

The background of the cover is black. It is decorated with large, colorful, stylized letters in various colors (red, yellow, cyan, pink, white) arranged in a scattered, overlapping pattern. A small, stylized red figure of two people standing is visible on the left side. The main title 'Semi-annual Report' is in a bold, red, sans-serif font at the top right. Below it, the dates 'January 1 - June 30, 2002' and the company name 'Thalamus Networks AB (publ)' are in a smaller, red, sans-serif font. The Thalamus Networks AB logo is in the bottom right corner.

# Semi-annual Report

January 1 - June 30, 2002  
Thalamus Networks AB (publ)

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## Semi-annual Report January 1 – June 30, 2002

### The Period in Brief

- Net revenues rose by 34 percent to MSEK 24.7 (18.4) compared to the equivalent year-ago period.
- The Group reports profit after financial items of MSEK 0.8 (–7.6) – an improvement by MSEK 8.4.
- Cash flow from current operations was positive, MSEK 6.0 (–3.7).
- The focus on southern and western Sweden has provided the desired effects.
- Jan Norman new President & CEO since June 1.

### The market

Subscription prices for high-speed Internet service showed a positive development for operators and network owners. The prerequisites are now in place to introduce broadband as a part of the day-to-day infrastructure. Today's price levels in the marketplace allow for profitable operations for Internet access as a stand-alone service.

Thalamus' pricing has traditionally been based on actual costs and revenue. That strategy now makes unnecessary the need for drastically increased prices announced by players offering DSL service.

The telecom industry is currently undergoing profound restructuring, and every week brings news of financial problems for sector participants. Consolidation is also under way in

the segment of the telecom industry involved in broadband, with many players seeking new owners or partners, for financial or strategic reasons.

These factors are now contributing to creating a climate where Thalamus is offered interesting business opportunities, both for growth and acquisitions.

### Thalamus operations

Thalamus offers property and network owners broadband-based IT services that serve as a foundation for efficient property management, reliable and fast communications and added property and network value.

The primary reasons for the improvement in earnings compared to the similar period one

year ago is an increase in business volume, well executed and focus on operations in southern and western Sweden, all of which have had desired effects on the Group's costs.

Operations in *Thalamus Consulting*, that offers network owners, operators and city networks advanced consulting services for network communication, achieved its goals during the period thanks to high and even capacity utilization.

The business in *Thalamus Operations*, that provides cable TV and Internet services to businesses, organizations and households, continued to develop favorably. The array of Internet services rolled out during the fall was met with enthusiastic reception by a large number of subscribers, who signed up for the new services during the period.

### **Potential**

Thalamus continues to enjoy a strong liquid position (MSEK 206), which means that the Company stands well prepared to expand existing operations as well as participate in consolidation of the industry. Efforts to complement the Company's business by strategic alliances and acquisitions have been intensified. We are interested in businesses where the owners desire or are forced to sell out for strategic or financial reasons. We are also interested in strategic alliances with other stakeholders in the industry.

The probability of making profitable acquisitions has increased, since the number of objects in the market is significantly higher and price expectations also are more realistic.

### **Market communication**

A capital market day was held at Operaterassen arranged by FinansVision May 8. In connection with Jan Norman taking office as president, a number of information meetings with financial analysts were also arranged.

### **Capital expenditures**

Investments in fixed assets amounted to MSEK -3.9 (-6.4) and investment in businesses were made in the amount of MSEK 0 (-4.4).

### **Employees**

The average number of employees was 26 (39).

### **Net revenues and earnings**

Net revenues increased by 34 percent to MSEK 24.7 (18.4), compared to the similar year-ago period. The acquisition of EKTIV (the present Thalamus Operations AB) was consolidated as of February 2001. The effect on revenues of the acquisition is therefore not significant. The business continued to evolve during the period, and a number of associates were recruited to Ängelholm.

The operating loss was MSEK -2.8 (-12.1), while income after financial items was MSEK 0.8 (-7.6) compared to the similar year-ago period. The improvement in operating earnings is explained primarily by successful cost-cutting and an increase in business volume. The growth in business volume is explained in part by hardware deliveries totaling MSEK 5 (3.7). The net of financial items was lower as a result of a lower interest rate level and a smaller volume of short-term investments.

Cash flow from current operations before changes in working capital was positive, MSEK 6.0 (-3.7). The job of building new technical and administrative functions in the Group is now complete and dimensioned to handle a defined number of subscribers. Future investments will be customer-driven and will be offset by revenue.

### **Significant events during the period**

We are gratified to announce that we again have been entrusted to serve Fastighets AB Linden in

Nässjö, who has signed a new 24-month Internet subscription agreement.

During the period Thalamus has delivered Internet equipment to Telenor Avidi in Oslo. The aggregate invoiced order value is MSEK 4.8 for the period.

Interest for the array of new Internet services rolled out last fall has been great, and sales of new add-on services have exceeded expectations during the period.

Jan Norman is the new President & CEO of Thalamus Networks AB from June 1. Pär-Ola Andersson has the operative responsibility as President of the operations in Thalamus Consulting AB and Thalamus Operations AB.

Going forward, the focus of consulting and Internet operations will be the primary markets in southern and western Sweden.

In September, operations in Stockholm were shrunk in an effort to reduce the Company's

costs. Action taken during the period yielded the desired effect on the Group's costs, and current operations are now generating positive earnings after net financial items.

### Accounting principles

This interim report has been prepared in accordance with recommendation RR20 Interim reporting of the Swedish Financial Accounting Standards Council. The accounting principles applied are unchanged.

No value has been assigned to tax loss carry-forwards of MSEK 49. The recommendation regarding financial leasing has not been applied since contracts in force refer to insignificant amounts.

Earnings per share after full dilution are not computed in cases where the option terms in force mean that the subscription price exceeds the current market price.

## Financial information

### GROUP

SEK thousand	2002		2001			
	Q 2	Q1	Q4	Q 3	Q 2	Q1
Net revenues, quarterly data	11 091	13 619	10 737	10 849	8 486	9 920
Profit/loss after financial items, quarterly data	442	372	-2 048	-8 106	-4 503	-3 115

# **CONSOLIDATED STATEMENT OF INCOME**

SEK thousand	April – June 2002	April – June 2001	Jan. – June 2002	Jan. – June 2001	12 months 2001	12 months 2000
<b>Operating revenue</b>						
Invoicing	11 901	9 116	25 428	20 991	47 203	25 735
Change in work on contract	–810	–630	–718	–2 585	–7 211	2 009
<b>Net revenue</b>	11 091	8 486	24 710	18 406	39 992	27 744
<b>Operating expenses</b>						
Goods for resale	–4 070	–3 962	–10 995	–8 588	–16 558	–18 282
Other external costs	–2 145	–3 408	–4 292	–7 273	–18 378	–14 586
External costs in conjunction with shrinking the business					–1 723	
Personnel costs	–3 707	–5 722	–7 116	–10 700	–19 600	–17 113
Personnel expenses in conjunction with shrinking the business					–1 777	
Depreciation, amortization and writedowns of tangible and intangible assets	–2 648	–2 204	–5 152	–3 940	–8 005	–1 890
<b>Operating loss</b>	–1 479	–6 810	–2 845	–12 095	–26 049	–24 127
<b>Result from financial investments</b>						
Interest income and similar revenue from financial investments	2 103	2 515	4 057	5 034	9 300	8 656
Interest expense and similar costs for financial investments	–182	–208	–398	–557	–1 023	–376
<b>Net profit/loss after financial items</b>	442	–4 503	814	–7 618	–17 772	–15 847
Minority interest						85
Taxes	15	17	31	26	52	19
<b>Net income for the period</b>	457	–4 486	845	–7 592	–17 720	–15 743
Earnings per share	0,05	–0,48	0,09	–0,82	–1,91	–1,77
Number of shares outstanding at end of period	9 271 456	9 271 456	9 271 456	9 271 456	9 271 456	9 271 456
Average number of shares outstanding	9 271 456	9 271 456	9 271 456	9 271 456	9 271 456	8 897 386

# **CONSOLIDATED BALANCE SHEET**

SEK thousand	June 30, 2002	June 30, 2001	Dec. 31, 2001
<b>Assets</b>			
Goodwill	2 304	2 990	2 640
Other fixed assets	45 989	45 736	46 926
Inventory	1 836	3 134	740
Short-term receivables	12 980	11 863	10 238
Liquid funds	205 727	214 550	207 593
<b>Total assets</b>	268 836	278 273	268 137
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity *	236 836	246 118	235 990
Interest-bearing liabilities and provisions	14 670	17 058	13 866
Non-interest-bearing liabilities and provisions	17 330	15 097	18 281
<b>Total shareholders' equity and liabilities</b>	268 836	278 273	268 137

\*) The entire change in shareholders' equity is attributable to the period's result.

## CONSOLIDATED STATEMENT OF CASH FLOW

SEK thousand	6 months 2002	6 months 2001	12 months 2001
Cash flow	5 997	-3 692	-9 715
Change in working capital	-3 390	286	7 807
Acquisitions of businesses		-4 391*)	-4 391*)
Investment in fixed assets	-3 878	-6 430	-11 693
<b>Cash flow before financing</b>	<b>-1 271</b>	<b>-14 227</b>	<b>-17 992</b>
Financing operations	-595	-12 809**)	-16 001**)
<b>Cash flow for the period</b>	<b>-1 866</b>	<b>-27 036</b>	<b>-33 993</b>
Liquid funds at beginning of year	207 593	241 586	241 586
Liquid funds at end of period	205 727	214 550	207 593

\*) Refers to Engelholms Kabel-TV AB.

\*\*\*) Refers essentially to Engelholms Kabel-TV AB.

## QUARTERLY DATA – STATEMENT OF INCOME

SEK thousand	Q2-2002	Q1-2002	Q4-2001	Q3-2001	Q2-2001
<b>Operating revenue</b>					
Invoicing	11 901	13 527	19 254	6 958	9 116
Change in work on contract	-810	92	-8 517	3 891	-630
<b>Net revenue</b>	<b>11 091</b>	<b>13 619</b>	<b>10 737</b>	<b>10 849</b>	<b>8 486</b>
<b>Operating expenses</b>					
Goods for resale	-4 070	-6 925	-2 231	-6 589	-3 962
Other external costs	-2 145	-2 147	-5 871	-4 384	-3 408
External costs in conjunction with shrinking the business				-1 723	
Personnel costs	-3 707	-3 409	-4 284	-4 616	-5 722
Personnel costs in conjunction with shrinking the business				-1 777	
Depreciation, amortization and writedowns of tangible and intangible assets	-2 648	-2 504	-2 129	-1 936	-2 204
Total operating expenses	-12 570	-14 985	-14 515	-21 025	-15 296
<b>Operating loss</b>	<b>-1 479</b>	<b>-1 366</b>	<b>-3 778</b>	<b>-10 176</b>	<b>-6 810</b>
<b>Result from financial investments</b>					
Interest income and similar revenue from financial investments	2 103	1 954	1 988	2 278	2 515
Interest expense and similar costs for financial investments	-182	-216	-258	-208	-208
Result from stakes in Group companies					
Total result from financial investments	1 921	1 738	1 730	2 070	2 307
<b>Result from financial items</b>	<b>442</b>	<b>372</b>	<b>-2 048</b>	<b>-8 106</b>	<b>-4 503</b>
Minority interest					
Taxes on result for the year	15	16	11	15	17
<b>Quarterly profit/loss</b>	<b>457</b>	<b>388</b>	<b>-2 037</b>	<b>-8 091</b>	<b>-4 486</b>

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**KEY FINANCIAL INDICATORS**

	June 30, 2002	June 30, 2001	Dec. 31, 2001
Revenue growth	<b>34,3%</b>	18,5%	44,1%
Capital employed	251 506	263 176	249 856
Capital employed, not including short-term investments	51 506	53 176	44 856
Net financial assets	191 072	197 507	193 742
Average number of employees	26	39	39
Equity ratio	88,1%	88,0%	88,0%
Number of shares outstanding at end of period	9 271 456	9 271 456	9 271 456
Shareholders' equity per share (SEK)	25,54	26,55	25,45

The total number of subscription options outstanding is 661 391, which if exercised would result in dilution of 7.1 percent of equity, and 3.6 percent of the votes. 61 391 of the outstanding subscription options have a strike price of SEK 25. The remaining options outstanding have a substantially higher strike price.

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**Definitions**

The equity ratio is obtained by dividing shareholders' equity, including minority interest, by the balance sheet total. The average number of shares outstanding is calculated taking into account when the proceeds from an issue, or the capital contributed in kind for an

issue, became available to the Company.

Earnings per share refer to profit or loss after full taxes, divided by the average number of shares outstanding. Shareholders' equity per share is obtained by dividing shareholders' equity by the number of shares outstanding at the end of the period.

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**Additional information is available from:**

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This interim report has not been subject to review by the Company's auditors.

This interim report can be downloaded from our home page, see above.

An interim report for the period January 1 to September 30, 2002 will be published November 7, 2002.

Stockholm, August 15, 2002

Jan Norman  
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