

# ANNUAL REPORT 2003

An abstract graphic consisting of several parallel diagonal lines in shades of gray and white, running from the bottom left towards the top right, creating a sense of motion and depth.

## Annual General Meeting

### Time and location

The regularly scheduled Annual General Meeting (AGM) will be held on the Company's premises at Karlsbodavägen 39 in Bromma at 3:00 p.m., March 26, 2004.

### Right to participate

Shareholders who wish to participate in the proceedings of the AGM must be registered in the share register maintained by the Securities Register Centre (VPC AB) not later than by the record date, March 16, 2004, and must also notify the Company of their desire to attend not later than by 4:00 p.m., March 22, 2004.

### Notice

Notice can be given to:

- Thalamus Networks AB,  
P.O. Box 11129, SE-161 11 Bromma,  
Sweden
- Telefax: +46-8-29 65 30
- Telephone: +46-8-635 96 00
- E-mail: [anmalan@thalamus.se](mailto:anmalan@thalamus.se)

Such notice must contain name, personal registration number/organization number, address, telephone number and the registered shareholding must be disclosed.

### Proxy

Please note that shares registered in the name of a nominee must be re-registered in the owners own name well in advance of record date.

Shareholder rights may be exercised at the AGM by duly authorized proxy. Any proxy's power of attorney must be in writing and may not be older than twelve months. Please note that the power of attorney must be submitted in original, or be brought to the meeting.

Shareholders who wish to exercise their right to bring up to two counsel representatives must file notice to that effect, stating the number of counsel representatives, together with the notice as described above.

### Dividend

The dividend for 2003 will be remitted to shareholders who on the record date are registered in the share register. The Board of Directors intend to propose March 31, 2004 as record date. If the AGM passes a resolution in accordance with the proposal of the Board of Directors, the dividend is expected to be remitted by VPC on April 5, 2004.

## Financial information 2004

Interim reports will be published as follows:

- January – March, May 12
- January – June, August 19
- January – September, November 10

Year-end report January – December 2004 will be published February 18, 2005

All reporting will also be published at [www.thalamus.se](http://www.thalamus.se).

# The year in brief

- 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 impacted by the result from financial investments in the amount of MSEK 13.1 (10.4), of which the result from a sale of shares in TurnIT AB and ProAct IT Group AB is included in the amount of MSEK -4.9 (-).
- The year's result amounted to MSEK -12.9 (11.7).
- Earnings per share for the period January to December was SEK -1.39 (1.26).
- The Board of Directors and the President propose a dividend of SEK 2.00 per share.
- Linköpings Kraftnät has concluded a frame agreement with Fiberdata for cooperation and equipment for Linköping's metropolitan area network. The order value is estimated to be about MSEK 18.
- With an order value of about MSEK 2.5, Fiberdata has concluded an agreement with Stora Enso Fors for an upgrade of the existing network in Stora Enso's computer hall.
- Fiberdata received renewed confidence as The Swedish Agency for Administrative Development concluded a frame agreement for network solutions and peripheral services.
- The operations of Thalamus and Fiberdata have been integrated with common utilization of certain resources. At the same time, with effect from October 1, 2003, the operations were divided into the regions North, Central, Southwest and Norway.
- Measures were taken during the year to improve profitability and the fourth quarter shows a positive operating result.



## Contents

3	The year in brief	26	Administration report
4	President's statement	30	Financial statements
8	Financial overview	35	Accounting and valuation principles
10	The Thalamus share	39	Notes to the financial statement
12	Company description	49	Audit report
16	Employee portrait	50	Senior management
20	Customer Halmstad IT-nät	52	Board of directors and CEO
22	Customer Stora Enso Fors	54	Definitions
24	Customer Rehab Station Stockholm	55	Addresses

# President's statement

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Two thousand and three was a tough year with weaker invoicing than expected. At the same time the development shows that the market continues to have a great deal of confidence in the Thalamus Group, confidence based on many years of cooperation with customers and partners. Despite the cutbacks we have made, we have been careful to retain our technical competence and to maintain our proximity to the customers.

## **An eventful year for the Thalamus Group**

The market's development was weaker than expected at the beginning of the year and a necessary adjustment of the organization was initiated, in the course of which the number of employees in the Group was reduced by 35 persons.

During the spring we acquired a total of 10.9 percent of the shares outstanding in ProAct IT Group AB. Most of the holding was sold in January 2004 at a good profit. During 2003 we also sold the holding in TurnIT AB, with the exception of a small number of class A shares. The sale gave rise to a capital loss of SEK -5.2.

The Group's new organization came into force as of the beginning of the fourth quarter. Sales of technology resources are now

divided into four regions: North, Central, Southwest and Norway. The operations in Fiberdata and the original Thalamus have been integrated in the new regional organization. Total savings gained by this coordination, and personnel cutbacks, amount to MSEK 24 at an annual rate. We are well on our way towards becoming a cohesive group.

During the third quarter an increased propensity for capital spending on the part of our major network customers was sensed. The slightly larger business volume brought us to the very important goal for the future of a positive operating result. Other contributing factors were the cost-containment action taken and the more clear-cut organization.

The performance of the Parent Company's portfolio of listed shares was very positive during the year, with a total profit of MSEK 20, including unrealized appreciation. In addition hereto there is an appreciation in the value of the holding in ProAct IT Group AB of MSEK 10, which was realized in January 2004.

## **The market faded during 2003**

The Group's operating plan for 2003 was based on our expectations of the market's development. When the plan was set, during September to December 2002, we had good



sales backed by acceptable margins. But during 2003 the business volume declined markedly and stabilized shortly thereafter at a new, clearly lower level. Several of the anticipated public procurements were put off to the future and industry took a wait-and-see attitude towards major capital spending.

The organizational adjustment now finalized began during the first quarter.

#### **Fiberdata and The Swedish Agency for Administrative Development**

In November Fiberdata was once again entrusted to be a supplier of network products under the frame agreement with

The Swedish Agency for Administrative Development. Fiberdata already had a frame agreement with The Swedish Agency for Administrative Development for telecommunications products and is now the sole supplier that can offer converging solutions for both data and telecommunication to the public sector.

#### **The share**

The share price has for a long time been stuck in the SEK 16–18 range, which can be compared to equity per share of about SEK 25. The low market price of the share is in my

view explained, in part, by uncertainty as to how long it will take to reach profitability in the acquired Fiberdata, and, in part, by overall weak interest for smaller companies on the stock exchange. Interest in our share has now increased and its market performance has been positive, with share prices around SEK 22–23 in January 2004. The long-term performance will, of course, ultimately depend on the earnings performance of the Group.

Thalamus Networks has as its policy that the shareholders should get a significant portion of the Group's surplus liquidity. We will be proposing to the Annual General Meeting a dividend of SEK 2.00 per share.

#### **The future speaks for Thalamus**

The Group managed to reach profitability during the fourth quarter and the goal of profitability during 2004 remains. We will continue to work with strict cost control and market initiatives according to the motto "sell first – invest later." We have several competitive advantages:



**Expansion of ADSL continues** during 2004. In cooperation with Alcatel, we can deliver a very competitive solution that is the market leader in Sweden. We have won 15 of the 17 latest procurement rounds in which we have participated.

**We have a unique solution** for municipal networks that realizes the vision of the 24 hour authority and also provides a significantly simplified internal operating environment for the customer.

**We offer a metropolitan area network** solution that gives network owners a dynamic, open and operator-neutral network with minimal central administration. We assure the bandwidth and the reliability in the network, making sure that the network owner can offer both end users and service providers complete freedom of choice.

**The Thalamus Group has competence** in both data communication, traditional telephony and IP telephony. This gives us great opportunities of developing converging solutions and concepts with significant savings for the customer. We are also the only supplier accredited by The Swedish Agency for Administrative Development for both data and telecommunications products, which gives us a unique position as a partner of the public operations.

**The market for operation and monitoring** of metropolitan and residential networks will grow with the expansion of the networks. Increased business opportunities are generated for Thalamus Operations in their role of communications operator.

**Our reorganization** gives us better clarity and improved business focus. This also means closer proximity to the customer and a greater degree of regional autonomy. Our organization is nation-wide, with offices from Luleå to Trelleborg.

These competitive advantages, in combination with a somewhat improved market situation, creates opportunities for achieving profitability during 2004. In our judgment, the market will be unchanged, or develop slightly in a positive direction during the year.

The Thalamus Group now has the organizational as well as the financial strength to make new acquisitions. We invest a portion of our surplus liquidity in listed shares and will continue to explore the possibilities of using our cash for new business-related acquisitions during 2004.

#### **Confidence is a key word**

I wish to take this opportunity of thanking our customers for their confidence during 2003. The Group has come through a tough transitional process, but throughout it all we have maintained a good dialogue with our customers. Many of them have declared that they want a partner with local presence rather than just a supplier. This desire is completely in line with our goal and we appreciate the relationships we have built during many years of cooperation.

We also have a lot to thank our suppliers and partners for. The supply of new products and services is good and we enjoy excellent cooperation based on confidence and a long-term approach.

In closing, I wish to extend my heart-felt thanks to all employees of Thalamus Networks for their good work during 2003. We have considerably firmer footing now than one year ago and we have every opportunity of making 2004 a successful year.

Bromma March 10, 2004

A handwritten signature in black ink, reading "Jan Norman". The signature is written in a cursive, flowing style with a large initial "J".

**Jan Norman**  
President & Chief Executive Officer



# Financial overview

## SUMMARY STATEMENTS OF INCOME

SEK thousands	2003	2002	2001	2000	1999
Net revenues	255 264	146 161	39 992	27 744	21 763
Amortization of goodwill	-2 146	-1 164	-617	-45	-45
Depreciation and amortization of fixed assets	-15 107	-10 463	-7 388	-1 845	-1 100
Operating expenses	-273 459	-137 555	-58 036	-49 981	-29 806
<b>Operating result</b>	<b>-35 448</b>	<b>-3 021</b>	<b>-26 049</b>	<b>-24 127</b>	<b>-9 188</b>
Net financial items	13 141	10 445	8 277	8 280	306
<b>Result after financial items</b>	<b>-22 307</b>	<b>7 424</b>	<b>-17 772</b>	<b>-15 847</b>	<b>-8 882</b>
Minority interest	-	-	-	85	-
Taxes	9 387	4 251	52	19	-
<b>Net result for the year</b>	<b>-12 920</b>	<b>11 675</b>	<b>-17 720</b>	<b>-15 743</b>	<b>-8 882</b>

## SUMMARY BALANCE SHEETS

SEK thousands	031231	021231	011231	001231	991231
<b>Assets</b>					
Intangible assets	6 733	8 879	2 640	137	392
Tangible fixed assets	51 241	61 580	46 911	3 934	2 545
Financial assets	24 250	23 381	15	15	255
<b>Total fixed assets</b>	<b>82 224</b>	<b>93 840</b>	<b>49 566</b>	<b>4 086</b>	<b>3 192</b>
Other current assets	74 703	98 661	10 978	14 493	8 980
Liquid funds, including short-term investments	154 694	170 617	207 593	241 586	26 670
<b>Total current assets</b>	<b>229 397</b>	<b>269 278</b>	<b>218 571</b>	<b>256 079</b>	<b>35 650</b>
<b>Total assets</b>	<b>311 621</b>	<b>363 118</b>	<b>268 137</b>	<b>260 165</b>	<b>38 842</b>
<b>Shareholders' equity and liabilities</b>					
Shareholders' equity	235 162	247 866	235 990	253 710	32 205
Provisions					
Provisions for taxes	-	-	3 131	-	15
Interest-bearing liabilities					
Long-term	11 897	12 679	10 000	-	787
Short-term	7 543	14 694	3 866	-	-
<b>Total interest-bearing liabilities</b>	<b>19 440</b>	<b>27 373</b>	<b>13 866</b>	<b>-</b>	<b>787</b>
Non interest-bearing liabilities	57 019	87 879	15 150	6 455	5 835
<b>Total liabilities</b>	<b>76 459</b>	<b>115 252</b>	<b>29 016</b>	<b>6 455</b>	<b>6 622</b>
<b>Total shareholders' equity, provisions and liabilities</b>	<b>311 621</b>	<b>363 118</b>	<b>268 137</b>	<b>260 165</b>	<b>38 842</b>

The Fiberdata Group was acquired in September 2002 and is included in the above financial overview from this date.





## KEY FINANCIAL INDICATORS

	2003	2002	2001	2000	1999
Revenue growth, %	74.6	265.4	44.1	27.5	20.0
Gross margin, %	neg	5.9	neg	neg	neg
Operating margin, %	neg	neg	neg	neg	neg
Profit margin, %	neg	5.1	neg	neg	neg
Capital employed, SEK thousands	254 602	275 239	249 856	253 710	32 992
Return on capital employed, %	neg	3.7	neg	neg	neg
Capital employed, not including short-term investments, SEK thousands	125 371	130 638	44 856	34 991	32 992
Equity ratio, %	75.5	68.3	88.0	97.5	82.9
Interest coverage ratio	neg	4.9	neg	neg	neg
Net financial assets, SEK thousands	149 816	166 435	193 742	240 225	26 138
Average number of employees	190	89	39	32	21

## PER-SHARE DATA BEFORE DILUTION

	2003	2002	2001	2000	1999
Average number of shares outstanding	9 271 456	9 271 456	9 271 456	8 897 386	7 115 000
Number of shares outstanding at year-end	9 271 456	9 271 456	9 271 456	9 271 456	7 190 000
Earnings per share, SEK	-1.39	1.26	-1.91	-1.77	-1.20
Net cash flow per share, SEK	-0.76	1.31	-0.21	-2.03	-1.50
Shareholders' equity per share, SEK	25.36	26.73	25.45	27.36	4.48

# The Thalamus share

## The share

The Thalamus Class B share is listed on the O-list of OM Stockholmbörsen (the Stockholm Stock Exchange) since September 4, 2000. The share capital amounts to SEK 927 145.60, divided into 9 271 456 shares, with a nominal value of SEK 0.10 each. There are 1 033 333 class A shares and 8 238 123 class B shares outstanding. Each class A share entitles its holder to 10 votes and each class B share entitles its holder to 1 vote. Class A shares are convertible into class B shares upon request to the Company's Board of Directors.

Type of share	Number of shares	Proportion of capital	Proportion of votes
Class A	1 033 333	11.1	55.6
Class B	8 238 123	88.9	44.4

## Option program

A subordinated debenture loan with detachable options equivalent to 500 000 Class B shares was issued during 2001. A total of

113 000 of these options were acquired by the Company's employees. The remaining options are held in treasury. The options can be exercised to subscribe for shares at a price of SEK 45.60 until March 31, 2004.

In April 2003 a subordinated debenture loan was issued with detachable options equivalent to 500 000 Class B shares. A total of 168 700 of these options were acquired by the Company's employees. The remaining options are held in treasury. The options can be exercised to subscribe for shares at a price of SEK 36.00 until April 30, 2006. For further information, refer to Note 20 to the balance sheet.

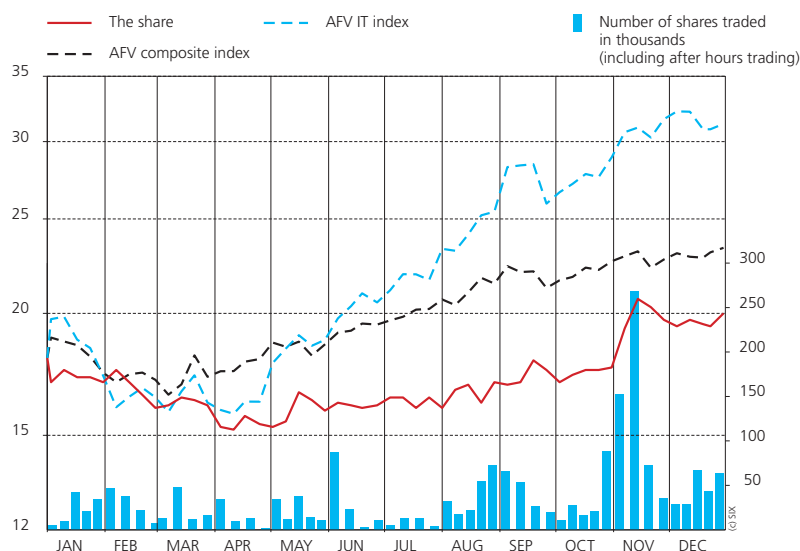
## The stock market

The closing market price for the Thalamus share was SEK 20.00 on December 30, 2003, which was SEK 2.00 higher than at the beginning of the year, an increase of 11.1 percent. The composite index saw a decline by 29.7 percent during the year.

During 2003 a total of 1 930 199 shares changed hands, which is equivalent to 23.4

percent of the total number of publicly traded shares in the Company. The total market capitalization of Thalamus was MSEK 185 at year-end and the total number of shareholders was 2 650.

## Thalamus 2003



## History of share capital

The share capital of Thalamus has evolved as follows since 1998:

År	Transaktion	Aktiekapital	Antal aktier
1998		704 000	7 040 000
1999	Private placement	719 000	7 190 000
1999	Private Placement	779 000	7 790 000
2000	Exercising of warrants	799 146	7 991 456
2000	Private placement	927 146	9 271 456

The Board of Director's has an authorization to decide on new issuance of a total of 3 000 000 Class B shares in connection with

acquisition of company or business. The issuing price shall be equivalent to the estimated market price.

## MAJOR SHAREHOLDERS

Shareholders according to VPC, Dec. 30, 2003	Number of Class A shares	Number of Class B shares	Proportion of capital	Proportion of votes
AB Traction	354 667	2 862 468	34.7	34.5
Andersson, Pär-Ola with family	252 000	268 666	5.6	15.0
Nilsson, Erik	252 000	10 000	2.8	13.6
Stillström, Bengt	86 667	143 716	2.5	5.4
Magnusson, Claes	87 999	5 935	1.0	4.8
Länsförsäkringar Småbolagsfonden	-	405 267	4.4	2.2
SIF Förbundet	-	238 100	2.6	1.3
Banque Carnegie Luxembourg S A	-	192 001	2.1	1.0
Stillström, Hanna	-	182 733	2.0	1.0
Stillström, Petter	-	101 867	1.1	0.6
Other shareholders	-	3 827 370	41.2	20.6
<b>Total</b>	<b>1 033 333</b>	<b>8 238 123</b>	<b>100.0</b>	<b>100.0</b>

## OWNERSHIP STRUCTURE

Size classes according to VPC, Dec. 30, 2003	Ownership		Shares	
	Number	% of total	Number	% of total
1-500	1 667	62.9	365 127	3.9
501-1000	486	18.4	446 890	4.8
1001-5000	375	14.2	983 732	10.6
5001-10000	59	2.2	459 504	5.0
10001-50000	40	1.5	888 790	9.6
50001-100000	14	0.5	907 261	9.8
100001-	9	0.3	5 220 152	56.3
<b>Total</b>	<b>2 650</b>	<b>100.0</b>	<b>9 271 456</b>	<b>100.0</b>

# Thalamus Networks AB

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## Business concept

Thalamus Networks offers – through specialists in interaction – communications solutions and services that fulfill high demands for performance and security.

## Overarching

Thalamus Networks is listed on the O-list of Stockholmsbörsen. The Company was founded in 1987 and has 163 employees in Sweden and Norway.

Thalamus Networks includes subsidiaries Fiberdata AB, ITR AS, Thalamus Operations AB, Thalamus Control AB and Thalamus Consulting AB. The subsidiaries in Thalamus Networks cooperate in the different service areas.

The Thalamus Group offers design, installation, commissioning and support of customer-specific systems solutions for data and telephony networks, and services for Internet access and monitoring of networks. Our solutions consist of market-leading products and services.



## Regional grouping

From October 2003, the Group is organized in four regions: North, Central, Southwest and Norway. Resources for management, technology, sales support, marketing, finance, personnel and logistics are coordinated.

We see several advantages with a regional organization, one being proximity to the customers and clarity in terms of profit center responsibility. By coordinating our sales and technology resources between the regions we can also offer solutions to very complex needs.

## Service areas

We work within four service areas: Installation, Integration, Consulting and Operations. All service areas are represented in our regions in Sweden. In Norway, work is concentrated to Consulting.

## Integration

The business in Integration is operated under trade names Fiberdata (data- and telecommunication) and Thalamus Control, (control systems).

We offer complete systems, project and support services for data and telecommunication. We possess qualified competence in telephony as well as switching, routing and security and broadband communications.

We tie together needs and equipment in complete customer-specific solutions that meet the high requirements for quality, secu-

rity and availability that our customers have.

This is true regardless of whether it is a matter of communication and networks on-board marine vessels, at the company, in the entire city or region.

Fiberdata is also highly experienced in cable TV networks and radio communication – important components in a metropolitan area network.

Our solutions for telephony and integration between telephony and data communication are market-leading. Among examples are contact centers and IP telephony, including solutions for call-forwarding and wireless telephony.

#### Installation

The Installation business is operated under the trade name Fiberdata.

Our assignment is to deliver functioning infrastructure for data communication. We offer planning, installation and documentation. We also build systems based on copper, fiber and radio communication and install high and low power electrical facilities.

The close cooperation between Installation and Integration, combined with an extensive partner network, gives us a strong position in the market.

#### Consulting

The business in Consulting is operated under the trade names ITR AS and Thalamus Consulting AB.



We offer qualified consultants in four areas: project management, communications-oriented systems development, system monitoring and operating competence in a variety of operating systems.

#### Operations

The business in Operations is run under name of Thalamus Operations, who delivers services for Internet access, media, cable TV and acts as communications operator of metropolitan area networks.

Communications operators are becoming increasingly in demand for the procurement process of metropolitan area networks. The communications operator links together existing networks and creates a cohesive infrastructure. The network infrastructure is kept in operation and is monitored to give a number of independent ISPs (Internet service provider) and ASP (application service provider) opportunities to deliver services to the end customers. The goal is to create freedom of choice for the end customers.

Thalamus monitors its own metropolitan area network in the Municipality of Ängelholm. The network includes about 550 kilometer of canalization, fiber and coaxial cable. The monitoring is handled by the company's own net operating center (noc).

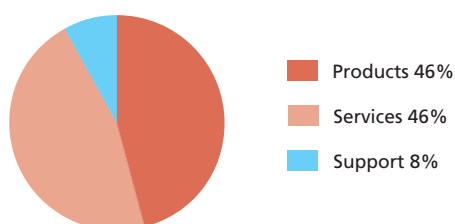
### Customer categories

Thalamus delivers services and products primarily to five customer categories: metropolitan and regional area networks, public service, residential area networks, industry and service companies. Sales are evenly divided between services and products, each of which represent 46 percent of total revenues. Products are typically delivered as components in a total solution. The remaining 8 percent consists of support services.



Thalamus supports the network owner from the first cable to the technical management of the provider's services. We have built a large number of DSL networks, we deliver products, competence and operation of security solutions in many of the county's municipalities. The goal is to make a complex communication simple for many generations to come.

Distribution of revenues 2003



### Metropolitan and regional area networks

We are one of Sweden's foremost metropolitan area network builders. Our focus is on operator-neutral networks with an active network owner. Aided by a service node (central traffic flow resource) connection as well as the right service is connected to the right customer and billing records are created.

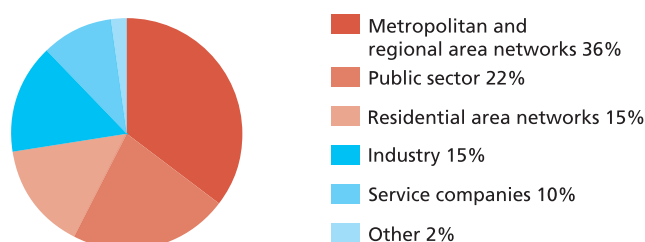
It is simple for network owners to administer the network and offer freedom of choice for both end users and service providers. Via a metropolitan area network portal, the providers present their services and the customer can select services as well as service providers. Fast Internet access, IP telephony, interconnection of local area networks, TV and video services are some of the services network owners can offer in our open metropolitan area networks.

### Public sector

We are today one of the largest suppliers of network services and network products to the armed forces. The armed forces is highly demanding, both for the day-to-day communication and for situations such as war and civil crises, when prompt and secure communication is a must.

Fiberdata is the only company that has a frame agreement with The Swedish Agency for Administrative Development for both telephony and data network products. This gives us a unique opportunity of delivering converging data and telephony solutions to the government, to municipalities and county councils.

Revenues by customer category 2003





**Residential area networks**

We build operator-neutral networks with active network owners and administer and provide the networks with value-added services. We can also offer operation and monitoring. The technical solution is a network that can handle several service providers in one and the same infrastructure.

Regardless of access form (ADSL, radio, cable tv or fiber) we offer security for each individual household.

**Industry**

We design, build, develop and maintain mission-critical networks for industry. In the process industry the briefest stoppage of production can lead to significant consequences for the production process, aside from the big costs a fall in production may entail.



We ensure that the network lives up to the high requirements of industry for operational security and capacity. We give our customers complete and broad offers of integration as well as installation services.

**Service companies**

We have a communications concept that is cost-efficient, scalable, and where the customer can choose different parts independent of each other.

We deliver solutions that strengthen our customers' availability, both in terms of data and telephony. For example, in the area of security we offer services such as vulnerability analysis and firewall services.



# Fiberdata's technicians keep together

Network technician Anders Bergström is a true veteran at Fiberdata. He has been with the company since 1988 and the job still thrills him.



– I am extremely stubborn when it comes to technology, and I love to solve problems!

Anders knows a few of the guys who started Fiberdata and was offered a job when he was about to break ways with a former employer. Today Anders works with commissioning, configuration and training, and as technical coordinator on certain jobs.

## Increase the customer's understanding

– I see the networks as the blood-veins for companies and metropolitan area networks. The technology advances and it's fun to grapple with the challenges facing our customers together with my buddies.

Anders thinks that people tend to focus on the details, but it is the whole that is important to understand.

– If I can help a customer gain a better understanding of the technical systems and the overall IT environment, thereby making it possible to anticipate problems, then I have succeeded.

## The unity is an asset

He thinks it is important to always stand by your colleagues. The mobile phone is always on, even on the golf course.

– But on the golf course the phone is of course set to silent, otherwise you get penalty

shots, he says and after certain pressure admits to having a handicap of 4.2.

– When a problem comes up, one of us technicians usually recognizes it and has a solution on the spot. We make sure that we can reach each other at all times. That attitude gives us technicians a wonderful team spirit and in the end that of course benefits the customer.

with competent colleagues and he is pleased with his job situation.

– I have a job that I like, I like problem-solving and relationships with customers. I am not big on status; I want to have fun and that's the way it is when I manage to solve a customer's network problem, or when I can develop a difficult network design.

– I live a lot on my long experience in this



**Anders "Birre" Bergström**, network technician at Fiberdata, believes that imagination is one of the most important tools for a competent technician.

The dip in the industry during the last couple of years has naturally impacted Fiberdata, but now he feels that Fiberdata stands well prepared for the future.

– The numbers are pointing in the right direction and I think that we will continue to be very strong in ADSL and metropolitan area network expansion, he says.

#### Look ahead with confidence

Despite the tough reality in the IT industry, Anders has no problems in liking the situation. Fiberdata is a stable place to work,

industry, and that makes it natural for me to help younger colleagues. But they also inspire me, and sooner or later I guess they will run past me, says Anders with a sly glimpse.

# Versatility is Fiberdata's strength

Christina Johansson has worked for Fiberdata since 1996 and is now one of the customer service representatives at the office in Göteborg. That role means that she is responsible for, among other things, complex metropolitan area networks, which requires knowledge in a broad spectrum of areas.

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– Here you must have knowledge in a host of different areas, including technology, economics, negotiation, presentation, customer service and sales work. This is an exciting and challenging environment, she says.

Christina worked as an administrator in the electrical industry when in 1996 she got an employment offer as sales support at Fiberdata. She hesitated; she had not even been close to network installations and the role as sales representative was new to her.

– After some hesitation I went for the offer, she says. I felt that I had to go on to develop myself. And today I can say that I did the right thing!

Christina soon mastered the technology behind Fiberdata's solutions and advanced

within the company. Today she is responsible for major, complex communications projects with customers, especially in the metropolitan area network segment.

– I have learned by meeting many customers and by listening to their various needs of data- and telecommunications. My colleagues at Fiberdata have encouraged me and supported me all the way.

## Confirm the customer

Christina sees personal chemistry and a feeling for service as the key to Fiberdata's many long-standing customer relationships and she describes herself as social. The most important thing for her is the customer's needs and she does her utmost to make the customer satisfied.



– That’s how I work, she says straight out. It’s a matter of confirming the customer, not the other way around. We are a skilled and technology-intensive company, but we also have a feeling for service. I believe that that combination is the reason for our many customer relationships of long standing.

### Thirst for knowledge

In order to be the expert demanded by the customer you have to keep up with the rapid development of technology.

– I always want to learn more about specific technical innovations, but also about the industry at large. That’s why I visit trade shows and attend seminars whenever I have time.

The last few years have been somewhat of an acid test for the industry, and that has not gone unnoticed by Christina.

– The past year was a turbulent one for the industry, and for us. We were forced to take certain action, but now I sense that the pleasure of our work and belief in the future is beginning to come back. Now I see “my” Fiberdata again – the Fiberdata that consists of fantastic colleagues with great competence, humor and commitment.



**Christina Johansson**, sales representative at Fiberdata, always puts the customer’s need in the front seat



# Sweden's most open metropolitan area network

Sometimes it is the circumstances that create the opportunities. In the case of Halmstad, the impending end of a contract with Telia allowed the municipality to take matters in their own hands. The result? A dizzyingly fast municipal metropolitan area network – a unique concept for business.

One's own metropolitan area network means a substantial municipal investment, so when the energy company and the real estate company in Halmstad launched the newly created municipal network company Halmstad IT-nät AB, Hitnet, it was done in a stroke of partisan unity. Bo Eliasson was installed at the helm of the company, who together with Hitnet's Dennis Turesson and Eric Ericsson drew up the vision for the new metropolitan area network.

## Ambitious expansion plan

– The goal was ambitious and unique: the municipality would offer a totally open and operator-neutral network – with minimal, centralized administration. The expansion plan would also include all of the municipality's densely populated areas, says Bo Eliasson, President.

In the procurement process for a vendor to build the new metropolitan area network, it was not only the quotes that were assessed, but also the approach and the level of ambition of the bidders. Fiberdata was the

best match to Hitnet's demands.

– We have run this as a development project and the first few years we needed someone to hold our hand, says Dennis Turesson, operations manager. We weren't only looking for a supplier, but also for a partnership.

– We got exactly what we asked for, says Eric Ericsson, technology coordinator. We haven't micro-managed, or thought of what can be or can't be done. All we said is what we wanted, and based on that Fiberdata has acted.

## Master of openness

At Hitnet they see their network as Sweden's most open, pointing to the fact that other locations have signed contracts with certain suppliers, excluding others.

– We want a network where as many providers as possible compete for the market, explains Jerker Ardnor, responsible for



operations at Hitnet. Our role is to promote that competition.

– Nor do we own any customers. The service providers do, he continues. We create opportunities by building a business platform and a marketplace. Today most of the IT companies are actually involved as service providers in this project.

– Through the service providers we have also received a sales organization for free, adds operations manager Dennis Turesson.

#### A metropolitan area network

##### – out into the countryside

The plans for the metropolitan area network stretch out to 2007, the year of Halmstad's 7th Centennial. By that time all of the municipality's locations with more than 50 households will be connected to the fiber-optic network. The Halland municipalities have also received a permit from the National Post and Telecom Agency for

radio access with surface coverage so that individual farms in the countryside can get high-speed access to the metropolitan area network by radio.

– We have accomplished a lot in a very short time, says technology coordinator Eric Ericsson. The goal is to be able to offer already by summer 2004 IP-TV, video-on-

**"...there are actually no limits to what we can do with the network."**

demand, broadband and IP-telephony. All through one hole in the wall!

– Property surveillance, electrical meter reading, security alarms, ...there are actually no limits to we can do with the network, says Bo Eliasson in closing. Today we are four very proud real enthusiasts.



**Bo Eliasson, Jerker Ardnor, Dennis Turesson och Eric Ericsson**, four proud real enthusiasts at Hitnet in Halmstad.

# More secure operations with a new network

**Stora Enso is one of Europe's and most modern cardboard manufacturers. Operational reliability is a must. When the new computer hall was built, large parts of network were to be replaced and Fiberdata was contracted for the job. Stora Enso now has an ultra-modern and redundant network, with high operational reliability and speed.**

Cardboard for consumer packaging is made at Stora Enso's packaging cardboard plant at Fors in southern Dalecarlia. The board is used for things such as chocolate boxes, cigarette packages and foods with stringent demands on the packaging. The facility has a production capacity of 350 000 tons of cardboard per year and the customers are found all over the world.

## Production stoppages very expensive

Henrik Wahlberg is the IT Manager at Stora Enso's plant at Fors.

– Information technology has a vital influence on our business. The least bit of malfunction in the computer network can lead to the production coming to a halt, and that



**Henrik Wahlberg**, IT Manager at Stora Enso Fors.

is enormously expensive. We are looking at six-figure amounts. Per hour.

– To reduce the risk of production stoppage is a high-priority area for us, continues Henrik. One way is by building in redundancy into the system, that is making sure that each node in the network has several connections with the rest of the network. In that way the sensitivity to failure of individual connections is reduced.

– We have to operate 24/7, 365 days a year, halting only for planned stoppages.

## High operating costs

In the beginning of 2003 we took stock of the facility's existing IT infrastructure.

– We identified several elements of insecurity. We needed more capacity and operations were unnecessarily expensive, tells John Haglund, network technician at Stora Enso. Much of the hardware was getting old and then it is uncertain if spare parts can be found in Sweden. It can take a long time to find stuff and it can be expensive to locate it.

The network evaluation resulted in two im-



provement projects. The largest project called for a total upgrade of the entire network with servers and switches. The other project involved cable installation in the new computer hall. Several vendors were bidding on the project, but in the end Stora Enso chose Fiberdata.

**“The least bit of malfunction in the computer network can lead to the production coming to a halt and that is enormously expensive.”**

A few sub-elements remain before the project is complete. The redundancy is to be built out further, all changes are to be documented and the speed is to be ramped up. When that is done Stora Enso will have improved its computer network considerably and we can look forward to thousands of problem-free hours of operation.

#### Reasonable project plans

– There are many reasons why we chose Fiberdata as a partner, says Henrik Wahlberg. I want to work in a structured manner with a supplier who plan projects with reasonable time estimates, who analyzes risks and anticipates certain scenarios in the process we are working with.

– They have proven their high competence before and they can also offer a complete undertaking, including cable installation. Their local presence is obviously also importance.

Fiberdata was an existing supplier and Henrik Wahlberg wanted to make things competitive. A number of parameters was chosen as bases for comparison. Continual

checks were made and feedback was provided on a current basis.

– The process worked extremely well.

Fiberdata is among the few vendors who can offer both hardware and infrastructure. That is a clear advantage for the procurement process. They can handle the whole project with their own personnel. That creates security for me as a customer, says Henrik Wahlberg.

– Together with Fiberdata we can almost anticipate the unanticipatable, adds John Haglund and laughs.



**John Haglund**, network technician at Stora Enso Fors.

# Care company in high gear

**When care provider Rehab Station Stockholm did a major make-over of its premises in 2003, it was also time to replace the old telephone switchboard. Requirements on the new switchboard system were extensive and Fiberdata got the assignment.**



Together with Frösunda Assistans, Rehab Station Stockholm (RSS) is part of the Frösunda Group with more than 3 300 employees. Frösunda Assistans is Sweden's largest private supplier of personal assistance to functionally challenged persons. Among other things, RSS works with rehabilitation after brain and spinal damage.

RSS's operations include living facilities where the participants stay for five, six weeks or more. A so-called hotel function was therefore an important requirement for the new switchboard. The hotel function means that residents can get their own telephone num-



ber, exact charges for calls and the possibility of payment in advance.

RSS's new, central switchboard also had to be able to handle calls for sister company

Frösunda Assistans, with more than 30 local offices all over the country. The offices can now continue to use local telephone numbers even though the calls are routed through the central switchboard.

– Fiberdata has solid competence in telecommunication, and that was something we needed, tells Mikael Johansson, responsible for IT at RSS and a member of the decision-making group for the procurement. Thanks to their commitment and their complete solutions, they gained our full confidence quickly.

– We won't lose another single call. Our customers are patients, county councils and the regional social insurance office, and they will now get a higher level of service, whether they call directly or via the switchboard.

## Procurement during a heat spell

RSS chose to get a switchboard from Alcatel, a company with which Fiberdata has cooperated with for many years.

– Even though the procurement process began during the summer vacations, things got off to a good start, tells Mikael Johansson.

It became very evident who were committed and who really wanted the assignment. And in addition to the fact that Fiberdata was able to deliver the services we wanted, there was good personal chemistry between us. That obviously contributed to our final choice.

The goal was to have the switchboard installed, up and running by December 2003, a goal that was also achieved.

**“Fiberdata has solid competence in telecommunication and that was something we needed.”**

– It was a tight timetable right from the start, says Mikael. But the schedule held and that’s something I am proud of.

#### Eye toward the future

One of the main reasons for replacing the switchboard was to lower the internal mobile telephony costs.

In the new system the company’s mobile phones are invisible copies of the office telephones, with the same card numbers, call-forwarding systems and voice-mail boxes as the telephones at home on the desks. In addition, the new switchboard system generates extensive call statistics which makes procurement from mobile operators and of subscriptions more accurate.

At the same time forward thinking has permeated the cooperation between rss and Fiberdata throughout the process. The reception at rss handles calls to more companies in the group and at the IT department the ambition is to keep the door open for future services, such as IP telephony between local

offices, but also a fully built out contact center.

– At the systems level we now have a platform for the future, says Mikael in closing. We have also introduced a string of improvements, such as call forwarding systems with voice response, and so-called remote extensions, where the mobile telephones are an extension of the switchboard.



**Mikael Johansson**, responsible for IT at RSS.

# Administration report

The Board of Directors and the President hereby submit their annual report for Thalamus Networks AB (publ), organization number 556394-1987 and with its registered office in Stockholm, for the financial year ended December 31, 2003.

## Operations

Thalamus class B shares are listed since September 4, 2000 on the O-list of om Stockholmsbörsen (the Stockholm Stock Exchange).

Aside from the Parent Company, the Thalamus Group includes subsidiaries Fiberdata AB, Thalamus Operations AB, Thalamus Control AB, ITR AS and Thalamus Consulting AB. Through specialists and in cooperation, the Group offers communications solutions and services that meet high requirements for performance and security.

Operations include four service areas: Integration, Installation, Operations and Consulting. From October 2003, the Group is organized in four regions: North, Central, South West and Norway. Resources for management, technology, sales support, marketing, finance, personnel and logistics are coordinated.

Services in the fields of Integration and Installation are conducted under the Fiberdata brand name and services in Operations and Consulting are conducted under the Thalamus brand name. The Norwegian consulting operation is conducted under its corporate name, ITR AS.

## Integration

Service area Integration offers customer-specific solutions for data- and telecommunications based on standard technology. A high-priority area is delivery of converging solutions between IP and telephony. Integration also includes operations in the area of control systems.

## Installation

The Installation area works with infrastructure for data communication and offers planning, installation and documentation. Systems are built based on copper, fiber and radio communication. High and low power installations are also made.

## Consulting

Area Consulting offers services in the field of project management, communications-oriented systems development and operating competence using different operating systems.

## Operations

Thalamus Operations is a communications operator in metropolitan area networks, delivers cable TV services and performs technology-independent monitoring services. The unit also manages the proprietary metropolitan area network in the Municipality of Ängelholm.

## Results

### Group

Net revenues for the period amounted to MSEK 255.3, and increase by 74.6 percent. The Fiberdata Group is included in Thalamus from September 2002. Taking Fiberdata's net revenues into account for a comparative period equivalent to all of 2002, the Group's net revenues declined by 21.9 percent.

The operating result was MSEK -35.4 (-3.0). The weak economy and a wait-and-see attitude on the part of customers have had the effect that the Group's net revenues and result were weaker than expected during 2003. The lower result is therefore essentially explained by a lower business volume, where cutting the Group's costs has not yet had time to affect the full-year result. A broadly based restructuring and efficiency-promoting program has been carried out and among the effects thereof is cost-savings of MSEK 24 at an annual rate. The purpose has been to adapt the organization to the current market situation. Costs for shrinking the business, including provisions, were charged to operating earnings for the period January–December during the financial year in an amount of MSEK -11.6.

The result after financial items was MSEK -22.3 (7.4). There was a positive effect on this result during the year totaling MSEK 16.5 (3.4) from the Company's short-term investments. Selling the class B shares in TurnIT AB resulted in a loss of MSEK -5.2.

During the month of December 31 500 shares in ProAct IT Group AB were sold for a profit of MSEK 0.3

The year's result amounted to MSEK -12.9 (11.7) and the result per share was MSEK -1.39 (1.26).

### Parent Company

The Parent Company's net revenues amounted to MSEK 4.1 (1.1) referring to invoicing on subsidiaries. The result after financial items was MSEK 13.9 (8.0), of which the result from short-term investments was MSEK 16.5 (3.4). The year's profit was MSEK 13.9 (12.4).

### Financial position and liquidity

#### Group

The Group's equity as of December 31 amounted to MSEK 235.2 (247.9) and the equity ratio was 75.5 (68.3). Liquid funds including short-term investments amounted to MSEK 154.7 (170.6). The market value of the Company's liquid assets exceeded book values by MSEK 3.5 (4.9)

Cash flow amounted to MSEK -16.1 (-37.0). Cash flow from current operations was MSEK -0.2 (19.1).

Financial net assets as of December 31 amounted to MSEK 149.8 (166.4).

The period's investments in tangible fixed assets amounted to MSEK 4.8 (5.5).

### Parent Company

The Parent Company's equity as of December 31 amounted to MSEK 252.8 (249.2). The financial net assets in the Parent Company, including shares in Group companies, amounted to MSEK 211.9 (234.1).

### Personnel

The average number of employees in the Group was 190 (111) persons, 162 (78) of whom in Sweden and 28 (33) in Norway. The number of employees was adjusted during the year to the current market conditions. A total of 35 persons left the Group during 2003 and the number of employees at the end of the financial year was 163 (194).

### Significant events during the financial year

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

With an order value of about MSEK 2.5, Fiberdata has concluded an agreement with Stora Enso Fors for an upgrade of the existing network in Stora Enso's new computer hall.

Fiberdata has also been entrusted to deliver products and services in connection with Avesta Polari's replacement of equipment for its internal network.

In November, Fiberdata received renewed confidence as The Swedish Agency for Administrative Development concluded a frame agreement for network solutions and peripheral services. The term of the frame agreement is two years with an option for extension on unchanged terms for up to one year. The agreements can be utilized by government agencies, registered municipalities, county councils, social insurance offices and others.

The operations in Fiberdata and Thalamus were integrated effective as of the fourth quarter 2003 with joint utilization of certain resources. From October 1, the operations have also been divided into the regions North, Central, South West and Norway.

Most of the holding in TurnIT AB was sold during the year with a result in the Group of MSEK -5.2. As of December 31 Thalamus owned 183 994 shares in TurnIT AB carried at a book value of MSEK 0.5.

During the spring of 2003 a total of MSEK 14.0 was invested in shares in ProAct IT AB equivalent to 10.9 percent of the capital and the votes. During December 31 500 shares were sold with a resulting capital gain of MSEK 0.3. As of December 31 the remaining holding in ProAct IT Group AB was 995 100 shares, equivalent to 10.6 percent of the



capital and votes. The market price of the shares exceeded the acquisition cost by MSEK 9.8.

### **Important circumstances affecting the Group's business**

The business is significantly affected by the general economic development, which greatly influences private corporate propensity and ability to invest. A significant portion of sales is also to public customers, where political decisions have an effect on the Group's business opportunities. The Group sells to a number of different industries with great geographic diversification and the dependence on any one industry or customer is therefore limited.

The Group represents leading partners, which in combination with a competent and well-trained staff of technicians creates excellent opportunities for commanding a prominent position in the market. Fiberdata is the only company approved as supplier of both network and telecom products under the frame agreement with The Swedish Agency for Administrative Development.

A main part of the Group's business is personnel-intensive and thus requires limited working capital and the need for capital spending is low. In service area Operations investments are made in equipment for future contractual revenue.

The Group's financial net assets as of December 31 amounted to MSEK 149.8 (166.8). The Group is thus well financed.

The Group adheres to a financial policy adopted by the Board of Directors. The policy contains rules for investment of surplus liquid funds, borrowing, foreign exchange exposure and liquidity planning. Purchases of goods from partners are partly denominated in foreign currency, mainly USD and EUR. Invoicing to customers is in SEK and the policy is to strive for currency clauses in price lists and customer agreements, which means parallelism between purchasing and selling prices.

The Board of Directors has decided to propose to the Annual General Meeting to declare a dividend of SEK 2.00 per share since the Company is over-capitalized at the present time. Before each future Annual General Meeting, the Board of Directors will consider the issue of dividends to the shareholders.

### **Information about major shareholders**

By year-end 2003 Thalamus had 2 650 shareholders according to the official share register maintained by the Swedish Securities Register (VPC). The five largest shareholders together held 46.6 percent of the capital and 73.3 percent of the votes.

### **Environment**

The Company conducts no business covered by the permit and filing obligation of the Swedish Environmental Act.

### **Work of the Board of Directors**

During 2003 the Board of Directors convened on six occasions. At these meetings the Board of Directors dealt with compulsory issues, such as financial reporting, liquidity and financial investments. In addition, select meetings dealt with issues around interim reports, budget, audit, organization and planning.

The work of the Board of Directors follows an annual plan and the rules of procedure adopted for the work of the Board of Directors. The responsibility and authority of the President and Chief Executive Officer have been set in a separate instruction. Each year the Company's auditor reports on his examination to the Board of Directors.

Since the ownership picture of Thalamus Networks AB is clear, nomination issues are handled by the Chairman of the Board of Directors, Bengt Stillström, and Pär-Ola Andersson. Issues pertaining to the audit are handled by two of the members of the Board of Directors.

### **Reduction of the premium reserve and repurchase of own shares**

The regularly scheduled Annual General Meeting of Thalamus Networks AB held April 11, 2003 resolved to reduce the premium reserve. The Nacka District Court gave permission in September to reduce the premium reserve by SEK 235 568 527 in accordance with the resolution of the Annual General Meeting.

At the Annual General Meeting held April 11, 2003 the Board of Directors was authorized to

repurchase own shares until the time of the next following Annual General Meeting. At the Board of Directors meeting held November 7, 2003 the President was commissioned to repurchase own shares, if he deems such purchases to be appropriate. The maximum number of shares to be purchased is 10 percent of all shares outstanding. Repurchases will be effected at market price. The motive for repurchases is to enrich the remaining shareholders. Due to the cumbersome rules surrounding repurchases of own shares, this opportunity was not utilized during 2003.

### Related party disclosures

During the year, the Group paid MSEK 2.3 (0.6) in fees to closely related parties. The fee refers to compensation for liquidity management and is result-based in its entirety.

### Transition to IFRS 2005

Companies in EU, the shares or other securities of which are listed on a stock exchange or other marketplace, will have to compile consolidated financial statements from year 2005 in accordance with IAS/IFRS, International Accounting Standards/ International Financial Reporting Standards.

The most significant differences for the Thalamus Group, as known at the present time, refer to accounting for and valuation of goodwill, financial share holdings and short-term investments.

According to the new IFRS rules, a special test of the value of goodwill will take place at regular intervals, and writedown for impairment will have to be made in case of need. Amortization according to plan now effected in the consolidated income statement will thus no longer be effected. For 2003 the Thalamus Group amortized MSEK 2.1 in goodwill. Also, short-term investments and financial share holdings will be valued at market according to the IFRS rules. As of December 31, 2003 the market value of the Company's short-term investments and financial share holdings exceeded the book acquisition value by MSEK 13.3.

The Company continuously follows new information and new recommendations with respect to application of the new IFRS rules. Such information will be given in future interim reports about

significant differences in accounting principles that will be identified after issuance of the Annual Report for 2003.

### Significant events after the end of the financial year

The remaining shares held in ProAct IT Group AB were sold with a result of MSEK 10.8.

### Outlook for 2004

The job of confirming Fiberdata as a high-quality, independent systems integrator, and of developing Thalamus Operations' role as a communications operator, continues. Profitability still has the highest priority and measures to improve profitability are continuously in progress. The obvious goal is for the Group to be able to record sustained positive operating earnings. Most of the work involved in restructuring and integrating the Fiberdata Group was completed during 2003, which means that the Thalamus Group now has both the organizational and financial power to make new acquisitions.

### Proposed allocation of earnings

Consolidated unrestricted equity amounts to SEK 234 035 000. Provisions to statutory reserves in the Group requires SEK 170 000. The following amounts are at the disposal of the Annual General Meeting:

Unrestricted equity, SEK	237 813 721
Net profit for the year, SEK	13 854 458
Total, SEK	251 668 179

The Board of Directors and the President propose that the funds available be allocated thus that SEK 2.00 is paid as a dividend to the shareholders, a total of SEK 18 542 912, and that SEK 233 125 267 be carried forward.



# Financial statements

## INCOME STATEMENTS\*

SEK thousands	Note	2003	Group 2002	2001	Parent Company		
					2003	2002	2001
<b>Operating revenue</b>							
Invoicing		260 103	145 850	47 203	4 116	1 144	33 482
Change in work on contract		-4 839	311	-7 211	-	-	-7 211
<b>Net revenue</b>	1, 2	<b>255 264</b>	<b>146 161</b>	<b>39 992</b>	<b>4 116</b>	<b>1 144</b>	<b>26 271</b>
<b>Operating expenses</b>							
Goods for resale		-99 537	-65 473	-16 558	-	-	-14 008
Other external costs	3, 5	-56 768	-22 439	-20 101	-2 650	-3 156	-16 884
Personnel costs	4, 5	-117 154	-49 643	-21 377	-1 730	-2 442	-18 978
Depreciation, amortization and writedowns of tangible and intangible assets		-17 253	-11 627	-8 005	-57	-2	-2 364
<b>Operating result</b>	1, 5	<b>-35 448</b>	<b>-3 021</b>	<b>-26 049</b>	<b>-321</b>	<b>-4 456</b>	<b>-25 963</b>
<b>Result from financial investments</b>	6						
Interest income and similar items		4 613	8 888	9 300	5 202	9 394	9 298
Interest expense and similar items		-3 144	-1 888	-1 023	-46	-360	-
Result from shares in Group companies		-	-	-	-	-	-600
Result from short-term investment in shares		16 553	3 445	-	16 553	3 445	-
Result from financial assets		-4 881	-	-	-7 534	-	-
		13 141	10 445	8 277	14 175	12 479	8 698
<b>Result after financial items</b>		<b>-22 307</b>	<b>7 424</b>	<b>-17 772</b>	<b>13 854</b>	<b>8 023</b>	<b>-17 265</b>
Taxes on the year's result	7	9 387	4 251	52	-	4 387	-
<b>Net result for the year</b>	1, 8	<b>-12 920</b>	<b>11 675</b>	<b>-17 720</b>	<b>13 854</b>	<b>12 410</b>	<b>-17 265</b>
Earnings per share		-1,39	1,26	-1,91			
Number of shares outstanding at end of period		9 271 456	9 271 456	9 271 456			
Average number of shares outstanding		9 271 456	9 271 456	9 271 456			

\* The Fiberdata Group is included in the Group from September 2002.

**BALANCE SHEETS**

SEK thousands	Note	Group			Parent Company		
		12/31/03	12/31/02	12/31/01	12/31/03	12/31/02	12/31/01
<b>Assets</b>							
<b>Fixed assets</b>							
<i>Intangible fixed assets</i>							
Goodwill	9	6 733	8 879	2 640	–	–	–
<i>Tangible fixed assets</i>							
Buildings and land	10	2 139	2 494	–	–	–	–
Equipment, tools, installations, cable TV facilities, financial leasing	11	49 102	59 086	46 911	205	12	10 206
<i>Financial assets</i>							
Shares in Group companies	12	–	–	–	67 895	57 240	18 884
Due from Group companies	13	–	–	–	35 695	13 720	2 574
Deferred tax claims	7	9 688	190	–	8 263	4 270	–
Other long-term securities	13	14 562	23 191	15	14 552	23 181	15
<b>Total fixed assets</b>		<b>82 224</b>	<b>93 840</b>	<b>49 566</b>	<b>126 610</b>	<b>98 423</b>	<b>31 679</b>
<b>Current assets</b>							
<i>Inventories</i>							
Finished products and goods for resale		6 103	19 788	740	–	–	740
Work on contract	14	3 258	8 097	–	–	–	–
<i>Short-term receivables</i>							
Accounts receivable	13	54 079	62 397	7 483	8	28	4 075
Due from Group companies	13	–	–	–	748	–	–
Tax claims		2 403	225	–	546	–	–
Other receivables	13	1 776	3 859	368	–	409	326
Prepaid expenses and accrued revenue	15	7 084	4 295	2 387	313	566	2 046
<i>Short-term investments</i>	13	129 231	144 601	205 000	129 231	144 601	205 000
<i>Cash and bank balances</i>	13	25 463	26 016	2 593	1 748	9 212	2 297
<b>Total current assets</b>		<b>229 397</b>	<b>269 278</b>	<b>218 571</b>	<b>132 594</b>	<b>154 816</b>	<b>214 484</b>
<b>TOTAL ASSETS</b>		<b>311 621</b>	<b>363 118</b>	<b>268 137</b>	<b>259 204</b>	<b>253 239</b>	<b>246 163</b>

**BALANCE SHEETS**

SEK thousands	Note	Group			Parent Company		
		12/31/03	12/31/02	12/31/01	12/31/03	12/31/02	12/31/01
<b>Shareholders' equity</b>	16, 20						
<i>Restricted equity</i>							
Share capital, 9 271 456 shares, SEK 0.10 nominal value each		927	927	927	927	927	927
Premium reserve		–	–	–	–	235 568	252 833
Restricted reserves		200	235 264	252 833	200	–	–
Total restricted equity		1 127	236 191	253 760	1 127	236 495	253 760
<i>Unrestricted equity</i>							
Retained earnings		246 955	–	–50	237 814	303	–
Net result for the year		–12 920	11 675	–17 720	13 854	12 410	–17 265
Total unrestricted equity		234 035	11 675	–17 770	251 668	12 713	–17 265
<b>Total shareholders' equity</b>		<b>235 162</b>	<b>247 866</b>	<b>235 990</b>	<b>252 795</b>	<b>249 208</b>	<b>236 495</b>
<b>Provisions</b>							
Provision for taxes	7	–	–	3 131	–	–	1 367
<b>Total provisions</b>		<b>–</b>	<b>–</b>	<b>3 131</b>	<b>–</b>	<b>–</b>	<b>1 367</b>
<b>Liabilities</b>							
<i>Interest-bearing liabilities</i>	13						
Long-term liabilities to credit institutions		11 897	12 679	10 000	–	–	–
Committed credit facility		5 268	3 825	3 866	–	–	–
Current liabilities		2 275	10 869	–	1 500	131	–
Total interest-bearing liabilities		19 440	27 373	13 866	1 500	131	–
<i>Non-interest-bearing liabilities</i>							
Work on contract	14	–	–	112	–	–	112
Accounts payable	13	18 681	38 669	3 444	93	438	2 093
Due to Group companies	13	–	–	–	387	–	681
Other short-term liabilities	13	10 639	25 670	1 047	1 781	1 423	310
Accrued expenses and prepaid revenue	17	27 699	23 540	10 547	2 648	2 039	5 105
Total non-interest-bearing liabilities		57 019	87 879	15 150	4 909	3 900	8 301
<b>Total liabilities</b>		<b>76 459</b>	<b>115 252</b>	<b>29 016</b>	<b>6 409</b>	<b>4 031</b>	<b>8 301</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>311 621</b>	<b>363 118</b>	<b>268 137</b>	<b>259 204</b>	<b>253 239</b>	<b>246 163</b>
Pledged assets	18	18 832	65 502	18 000	–	–	–
Contingent liabilities	19	870	8 069	1 101	4 098	8 069	1 101

## STATEMENTS OF CASH FLOWS

SEK thousands	Note	Group			Parent Company		
		2003	2002	2001	2003	2002	2001
Indirect method							
Current operations							
Operating result		-35 448	-3 021	-26 049	-321	-4 456	-25 963
Adjustment for items not affecting liquidity		17 253	11 627	8 005	57	-90	2 347
Interest income and expense and result from share transactions		18 022	10 445	8 277	21 709	12 479	8 698
Current taxes		-	-	52	-	-	-
Cash flows from current operations before changes in working capital		-173	19 051	-9 715	21 445	7 933	-14 918
Cash flows from changes in working capital							
Decrease (+)/increase (-) in inventories		18 524	-5 242	1 547	-	740	1 547
Decrease (+)/increase (-) in receivables		5 434	-9 747	8 198	-22 587	-17 283	3 015
Decrease (-)/increase (+) in liabilities		-30 860	8 094	-1 938	1 009	-5 769	2 699
Increase (-)/decrease (+) in working capital tied up		-6 902	-6 895	7 807	-21 578	-22 312	7 261
Cash flows from current operations		-7 075	12 156	-1 908	-133	-14 379	-7 657
Capital expenditures							
Acquisition of businesses		-	-10 229	-4 391	-	-	-
Acquisition and disposal of financial fixed assets		3 637	-19 115	-	-23 820	-49 521	-18 005
Acquisition and disposal of tangible fixed assets		-4 767	-5 522	-11 693	-250	10 285	-7 829
Cash flows from investment operations		-1 130	-34 866	-16 084	-24 070	-39 236	-25 834
Financing operations							
Increase (+)/decrease (-) in interest-bearing liabilities		-7 933	-14 266	-16 001	1 369	131	-500
Cash flows from financing operations		-7 933	-14 266	-16 001	1 369	131	-500
CASH FLOWS FOR THE YEAR		-16 138	-36 976	-33 993	-22 834	-53 484	-33 991
Liquid funds at beginning of year	21	170 617	207 593	241 586	153 813	207 297	241 288
Translation difference in liquid funds		215	-	-	-	-	-
Liquid funds at year-end	21	154 694	170 617	207 593	130 979	153 813	207 297

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

### GROUP 2001 – 2003

SEK thousands	Share capital	Restricted equity	Unrestricted equity	Total equity
Shareholders' equity Dec. 31, 2000	927	268 782	-15 999	253 710
Transfers between unrestricted and restricted equity		-15 949	15 949	–
Net result for the year			-17 720	-17 720
<b>Shareholders' equity Dec. 31, 2001</b>	<b>927</b>	<b>252 833</b>	<b>-17 770</b>	<b>235 990</b>
Translation differences		201		201
Transfers between unrestricted and restricted equity		-17 770	17 770	–
Net result for the year			11 675	11 675
<b>Shareholders' equity Dec. 31, 2002</b>	<b>927</b>	<b>235 264</b>	<b>11 675</b>	<b>247 866</b>
Translation differences			216	216
Transfers between unrestricted and restricted equity		-235 064	235 064	–
Net result for the year			-12 920	-12 920
<b>Shareholders' equity Dec. 31, 2003</b>	<b>927</b>	<b>200</b>	<b>234 035</b>	<b>235 162</b>

### PARENT COMPANY 2001

SEK thousand	Share capital	Legal reserve Premium reserve	Retained earnings	Net result for the year	Total equity
Opening balance	927	268 697		-15 864	253 760
Earnings allocation		-15 864		15 864	–
Net result for the year				-17 265	-17 265
<b>Closing balance</b>	<b>927</b>	<b>252 833</b>	<b>–</b>	<b>-17 265</b>	<b>236 495</b>

### PARENT COMPANY 2002

SEK thousand	Share capital	Legal reserve Premium reserve	Retained earnings	Net result for the year	Total equity
Opening balance	927	252 833		-17 265	236 495
Earnings allocation		-17 265		17 265	–
Group contribution			303		303
Net result for the year				12 410	12 410
<b>Closing balance</b>	<b>927</b>	<b>235 568</b>	<b>303</b>	<b>12 410</b>	<b>249 208</b>

### PARENT COMPANY 2003

SEK thousand	Share capital	Legal reserve Premium reserve	Retained earnings	Net result for the year	Total equity
Opening balance	927	235 568	303	12 410	249 208
Earnings allocation			12 410	-12 410	–
Reduction of premium reserve		-235 568	235 568		–
Transfer to legal reserve		200	-200		–
Group contribution			-14 260		-14 260
Taxes on group contribution			3 993		3 993
Net result for the year				13 854	13 854
<b>Closing balance</b>	<b>927</b>	<b>200</b>	<b>237 814</b>	<b>13 854</b>	<b>252 795</b>

# Accounting and valuation principles

The Annual Accounts have been prepared in accordance with the Swedish Annual Accounts Act and the recommendations and statements of the Swedish Financial Accounting Standards Council.

## New recommendations 2003

The new recommendations of the Swedish Financial Accounting Standards Council are applied from this financial year:

- RR 2:02 Inventories
- RR 22 Design of financial reports
- RR 25 Reporting by segment
- RR 26 Events after financial year-end
- RR 27 Financial instruments

These new recommendations have affected the information provided and have caused the following changes compared with the preceding year:

- A separate listing, "Summary of Changes in Shareholders Equity," is provided.
- The administration report contains an expanded description of significant factors affecting the Company's business.
- A note to the statement of income provides information about net revenues, operating result and other significant information by service area.
- A note to the balance sheet provides supplementary information about financial assets and liabilities.

## Application of recommendations coming into force in 2004

Thalamus has previously elected to apply RR 29 Compensation to employees, that comes into

force for the 2004 financial year. According to a statement by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, URA 42, the ITP plan insured by Alecta should be regarded as a pension plan with pre-determined benefits. A transition to reporting according to RR 29 requires certain changes, primarily when it comes to reporting of pension plans with pre-determined benefits. Briefly, this means that a listed company may report its proportional share of the pre-determined obligations and the managed assets and costs associated with the plan. At present Alecta is unable to provide sufficient information to allow reporting of the proportional share of the Group's obligations. For this reason the plan is reported as if it were a plan with pre-determined fees.

## Transition to IFRS 2005

Starting in 2005, companies in EU whose shares or other securities are listed on a stock exchange or other marketplace will have to compile consolidated financial statements in accordance with IAS/IFRS, International Accounting Standards/International Financial Reporting Standards. The most significant differences for the Thalamus Group, as known at the present time, refers to accounting for and valuation of goodwill, financial share holdings and short-term investments.

According to the present accounting principles, group goodwill is amortized over a five-year period, i.e. by 20 percent annually, and short-term investments are valued at the lower of cost and market on the balance sheet date.

According to the new IFRS rules, a special test of the value of goodwill will take place at regular intervals, and writedown for impairment will have to be made in case of need. Amortization according to plan now effected in the consolidated statement of income will thus no longer be effected.

Also, short-term investments and financial share holdings will be valued at market according to the IFRS rules.

### Consolidated accounting

The consolidated financial statements include the Parent Company and companies in which the Parent Company, directly or indirectly, own more than 50 percent of the votes.

The consolidated financial statements are compiled in accordance with the purchase method of accounting, which means that the equity in subsidiaries at the time of acquisition, determined as the difference between the fair value of assets and liabilities, is eliminated in its entirety. Consolidated equity thus includes that portion of subsidiaries' equity which has been added after the time of acquisition.

Subsidiaries acquired during the year are included in the consolidated financial statements with amounts relating to the time after the acquisition.

Thalamus' Norwegian subsidiary is classified as an independent subsidiary, which is why the current rate method is used for translating the financial statements. This means that the assets and liabilities of the subsidiary are translated at the year-end rate of exchange.

All items in the income statement are translated at the average rate of exchange for the year. The translation difference is carried directly to consolidated equity.

Sales between the various companies in the Group occur on business-like terms and

conditions and internal profits in the Group are eliminated in their entirety.

### Foreign currencies

Receivables and liabilities in foreign currency are valued at the year-end rate of exchange. Transactions in foreign currency are translated at the spot rate of the transaction day.

### Revenue

In the case of an agreement with a customer that relates to delivery of goods alone, the sale is recorded upon delivery to the customer.

Service assignments on open account are recorded in the period when the services are performed, i.e. revenue and costs are recognized in the period when they have been earned and consumed, respectively.

For assignments performed at a fixed price, revenue and costs attributable thereto are recognized relative to the completion ratio on the balance sheet date (gradual earnings recognition). The completion ratio is determined by comparing total accrued expenses on the balance sheet date with estimated total expenses for the assignment. In cases where the actual result on an assignment cannot be determined in an accurate manner, only the portion of revenue is recognized equivalent to sunk assignment costs that is likely to be paid by the customer.

A probable loss on an assignment is recognized immediately as a cost.

Revenue relating to service and maintenance is recognized on a straight-line basis over the term of the agreement, i.e. during the period when service and maintenance is provided to the customer.

### Income taxes

Recorded income taxes include taxes to be paid or received for the current year, adjustment rela-



tive to prior years taxes and changes in deferred taxes.

Tax liabilities/claims are valued at nominal amounts and according to tax rules and at tax rates which are decided or announced and with great certainty will be adopted.

For items reported in the income statement, the tax effects in conjunction therewith are also reported in the income statement. Tax effects of items recorded directly against equity are recorded against equity.

Estimated taxes are calculated according to the balance sheet method on all temporary differences in the value of assets and liabilities that arise between reported values and values for tax purposes. Temporary differences have arisen mainly through tax loss carryforwards.

Deferred tax claims relating to tax loss carryforwards are recorded to the extent it is probable that the carryforward can be offset against surpluses arising in future taxation.

### Expenses for development

Deliveries are made as specially adapted solutions for the customers. All costs related to development are therefore recognized as direct production costs under cost of goods sold in the income statement.

### Goodwill

Goodwill consists of the amount by which the acquisition cost exceeds the fair value of the Group's share in acquired subsidiaries' net assets at the time of acquisition.

Goodwill is amortized on a straight-line basis over the estimated useful life of the asset, which is 5 years. The amortized amount is included in the item Depreciation and amortization of tangible and intangible fixed assets in the income statement.

When there is an indication that goodwill has decreased in value, an assessment of the value

is made. In case the recorded value exceeds the assessed recovery value, it is written down immediately to its recovery value.

### Tangible fixed assets

Tangible fixed assets are carried at acquisition value, less accumulated depreciation. Tangible fixed assets are depreciated systematically over the estimated useful life of the asset in question. All tangible assets are depreciated and amortized on a straight-line basis. The following periods of depreciation and amortization are applied:

• Building	25 years
• Modems and other Internet equipment	3 years
• Computers	3 or 5 years
• Cars	3 years
• Tools, fixtures and fittings	3 or 5 years
• Cable tv facilities, canalization	20 years

In cases where the reported value of an asset exceeds its estimated recovery value, the asset in question is written down immediately to its recovery value.

### Financial leasing agreements

When the effect of leasing contracts is that the Group, as lessor, essentially enjoys the economic benefits and bears the economic risks attributable to leasing objects, the object in question is reported as a fixed asset in the consolidated balance sheet. The corresponding obligation to pay future leasing fees is reported as a liability.

The Group's financial leasing agreements refers primarily to automobiles.

All leasing contracts are reported in the Parent Company as rental agreements (operational leasing contracts), regardless of whether they are financial or operational.

### Financial assets and liabilities

Financial assets and liabilities include other long-term securities holdings, cash and bank deposits, short-term investments, receivables, interest-bearing liabilities and non-interest-bearing liabilities.

Other long-term securities holdings are valued at cost.

Accounts receivable and other short-term receivables are valued at the amount by which they after individual assessment are expected to be collected.

Short-term investments consisting of interest-bearing investments and publicly traded shares are valued at the lower of cost and market on the balance sheet date. At valuation, this principle is applied to the portfolio as a whole, which means that unrealized losses are offset against unrealized gains. Transactions in short-term investments are recorded on the transaction date.

Interest-bearing liabilities and non-interest-bearing liabilities are carried at their nominal values in the balance sheet.

### Finished goods and goods for resale

Finished goods and goods for resale are valued at the lower of cost and the net realizable value. Cost is calculated by way of weighted average prices.

### Work in progress

As work in progress is recorded the net of accrued expenses, gradually revenue-recognized amounts and amounts invoiced to the customer for fixed-price projects not yet completed. Accrued expenses include costs attributable to each respective project, plus a charge for a reasonable share of indirect costs. A reserve is set aside for probable losses on work in progress.

### Reporting by segment

During 2003 the Group's service areas Integration, Installations, Operations and Consulting were the primary profit centers in the organization and in the quarterly reporting for 2003. From October 2003, the Group is additionally organized in regions with independent customer and earnings responsibility.

### Statement of cash flows

The statement of cash flows is compiled using the indirect method. Reported cash flow includes only transactions that result in cash receipts or payments.

Aside from cash and bank deposits, short-term investments subject to minimal risk for fluctuation of value are classified as liquid funds, and investments

- traded in an open market in known amounts, or
- having a shorter remaining term to maturity than three months from the time of acquisition.

# Notes to the financial statements

For data about accounting and valuation principles, refer to separate section on page 35. The Fiber-data Group was acquired in September 2002 and is consolidated as of that month.

## NOTE 1 – SERVICE AREAS

The Group's business consists of the following service areas: Integration, Installation, Operations and Consulting.

From October 2003 operations are organized in four regions: North, Central, South West and Norway. From October 2003 operations are divided on the four regions with separate distribution within each region on different service areas.

Operations for 2003 are reported below, divided into service areas. The geographic distribution of operations is not possible to provide for 2003 since the regional distribution was not introduced until from the month of October. The corresponding reporting is not provided for 2002 and 2001 since the Group has changed considerably and since there was no distribution for these years.

SEK thousands	Integration	Installation	Operations	Consulting	Other	Elimination	Group
<b>Revenue</b>							
External sales	161 764	35 933	31 500	26 067	–	–	255 264
Internal sales	10 142	3 789	–	3 228	4 116	-21 275	–
<b>Total revenue</b>	<b>171 906</b>	<b>39 722</b>	<b>31 500</b>	<b>29 295</b>	<b>4 116</b>	<b>-21 275</b>	<b>255 264</b>
<b>Operating result by operating area</b>	<b>-25 517</b>	<b>-4 502</b>	<b>922</b>	<b>-4 626</b>	<b>-321</b>	<b>-1 404</b>	<b>-35 448</b>
Financial items	3 071	667	-1 478	-24	16 486	-5 581	13 141
<b>Result after financial items</b>	<b>-22 446</b>	<b>-3 835</b>	<b>-556</b>	<b>-4 650</b>	<b>16 165</b>	<b>-6 985</b>	<b>-22 307</b>
Taxes on the year's result	7 556	–	–	1 494	–	337	9 387
<b>Result for the year</b>	<b>-14 890</b>	<b>-3 835</b>	<b>-556</b>	<b>-3 156</b>	<b>16 165</b>	<b>-6 648</b>	<b>-12 920</b>
<b>Other information</b>							
Assets	87 878	34 211	50 605	11 288	261 490	-148 442	297 030
Non-distributed assets	–	–	–	–	–	14 591	14 591
<b>Total assets</b>	<b>87 878</b>	<b>34 211</b>	<b>50 605</b>	<b>11 288</b>	<b>261 490</b>	<b>-133 851</b>	<b>311 621</b>
Liabilities	67 920	9 775	36 960	8 960	8 143	-59 727	72 031
Non-distributed liabilities	–	–	–	–	–	4 428	4 428
<b>Total liabilities</b>	<b>67 920</b>	<b>9 775</b>	<b>36 960</b>	<b>8 960</b>	<b>8 143</b>	<b>-55 299</b>	<b>76 459</b>
Investments in tangible fixed assets	-2 729	453	6 463	330	250	–	4 767
Depreciation	-3 797	-773	-9 253	-1 040	-57	-2 333	-17 253

Intra-Group sales are on market conditions. Internal profits are eliminated in their entirety.

The Parent Company's assets and liabilities in amounts of SEK 259 204 000 and SEK 6 409 000, respectively, are included under the heading Other.

## NOTE 2 – DISTRIBUTION OF NET REVENUES

Net revenues includes revenue as follows:

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Products	118 313	69 146	13 122	–	–	–
Services	117 494	72 341	26 870	4 116	1 144	26 271
Support and service revenue	19 457	4 674	–	–	–	–
<b>Total net revenues</b>	<b>255 264</b>	<b>146 161</b>	<b>39 992</b>	<b>4 116</b>	<b>1 144</b>	<b>26 271</b>

## NOTE 3 – COMPENSATION TO AUDITORS

Item Other external costs in the income statement includes compensation to auditors as follows:

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
<i>Audit</i>						
Öhrlings PricewaterhouseCoopers	731	568	140	86	155	140
LR Revision	–	–	11	–	–	–
<i>Other assignments</i>						
Öhrlings PricewaterhouseCoopers	347	52	110	50	–	110
<b>Total</b>	<b>1 078</b>	<b>620</b>	<b>261</b>	<b>136</b>	<b>155</b>	<b>250</b>

**NOTE 4 – SALARIES, OTHER COMPENSATION AND SOCIAL BENEFITS**

SEK thousands	Group			Parent Company		
SWEDEN	2003	2002	2001	2003	2002	2001
<i>Salaries and other compensation</i>						
Board of Directors and CEO	3 759	2 541	1 305	1 138	1 605	1 305
Bonus, Board of Directors and CEO	–	42	–	–	42	–
Other employees	57 622	25 012	11 841	–	685	10 265
<b>Total</b>	<b>61 381</b>	<b>27 595</b>	<b>13 146</b>	<b>1 138</b>	<b>2 332</b>	<b>11 570</b>
<i>Social benefits</i>						
Pension costs for Board of Directors and CEO	531	490	387	202	140	387
Pension costs for other employees	7 215	2 547	1 597	–	209	1 413
Social benefits according to law and agreements	20 450	9 258	4 967	390	441	4 391
<b>Total</b>	<b>28 196</b>	<b>12 295</b>	<b>6 951</b>	<b>592</b>	<b>790</b>	<b>6 191</b>
<b>NORWAY</b>						
<i>Salaries and other compensation</i>						
Board of Directors and CEO	2 095	689				
Bonus, Board of Directors and CEO	–	–				
Other employees	16 570	8 176				
<b>Total</b>	<b>18 665</b>	<b>8 865</b>				
<i>Social benefits</i>						
Pension costs for Board of Directors and CEO	–	–				
Pension costs for other employees	–	–				
Social benefits according to law and agreements	4 670	1 441				
<b>Total</b>	<b>4 670</b>	<b>1 441</b>				

**COMPENSATION AFTER TERMINATION OF EMPLOYMENT**

The Company's plans for compensation after termination of employment includes pension benefits according to Alecta's ITP plan and also fee-based plans in the form of alternative ITP. For the 2003 financial year it has not been possible for Alecta to provide sufficient information in order to report the Company's proportional share of the pre-determined obligations, the managed assets and the costs associated with the plan.

This year's fees for pension insurance written by Alecta amounts to SEK 2 329 000 and is included in item personnel costs in the income statement. In the opinion of the Company, the present premiums should cover the present obligations, although there may be a certain premium liability with respect to premiums for time past attributable to changes in compensation.

**COMPENSATION TO BOARD OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT****Principles and decision-making process**

To the Chairman of the Board of Directors and directors who are not employed by the Company are paid fees according to Annual General Meeting resolution. The compensation to the President and other members of senior management consists of basic salary, bonus, other benefits and pension. Members of senior management are defined as those persons who together with the President are members of the Group's management group.

Compensation to the President consists of variable compensation if set earnings goals for the Group are reached. Depending on the earnings performance, maximum compensation of 20 percent of the basic salary is paid. Other members of senior management are paid variable compensation of 15 percent of the result, on the condition that set goals are exceeded, maximized to 30 percent of the basic salary, however.

For 2003 no variable compensation was paid, neither to the President nor to other members of senior management.

Other benefits are defined as company car taxed as a benefit.

Compensation to the President has been decided by the Board of Directors. Compensation to other members of senior management has been decided by the President.

**Pension**

The Company pays pension premiums according to the customary ITP plan to the President and other members of senior management. The retirement age is 65 years for the President as well as other members of senior management.

**Severance payments**

There are no agreements for severance payment. A mutual period of notice of six months applies to the President as well as other members of senior management. Full engagement and settlement procedures against new compensation is agreed under the period of notice.

**Financial instruments**

The President owns 15 000 class B shares and holds 15 000 warrants in Thalamus Networks AB. Pär-Ola Andersson and closely related persons own 252 000 class A shares and 268 666 class B shares. Other members of senior management own a total of 6 313 class B shares and a total of 38 500 warrants in the Company.

Refer to Note 20 for terms and conditions for warrants.

Cont'd next page

## NOTE 4 – cont'd.

*Compensation and other benefits*

SEK thousands	Board of Directors fee	Basic salary	Pension costs	Other benefits	Total
Chairman of the Board of Directors	50	–	–	–	50
Other members of the Board of Directors	150	–	–	–	150
President & CEO	–	938	202	51	1 191
Other members of senior management	–	3 293	431	133	3 857
<b>Total</b>	<b>200</b>	<b>4 231</b>	<b>633</b>	<b>184</b>	<b>5 248</b>

The table above refers to compensation and other benefits to the Board of Directors, the President and Chief Executive Officer and the current other members of senior management. Other members of senior management refer to six persons.

## NOTE 5 – EARNINGS EFFECTS AFFECTING COMPARISON WITH PRECEDING YEAR

The operating result includes items that affect the comparison with the preceding year as follows:

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
<i>Other external costs</i>						
Costs for adapting the organization	-2 222		-1 723			
<i>Personnel costs</i>						
Costs for adapting the organization	-5 358		-1 777			
<b>Total</b>	<b>-7 580</b>	<b>-</b>	<b>-3 500</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTE 6 – RESULT FROM FINANCIAL INVESTMENTS

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
<i>Interest and similar items</i>						
Interest	4 613	8 888	9 300	3 024	8 887	9 298
Interest, Group companies	–	–	–	2 178	507	–
	4 613	8 888	9 300	5 202	9 394	9 298
<i>Interest expense and similar items</i>						
Interest	-3 144	-1 888	-1 023	-46	-360	–
	-3 144	-1 888	-1 023	-46	-360	–
<i>Result from shares in Group companies</i>						
Writedowns	–	–	–	–	–	-600
	–	–	–	–	–	-600
<i>Result from short-term investments in shares</i>						
Dividends	2 140	–	–	2 140	–	–
Capital gains on sales	14 413	8 317	–	14 413	8 317	–
Writedowns	–	-4 872	–	–	-4 872	–
	16 553	3 445	–	16 553	3 445	–
<i>Result from financial assets</i>						
Capital gains on sales	-4 133	–	–	-5 798	–	–
Writedowns	-748	–	–	-1 736	–	–
	-4 881	–	–	-7 534	–	–
<b>Total result from financial investments</b>	<b>13 141</b>	<b>10 445</b>	<b>8 277</b>	<b>14 175</b>	<b>12 479</b>	<b>8 698</b>

## NOTE 7 – TAXES

*Taxes on the year's result*

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Current taxes for the year	–	-82	-5		–	–
Current taxes attributable to preceding years	-251	–	–		–	–
Deferred taxes	9 638	4 333	57		4 387	–
<b>Total</b>	<b>9 387</b>	<b>4 251</b>	<b>52</b>	<b>-</b>	<b>4 387</b>	<b>-</b>

Cont'd next page

## NOTE 7 – cont'd.

*Year's deferred tax revenue*

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Deferred taxes relating to tax loss carryforwards	8 853	4 270	–		4 270	
Deferred tax revenue relating to other temporary differences	785	63	57		117	
<b>Total</b>	<b>9 638</b>	<b>4 333</b>	<b>57</b>	<b>–</b>	<b>4 387</b>	<b>–</b>

*Taxes for items carried directly to equity*

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Tax effect of group contribution				3 993		
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3 993</b>	<b>–</b>	<b>–</b>

Deferred tax claims and tax liabilities are offset when there is a legal right to offset for current tax claims and tax liabilities, and when deferred taxes refer to the same tax authority. After such offset, the following amounts emerge and are recorded in the balance sheet:

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Deferred tax claims, tax loss carryforwards	13 145	4 270	–	4 270	4 270	–
Deferred tax claims, group contributions	–	–	–	3 993	–	–
Deferred tax liabilities, untaxed reserves	–3 457	–4 080	–3 131	–	–	–1 367
Deferred tax claims recorded in the balance sheet	9 688	190	–3 131	8 263	4 270	–1 367

Deferred tax claims have been recorded when it is deemed probable that they can be used to offset future surpluses for tax purposes.

As of December 31, 2003 the Group has SEK 55 300 000 in tax loss carryforwards not carried in the balance sheet.

## NOTE 8 – PROPOSED DIVIDEND

According to the administration report the Board of Directors and the President propose a dividend of SEK 2.00 per share to the shareholders, a total of SEK 18 543 000.

## NOTE 9 – GOODWILL

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Opening cost	10 751	3 348	228			
Year's investments	–	7 403	3 120			
<b>Closing accumulated cost</b>	<b>10 751</b>	<b>10 751</b>	<b>3 348</b>			
Opening amortization	–1 872	–708	–91			
Year's amortization	–2 146	–1 164	–617			
<b>Closing accumulated amortization</b>	<b>–4 018</b>	<b>–1 872</b>	<b>–708</b>			
<b>Closing residual value according to plan</b>	<b>6 733</b>	<b>8 879</b>	<b>2 640</b>	<b>–</b>	<b>–</b>	<b>–</b>

## NOTE 10 – BUILDINGS AND LAND

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Opening cost	3 031	–				
Year's investments	–	3 031				
Year's disposals	–270	–				
<b>Closing accumulated cost</b>	<b>2 761</b>	<b>3 031</b>				
Opening depreciation	–537	–				
Year's acquired depreciation	–	–493				
Year's depreciation	–85	–44				
<b>Closing accumulated depreciation</b>	<b>–622</b>	<b>–537</b>				
<b>Closing residual value according to plan</b>	<b>2 139</b>	<b>2 494</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Tax assessment value	928	845	–			
Of which building	883	550	–			



## NOTE 11 – EQUIPMENT, TOOLS, FIXTURES AND FITTINGS, CABLE TV FACILITIES AND FINANCIAL LEASING

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Opening cost	119 521	80 478	9 321	14	15 949	9 321
Capital expenditures for the year	13 003	39 043	73 184	250	14	8 655
Year's sales/disposals	-16 103	-	-2 027	-	-15 949	-2 027
<b>Closing accumulated cost</b>	<b>116 421</b>	<b>119 521</b>	<b>80 478</b>	<b>264</b>	<b>14</b>	<b>15 949</b>
Opening depreciation	-60 435	-33 567	-3 667	-2	-5 743	-3 667
Year's sales/disposals	8 138	-	288	-	5 743	288
Year's acquired depreciation	-	-16 449	-22 845	-	-	-
Year's depreciation	-15 022	-10 419	-7 343	-57	-2	-2 364
<b>Closing accumulated depreciation</b>	<b>-67 319</b>	<b>-60 435</b>	<b>-33 567</b>	<b>-59</b>	<b>-2</b>	<b>-5 743</b>
<b>Closing residual value according to plan</b>	<b>49 102</b>	<b>59 086</b>	<b>46 911</b>	<b>205</b>	<b>12</b>	<b>10 206</b>

### Financial leasing

Assets held under financial leasing contracts refer to automobiles. The term of the leasing contracts is typically 36–60 months. The table above showing acquisition values and accumulated depreciation includes the following values for automobiles held under financial leasing contracts:

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Opening cost	10 140	11 447				
Added during the year	1 728	1 519				
Removed during the year	-3 300	-2 826				
<b>Closing accumulated cost</b>	<b>8 568</b>	<b>10 140</b>				
Opening depreciation	-3 083	-1 565				
Removed during the year	673	470				
Year's depreciation	-1 730	-1 988				
<b>Closing accumulated depreciation</b>	<b>-4 140</b>	<b>-3 083</b>				
<b>Closing reported value</b>	<b>4 428</b>	<b>7 057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Liabilities referring to obligations to pay leasing fees are reported in the balance sheet with the following amounts:

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Opening cost	7 057	7 816				
Added during the year	1 239	2 075				
Removed during the year	-2 138	-846				
Year's repayment portion of leasing fees	-1 730	-1 988				
<b>Closing accumulated liabilities</b>	<b>4 428</b>	<b>7 057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Of which due within one year	2 031	4 378				
Of which due one to five years	2 397	2 679				
<b>Total liabilities by maturity date</b>	<b>4 428</b>	<b>7 057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Operational leasing contracts

Rental paid during the year		5 764
Rental and other leasing fees	Year 2004	5 436
Rental and other leasing fees	2005	3 738
Rental and other leasing fees	2006	2 268
Rental and other leasing fees	2007	1 027
Rental and other leasing fees	2008	819

**NOTE 12 – SHARES IN GROUP COMPANIES**

Company	Organization number	Registered office	Number of shares	Capital and votes, %	Book value, SEK thousands		
					2003	2002	2001
Thalamus Control AB	556448-0464	Ängelholm	3 900	100	4 810	4 810	810
Thalamus Consulting AB	556318-5833	Stockholm	4 000	100	544	–	–
Thalamus Operations AB	556361-9294	Ängelholm	5 201 000	100	18 005	18 005	18 005
Fiberdata AB	556216-8491	Bromma	10 205	100	34 523	34 356	–
ITR AS	977107539	Oslo, Norway	200	100	9 944	–	–
Scandinavian Micropayment AB	556594-2942	Luleå	690	69	69	69	69
					<b>67 895</b>	<b>57 240</b>	<b>18 884</b>

The following shares in Group companies are held directly and indirectly by Fiberdata AB.

Company	Organization number	Registered office	Number of shares	Capital and votes, %
Fiberdata Installation AB	556535-9881	Stockholm	2 510 000	100
BJ El & Datateknik AB	556261-3967	Norrköping	1 000	100
Fiberdata Telecom AB	556598-6742	Stockholm	1 000	100
Broadway Sweden AB	556510-0798	Enköping	1 000	100
Elservice i Trelleborg AB	556008-7142	Trelleborg	1 000	100
City El Morgan Larsson AB	556610-4443	Trelleborg	1 000	100
Fiberdata Norge AS	985883262	Oslo, Norway	2 000	100

**NOTE 13 – FINANCIAL ASSETS AND LIABILITIES****FINANCIAL RISKS AND THEIR MANAGEMENT**

For several years the Thalamus Networks Group has had a financial policy adopted by its Board of Directors. This financial policy contains rules for investing surplus liquidity, borrowing, currency exposure and liquidity planning. The finance function is managed centrally by the Parent Company, Thalamus Networks AB.

**Currency risks**

With the exception of a subsidiary in Norway, the Group's business is conducted within the borders of Sweden. The currency exposure resulting from the Norwegian business has no significant impact on the Group.

Purchases are made in the Group of goods from suppliers/partners in foreign currency, primarily USD and EUR. Invoicing on customers is primarily in SEK. The Group's policy is always to include currency clauses in price lists and customer agreements to the greatest extent possible, which means less exposure to currency changes between purchasing and selling prices. In the case of larger transactions, an assessment of the need for hedging is made in each individual case.

**Interest and credit risk**

The Group has substantial financial net assets and surplus liquidity invested in interest-bearing securities and listed shares. Investments in interest-bearing securities are made at limited risk (minimum rating: K2) and with a spread of maturities from 1 to 6 months to minimize the effects of changes in the interest rate level. Investments must also be liquid and spread over different industries.

The Company's liquidity management is handled by the Board of Directors, who during the fall of 2002 decided to invest one third of the surplus liquidity in listed shares in order to get a better return. The policy is to invest in highly liquid shares and to diversify the holdings so that no single holding represents too large a portion of the portfolio.

**Cash flow risks**

The Group conducts business in the following service areas: Installation Integration, Consulting and Operations. The first three of these areas are highly personnel-intensive and require limited working capital, and the need for capital spending is low. Operations owns the metropolitan area network in Ängelholm and investments are made continually in active equipment for operation and monitoring and this business requires a certain amount of capital. Day-to-day capital expenditures are largely customer driven and are made against future contractual revenue.

**Refinancing risk**

The Group has financial net assets of SEK 149 816 000 (166 435 000) and an equity ratio of 75.5 (68.3) percent. The Group's financing needs are thus satisfied.

**Market risk**

The Group's business is to a great extent impacted by the trend of the overall economy, which strongly influences corporate capital spending and investment opportunities. A significant portion of the Group's sales is also to public customers, such as the armed forces, municipalities, government agencies, etc. where also political decisions greatly influences the Group's opportunities of doing business. In Sweden, sales are made to a number of industries with great geographic diversification, so the dependence on any one individual industry or customer is limited.

Cont'd next page

## NOTE 13 – cont'd.

**FINANCIAL ASSETS****Other long-term securities holdings**

Other long-term securities holdings are valued at cost, which as of December 31, 2003 was lower than the market value by SEK 9 221 000.

SEK thousands	2003	Group 2002	2001	2003	Parent Company 2002	2001
Opening cost	23 191	15	15	23 181	15	15
Year's investments	14 901	23 176	–	14 901	23 166	–
Year's sales	–21 794	–	–	–21 794	–	–
Writedowns	–1 736	–	–	–1 736	–	–
<b>Total</b>	<b>14 562</b>	<b>23 191</b>	<b>15</b>	<b>14 552</b>	<b>23 181</b>	<b>15</b>

**Holdings**

	Number of shares	Stake capital, %	Stake votes, %	Book value SEK thousands		Fair value Dec. 31 SEK thousands
				2003	2002	2003
<i>Parent Company</i>						
TurnIT AB, class A shares	183 994	0,4	3,5	531	23 166	–
ProAct IT Group AB	995 100	10,6	10,6	14 006	–	23 783
Ängelholms Näringsliv	–	–	–	15	15	–
<i>Subsidiaries</i>						
Fiberdata System AB	400	10,0	10,0	10	10	–
<b>Total</b>				<b>14 562</b>	<b>23 191</b>	<b>23 783</b>

In the beginning of 2003 Thalamus owned 183 994 class A shares and 8 026 169 class B shares in TurnIT AB, which was equivalent to 16.6 percent of the capital and 18.6 percent of the votes. All class B shares were sold during the financial year. The result on the sale was SEK –5 162 000.

During the first half of 2003 1 026 600 shares, equivalent to 10.9 percent of capital and votes in ProAct IT Group AB were acquired. 31 500 shares were sold in December, at a gain of SEK 282 000.

After the end of the financial year, the remaining 995 100 shares in ProAct IT Group were sold for a gain of SEK 10 860 000.

**Accounts receivable**

Accounts receivable in foreign currency are translated at the year-end rate of exchange.

Accounts receivable are carried in the balance sheet at the amounts which after individual assessment are expected to be collected. Due to the short maturities, the recorded value is deemed to be equivalent to fair value.

**Other receivables**

Other receivables refer to operations-related non-interest-bearing receivables. Due to the short maturities, the recorded value is deemed to be equivalent to fair value.

**Parent Company's receivables from Group companies**

The Parent Company's receivables from Group companies include notes payable from subsidiaries in an amount of SEK 31 995 000 (11 500 000). The loans carry market interest rates and are secured by shares in subsidiaries and corporate mortgages.

**Short-term investments**

Short-term investments are valued at the lower of cost or fair value at year-end.

SEK thousands	2003	Group 2002	2001	2003	Parent Company 2002	2001
<i>Interest-bearing</i>						
Commercial paper	19 820	62 461	153 359	19 820	62 461	153 359
Bank C/Ds	17 875	22 760	45 000	17 875	22 760	45 000
Deposits on special terms	74 486	12 344	6 641	74 486	12 344	6 641
<i>Total interest-bearing</i>	<b>112 181</b>	<b>97 565</b>	<b>205 000</b>	<b>112 181</b>	<b>97 565</b>	<b>205 000</b>
<i>Listed shares, number</i>						
Broström B, 50 000	1 822	1 925	–	1 822	1 925	–
Ericsson B	–	12 200	–	–	12 200	–
Lundberg B	–	1 482	–	–	1 482	–
Skanska B, 200 000	11 698	10 200	–	11 698	10 200	–
Trelleborg B	–	7 050	–	–	7 050	–
Volvo A, 20 000	3 530	–	–	3 530	–	–
Volvo B	–	12 070	–	–	12 070	–
Ångpanneföreningen B	–	2 760	–	–	2 760	–
Ericsson B Feb. 9 Call 2003	–	–600	–	–	–600	–
Volvo B Jan. 160 Call 2003	–	–51	–	–	–51	–
<i>Total listed shares</i>	<b>17 050</b>	<b>47 036</b>	<b>–</b>	<b>17 050</b>	<b>47 036</b>	<b>–</b>
<b>Total</b>	<b>129 231</b>	<b>144 601</b>	<b>205 000</b>	<b>129 231</b>	<b>144 601</b>	<b>205 000</b>

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## NOT 13 – cont'd.

Fair value of interest-bearing short-term investments amounted to SEK 112 181 000 as of December 31, 2003 (97 565 000) and the fair value of listed shares amounted to SEK 20 520 000 as of December 31, 2003 (51 908 000).

**FINANCIAL LIABILITIES****Interest-bearing liabilities**

The approved amount of the Company's committed credit facility was SEK 8 000 000 (8 000 000). The rate of interest payable is adjustable.

Long-term liabilities to credit institutions refer to a loans in the amount of SEK 9 500 000 (10 000 000) and the current portion of liability under financial leasing in the amount of SEK 2 397 000 (679 000).

The loans runs from January 2004 at an adjustable rate of interest. The loan is secured by corporate mortgages.

SEK 7 000 000 (7 500 000) of long-term liabilities to credit institutions fall due more than 5 years after the balance-sheet date and SEK 9 000 000 (9 500 000) falls due more than 1 year after the balance-sheet date. Current interest-bearing liabilities in the Group includes liability for financial leasing in the amount of SEK 2 031 000 (4 378 000).

The Parent Company's interest-bearing liabilities refer to subsidiaries and interest is paid at a market rate.

**Non interest-bearing liabilities****Accounts payable**

Accounts payable in foreign currency are translated at the year-end rate of exchange.

Normal credit terms apply to the Company's accounts payable, which in most cases means 30 days net. Due to the short maturities, the recorded value is deemed to be equivalent to fair value.

**Other short-term liabilities**

Other short-term liabilities refer to operations-related non-interest-bearing liabilities. Due to the short maturities, the recorded value is deemed to be equivalent to fair value.

**Parent Company's liabilities to subsidiaries**

The Parent Company's liabilities to subsidiaries refer to short-term non-interest-bearing liabilities.

**NOTE 14 – WORK ON CONTRACT**

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Accrued expenses and revenue-recognized amounts	10 267	8 097	–			
Partially invoiced amounts	–7 009	–	–112			
<b>Total</b>	<b>3 258</b>	<b>8 097</b>	<b>–112</b>	<b>–</b>	<b>–</b>	<b>–</b>

**NOTE 15 – PREPAID EXPENSES AND ACCRUED INCOME**

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Accrued customer revenue	2 476	–	–	–	–	–
Accrued interest income	183	353	1 333	168	353	1 333
Prepaid rents	1 775	870	–	–	58	–
Prepaid insurance premiums	315	437	–	21	81	–
Other	2 335	2 635	1 054	124	74	713
<b>Total</b>	<b>7 084</b>	<b>4 295</b>	<b>2 387</b>	<b>313</b>	<b>566</b>	<b>2 046</b>

**NOTE 16 – SHAREHOLDERS' EQUITY**

For a specification of changes in shareholders' equity, see Summary of Changes in Shareholders' Equity, page 34.

**Number of shares outstanding and their nominal amount**

The share capital in the Parent Company is divided into 1 033 333 class A shares and 8 238 123 class B shares. The nominal value of the shares is SEK 0.10 each. Class A shares entitle their holders to 10 votes and class B shares entitle their holders to one vote.

**Reduction of the premium reserve**

The Annual General Meeting held April 11, 2003 resolved to reduce the premium reserve. The Nacka District Court gave permission in September to reduce the premium reserve by SEK 235 568 527 in accordance with the resolution of the Annual General Meeting.

**Repurchase of own shares**

At the Annual General Meeting held April 11, 2003 the Board of Directors was authorized to repurchase own shares until the time of the next-following Annual General Meeting. At the Board of Directors meeting held November 7, 2003 the President was commissioned to repurchase own shares, if he deems such purchases to be appropriate. The maximum number of shares to be purchased is 10 percent of all shares outstanding. Repurchases will be effected at market price. The motive for repurchases is to enrich the remaining shareholders.

**NOTE 17 – ACCRUED EXPENSES AND PREPAID INCOME**

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Accrued payroll	811	440	204	285	280	204
Vacation pay	9 085	10 922	1 208	337	277	1 137
Social benefits	3 376	4 507	1 286	147	142	1 167
Accrued expense for auditing	525	302	200	–	33	200
Accrued interest expense	105	100	47	–	–	–
Restructuring costs	587	706	956	–	206	956
Prepaid income	5 665	2 429	3 978	–	–	–
Other	7 545	4 134	2 668	1 879	1 101	1 441
<b>Total</b>	<b>27 699</b>	<b>23 540</b>	<b>10 547</b>	<b>2 648</b>	<b>2 039</b>	<b>5 105</b>

**NOTE 18 – PLEDGED ASSETS**

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
<i>For own debt to credit institutions</i>						
Corporate mortgages	18 250	18 500	18 000			
Accounts receivable	–	46 242	–			
<i>For other engagements</i>						
Escrow accounts	582	760	–			
<b>Total</b>	<b>18 832</b>	<b>65 502</b>	<b>18 000</b>	<b>–</b>	<b>–</b>	<b>–</b>

**NOTE 19 – CONTINGENT LIABILITIES**

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Guaranty on behalf of subsidiary	–	–	–	4 098	–	–
Other guaranties	870	8 069	1 101	–	8 069	1 101
<b>Total</b>	<b>870</b>	<b>8 069</b>	<b>1 101</b>	<b>4 098</b>	<b>8 069</b>	<b>1 101</b>

**NOTE 20 – ISSUED OPTIONS**

In March 2001 Thalamus Networks AB issued a subordinated debenture loan in a nominal amount of SEK 5 000 with detachable options equivalent to 500 000 Class B shares in wholly owned subsidiary Thalamus Control AB. The loan carried no interest and fell due for payment April 30, 2001. Each option entitles its holder to subscribe for one class B share at a price of SEK 45.60 during the period April 1, 2001 until March 31, 2004. A total of 113 000 of these options have been acquired by the employees. The remaining options are held in treasury.

In April 2003 Thalamus Networks AB issued a subordinated debenture loan in a nominal amount of SEK 5 000 with detachable options equivalent to 500 000 Class B shares in wholly owned subsidiary Thalamus Control AB. The loan fell due for payment May 31, 2003 and carried no interest. Each option entitles its holder to subscribe for one class B share at a price of SEK 36.00 during the period May 1, 2003 until April 30, 2006. A total of 168 700 of these options have been acquired by the employees. The remaining options are held in treasury.

**NOTE 21 – LIQUID FUNDS**

SEK thousands	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Short-term investments	129 231	144 601	205 000	129 231	144 601	205 000
Cash and bank deposits	25 463	26 016	2 593	1 748	9 212	2 297
<b>Total</b>	<b>154 694</b>	<b>170 617</b>	<b>207 593</b>	<b>130 979</b>	<b>153 813</b>	<b>207 297</b>

**NOTE 22 – RELATED PARTY DISCLOSURES**

AB Traction owns shares in Thalamus Networks AB equivalent to 34.7 of the capital and 34.5 percent of the votes. Fees of MSEK 2.3 (0.6) have been paid to a company closely affiliated to AB Traction for liquidity management. The fee is result-based in its entirety.

Pär-Ola Andersson with family owns shares in Thalamus Networks AB equivalent to 5.6 percent of the capital and 15.0 percent of the votes. He is a director of Thalamus Networks AB and is employed as President of Thalamus Operations AB and Thalamus Control AB. Pär-Ola Andersson receives salary and pension benefits in his capacity of President in these companies.

**NOTE 23 – AVERAGE NUMBER OF EMPLOYEES AND ABSENCE DUE TO ILLNESS****Average number of employees**

	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Sweden						
Men	138	67	31	1	4	26
Women	24	11	8	–	–	7
	162	78	39	1	4	33
Norway						
Men	26	30				
Women	2	3				
	28	33	–			
<b>Total</b>	<b>190</b>	<b>111</b>	<b>39</b>	<b>1</b>	<b>4</b>	<b>33</b>

**Absence due to illness**

Absence due to illness in the Swedish part of the Group during the period July 1, 2003 – December 31, 2003 is shown below:

	July 1 – Dec. 31 2003
Total absence due to illness in % of total regular working hours	1,35
Of which 60 days uninterrupted absence or more, %	0,00
Total absence due to illness for men, %	1,41
Total absence due to illness for women, %	1,02
Total absence due to illness for employees 29 years or younger, %	3,00
Total absence due to illness for employees 30–49 years, %	0,86
Total absence due to illness for employees 50 years or older, %	1,10

The Statement of Income and the Balance Sheet are to be adopted by the Annual General Meeting to be held March 26, 2004.

Stockholm March 10, 2004

BENGT STILLSTRÖM  
*Chairman*

STIG SVENSSON

STIG MARTÍN

PÄR-OLA ANDERSSON

ULF AHLSTRAND

JAN NORMAN  
*President & CEO*



# Audit report

To the Annual General Meeting of Shareholders of Thalamus Networks AB (publ), Company number 556394-1987.

I have examined the Annual Accounts, the consolidated financial statements, the accounting records and the management by the Board of Directors and the President of Thalamus Networks AB (publ) for the financial year ending December 31, 2003. Responsibility for the accounting records and management rests with the Board of Directors and the President. My responsibility is to render my opinion on the Annual Accounts, the consolidated financial statements and the management based on my audit.

The audit was performed in accordance with generally accepted auditing standards in Sweden. This means that I have planned and performed the audit in such a way as to get reasonable assurance that the Annual Accounts and the consolidated financial statements contain no material errors. The audit procedure includes examination of a sample of supporting documentation for amounts and other information in the accounting records. An audit also includes a test of the accounting principles, and the Board of Director's and the management's application thereof, and forming an opinion

of the aggregate information contained in the Annual Accounts and the consolidated financial statements. I have examined significant decisions, actions and circumstances in the company to allow me to form an opinion as to whether any Director or the President is liable for damages to the company, or in any other way has acted contrary to the Companies Act, the Annual Accounts Act or the Articles of Association. I am of the opinion that my audit gives me a reasonable ground for my statements below.

The Annual Accounts and the consolidated financial statements are prepared in accordance with the Swedish Annual Accounts Act and therefore provide a true and fair picture of the Company's and the Group's performance and financial position in accordance with generally accepted accounting standards in Sweden.

I recommend that the Annual General Meeting adopts the Statement of Income and the Balance Sheet for the Parent Company and the Group, deals with the profit in the Parent Company in accordance with the recommendation contained in the Administration Report and that the members of the Board of Directors and the President be granted discharge from liability for the financial year.

Stockholm March 10, 2004

LARS WENNBERG

*Authorized Public Accountant*

# Senior management

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**Jan Norman**, born 1957.  
President & CEO Thalamus Networks AB.  
Employed since 2000.  
Class A shares: 0  
Class B shares: 15 000  
Warrants: 15 000



**Pär-Ola Andersson**, born 1963.  
President of Thalamus Operations AB, Thalamus Control AB and Regional Manager Region Southwest.  
Employed since 1994.  
Class A shares: 252 000  
Class B share: 268 666 (incl. family)  
Warrants: 0



**Urban Axelsson**, born 1965.  
Assistant Regional Manager Region Southwest.  
Employed since 1998.  
Class A shares: 0  
Class B shares: 6 313  
Warrants: 3 500



**Claes-Göran Färnbo**, born 1949.  
Regional Manager Region North.  
Employed since 2003.  
Class A shares: 0  
Class B shares: 0  
Warrants: 25 000



**Atle Hansen**, born 1961.  
President of ITR AS and Regional Manager Region Norway.  
Employed since 1996.  
Class A shares: 0  
Class B shares: 0  
Warrants: 10 000



**From left:** Katarina Kaldma, Roland Palmqvist, Jan Norman, Atle Hansen, Gunilla Enebro (Market Communications Manager), Urban Axelsson and Claes-Göran Färnbo. Pär-Ola Andersson and Harald Kjellström missing from picture.



**Katarina Kaldma**, born 1960.  
Chief Financial Officer.  
Employed since 2003.  
Class A shares: 0  
Class B shares: 0  
Warrants: 0



**Harald Kjellström**, born 1962.  
Regional Manager Region  
Central.  
Employed since 2004.  
Class A shares: 0  
Class B shares: 0  
Warrants: 0



**Roland Palmqvist**, born 1969  
Technical Manager.  
Employed since 1990.  
Class A shares: 0  
Class B shares: 0  
Warrants: 0

# Board of Directors and President

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**From left:** Stig Martin, Ulf Ahlstrand, Pär-Ola Andersson (standing), Bengt Stillström (sitting), Stig Svensson and Jan Norman.

**Bengt Stillström**, Chairman, born 1943.  
Principal owner (Stillström family), AB Traction.  
Other assignments: Chairman of  
AB Traction, Director of Haldex AB.  
Elected to the Board of Directors: 1998.  
Class A shares (own holding): 0  
Class B shares (own holding): 0  
Warrants: 0

**Ulf Ahlstrand**, Director, born 1963.  
Elected to the Board of Directors: 2003  
Class A shares: 0  
Class B shares: 0  
Warrants: 0

**Pär-Ola Andersson**, Director, born 1963.  
President of Thalamus Operations AB och Thalamus Control AB.  
Other assignments: Director of Fiberdata AB.  
Elected to the Board of Directors: 1990.  
Class A shares: 252 000  
Class B shares: 268 666 (incl. family)  
Warrants: 0

**Stig Martín**, Director, born 1945.  
Other assignments: Director of Softronic AB and GetUpdated Sweden AB.  
Elected to the Board of Directors: 2002.  
Class A shares: 0  
Class B shares: 2 000  
Warrants: 0

**Stig Svensson**, Director, born 1936.  
Other assignments: Chairman of Industrikomponenter AB.  
Elected to the Board of Directors: 2003  
Class A shares: 0  
Class B shares: 10 000  
Warrants: 0

**Jan Norman**, President and CEO of Thalamus Networks AB, born 1957.  
Other assignments: Director of Fiberdata AB.  
Class A shares: 0  
Class B shares: 15 000  
Warrants: 15 000

All data about shares and warrants refer to holdings as of February 27, 2004.

## Auditors

**Lars Wennberg**, born 1957.  
Authorized Public Accountant.  
Öhrlings PricewaterhouseCoopers AB, Stockholm.  
Auditor of Thalamus Networks since 2000.

**Susanne Westman**, born 1966.  
Deputy Auditor.  
Authorized Public Accountant.  
Öhrlings PricewaterhouseCoopers AB, Stockholm.  
Deputy Auditor of Thalamus Networks since 2002.

# Definitions

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## **Capital employed**

Balance sheet total, reduced by non-interest-bearing liabilities, including deferred tax liability.

## **Earnings per share**

Profit for the year relative to average number of shares outstanding.

## **Equity ratio**

Shareholders' equity as a percentage of balance sheet total.

## **Financial net assets**

Liquid funds and short-term investments and other long-term securities holdings, less interest-bearing liabilities.

## **Gross margin**

Gross margin as a percentage of operating revenue. Gross profit is defined as gross profit before depreciation.

## **Interest coverage ratio**

Profit after financial items, plus interest expense and exchange rate differences

relative to interest expense, not including exchange rate differences.

## **Net cash flow per share**

Operating cash flow before capital expenditures and current taxes in relation to average number of shares outstanding.

## **Operating margin**

Operating profit as a percentage of operating revenue.

## **Profit margin**

Profit after financial items as a percentage of operating revenue.

## **Return on capital employed**

Profit after net financial items, plus interest expense, as a percentage of average capital employed.

## **Shareholders' equity per share**

Shareholders' equity in relation to number of shares outstanding at year-end.



# Addresses

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