	25.36

The total number of warrants outstanding is 500,000, which upon subscription have a dilutive effect of 5.4 percent of the capital and 2.7 percent of the votes. The warrants have a subscription price of SEK 36. 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 April 30, 2006.

## Definitions

The **equity ratio** is obtained by dividing shareholders' equity by the balance sheet total.

**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 above.

**The Interim Report** for the period January 1 – December 31, 2004 will be presented February 18, 2005.

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This report has not been examined by the Company's auditor.

Stockholm, November 10, 2004

PÄR-OLA ANDERSSON  
*President & CEO*