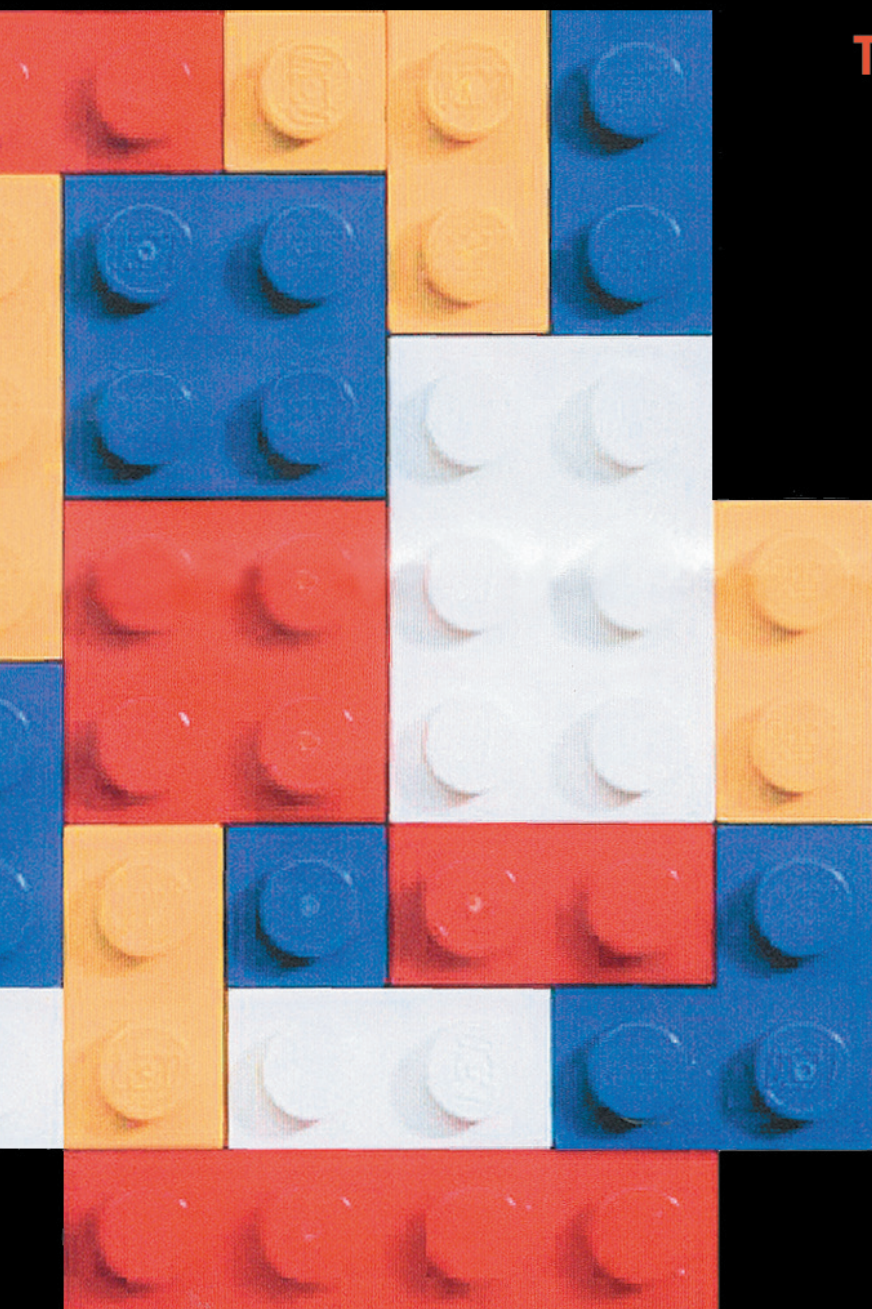


Interim Report

January 1 - September 30, 2002

Thalamus Networks AB (publ)



Interim Report January 1 – September 30, 2002

The Period in Brief

- Net revenues rose by 103 percent to MSEK 59.3 (29.2) compared to the equivalent year-ago period. The result after financial items was MSEK –4.3 (–15.7).
- The result after financial items was affected by a revaluation of financial investments in an amount of MSEK –7.2. The revaluation had been recovered by the time of publication of this report.
- The Group reports positive operating earnings for the third quarter in an amount of MSEK 0.4 (MSEK –1.5 for the preceding quarter).
- Fiberdata AB was acquired in September for MSEK 21.
- After participating in an equity offering and exercising an option to acquire class A shares in TurnIT, Thalamus ownership stake will be 17 percent of the company's capital and 19 percent of the voting power.
- Linköpings Kraftnät has concluded a frame agreement with Fiberdata for a fiber cable, with an estimated value of MSEK 18 until June 2004.
- Thanks to cooperation with Fiberdata, Katrineholm will be the first city in Sweden to integrate fully all access technologies – ADSL, cable TV, radio and fiber – in its metropolitan area network, MAN.
- Thalamus has been awarded Premium Partner certification by Cisco.
- Remium Securities has been appointed market maker for the Thalamus share.

Strategic acquisition of Fiberdata

Fiberdata AB was acquired from TurnIT AB in September. Fiberdata builds large networks and delivers infrastructure for data communication and telecommunication. The group had revenues of MSEK 323 in 2001, and in September the number of employees was 175 at ten locations in Sweden and Norway.

The companies' businesses complement each other and synergies can be achieved. The acquisitions is an element of Thalamus' long-term strategy of investing in companies that create added value and mean that Thalamus is complemented, both in terms of products, competence and geographically. The new Thalamus Group is a player with high technological competence and a very broad product program.

The market

A number of procurement processes for city networks are currently in progress where Thalamus is an active bidder. A common denominator is the political ambition of creating broad freedom of choice for end users in terms of services offered in these networks. In order to achieve such free-

dom of choice, a partially new business model has emerged. The supply chain is largely new and participating players will need to find a commercially viable business model. For example, a model for profit-sharing must be established and this can be achieved by further clarification of the responsibilities of the different functions involved.

Also, if the network owners are prepared to assume far-reaching responsibility for aspects such as capital spending on communication equipment, there is vast opportunities for expansion of broadband in accordance with the intentions as set forth in the premises for the current procurement processes.

We are convinced that the market's players will find viable models for capital spending and profit-sharing.

Consolidation and changes of ownership continue in the broadband industry. New constellations of cooperation are to be expected within the not too distant future. Thalamus will be at the forefront of several interesting business opportunities, both for organic growth and for 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. Through the acquisition of Fiberdata, solutions for large networks and for infrastructure can also be offered.

About the acquisition of Fiberdata

Fiberdata AB was acquired during September from TurnIT AB. The total cost of the acquisition amounted to MSEK 21. Goodwill of MSEK 7.4 arose in connection with the acquisition. Goodwill is amortized in the Group over five years. The Fiberdata group had revenues of MSEK 323 in 2001, and in September the number of employees was 175 at ten locations in Sweden and Norway. Fiberdata was consolidated from September 2002 and contributed MSEK 25.3 in revenues during the period. The Group's earnings have been affected positively by the acquisition of Fiberdata. The new group will have annual revenues of MSEK 350–400.

Market communication

Remium Securities has been appointed market maker for the Thalamus share. The intent is to increase the liquidity in the share.

Capital expenditures

Capital expenditures in businesses (Fiberdata) amounted to MSEK 10.2 during the period (4.4) expressed as the difference between the purchase money (including acquisition costs) and liquid funds in Fiberdata at the time of acquisition. The Parent Company's investment amounts to MSEK 21 including acquisition costs.

Capital expenditures in tangible fixed assets amounted to MSEK 4.9 (8.6). Capital expenditures in intangible fixed assets amounted to MSEK 20.6 and relate to the shares in TurnIT. The holding in TurnIT is valued at the lower of cost and the market price of the share at the end of the period.

Employees

The average number of employees was 26 (39) in companies Thalamus Network AB, Thalamus Consulting AB and Thalamus Operations AB. The Fiberdata Group had 175 employees in Sweden and Norway in September.

Net revenues and earnings

Net revenues increased by 103 percent to MSEK 59.3 (29.3), compared to the similar year-ago period. Fiberdata is a part of the Group since September and accounts for most of the increase. The increase in net revenues not including Fiberdata was 16 percent.

The operating loss was MSEK –2.5 (–22.3). The improvement is explained by successful cost-cutting and an increase in business volume. Positive earnings of MSEK 0.4 is reported for the third quarter, which means that one more sub-goal on the road to acceptable profitability has been achieved.

The positive operating result is explained by both the acquisition of Fiberdata and improvements in the other operations.

The result after financial items amounted to MSEK –4.3 (–15.7). The net of financial items deteriorated sharply as a consequence of writing down the holding in TurnIT and other equity investments (see below) in an amount of MSEK –7.2, on a net basis.

More active management

In August, the Board of Directors decided to seize on opportunities presenting themselves in the stock market by more active management of the Company's surplus liquidity.

A total of MSEK 55 of the Company's surplus liquidity was invested in publicly traded shares. Investments will be made in liquid shares with a diversified risk profile. We made our entry in the stock market a little bit too early, but are pleased to report that the value of the stock portfolio has recovered after the end of the reporting period.

Significant events during the period

Under the guaranty issued in conjunction with the equity offering in TurnIT, Thalamus received a total ownership stake 17 percent of the capital and 19 percent of the votes in TurnIT. The fee earned for the guaranty amounted to MSEK 5, MSEK 3.3 of which was applied towards the purchase price for the holding in TurnIT and the remaining MSEK 1.7 is reported as financial income.

Linköpings Kraftnät concluded a frame agreement with Fiberdata involving placement and contracting of optical fiber cable for Linköping's MAN. The frame agreement remains valid until June 2004, with an option for one additional year. The value of Fiberdata's obligations is estimated to be MSEK 18. The transaction confirms Fiberdata's very strong position in the MAN market.

In August, Thalamus obtained Premier Partner certification by Cisco, which means that cooperation intensifies.

Significant events after the end of the reporting period

Utsikt Katrineholm AB and Fiberdata have concluded a cooperation agreement. This makes Katrineholm the first city in Sweden to integrate fully all access technologies – ADSL, cable TV, radio and fiber – in its MAN.

Irrespective of the form of access chosen, customers can now access significantly more services at the same time as suppliers of services reach more potential customers.

Liquidity and new business

After settlement of transactions in conjunction with the acquisition of Fiberdata, the Group continues to hold surplus liquidity in the amount of MSEK 157, which portends future business opportunities.

Accounting principles

This interim report has been compiled in accordance with recommendation RR20, Interim Reporting, of the Swedish Financial Accounting Standards Council.

Financial information

GROUP

SEK thousand	2002			2001			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net revenues, quarterly data	34 554	11 091	13 619	10 737	10 849	8 486	9 920
Profit/loss after financial items, quarterly data	-5 066	442	372	-2 048	-8 106	-4 503	-3 115

CONSOLIDATED STATEMENT OF INCOME

SEK thousand	July – Sep. 2002	July – Sep. 2001	Jan. – Sep. 2002	Jan. – Sep. 2001	12 months 2001	12 months 2000
Operating revenue						
Invoicing	34 892	6 958	60 320	27 949	47 203	25 735
Change in work on contract	–338	3 891	–1 056	1 306	–7 211	2 009
Net revenue	34 554	10 849	59 264	29 255	39 992	27 744
Operating expenses						
Goods for resale	–14 932	–6 589	–25 927	–15 177	–16 558	–18 282
Other external costs	–5 080	–4 384	–9 372	–11 657	–18 378	–14 586
External costs in conjunction with shrinking the business		–1 723		–1 723	–1 723	
Personnel costs	–10 865	–4 616	–17 981	–15 316	–19 600	–17 113
Personnel expenses in conjunction with shrinking the business		–1 777		–1 777	–1 777	
Depreciation, amortization and writedowns of tangible and intangible assets	–3 292	–1 936	–8 444	–5 876	–8 005	–1 890
Operating result	385	–10 176	–2 460	–22 271	–26 049	–24 127
Result from financial investments						
Interest income and similar revenue from financial investments	2 070	2 278	6 127	7 312	9 300	8 656
Interest expense and similar costs for financial investments	–293	–208	–691	–765	–1 023	–376
Revaluation of long-term and short-term financial investments	–7 228		–7 228			
Net loss after financial items	–5 066	–8 106	–4 252	–15 724	–17 772	–15 847
Minority interest						85
Taxes	–50	15	–19	42	52	19
Net result for the period	–5 116	–8 091	–4 271	–15 682	–17 720	–15 743
Earnings per share	–0,55	–0,87	–0,46	–1,69	–1,91	–1,77
Number of shares outstanding	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	2002-09-30	2001-09-30	2001-12-31
Assets			
Goodwill	9 418	2 807	2 640
Other fixed assets	83 831	46 098	46 926
Inventory	29 862	3 118	740
Short-term receivables	68 315	13 513	10 238
Liquid funds	188 239	212 163	207 593
Total assets	379 665	277 699	268 137
Shareholders' equity and liabilities			
Shareholders' equity *	231 718	238 028	235 990
Interest-bearing liabilities and provisions	41 826	19 033	13 866
Non-interest-bearing liabilities and provisions	106 121	20 638	18 281
Total shareholders' equity and liabilities	379 665	277 699	268 137

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

CONSOLIDATED STATEMENT OF CASH FLOW

SEK thousand	9 months 2002	9 months 2001	12 months 2001
Cash flow	4 173	-9 890	-9 715
Change in working capital	- 11 768	5 988	7 807
Acquisitions of businesses	-10 229 *)	-4 391 *)	-4 391 *)
Investment in fixed assets	-25 599	-8 559	-11 693
Cash flow before financing	-43 423	-16 852	-17 992
Financing operations	24 069 ***)	-12 571 **)	-16 001 **)
Cash flow for the period	-19 354	-29 423	-33 993
Liquid funds at beginning of year	207 593	241 586	241 586
Liquid funds at end of period	188 239	212 163	207 593

*) Refers to Fiberdata AB, Engelholms Kabel-TV AB.

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

***) Including unpaid portion of purchase money for Fiberdata AB in the amount of MSEK 20.

Note	Acquisition of subsidiary	SEK thousand
	Purchase money Fiberdata, cash	21 056
	Liquid funds in Fiberdata at time of acquisition	10 827
	Summary balance sheet:	
	Tangible fixed assets	18 678
	Inventories	22 015
	Short-term receivables	50 791
	Liquid funds	10 827
	Total	102 311
	Shareholders' equity	14 597
	Interest-bearing liabilities and provisions	23 552
	Non-interest-bearing liabilities and provisions	64 162
	Total	102 311

QUARTERLY DATA – STATEMENT OF INCOME

SEK thousand	Q3-2002	Q2-2002	Q1-2002	Q4-2001	Q3-2001
Operating revenue					
Invoicing	34 892	11 901	13 527	19 254	6 958
Change in work on contract	-338	-810	92	-8 517	3 891
Net revenue	34 554	11 091	13 619	10 737	10 849
Operating expenses					
Goods for resale	-14 932	-4 070	-6 925	-2 231	-6 589
Other external costs	-5 080	-2 145	-2 147	-5 871	-4 384
External costs in conjunction with shrinking the business					-1 723
Personnel costs	-10 865	-3 707	-3 409	-4 284	-4 616
Personnel costs in conjunction with shrinking the business					-1 777
Depreciation, amortization and writedowns of tangible and intangible assets	-3 292	-2 648	-2 504	-2 129	-1 936
Total operating expenses	-34 169	-12 570	-14 985	-14 515	-21 025
Operating result	385	-1 479	-1 366	-3 778	-10 176

Result from financial investments

Interest income and similar revenue from financial investments	2 070	2 103	1 954	1 988	2 278
Interest expense and similar costs for financial investments	-293	-182	-216	-258	-208
Revaluation of short-term and long-term investments	-7 228				
Total result from financial investments	-5 451	1 921	1 738	1 730	2 070

Result from financial items

	5 066	442	372	-2 048	-8 106
Minority interest					
Taxes on result for the year	-50	15	16	11	15
Quarterly profit/loss	-5 116	457	388	-2 037	-8 091

KEY FINANCIAL INDICATORS

	Sep. 30, 2002	Sep. 30-2001	Dec. 31 2001
Revenue growth	102,6%	41,4%	44,1%
Capital employed	273 544	257 061	249 856
Capital employed, not including short-term investments	107 047	52 061	44 856
Net financial assets	167 078	194 924	193 742
Average number of employees	201	39	39
Equity ratio	61,0%	86,0%	88,0%
Number of shares outstanding at end of period	9 271 456	9 271 456	9 271 456
Shareholders' equity per share (SEK)	25,00	25,67	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 600 000 options outstanding have a substantially higher strike price.

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.

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 December 31, 2002 will be published January 31, 2003.

Stockholm, November 7, 2002

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President & CEO



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