

Interim Report

January 1 – September 30, 2001

Thalamus Networks AB (publ)



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The Third Quarter in Brief

- The Company is concentrating its Internet operations in southern and western Sweden, which will cut costs SEK 12 million on an annual basis.
- A completely new range for Internet was launched, allowing differentiated pricing.
- The Company's financial position remains solid, with cash and cash equivalents at SEK 212 million.
- Net sales grew 41%, to SEK 29.3 million (SEK 20.7 million one year previous).

The market for high-speed Internet is advancing to a more mature phase, where access is in focus. Quality, security, and customer orientation at the subscriber level are in demand, ensuring Thalamus will remain a key vendor in the future.

Price increases introduced in the market so far this year have enhanced Thalamus's options for competing without jeopardizing profitability in individual business agreements. Market prices are expected to continue rising.

The Internet and cable-TV service provider Engelholms Kabel-TV, acquired in the first quarter, performed exceptionally well. We have reviewed the company's technologies and its range of services and been able to profit from synergies.

Work on linking Bjäre Kraft's fiber-optic networks proceeded as planned and has entered its final phase. The system will be commissioned and the first subscribers connected in the last quarter of 2001.

The Consulting business segment, which offers network owners, operators, and urban networks expert consulting services for network communications, surpassed its goals, resulting in high and steady capacity utilization.

Thalamus has set its sights on the markets with the biggest customer base and biggest future transactions for the Company. Consequently, it was decided to cut back the Stockholm office.

At the same time, the Company is recruiting network engineers in Gothenburg and project managers for building automation in Ängel-

holm and Stockholm.

These activities are aimed at fostering profitability in operations as soon as possible and at preparing the ground for future expansion at Thalamus.

Thalamus has an excellent cash position (SEK 212 million), which provides many interesting opportunities for company acquisitions and the like.

Net Sales and Earnings

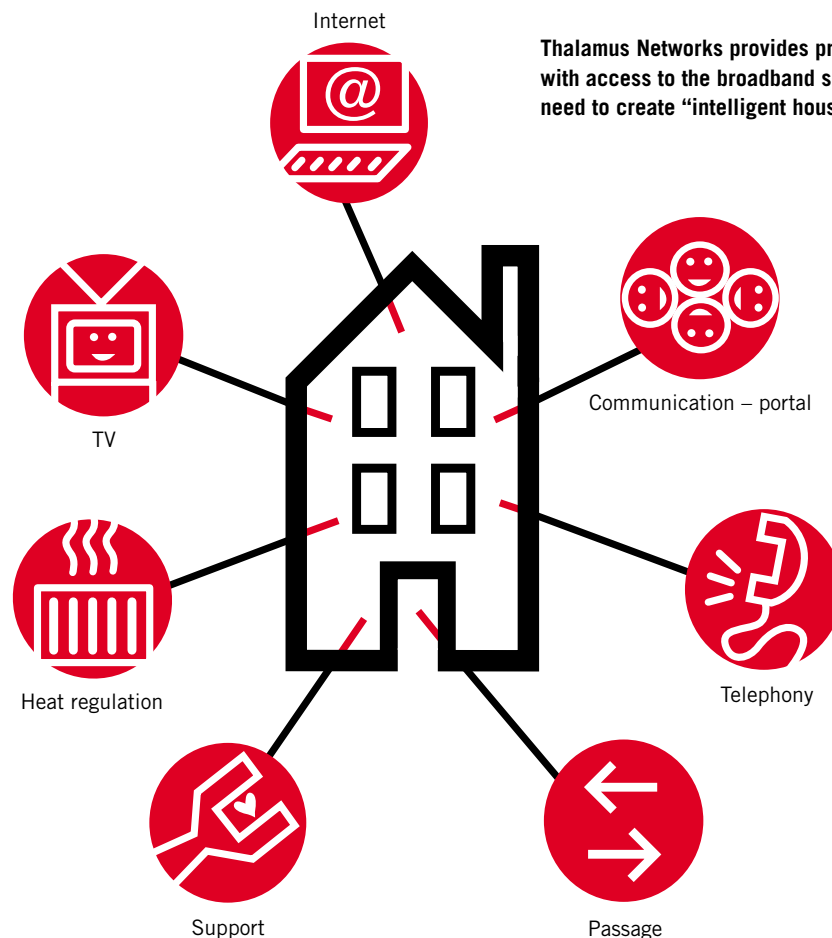
Net sales jumped 41%, to SEK 29.3 million (20.7). The operating loss totaled SEK 22.3 million (17.2 loss) after a provision of SEK 3.5 million for cutbacks in Stockholm (external expenses 1.7, personnel costs 1.8), while the loss after financial items was SEK 15.7 million (11.3 loss).

The Group posted weaker operating earnings primarily owing to the reserves for cost-cutting at the Stockholm office. Net profit on financial items rose thanks to the return on funds received for new stock issued at the end of March 2000 and invested in financial instruments. Operating businesses are constantly being evaluated as investments.

Significant Events during the Period

On September 1, Thalamus's localized broadband portal for the 2,300 clients of Ängelholms-hem went live. Users have access to web mail, local offers, links, and information for residents.

During the period, an entirely new range of services for the Internet was launched for all new



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

and old users. The range includes three subscription options and a broad offering of premium services that enable users to customize their subscriptions, in terms of speed and download capacity.

During the period, the Company began consolidating its operations. The thrust of Internet business will be primarily in the Company’s principal markets in southern and western Sweden, while business activities related to systems for automatic control and monitoring will continue to be driven as vigorously as before in southern and western Sweden and in Stockholm.

New Articles of Incorporation

On October 18, an extraordinary shareholders’ meeting voted to adopt a new description of the business in section 2 of the articles of incorporation. The description now reads:

“The purpose of the Company’s business is to conduct development and commerce with products and services in computing, the Internet and information processing, power supply control, software, and telecommunications, and to buy, sell, and develop businesses and securities, and to conduct other similar operations.”

The new articles of incorporation allow more flexibility in business expansion.

Markets

The general state of the economy and uncertainty in the world is clearly reflected in the media, and it is easy to get the impression that all business sectors are in a crisis. However, property owners are not that vulnerable to recession. At such times, economization through investment in systems for automatic control and monitoring can become a pressing need. Indeed, long-term discussions that Thalamus has conducted are beginning to bear fruit.

Market Communications and PR

During the period, the Company's new external web site went live. At the site, shareholders, clients, users, and others can obtain up-to-date information on the Company relevant to each audience.

Investment

Investment in fixed assets totaled SEK 8.6 million (1.2). The parent company's investment in Engolms Kabel-TV AB totaled SEK 18 million.

Employees

The average number of employees was 39 (35). The concentration of operations that began during the period resulted in the layoff of five employees in Stockholm and one in Ängelholm.

Accounting Principles

This interim report was prepared in compliance with recommendation RR20, on interim reports, from the Swedish Financial Accounting Standards Council.

Accounting policies were altered to comply with the Council's recommendations that took effect at January 1, 2001. Tax-loss carryforwards of SEK 44 million have not been assigned any value.

Calculations of earnings per share with full dilution do not include options with a strike price higher than the current market price of the share.

Financial Information

GROUP		Net sales, nine months				Earnings, nine months			
SEK thousand		2001		2000		2001		2000	
Group total		29,255		20,742		- 15,742		- 11,278	
Quarterly net sales		2001				2000			
SEK thousand	Q4	Q3	Q2	Q1		Q4	Q3	Q2	Q1
Group total		10,849	8,486	9,920		7,002	5,213	6,502	9,027
Quarterly income/loss after financial items		2001				2000			
KSEK	Q4	Q3	Q2	Q1		Q4	Q3	Q2	Q1
Group total		- 8,106	- 4,503	- 3,115		- 4,569	- 2,081	- 4,198	- 4,999

CONSOLIDATED INCOME STATEMENT

SEK thousand	Jul-Sep 2001	Nine Months 2001	Nine Months 2000	12 Months 2000
Invoicing	6,958	27,949	16,787	25,735
Change in work on contract	3,891	1,306	3,955	2,009
Net sales	10,849	29,255	20,742	27,744
Merchandise	- 6,589	- 15,177	- 13,875	- 18,282
Other external expenses	- 4,384	- 11,657	- 10,776	- 14,586
Provision for future external expenses	- 1,723	- 1,723	-	-
Personnel costs	- 4,616	- 15,316	- 12,390	- 17,113
Provision for future personnel costs	- 1,777	- 1,777	-	-
Depreciation, amortization, and write-ups on tangible and intangible assets	- 1,936	- 5,876	- 938	- 1,890
Operating income/loss	- 10,176	- 22,271	- 17,237	- 24,127
Income/Loss on financial investments				
Interest income and similar revenue from financial investments	2,278	7,312	5,959	8,656
Interest expense and similar costs for financial investments	- 208	- 765	-	- 376
Loss after financial items	- 8,106	- 15,724	- 11,278	- 15,847
Taxes paid	15	42	-	19
Minority share of earnings	-	-	-	85
Net income/loss for the period/year	- 8,091	- 15,682	- 11,278	- 15,743
Earnings per share	- 0.87	- 1.69	- 1.29	- 1.77
No. of shares at end of period	9,271,456	9,271,456	9,271,456	9,271,456
Average number of shares	9,271,456	9,271,456	8,772,695	8,897,386

CONSOLIDATED BALANCE SHEET

SEK thousand	Sep 30, 2001	Sep 30, 2000	Dec 31, 2000
Assets			
Intangible fixed assets	2,807	514	137
Other fixed assets	46,098	2,951	5,669
Inventory	3,118	6,267	2,287
Current receivables	13,513	10,403	12,206
Cash and cash equivalents	212,163	246,488	241,586
Total assets	277,699	266,623	261,885
Shareholders' equity and liabilities			
Shareholders' equity*	238,028	258,176	253,710
Interest-bearing liabilities and provisions	19,033	923	1,376
Non-interest-bearing liabilities and provisions	20,638	7,524	6,799
Total shareholders' equity and liabilities	277,699	266,623	261,885

*) The entire change in equity is attributable to the loss for the period.

CONSOLIDATED CASH-FLOW STATEMENTS

SEK thousand	Nine Months 2001	Nine Months 2000	12 Months 2000
Cash flow from operating activities	-9,890	-10,315	-17,641
Change in working capital	5,988	-6,016	-441
Acquisitions of businesses	-4,391 *		
Investment in fixed assets	-8,559	-1,236	-4,825
Cash flow before financing activities	-16,852	-17,567	-22,907
Financing activities	-12,571 **	237,385	237,823
Cash flow for the period/year	-29,423	219,818	214,916
Cash and cash equivalents at beginning of year	241,586	26,670	26,670
Cash and cash equivalents at end of period	212,163	246,488	241,586

*) Refers to Engelholms Kabel-TV AB

**) Refers primarily to amortization of loans in Engelholms Kabel-TV AB

QUARTERLY FIGURES – INCOME STATEMENT

KSEK	Actual Q3 2001	Actual Q2 2001	Actual Q1 2001	Actual Q4 2000	Actual Q3 2000
Operating revenue					
Invoicing	6,958	9,116	11,875	8,948	6,189
Change in work on contract	3,891	-630	-1,955	-1,946	-976
Net sales	10,849	8,486	9,920	7,002	5,213
Operating expenses					
Merchandise	-6,589	-3,962	-3,776	-4,407	-3,685
Other external expenses	-4,384	-3,408	-4,715	-3,810	-2,219
Provision for future external expenses	-1,723	—	—	—	—
Personnel costs	-4,616	-5,722	-4,978	-4,723	-3,988
Provision for future personnel costs	-1,777	—	—	—	—
Depreciation, amortization, and write-downs on tangible and intangible assets	-1,936	-2,204	-1,736	-952	-326
	-21,025	-15,296	-15,205	-13,892	-10,218
Operating income/loss	-10,176	-6,810	-5,285	-6,890	-5,005
Income/Loss on financial investments					
Interest income and similar revenue from financial investments	2,278	2,515	2,519	2,697	2,924
Interest expense and similar costs for financial investments	-208	-208	-349	-136	
Income/Loss on shares in Group companies				-240	
	2,070	2,307	2,170	2,321	2,924
Loss after financial items	-8,106	-4,503	-3,115	-4,569	-2,081
Minority shares				85	
Tax on net profit/loss for the year	15	17	9	19	
Quarterly performance	-8,091	-4,486	-3,106	-4,465	-2,081

BUSINESS RATIOS

	Sep 30, 2001	Sep 30, 2000	Dec 31, 2000
Sales growth	41.4%	N/A	27.5%
Capital employed	257,061	259,114	255,086
Net financial assets	194,924	245,580	240,225
Average number of employees	39	36	32
Equity/assets ratio	86%	97%	96.9%
No. of shares at end of period	9,271,456	9,271,456	9,271,456
Shareholders' equity per share (SEK)	25.67	27.85	27.40

A total of 661,391 stock options are outstanding. If exercised, they would result in dilution of 7.1 % of capital and 3.6% 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 an issue, or the capital contributed in kind for an issue, become available to the Company.

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

Shareholders' equity per share is derived by dividing shareholders' equity by the number of shares at the end of the period.

This interim report has not been audited by the Company's auditors.

Additional information is available from:

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Preliminary results for the period January 1– December 31, 2001, will be announced on February 6, 2002.

Stockholm, November 7, 2001



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