



# Semiannual Report

for January 1 – June 30, 2000

Thalamus Networks AB (publ)

# Semiannual Report for January 1 – June 30, 2000

## The CEO's comment

*During the first half of 2000, Thalamus Networks underwent a thorough change in its profile, focus, and market presence. Efforts included a change in company name, campaigns to profile the Company, telemarketing, recruitment, and above all numerous customer calls. The activities were aimed at making the company well known as a leading player in "intelligent housing".*

During the period, the Company expanded Thalamus's product portfolio with functions such as a complete telephony service. The focus on broadband systems for residences resulted in an initial contract in Gothenburg comprising 16,000 homes during a three-year period. Thalamus is thus the

first company in Europe to supply broadband for detached homes. During the period, the Company also delivered its first version of the Thalamus broadband portal, [www.thalamus.nu](http://www.thalamus.nu), to TV9 in Ängelholm, which reconfirmed the Company as a provider of pioneering broadband solutions. In the energy field, the Company is phasing in its next generation of control systems, which will significantly improve the efficiency of property management and energy consumption.

The Company listed its shares on the Nya Marknaden list in Stockholm in July and during the third quarter will complete its application to be quoted on the O list of the OM Stockholm Exchange. In the future, we will continue to welcome skilled employees, and we will continue to fulfill new and existing customers' high expectations.

## Highlights for the period

- Net sales rose, from SEK 9,972 thousand to SEK 15,529 thousand, representing an increase of 56% year-on-year
- The first delivery of a local broadband portal was completed
- Efforts to fortify the brand and the broadband portal continued
- Shares were quoted on the Nya Marknaden list in July, an application was submitted to move to the OM Stockholm Exchange's O list

## Net Sales and Earnings

Net sales advanced 56%, to SEK 15,529 thousand (SEK 9,972 thousand in 1999 H1). The operating loss increased, to SEK -12,232 thousand (-3,991), while the loss after financial items was SEK -9,197 thousand (-3,695).

Hence, the Group's earnings declined, the main reasons being substantial expenses for marketing, the stock exchange listing, investment in technology, and building up the organization.

## Significant Events in the First Half Market

The market for the Group's main business developed favorably, particularly in the Internet segment. However, a wait-and-see attitude reigns in the market, and the decision-making process is lengthy. Property owners, for example, are increasingly interested in broadband services, as they reorient themselves towards better relationships with tenants and greater efficiency in property management tasks.

Interest in broadband services is growing steadily, and the usefulness of broadband is no longer questioned. In a telemarketing campaign performed in the first half, the Company found keen interest throughout Sweden on the part of large housing corporations owned by municipalities as well as individual property owners. The somewhat “hyped” atmosphere from last winter has shifted, and customers, the media, and other interested parties are now taking a more reasoned approach. They are waiting for something that will help them better evaluate needs, solutions, and suppliers, and this will benefit Thalamus in the long run. This confirms the Company’s philosophy concerning security, privacy, operations, and support and supports its exclusive position as a supplier independent of technology.

### Market communications and PR

In the first half, the Company conducted a nationwide campaign in the trade, regional, and business press. Advertising was augmented by an successful telemarketing campaign. The Company has had major success in market communications, eliciting an excellent response from the market.

The Company also took part in one of the major IT trade fairs and received good coverage in the media.

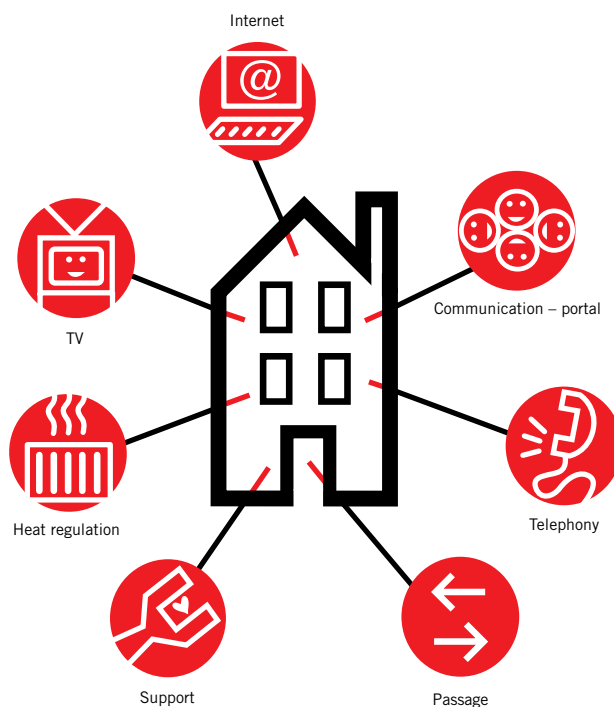
### Service development

During the half, several projects were started to develop services. One project was to develop [www.thalamus.nu](http://www.thalamus.nu), one of the first localized broadband portals in Europe. A general version was launched in April, and in May the Company invoiced the first stage of the first localized version.

Telephony trials began in April with very satisfying results. The Company expects to launch the telephony service in the third quarter. An

e-commerce platform is expected to be ready by year-end. The business model and preparatory phase for wireless broadband began in the second quarter, and the Company aims to launch the project by year-end. Various on-demand services will be ready by year-end, too. One project for individual heat regulation is expected to start in the third quarter, following completion of the business model in the second quarter.

Thalamus Networks provides property owners with access to the broadband services they need to create “intelligent housing.”



### Stock-option program

The annual general meeting in March voted to issue subordinated debentures with warrants to personnel. The program has now been completed. Of the total of 100,000 options in the program, 74,700 were acquired by employees. Each option entitles the holder to subscribe for one series B

share at an exercise price of SEK 136 during the period July 1, 2000 – July 1, 2003.

Following the conversion of some series A shares into series B shares, the total number of shares is 9,259,043, of which 1,033,333 shares are series A.

### The Nya Marknaden list in Stockholm

In July 2000, the Company quoted its shares on the Nya Marknaden list in Stockholm and intends to complete its application to quote the shares on the O list of the OM Stockholm Exchange during the third quarter.

## Financial Information

GROUP	Net sales, six months			Earnings, six months			
SEK thousand	2000	1999	1998	2000	1999	1998	
Group total	15 529	9 972	11 691	-9 197	-3 695	18	
Quarterly net sales	2000			1999			
SEK thousand		Q2	Q1	Q4	Q3	Q2	Q1
Group total		6 502	9 027	6 394	5 397	5 620	4 352
Quarterly income/loss after financial items	2000			1999			
SEK thousand		Q2	Q1	Q4	Q3	Q2	Q1
Group total		-4 198	-4 999	-3 224	-1 963	-2 133	-1 562

### Incentive program

All personnel employed after November 1999 have been given the opportunity of participating in a stock option program.

Personnel employed before that date participate in the previous stock option program.

### Investments

Investments in fixed assets totaled SEK 1,298 thousand (1,138).

### Employees

At the end of the period, the number of employees was 35 (24).

### Parent Company

The parent company reported net sales of SEK 15,529 thousand (9,972), and a loss after financial items of SEK 9,174 (3,695). The figures for cash and cash equivalents, investments, and number of employees are the same as for the Group.

<b>CONSOLIDATED INCOME STATEMENT</b>			<b>Full year</b>	
<b>SEK thousand</b>	<b>Six Months</b>		<b>1999</b>	<b>1998</b>
	<b>2000</b>	<b>1999</b>	<b>1998</b>	
Net sales	15 529	9 972	11 691	21 763
Operating expenses	-27 761	-13 963	-11 623	-30 951
<b>Operating income/loss</b>	<b>-12 232</b>	<b>-3 991</b>	<b>68</b>	<b>-9 188</b>
Financial income and expenses	3 035	296	-50	306
<b>Income/loss after financial items</b>	<b>-9 197</b>	<b>-3 695</b>	<b>18</b>	<b>-8 882</b>
Taxes paid				
<b>Net income/loss for the period</b>	<b>-9 197</b>	<b>-3 695</b>	<b>18</b>	<b>-8 882</b>

## CONSOLIDATED BALANCE SHEET

<b>SEK thousand</b>	<b>30 Jun 2000</b>	<b>30 Jun 1999</b>	<b>31 Dec 1999</b>
<b>Assets</b>			
Intangible assets	499	520	392
Other fixed assets	3 379	2 609	2 800
Inventory	1 547	2 763	2 262
Current receivables	13 452	3 256	6 718
Cash and cash equivalents	249 479	10 202	26 670
<b>Total assets</b>	<b>268 356</b>	<b>19 350</b>	<b>38 842</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	260 197	14 453	32 205
Interest-bearing liabilities and provisions	923	951	923
Non-interest-bearing liabilities and provisions	7 236	3 946	5 714
<b>Total shareholders' equity and liabilities</b>	<b>268 356</b>	<b>19 350</b>	<b>38 842</b>

<b>CONSOLIDATED CASH-FLOW ANALYSIS</b>	<b>Six Months</b>	<b>Full year</b>
<b>SEK thousand</b>	<b>2000</b>	<b>1999</b>
Cash flow from operating activities	<b>-8 586</b>	-7 722
Change in working capital	<b>-4 633</b>	-3 144
Investing activities	<b>-1 297</b>	-4 338
<b>Cash flow before financing</b>	<b>-14 516</b>	-15 204
Financing activities	<b>237 325</b>	41 874
<b>Cash flow for the period</b>	<b>222 809</b>	26 670
Cash and cash equivalents, January 1	<b>26 670</b>	0
Exchange rate differences in cash	–	–
Cash at end of period	<b>249 479</b>	26 670

<b>BUSINESS RATIOS</b>	<b>30 Jun 2000</b>	<b>30 Jun 1999</b>	<b>31 Dec 1999</b>
Equity/assets ratio	<b>97%</b>	75%	83%
Average number of shares	<b>8 229 522</b>	7 115 000	7 115 000
Earnings per share (SEK)	<b>-1,12</b>	-0,52	-1,25
Equity per share (SEK)	<b>28,07</b>	2,01	4,48

A total of 166,217 stock options are outstanding. When exercised, they would result in dilution of 1.8% of capital and 0.9% of votes.



#### Definitions

The equity/assets ratio equals shareholders' equity including minority shares divided by total assets.

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

Earnings per share refers to income or loss after full tax divided by the average number of shares.

Shareholders' equity per share equals shareholders' equity divided by the number of shares at the end of the period.

Further information is available from:

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The interim report for the period January 1, 2000 – September 30, 2000, will be published on November 14, 2000.

Stockholm, August 22, 2000



Jan Tideli  
CEO

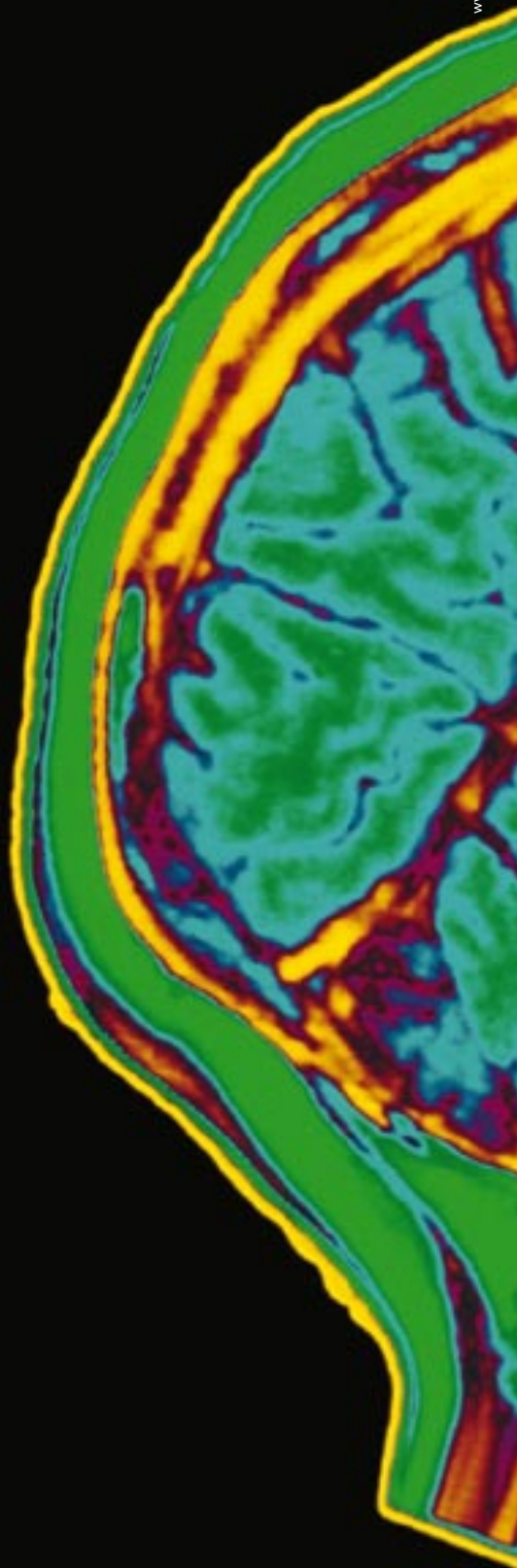
I have made a review of this semiannual report in accordance with recommendations issued by the Swedish Institute of Authorized Public Accountants. A review is substantially limited in

comparison with an audit. Nothing has come to my attention that indicates that this semiannual report fails to comply with the requirements of the Swedish Annual Accounts Act.

Stockholm, August 22, 2000

Lars Wennberg  
AUTHORIZED PUBLIC ACCOUNTANT

Öhrlings PricewaterhouseCoopers



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