

Internet

Automatic control

Interim Report

for January 1 – September 30, 2000

Thalamus Networks AB (publ)

Television

Interim Report for January 1 – September 30, 2000

Highlights for the period

- Net sales rose, from SEK 15,369 thousand to SEK 20,742 thousand, representing an increase of 35% year-on-year.
- The Company's shares have been quoted on the OM Stockholm Exchange's O list since September 4.
- Agreements were signed for the provision of Internet services to the housing cooperative Masthugget.
- Thalamus signed an agreement in November with Avantra, an information technology company, to create a standardized e-commerce platform.
- ebo ab in Eslöv, Sweden, renewed its contract with Thalamus for a three-year period.

During the first nine months of 2000, Thalamus Networks underwent a thorough change in its profile, focus, and market presence. During the first six months, the Company changed its name and established itself as a serious player in the market through corporate identity campaigns, telemarketing, recruitment, and numerous calls on clients. Moving the shares to the O list on September 4 was intended to obtain a seal of quality for Thalamus in the eyes of existing and potential customers, partners, and shareholders.

The focus on broadband systems for residences resulted in an initial contract in Gothenburg covering 16,000 homes during a three-year period.

In the third quarter, connections were installed in the first group of homes, and work continues apace.

Thus, Thalamus is the first company in Europe to install broadband for detached homes. Contracts were also signed with Sweden's biggest housing cooperative, Masthugget, which includes 1,169 apartments and 18,000 square meters of commercial space. Connections have been installed

for residential clients using a self-deployment model that considerably streamlines the process.

In Eslöv, Thalamus has realized almost 50% of its potential in ebo ab, which renewed its contract with Thalamus for three more years.

To make it possible for content providers and end-users to obtain better quality, in November Thalamus and the IT company Avantra signed an agreement to create a standardized e-commerce platform.

In energy, the Company is phasing in its next generation of control systems, which enable property managers to achieve significant efficiency gains and reduce energy consumption. Individual metering of heat consumption is another interesting development project.

During the third quarter, the Company recruited a new sales manager and simultaneously created a new sales organization.

Our customers and shareholders have high expectations for us. It spurs all associates in the Company to perform so that we reach the goals that we have set.

Net Sales and Earnings

Net sales rose 35%, to SEK 20,742 thousand (SEK 15,369 thousand in January – September 1999). The operating loss increased, to SEK -17,237 thousand (-5,756), and the loss after financial items was SEK -11,278 thousand (-5,419).

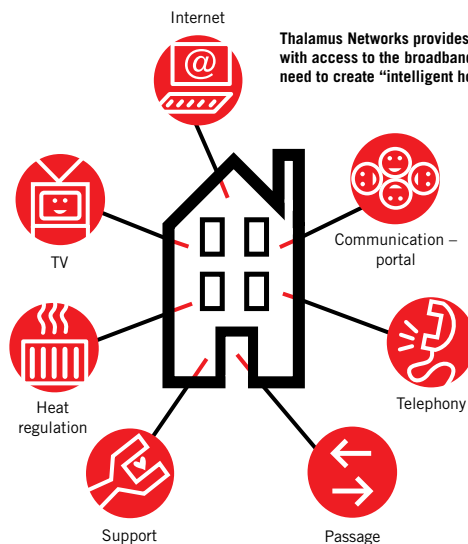
The Group reported weaker earnings. The main reasons were substantial marketing costs, the stock exchange listing, and investment in technology and building up the organization.

Significant Events in the First Half Market

The market for the Group's main business developed favorably, particularly in the Internet segment. However, in the second quarter the mood changed to a "wait and see" attitude, and decision-making processes took more time. This changed again in the third quarter to heightened interest in the market.

Interest in broadband services is growing steadily, and the usefulness of broadband is no longer questioned. In a telemarketing campaign conducted in the first six months of the year, the Company found keen interest throughout Sweden, on the part of large municipal housing corporations and individual property owners.

The volatility of certain high-tech companies and criticism of poorly devised business models in the industry have reinforced the Company's belief that security, privacy, operations, and support are the requisites for success. The Company's solid financial position also provides the wherewithal for long-term sustainable growth.



Thalamus will not participate in any price war in the Internet segment. The Company continuously reviews its strategy and business model to ensure that it can achieve long-term profitability as soon as possible.

In the third quarter, the Company canvassed property owners, network

owners, and end-users in various ways to determine better where and how to direct its efforts.

Property owners, for example, are increasingly interested in broadband services, as they emphasize improved relationships with their tenants and greater efficiency in property management.

Market communications and PR

In the first half, the Company's market communications were extremely successful. Thalamus will concentrate its follow-up marketing on the latter part of this year.

Service development

During the period, several projects were started to develop services. One project was to develop www.thalamus.nu, one of the first localized broadband portals in Europe. A general version was launched earlier this year, and development continues on the services offered in the portal.

Telephony trials were conducted with satisfying results. We expect to launch the telephony service in the fourth quarter. The prototype for a new kind of e-commerce platform is expected to be completed in the first quarter of 2001. The business model and preparatory phase for wireless broadband were launched in the second quarter, and we aim to start the project around

year-end. Various on-demand services will be ready by the first quarter of 2001. The first installation to provide individual metering of heat consumption has been completed for one client.

Micropayments system for e-commerce

In November, Thalamus and the IT company Avantra started a project to produce an e-commerce platform. The visual specifications are complete, and the project's first task will be to produce a prototype. The platform must be able to manage micropayments from the portal and

provide security reassuring to users. In addition, such a standardized e-commerce system must make it easy for content providers to offer services. The aim is to be able to sell the system to other companies in the business.

Personnel

Erik Nilsson, one of the Company's major shareholders, has resigned from his post as Energy Manager for personal reasons. Efforts to find his successor are already under way. In the interim, P O Andersson will be acting Energy Manager.

Financial Information

GROUP SEK thousand	Net sales, nine months			Earnings, nine months			
	2000	1999	1998	2000	1999	1998	
Group total	20 742	15 369	15 249	-11 278	-5 419	-1 108	
Quarterly net sales	2000			1999			
SEK thousand	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Group total	5 213	6 502	9 027	6 394	5 397	5 620	4 352
Quarterly income/loss after financial items	2000			1999			
SEK thousand	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Group total	-2 081	-4 198	-4 999	-3 463	-1 724	-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 1,238 thousand (657).

Employees

At the end of the period, the number of employees was 36 (25).

CONSOLIDATED INCOME STATEMENT					
SEK thousand	Nine months			Full year	
	2000	1999	1998	1999	1998
Net sales	20 742	15 369	15 249	21 763	18 083
Operating expenses	-37 979	-21 125	-16 295	-30 951	-21 454
Operating income/loss	-17 237	-5 756	-1 046	-9 188	-3 371
Financial income and expenses	5 959	337	-62	306	94
Income/loss after financial items	-11 278	-5 419	-1 108	-8 882	-3 277
Taxes paid					
Net income/loss for the period	-11 278	-5 419	-1 108	-8 882	-3 277

CONSOLIDATED BALANCE SHEET

SEK thousand	30 Sep 2000	30 Sep 1999	31 Dec 1999
Assets			
Intangible assets	514	566	392
Other fixed assets	2 951	2 368	2 800
Inventory	6 267	2 627	2 262
Current receivables	10 403	5 667	6 718
Cash and cash equivalents	246 488	6 668	26 670
Total assets	266 623	17 896	38 842
Shareholders' equity and liabilities			
Shareholders' equity	258 176	12 513	32 205
Interest-bearing liabilities and provisions	923	951	923
Non-interest-bearing liabilities and provisions	7 524	4 432	5 714
Total shareholders' equity and liabilities	266 623	17 896	38 842

CONSOLIDATED CASH-FLOW ANALYSIS	Nine months	Full year
SEK thousand	2000	1999
Cash flow from operating activities	-10 315	-7 722
Change in working capital	-6 016	-3 144
Investing activities	-1 236	-4 338
Cash flow before financing	-17 567	-15 204
Financing activities	237 385	41 874
Cash flow for the period	219 818	26 670
Cash and cash equivalents, January 1	26 670	0
Exchange rate differences in cash	–	–
Cash at end of period	246 488	26 670

BUSINESS RATIOS	30 Sep 2000	30 Sep 1999	31 Dec 1999
Equity/assets ratio	97%	70%	83%
Average number of shares	8 772 695	7 173 333	7 115 000
Earnings per share (SEK)	-1.29	-0.76	-1.25
Equity per share (SEK)	27.85	1.74	4.48

A total of 163,804 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 the date on which the proceeds from an issue or the capital contributed in kind is on account with 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.

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

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Full-year earnings for 2000 will be announced on February 14, 2001.

Stockholm, November 14, 2000



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Heat regulation

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Passage

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