Tele1 EUROPE

ANNUAL REPORT 2000

THE NORDIC BROADBAND BUSINESS SOLUTIONS COMPANY

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This document is essentially a translation of the Swedish language version. In the event of any discrepancies between this translation and the original Swedish document, the latter shall be deemed correct.

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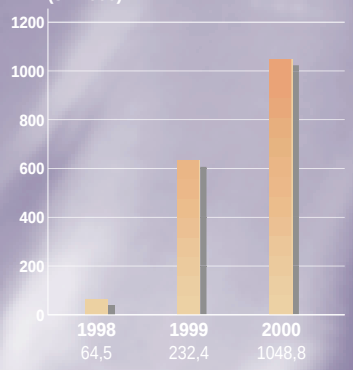
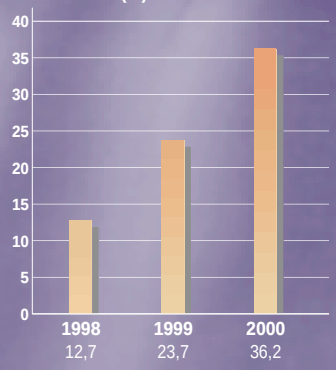
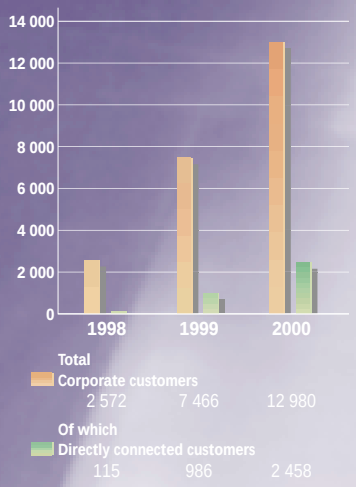
Net revenues 1998-2000 (SEK 000)



Gross margin before depreciation 1998-2000 (%)



No. of customers 1998-2000



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Tele1 Europe[1]

Tele1 Europe, listed on the OM Stockholm Exchange and Nasdaq, is a rapidly-expanding data, internet and telecom operator in Sweden, Denmark, Finland and Norway. The company's business concept is to offer broadband solutions for data, internet and telephony to large and medium sized businesses in the Nordic region. Tele1 Europe is currently the only pan-Nordic data, internet and telecom operator investing in local access networks with broadband capacity for businesses. Installation is taking place in the 80 largest towns and cities in the Nordic region.

These local networks, which will be connected to the long-distance network, will be one of Europe's fastest information highways for data and internet traffic with an initial capacity of up to one gigabit per customer. Tele1 Europe was formed in 1995 and has around 1 000 employees. The head office is in Stockholm and the company has 24 offices throughout the Nordic region.

History

1995
- Tele1 Europe formed
- Swedish operator's license approved

1996
- Traffic agreement signed with Telia, Tele8, MFS, Comviq, Europolitan and Telia Mobile

1997
- Tele1 Europe begins commercial activity in Sweden, with an office in Stockholm
- First regional offices open in Göteborg and Malmö
- Switchboards installed in Stockholm and Göteborg

1998
- Switchboards installed in Oslo, Copenhagen and Malmö
- Tele1 Europe begins commercial activity in Denmark and Norway

1999
- Mobile telephony agreement signed with Telia Mobile AB of Sweden
- Acquisition of Clinet Oy, Euroconnect A/S, Alfa Industrier AS and WinEasy AB
- Tele1 Europe begins commercial activity in Finland
- Two bond loans are carried out raising EUR 250 million and USD 150 million respectively

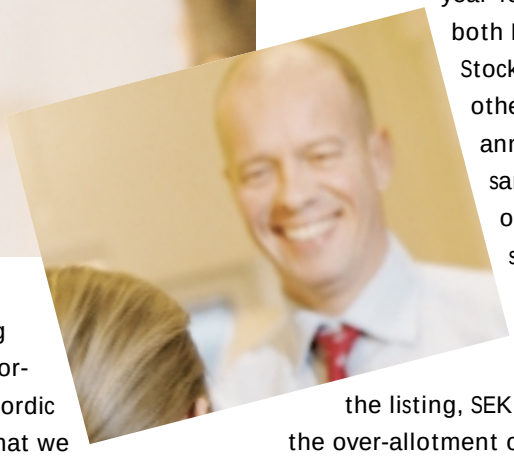
2000
- Listed on OM Stockholm Exchange and Nasdaq
- In conjunction with the stock market listing, which was the third largest in Sweden during the year, SEK 4.5 bn was raised
- Installation of own local fiber network begins
- Tele1 Europe gains its first fiber site[2]
- First Nordic operator to launch Virtual Private Network (VPN) services over Internet Protocol (IP).
- Acquisition of ElTeleRogaland AS

2001
- Bond loan worth EUR 175 million carried out at the start of the year

Tele1 Europe in figures

Tele1 Europe Group	2000	1999	Change
Net revenues, SEK million	1 047,9	232,4	351%
Gross profit before depreciation, SEK million	379,5	55,1	589%
Gross margin before depreciation, %	36	24	53%
Operating loss before depreciation, SEK million	-328,0	-234,0	-41%
No. of employees at year-end	971	369	163%
No. of corporate customers	12 980	7 466	74%
No. of on-net customers	2 458	986	149%
No. of on-net sites	3 736	1 200	211%
Fiber km, own access network	1 704	68	2 406%
Fiber km, own backbone fiber	6 652	1 020	552%
No. of network nodes	232	92	152%
Invoiced minutes, thousands	2 332 320	858 997	172%

1. Tele1 Europe or the Company refer to Tele1 Europe Holding AB
2. Site is defined as customer connection /office



Tele1 Europe is working towards being the leading broadband operator for corporate customers in the Nordic region. Strong evidence that we are well on the way to attaining that position – and quicker than expected – is that the old telecom monopolies in Sweden, Denmark, Finland and Norway consider us to be a main competitor. No other company has chosen the same primary focus – to concentrate activities on comprehensive solutions for corporate customers in the Nordic region.

We reached all our targets in 2000

The total number of corporate customers rose during the year from 7 466 to 12 980, of which over 50 are listed companies and several are major international corporations such as Coca Cola and Microsoft. During the year we laid, or acquired, 1 704 km of local access fiber in the key cities of the Nordic region. At year-end there were 2 458 corporate customers connected via Tele1 Europe's own network, compared with 1 495 at the start of the year. Revenues were five times higher in 2000 compared with 1999, up from SEK 232 million to SEK 1 048 million.

Adjusted EBITDA, as a percentage of revenue, improved strongly and I feel very comfortable about our performance. All the underlying assumptions about market growth, margins and other key parameters in our business model are being confirmed by the results we are now achieving.

Listing on Nasdaq and OM Stockholm Exchange – a hallmark of quality

Swift installation of new infrastructure requires major resources of course. At the start of the year Tele1 Europe was listed on both Nasdaq and the OM Stockholm Exchange. Several other Swedish businesses announced plans to do the same, but we were the only ones to actually do so. The successful listing meant a lot for us, both financially and for our market profile.

The sum we raised from the listing, SEK 4.5 billion net, including the over-allotment option, was the third largest in Sweden and the fourth largest in the Nordic region during the year.

The new issues in connection with the listings, together with two previous bond loans, have fully equipped us financially to carry out our original plans. We expect to achieve break-even in EBITDA (earnings before interest, taxes, depreciation and amortization) by Q2 2002 at the latest. In January 2001 we raised SEK 1 500 million via a new bond loan. The capital raised will be used for acquisitions, to complement our existing business plan and to further accelerate the roll-out of our broadband network.

Tele1 Europe and other operators listed on Nasdaq and the OM Stockholm Exchange, like the overall markets themselves, experienced a negative performance in 2000. At Tele1 Europe we can only effect this trend by continuing to deliver better results in terms of planned roll-out of the network, new customers, competitive services and by generating profits for our shareholders. Paradoxically, the worsening stock market climate has benefited us by building a barrier against new entrants and reducing the opportunities for competitors to construct similar operations. This has given us an advantage; we were first out and the time gain improves on a daily basis.

Our goal in our relations with investors is to minimize the perceived risk in Tele1 Europe's bonds and shares. The fact that demand for our recent bond loan exceeded supply shows that investors have great confidence in us and our ability to be a successful broadband operator for corporate customers.

Credible supplier of broadband services

During the year we recruited heavily to match the increased number of corporate customers and boost our growth. Several acquisitions also reinforced our organization. At present we have around 1 000 employees and the base for our activities is therefore in place. We will continue to recruit in 2001, although not to the same extent and our focus will be on data and internet competencies. We will also fine-tune our organization to boost efficiency and enable better co-operation across national borders.

Everyone working at Tele1 Europe can be very proud that we have succeeded in such a short time in positioning ourselves as a credible supplier of broadband services to businesses in the Nordic region. The total number of customers increased from 7 466 to 12 980, and on-net customers increased by 986. Our aim is that no customers choose to leave Tele1 Europe, and so far only a very few have left. We want our customers to view Tele1 Europe as the best supplier of broadband services.

Higher share of data and internet services, larger share of traffic in own network and doubled revenue per customer

The market for our services has developed in accordance with our expectations. The market for fixed and mobile telephony is relatively stable while demand for internet and data services is increasing strongly. Margins are relatively stable within all areas – data, internet and mobile services – and the best margins are found in internet and data. The three most important areas we are working in to increase revenues and profitability are:

- Increased proportion of revenues of data and internet services
- Increased proportion of traffic on our own network
- Added value revenues to existing customers

The proportion of data and internet services in our product range will increase, partly because these segments have the best margins, and partly because demand for these services is growing most strongly. During the year we acquired several companies, including two Norwegian companies, ElTeleRogaland and Cegal, who add important technical competence to our armory.

The next important value driver for Tele1 Europe is to increase the proportion of traffic on our own network.

The proportion of traffic on our own network from on-net customers increased from around 20% for the full year in 1999 to around 45% for the full year in 2000. As a complement

to our fiber network we rent capacity on the copper lines belonging to the former telecom utilities and can therefore offer DSL services (Digital Subscriber Line) to our customers. In the spring we gained our own copper access in Sweden and have been able to connect our own equipment to the copper network.

Deregulation of the access network (LLUB) as ordered by the EU Council of Ministers, which came into effect on 1 January 2001, creates the conditions for a more effective market in which all operators have the same opportunities.

Finally, increased sales to existing customers. At present many of our customers buy only one service from Tele1 Europe. There is great potential for increasing volume by selling complementary services to existing customers. The aim is to double our revenues per customer over coming years. Our infrastructure, with long-distance and local access networks, combined with the DataCenters that we are constructing throughout the Nordic region, will give us a strong position to function as a distribution channel for applications and value-added services. Our DataCenters enables us via hosting to provide professional operational services up to application level. We will also pursue revenue sharing opportunities where we can charge commission for services offered on our networks. The amount of applications and information on networks, both the internet and virtual private networks, is increasing continuously. Our customer base, consisting of several thousand businesses, makes us a key distribution channel for suppliers of software and content.

Another way to increase revenues and profitability is to increase the number of services and the capacity used by customers. Businesses can improve efficiency and job satisfaction by giving their employees access to greater broadband capacity. Waiting for information to arrive on screen is irritating and stressful. Businesses that are generous and build high-capacity networks internally will reap the benefits in terms of increased efficiency and employee satisfaction. We will help businesses to discover these benefits in order to further clarify the value of extended broadband capacity.

We will move further ahead of our competitors

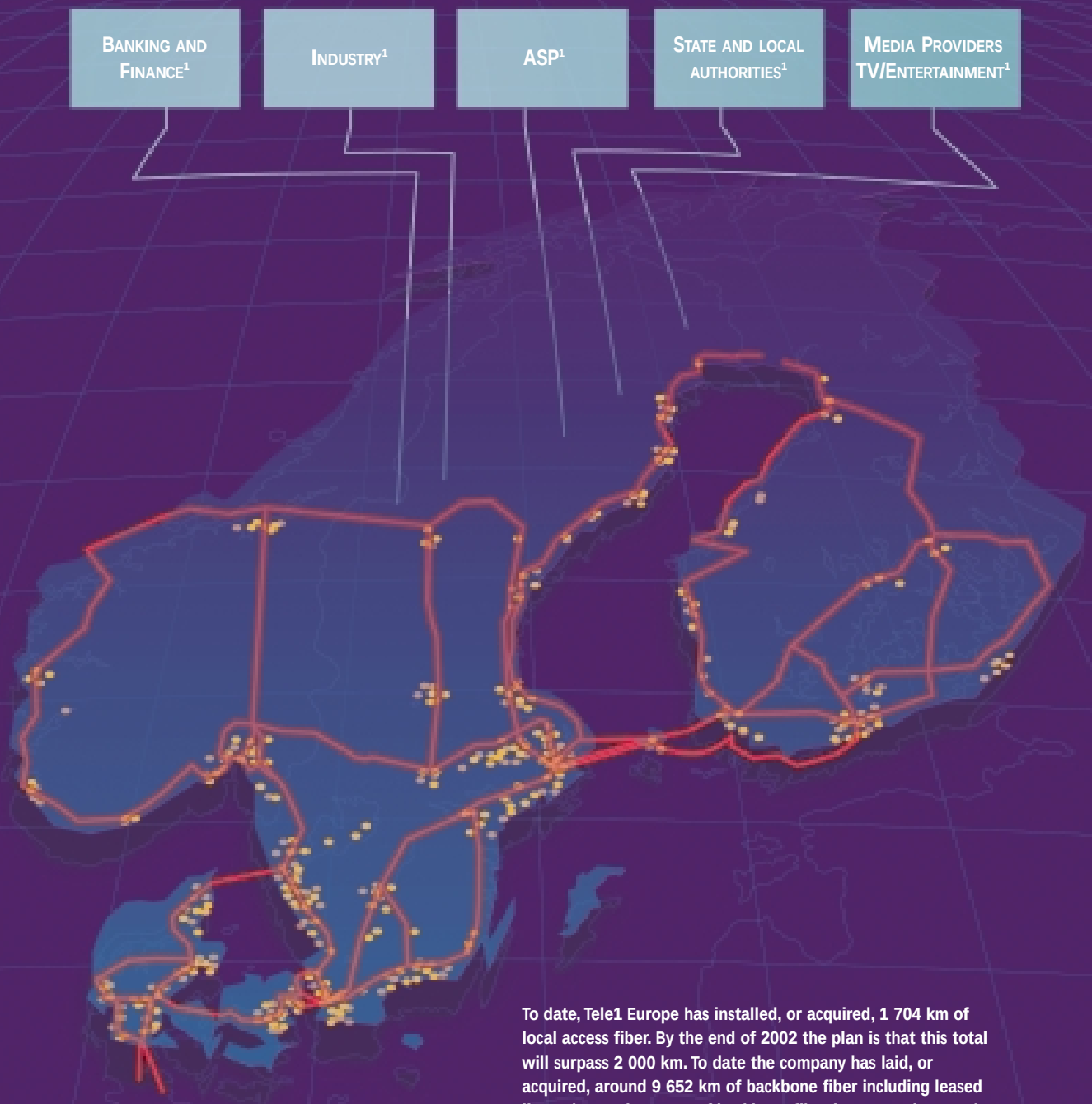
The market outlook for 2001 is favorable. The overall market for data, internet and voice services in the corporate market in the Nordic region is expected to grow by 9% for telephony and 14% for data/internet in the next three years[1]. We will increase our market shares in all segments and we are well equipped to compete successfully within our targeted sectors.

Ivar Strömberg
President and CEO
Tele1 Europe Holding AB

1. source: Dataquest september 2000

This is Tele1 Europe

Tele1 Europe's broadband network:



To date, Tele1 Europe has installed, or acquired, 1 704 km of local access fiber. By the end of 2002 the plan is that this total will surpass 2 000 km. To date the company has laid, or acquired, around 9 652 km of backbone fiber including leased lines. The total amount of backbone fiber is expected to reach 11 100 km including leased lines until the end of 2001. The number of DSL nodes is expected to increase from its current level of 232 to around 350 by the end of 2003.

Broadband facts

Broadband	– data transmission of at least 2 Mbit/s
Backbone fiber	– intercity network, long distance network between towns
Local access network	– local fiber network connecting buildings to the backbone network. Divided into: - intracity network - fiber within business-intensive areas

1. Example of target groups

Business concept, vision and strategies

Tele1 Europe is one of the largest data, internet and telecom operators in the Nordic region. The Group has a broad business based on infrastructure and supplying data, internet and voice services. At present the Company is the only pan-Nordic company investing in local access fiber networks with broadband capacity. The strategy is to connect corporate customers via fiber or DSL technology with the highest possible capacity.

In just five years Tele1 Europe has built a position as one of the leading suppliers of complex communication solutions in the Nordic corporate market.

Business concept

Tele1 Europe's business concept is to offer the best holistic solutions for data, internet, voice and mobile services to large and medium-sized businesses in the Nordic region. This means that Tele1 Europe supplies integrated communication solutions that are attractively customized for each corporate customer.

Via a broadband connection to Tele1 Europe's Nordic fiber network, customers gain access to all data and telecom services in a simple, effective and secure way.

Most businesses have limited resources for managing data and voice communication. The solution offered by Tele1 Europe is to take responsibility via outsourcing of all or parts of the company's total communication requirements.

Vision

Tele1 Europe shall be the leading supplier of broadband solutions to businesses in the Nordic region.

Tele1 Europe links the largest cities in the Nordic region

The installation of local access networks will take place in 80 of the Nordic region's largest towns and cities and will be linked together via a backbone network. This will create one of the fastest broadband networks for data, internet and voice traffic in Europe. Network capacity of 1 gigabit per second was achieved in 2000.

Tele1 Europe's network – overview

Tele1 Europe is installing broadband networks for local access via fiber optics in areas where there are many businesses. Two methods are used to directly connect customers when installing local access networks:

- installation of fiber optic cable in areas where potential customers are highly concentrated.
- DSL technology on existing copper wire in areas with lower concentration of businesses or as a complement in connection with the extension of the network.

Tele 1 Europe's broadband networks – the facts

The networks are being built to be scalable, flexible and reliable. The networks are also redundant, i.e. they have mutually connected loops of fiber and SDH (Synchronous Digital Hierarchy).

The intercity network (or backbone network) is being built to handle intensive traffic between the local access networks and the intracity fiber loops located in the larger cities of the Nordic region.

Tele1 Europe's strategies

Focus on corporate customers
Tele1 Europe's target group is businesses with at least 10 employees in the Nordic region that spend at least SEK 12 000 per month on communication services, internet operators, sales and other operators. Tele1 Europe has identified a total around 100 000 of these businesses in Sweden, Denmark, Finland and Norway.

Installing broadband networks for local access
One of Tele1 Europe's most important competitive advantages is being able to deliver broadband right to the customer. The opportunity to provide a broad range of services is improved by owning and controlling the local fiber networks. In this way the Company gains better control over the quality of services.

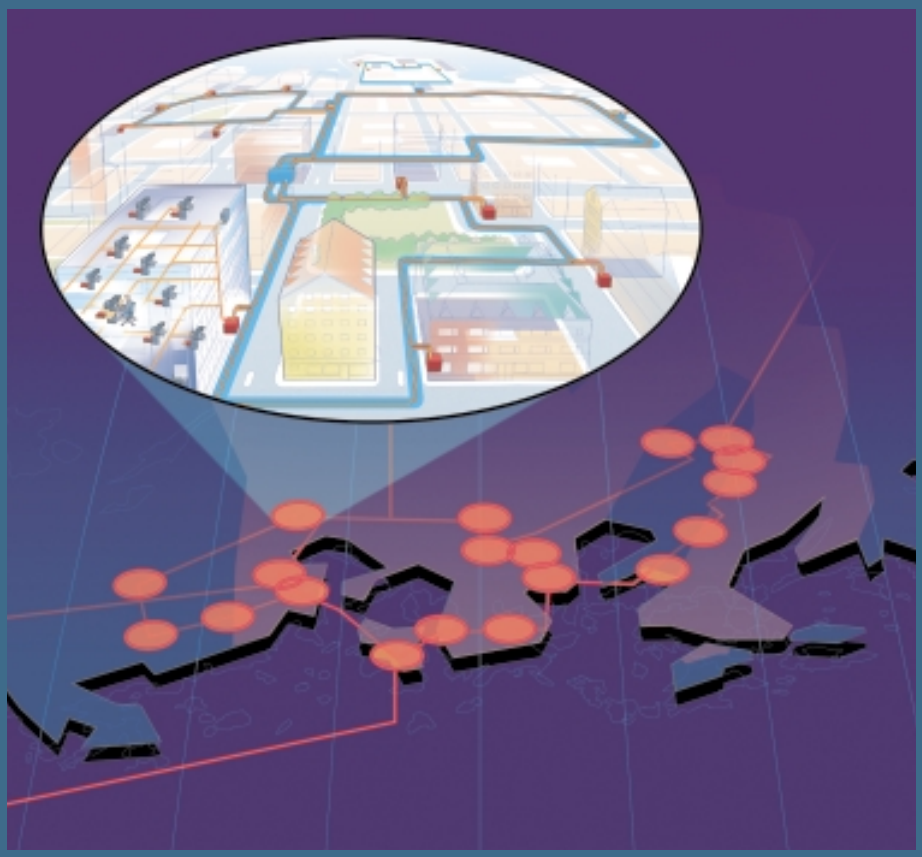
Offering comprehensive solutions and top class customer service
Tele1 Europe offers comprehensive communication solutions for data, internet, voice, mobile services, as well as server and web hosting and other value-added services. Top class customer service is very important for attracting and retaining customers, and for selling additional services.

Increased range of hosting services
The current server hosting and DataCenter services are being extended to offer businesses flexible and secure internet solutions.

Local expansion
Tele1 Europe works from local offices with local managers and staff, enabling swift response to the needs of local customers.

Strategic acquisitions
Tele1 Europe will acquire companies when this supports the other main strategies of the business. During the year Tele1 Europe acquired two Norwegian companies, ElTeleRogaland and Cegal, who have important technical competence in the data and internet sectors.

Tele1 Europe focuses exclusively on corporate customers. By building a broadband network with local access, the company can offer comprehensive solutions covering data, internet and voice services. All employees are dedicated to making Tele1 Europe the natural choice for corporate customers in the Nordic region.



Tele1 Europe's broadband network is connected to commercial property in the major towns and cities throughout the Nordic region. Up to 85% of businesses with more than 10 employees in the Nordic region, which represents Tele1 Europe's target group, shall be able to use Tele1 Europe's services via this network.

The illustration shows completed and planned fiber pockets in industrial areas in and around Helsinki. All industrial areas will be linked during 2001.

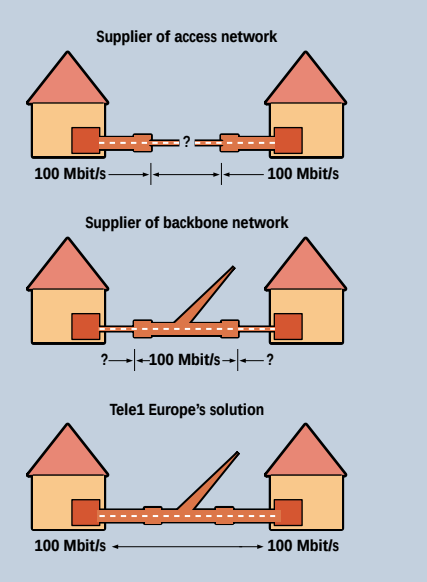
Tele1 Europe's network – high capacity all the way to the customer

Tele1 Europe distinguishes itself from its competitors by offering its customers high capacity on fiber networks for the entire connection, from companies' own networks via the local access network and out onto the long-distance digital superhighway.

Tele1 Europe's strategy is to supply high capacity fiber access all the way to the corporate customer. There is currently intense activity in the market for broadband services, and the Company's roll-out of its network throughout the Nordic region was considerable during the past year. Demand for data and telecom services based on broadband technology is growing constantly. In 2000 Tele1 Europe carried out planned investments totaling around SEK 2 000 million, making the Company a leading player in this sector.

Tele1 Europe is building an integrated network in Sweden, Denmark, Finland and Norway. The network consists of local access networks consisting of fiber and DSL connections in areas where businesses are highly concentrated. DSL technology enables high-speed transfer of data to customers not connected to Tele1 Europe's local fiber access networks. This is made possible by renting local copper access from Telia in Sweden, Telenor in Norway, Tele Danmark in Denmark, Sonera and other telecom operators in Finland.

The Group's objective is to connect up to 85% of businesses in the Nordic region with 10 or more employees.



With Tele1 Europe's local access network, customers have access to high-capacity fiber the whole way. A traditional solution often means that traffic goes via other networks with lower transfer speeds on a stretch between the company's network and a long-distance fiber network.

An ever-expanding network

During 2000 work continued aimed at constructing the infrastructure for the Nordic fiber network.

- 1 704 km of local access fiber was installed in the four Nordic countries as of 31 December 2000, an increase of 1 636 km compared with the end of 1999.
- As of 31 December 2000 the Company had 232 active DSL nodes in Sweden, Denmark, Finland and Norway, 140 more than at the end of 1999.
- Tele1 Europe's backbone network amounted to 6 652 km on 31 December 2000, a massive increase of 5 632 km compared with 1999.
- On 31 December 2000 the Company had 451 (0) fiber sites directly connected to its own network and 1 885 (around 800) DSL sites. Sites on rented lines amounted to 1 353 (around 400) and radio-linked sites amounted to 47 (0).

Network extension

- The local fiber network is expected to surpass 2 000 km by the end of 2002.
- The backbone network is expected to reach 11 100 km, including leased line, by the end of 2001.
- The number of DSL nodes is planned to exceed 350 by the end of 2003.

Facts about the broadband network

Broadband	– data transmission of at least 2 Mbit/s
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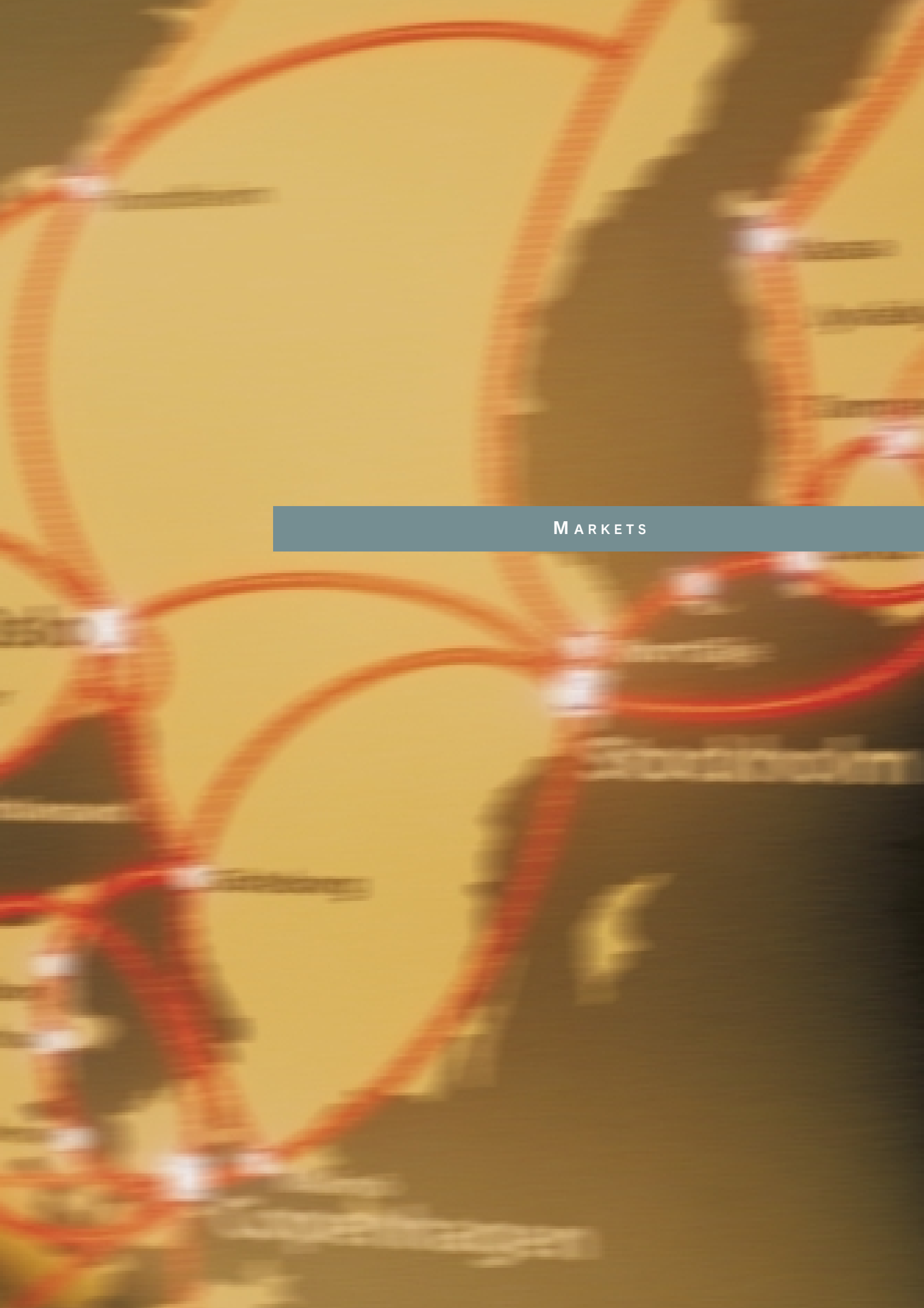
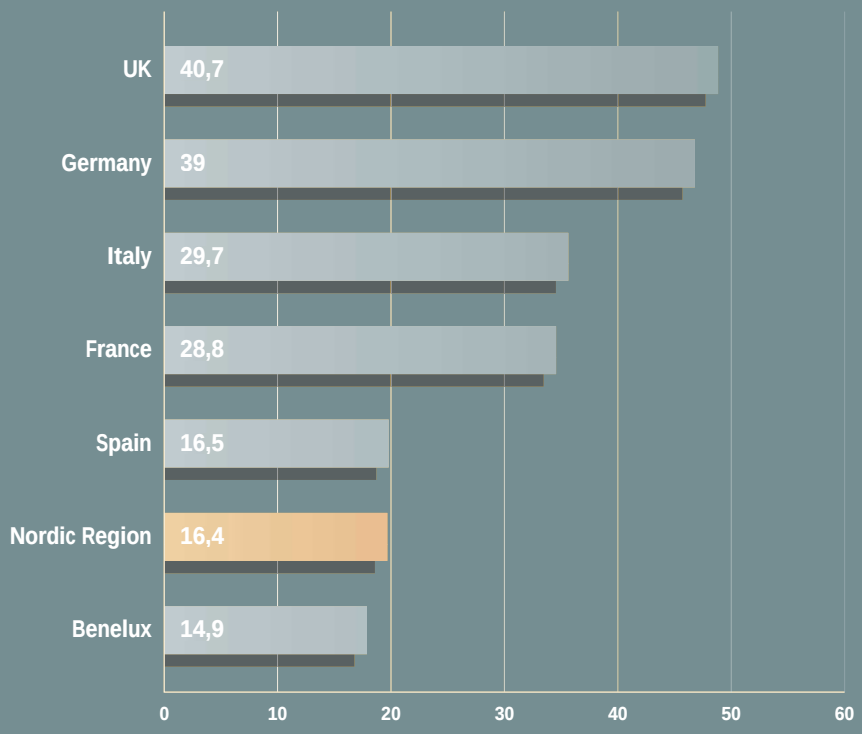


Markets

High potential for the Nordic telecom market

- 24 million inhabitants
- GNP per capita in the Nordic region, USD 28 438, is among the highest in Europe
- Fast take-up of new technology among inhabitants
- Highest internet and PC penetration in Europe

Telecom market, total value (USD billion)



Source: Dataquest September 2000 (1999 data)

An advanced market

The Nordic market for data and telecommunication services is one of the most advanced in the world. Customers on this market have shown themselves to be critical and swift to adapt. With internet penetration at around 50% of homes[1] and mobile telephone penetration at 60%[2] strong pressures urge organizations and businesses, to invest in communication services. The Nordic market for telecom services in 1999 was calculated at USD 16 400 million[3], which means that the Nordic market was at a very high level in terms of how much is spent on data and telecommunications services in relation to the overall economy. The Nordic market is the sixth largest in Europe after the UK, Germany, Italy, France and Spain. Growth in the Nordic market, for the next three years is estimated to be an average of around 9% for telephony and around 14% for data and internet[4], which is among the highest in Europe.

Several factors explain the successful growth of the market for data and telecommunications in the Nordic region. They include:

- The long history of the telecom industry and high usage of both fixed and mobile telephony.
- Early deregulation of the telecom monopoly.
- Independent authorities with a strong mandate (especially in Sweden).
- Strict regulations against compromising competition in the fixed and mobile networks.
- Major suppliers such as Nokia and Ericsson.
- The telecom sector drives a large part of the overall economy and successful new businesses grow up next to the major players.
- International players have established research and development centers throughout the region (e.g. Helsinki and Kista outside Stockholm).
- Early launch of new mobile telephone networks (NMT, GSM, UMTS).
- Abolition of pre-paid prefix for fixed telephony
- Access to qualified labor with advanced telecom skills
- Early demand for broadband services from businesses and homes.

1. Jupiter Strategic Planning Services, estimate for 2000
2. European Information Technology Observatory (EITO)
3. Calculation for 1999 based on figures from Dataquest, September 2000
4. Calculation for 1999 based on figures from Dataquest, September 2000

Market trends

The Nordic market reacts rapidly to new trends. Customers are relatively quick to demand new services created by new technology. A series of pilot projects have been set up in the Nordic region, especially in Sweden and Finland, focusing on completely new applications and areas of use within data and telecommunications and testing the latest technology within fiber optics, mobile internet and Bluetooth.

During 2000 there was clear demand from corporate customers for broadband solutions for internal networks. Businesses increased demand has developed and more complex solutions are now being requested.

Convergence between the data and telecom network

Today most data and telecommunications takes place in separate networks. During 2001 we will see increased integration, with businesses' fixed telephony and mobile traffic being transmitted on local access networks (LAN). The market for IP telephony moved forward during 2000 but did not achieve breakthrough. Security and capacity aspects have so far caused businesses to delay. The major breakthrough for this technology is expected in 2001 and 2002.

Faster transmission speeds create new opportunities

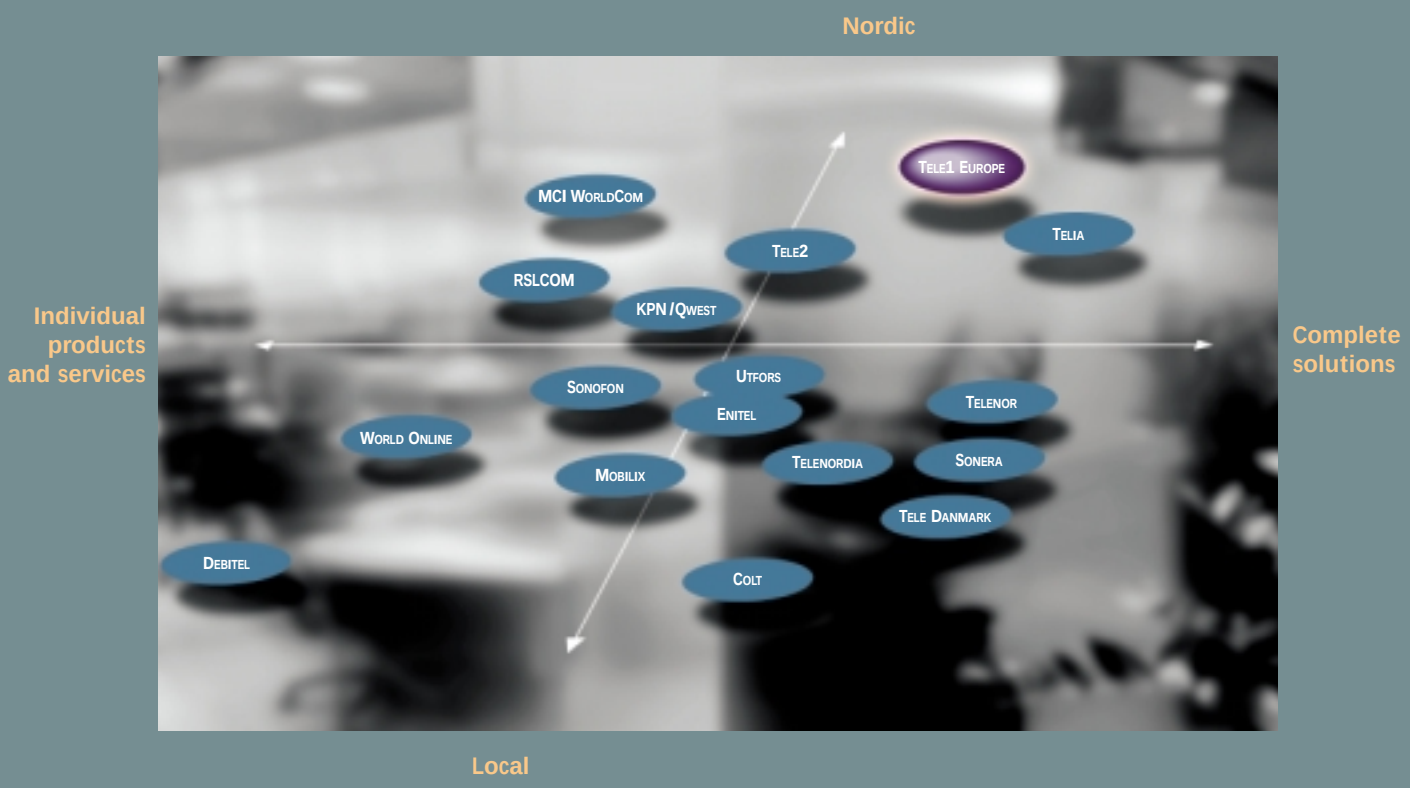
Major progress has been achieved in both fixed and wireless data networks and telecommunications. Transmission speeds are increasing while access technology is improving. Sound, images and text can be combined and this creates new areas of applications for end users. Development is also leading towards reduced costs and prices per unit, enhanced mobility and greater access to data-intensive content and applications. Demand for broadband services from businesses and consumers increases continuously.

The new information-based economy is expected to lead to a major increase in global data and telecom traffic.

Competitors

With the market deregulated in the Nordic region several telecom businesses have established strong positions. Tele1 Europe competes with the former state-run telecom utilities, Telia, Tele Danmark, Telenor and Sonera, and with other established players focused on the corporate market. Other competitors include Tele2, MCI WorldCom, TeleNordia and Enitel.

Tele1 Europe's success in its selected markets will in future be dependent on the Company's ability to provide services that exceed its competitors' offerings. High broadband capacity and a well-developed service portfolio are key factors for success in the Nordic market.



Tele1 Europe has chosen to position itself as supplier of complete solutions for the Nordic region's companies' communications needs. Source: Tele1 Europe's own assessment of the position in relation to the competition.

Thomas Pedersen, head of data and telecommunications at Coca Cola, Sweden, and a customer of Tele1 Europe:
"Tele1 Europe is the only operator that can offer this type of service throughout the Nordic region"

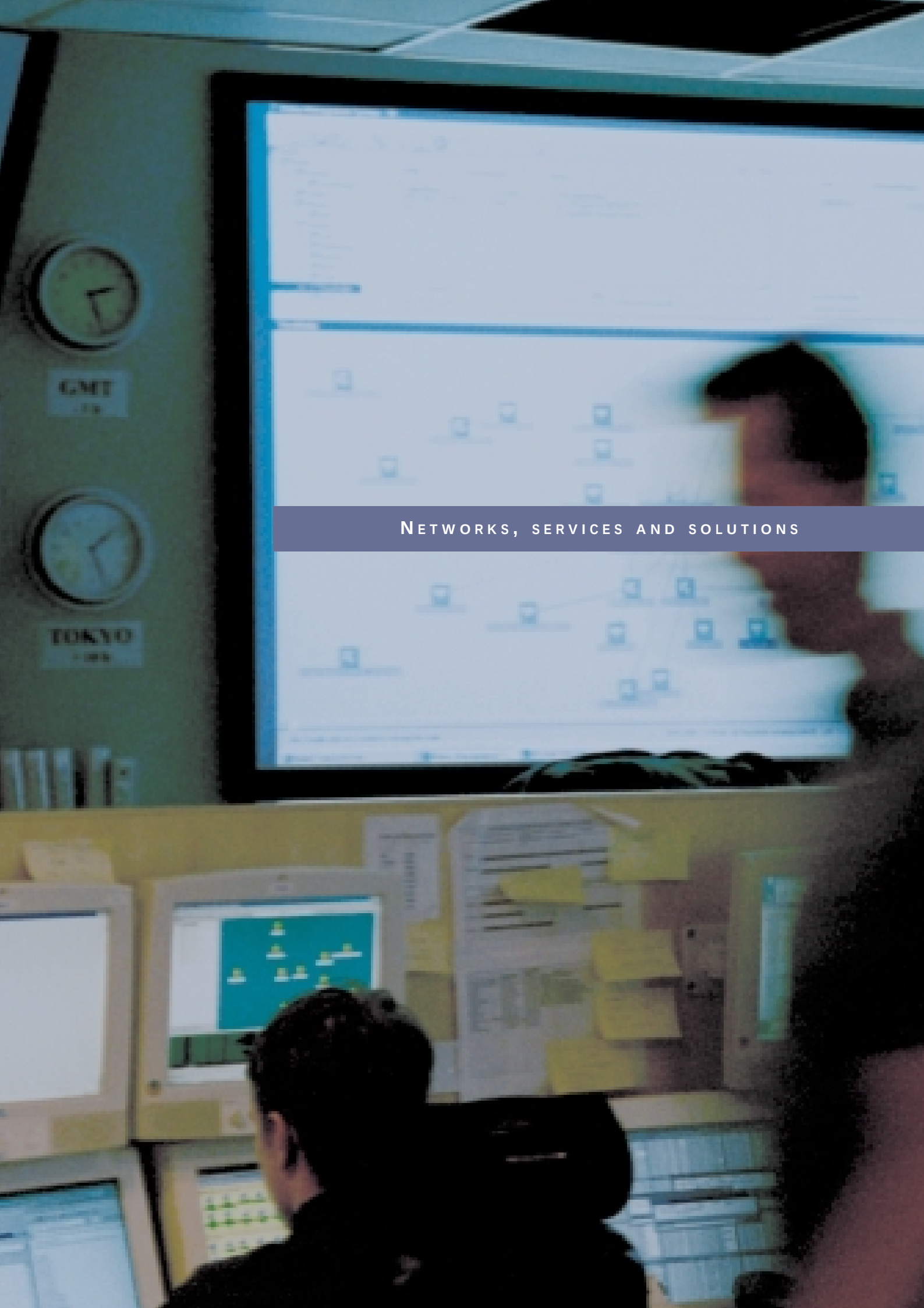
Coca Cola Nordic Beverages has purchased a Nordic outsourcing solution from Tele1 Europe. It means that all Coca Cola's telephony requirements in the Nordic region are handled by Tele1 Europe.

Thomas Pedersen, at Coca Cola, says: "The reason why Coca Cola selected Tele1 Europe is that they are the only operator that can offer this type of service throughout the Nordic region. Coca Cola buys all its fixed telephony requirements with associated switchboards and service in Denmark, Finland, Norway and Sweden from Tele1 Europe."

An agreement between Coca Cola Nordic Beverages in Denmark and Tele1 Europe A/S in Denmark was signed in the autumn of 1999. The idea is that Coca Cola will not spend its own time and resources on telephony, but will pay Tele1 Europe to provide a highly cost-effective solution.

To meet customer requirements Tele1 Europe has established a Swedish account team devoted to Coca Cola. The team is in Sweden because one of Coca Cola's largest European sites is based there. "It is very stimulating working with Coca Cola. We are often brought in at an early stage of a project so we have a good opportunity to influence the overall solution," says Christian Raahave, Coca Cola account manager for Tele1 Europe A/S in Denmark.

Christian Strömlid, Coca Cola account manager for Tele1 Europe AB in Sweden, adds: "Coca Cola has signed one agreement that applies throughout the Nordic region. No other operator can provide the same service. We have established a Swedish account team comprising project manager, revenue person, revenue support and service account manager in order to meet Coca Cola's local requirements. It's a great advantage being able to offer a pan-Nordic solution, but we must be able to act locally in each country, too."



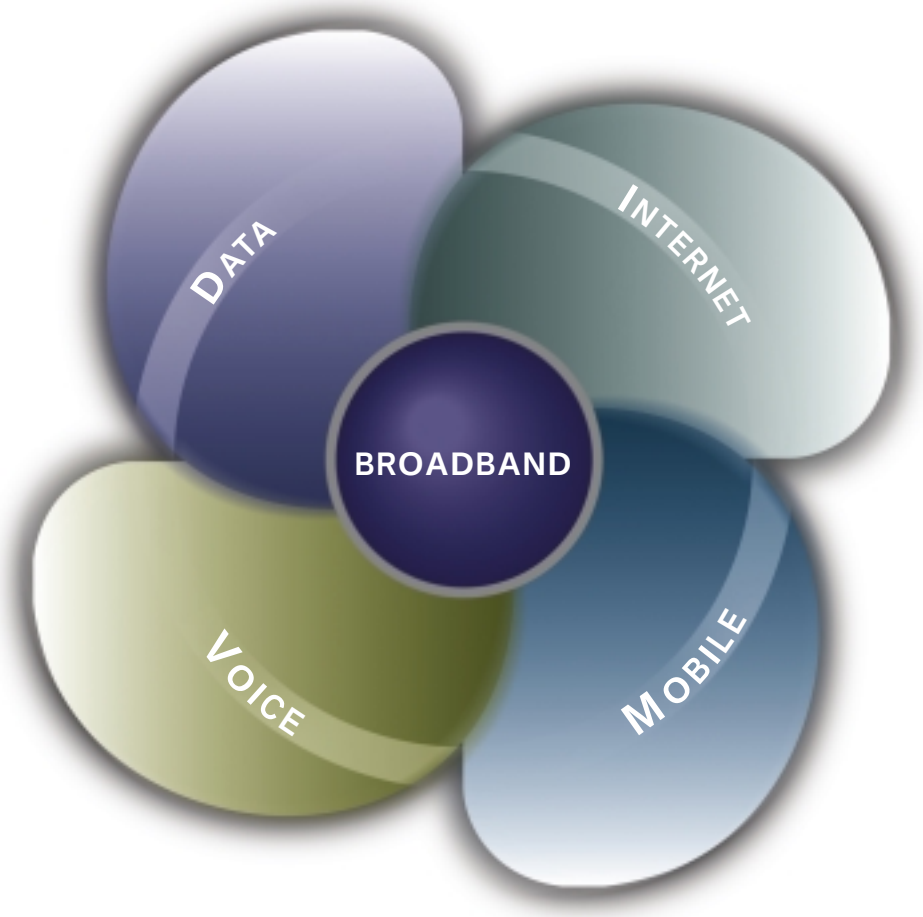
Networks, services and solutions

One solution – many components

Tele1 Europe offers its customers complete communication solutions. This means that Tele1 Europe does not view different parts of a solution in isolation. The Company focuses on a complete solution that meets all the customer's requirements. Data, internet and voice services have many common features and are increasingly being integrated.

Communication solutions are customized to match each customer's requirements. With a broadband connection to Tele1 Europe's fiber network in the Nordic region, a customer gains access to all available data and telecommunication services in a simple, secure and efficient way.

Tele1 Europe's holistic solution



Tele1 Europe tailors solutions for data, internet and voice services. By choosing a supplier for all services the customer receives benefits and synergy benefits.

The broadband network creates the conditions for Tele1 Europe's services

The right infrastructure must be in place before completely integrated solutions can be offered. Tele1 Europe is building digital networks featuring the best fiber optic solutions and the most advanced technology. By building its own access networks right up to the customers' own locations, Tele1 Europe is creating better opportunities for offering a unique range of services. During 1999 Tele1 Europe began building a fiber optic network to connect its local fiber optic networks and reach out to commercial properties in the most important towns and cities in the Nordic region.

Outsourcing – the natural choice

Businesses increasingly have fewer resources internally to manage the daily administration of data and telecom systems. Outsourcing is the obvious choice for these businesses, enabling them to focus more sharply on their core operations. Tele1 Europe gives corporate customers the opportunity to outsource all or parts of their systems for data and telephony.

In addition to focusing on core operations, the advantages of outsourcing are many and include increased productivity, efficiency and flexibility. Large investments in equipment, high repair costs and other unforeseen expenses are avoided. Another advantage is automatic upgrading and optimum use of the latest technology together with advice and solutions provided by Tele1 Europe's experts. The customer receives a single specified invoice with complete reporting of all costs per region, department and telephone number.

Tele1 Europe's broadband network enables the following:

- IP/VPN connections to the company's local networks. Fast, secure and with high availability, either locally or throughout the Nordic region.
- Internet access with maximum capacity and availability without bottlenecks.
- Connection of the company's telephone switchboard for fixed telephony.
- Access to value-added services such as Unified Messaging, etc.
- The opportunity to outsource daily administration and operation of the company's data and telecommunications.
- Server hosting
- Facility management

Strategic acquisitions

Jon Ole Nome, technical director for Tele1 Europe AS:
"Together we can provide comprehensive coverage in Norway"

In June 2000 Tele1 Europe AS, Tele1 Europe's wholly owned subsidiary, acquired ElTele Rogaland, the leading data and broadband operator in western Norway. The acquisition meant that Tele1 Europe now has one of the most extensive fiber access network in Norway.

"We have an extensive access network in the region and that makes us very competitive when we offer broadband communication to businesses. Our vision is to actively contribute to business conditions in the region to encourage growth at both local and global levels," says Jon Ole Nome, technical director for Tele1 Europe AS and previously technical manager at ElTele Rogaland.

"Tele1 Europe is not just our new owner, they are also a guarantee that we will fulfill our ambitions. Tele1 Europe is a strategic owner who will add value to existing infrastructure, thus benefiting our customers. Tele1 Europe's entire communication network and services in the Nordic region are now at our customers' disposal," adds Jon Ole Nome.

"Our activities in Sør-Vestlandet have been greatly reinforced through the acquisition. There are great strategic benefits, especially as a very large part of all international connections go through Rogaland," explains Pål E. Vegard, President of Tele1 Europe AS.

For Tele1 Europe the acquisition of ElTele Rogaland also means access to unique internet services and new ISP and ASP services with the most common office programs. Synergy benefits include teaming up Tele1 Europe's strong revenues and customer oriented organization with ElTele Rogaland's highly qualified technical organization. Finally, Tele1 Europe AS gained a significant addition to its broadband network via the purchase. ElTele Rogaland's infrastructure consists of around 1 300 km of cable, of which around 500 km is fiber cable.

A great offer within data and internet services

Tele1 Europe offers advanced data and system solutions to meet the demands of Nordic businesses for fast and secure communication of the highest quality.

Going into 2001 Tele1 Europe's objective is to further strengthen its position as a significant supplier of comprehensive solutions within data communication. This will be achieved by strengthening existing services on the market and by adding new services and solutions packages.

Tele1 Europe's online range strengthens the Company's role as a supplier of technical solutions and outsourcing. The focus is on value-added services such as web and server hosting, along with concepts for data, internet and hosting. Demand for online services increases continually.

Within hosting, Tele1 Europe competes with CityReach and Integra within operational services. In the data and internet services sector Tele1 Europe competes mainly with the former state-run operators in each Nordic country plus Tele2, Telenordia and Enitel.

IP/VPN - the core of Tele1 Europe's data services

Tele1 Europe is a market leader in IP/VPN based on the latest technology. The service means that corporate customers connect their local networks to the Tele1 Europe IP network in order to quickly and simply communicate between different local data networks. Tele1 Europe uses the latest IP technology (MPLS) to ensure that businesses receive secure and cost-effective solutions.

Server hosting

Via its wholly-owned subsidiary since 1999, WinEasy, Tele1 Europe is a leader in server hosting, or the management of internet solutions. Unparalleled access is reached through thousands of km of its own fiber network in the Nordic countries, in combination with connections to a number of Europe's major connection points, to ensure optimum data traffic transfer. This fact, combined with the most secure DataCenters in Europe, means that Tele1 Europe can offer comprehensive solutions with maximum availability and security for its customers' business-critical systems. In addition to cost savings, Tele1 Europe gives its customers access to the best equipment, infrastructure and experience so that they can focus on their core operations.

A WinEasy DataCenter is a facility especially designed to meet the rigorous demands regarding the operational environment for servers, systems and applications. The DataCenters are built to ensure maximum security. The fire classification, for example, meets EU norm EN1047, the only norm that takes into consideration all the possible threats to computers and computer environments.

Physical security at the recently built DataCenter at Lidingö, outside Stockholm includes biometric authentization (fingerprint identification), movement sensitive cameras, scale protection and advanced alarm systems to prevent unauthorized access. The facility maintains a constant temperature so that all equipment works with minimum disturbance.

Demand for Tele1 Europe's DataCenters is increasing

Demand is rising for Tele1 Europe's DataCenters as businesses increasingly look for outsourcing, mobility and local access to centralized information and applications.

It is a clearly noticeable trend that software is being moved onto networks with the help of service agencies. Maintenance and upgrades are performed online instead of locally for each user. Tele1 Europe aims to build links with suppliers of software and other services regarding delivery of information services.

The strategic aim is to build several small DataCenters close to customers because they want close proximity and personal service. At present there are three DataCenters in Stockholm and a further three centers will be established in the Nordic region by the end of 2001.

Tele1 Europe offers the following data and internet services

IP/VPN

Managed Data Services: IP/VPN is a data service for corporate customers whereby they connect their local network to Tele1 Europe's IP network The service is usually used by customers with several offices who wish to connect them in a logical data network. Broadband capacity: 256 Kbit/s - 100 Mbit/s.

Rented bandwidth

Managed Bandwidth Services: Permanent physical connections between different offices for voice and data applications. These broadband services are available via Tele1 Europe's own network with transmission speeds ranging from 64 Kbit/s - 1 Gbit/s.

Via its wholly-owned subsidiary, WinEasy, Tele1 Europe is a leader in server hosting and management of internet solutions. With its own broadband network, and with one of Europe's most secure DataCenter concepts, Tele1 Europe can offer maximum availability and security for its customers' business-critical systems.

Frame Relay services

Frame Relay services are offered to customers who wish to link offices that are located outside the Tele1 Europe's Nordic network. The services enable high-speed transmission between different networks.

Shared Hosting

Tele1 Europe offers web subscriptions to customers who require smaller web hosting solutions. The service entails renting space on the subsidiary, WinEasy's server, with the possibility to connect different databases and functions such as livestatistics, SQL databases, and password protection of libraries and search engines. Other services include SSL certification for encryption and domain management.

Dedicated Hosting

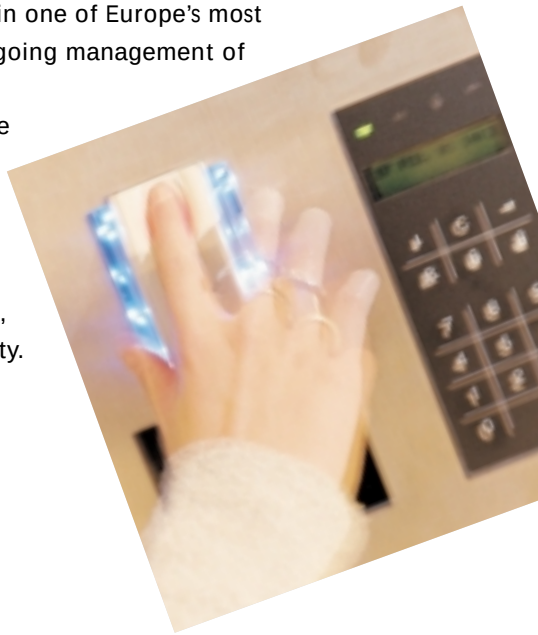
Access to a server located in a Tele1 Europe DataCenter gives customers enhanced reliability, security and performance. Unlike services in a shared hosting environment, this service means that the customer's database is located on a dedicated server, designed purely for their requirements.

The main difference between this service and the shared alternative is that the customer in a dedicated environment is not affected by other businesses using system resources. The subsidiary WinEasy is responsible for operations, security, back-ups and continual monitoring of the server to ensure optimum accessibility and performance. The service does not entail expensive investment in software and hardware, just a fixed monthly fee that includes a license and a small initial investment.

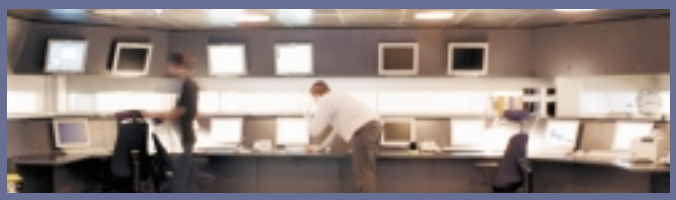
Co-location and Managed Services

Through WinEasy, Tele1 Europe has the competence and experience to adapt all solutions to meet each customer's specific requirements. Everything from rental of space in one of Europe's most secure DataCenters to taking responsibility for implementation and ongoing management of system solutions.

WinEasy has highly qualified personnel with extensive competence and experience of all the most common operating systems, databases and applications. We can offer specialist know-how in design and protection of platforms and applications. The basic Co-location service means that the customer's equipment is located in a Tele1 Europe DataCenter where additional services can be added such as surveillance, back-up management and other functions that ensure maximum security.



Joakim Rutgersson, Internet Manager at Xerox:
"It seemed natural to let an external partner such as WinEasy take care of the management of our web servers."



The WinEasy control center.

Joakim Rutgersson, Internet Manager at Xerox: "Xerox works a lot with outsourcing. We buy in services and we sell them, too. It seemed natural to let an external partner such as WinEasy take care of the management of our web servers. Because we intend to focus on what Xerox does best – providing document management solutions."

"The requirements Xerox set for its supplier was 24-hour surveillance of an e-business system where there are strict security levels. WinEasy has broad experience of that type of system and the requirements it must meet," explains Joakim Rutgersson.

To achieve high performance and availability, Xerox uses several large servers in a dedicated environment. WinEasy has installed the entire system to ensure maximum security at every level. The company takes care of backups and has complete responsibility for guaranteeing security on the public internet.

"Our partnership began in the spring 2000 and works very well. To meet requirements for quality and uptime, Xerox decided to give WinEasy responsibility for implementation, ongoing operation, monitoring and maintenance of the machines. In addition to continuous updating in consultation with the customer and developers, it also means continual changes in and analysis of the system to make sure the best possible availability and security," says Jenny Zachrisson, Xerox account manager at WinEasy.

On top of configuring the hardware, operating system and applications, WinEasy was involved in planning the overall design of the technical solution for customer needs and functionality required. To optimize security on the platform, Xerox has its own zone in the WinEasy firewall. In collaboration with the customer, this provides full control over traffic to servers at different portals and from different sources.

WinEasy became a wholly-owned subsidiary of Tele1 Europe in 1999.

Voice services – fixed and mobile telephony

Tele1 Europe's solutions to meet the telephony requirements of its corporate customers are based on a series of sophisticated services designed to support business operations. For corporate customers, telephony is business-critical, and solutions must be smart and efficient. Solutions for fixed telephony cover everything from agreements on call traffic to more advanced services such as outsourcing and Centrex (Central Exchange).

Through its Mobil business area, Tele1 Europe complements the other production portfolio in Tele1 Europe by integrating its mobile range to other communication solutions in data, internet and fixed telephony.

Tele1 Europe has, during the past year, launched mobile services under its own name in Norway and Denmark. Contracts for working as a service provider in these countries have been signed with Netcom of Norway and Tele Danmark of Denmark. Since 1999, Tele1 Europe has been selling its own mobile subscription in Sweden through agreement with Telia Mobile and the whole of their GSM subsidiary to Telia. Tele1 Europe is a Service Provider that has access to the whole of their GSM network.

Our market competitors are mainly the former state-run operators in the four Nordic countries and other mobile phone operators.

Tele1 Europe offers the following services in fixed and mobile telephony

Telephony

- DA/IA – Direct Access/Indirect Access: Traditional basic telephony for in-going and out-going traffic. Businesses can choose between direct or indirect access to the Tele1 Europe network.
- VPN – Virtual Private Network: Uses the telecom network to give customers with operations in several places their own private network and thus benefits of scale that a huge telecom network cannot provide. VPN also enables the customer to isolate costs for telecom services within a closed group of users.
- MD110 Business Service – a private business exchange: Tele1 Europe owns and manages the technology, taking care of service, maintenance and continual monitoring. It is simple to add or remove extensions and offices. A flexible communication solution that changes as the customer develops its business.

Efficiency

- UM – Unified Messaging: Gives customers the capability to read e-mail and telefaxes and listen to voice messages via the same web interface.
- TeleConference: Three or more people can hold a conversation in a simple, flexible and cost-effective way. This service can be complemented with several functions such as recordings and side conferences.

Customer relations

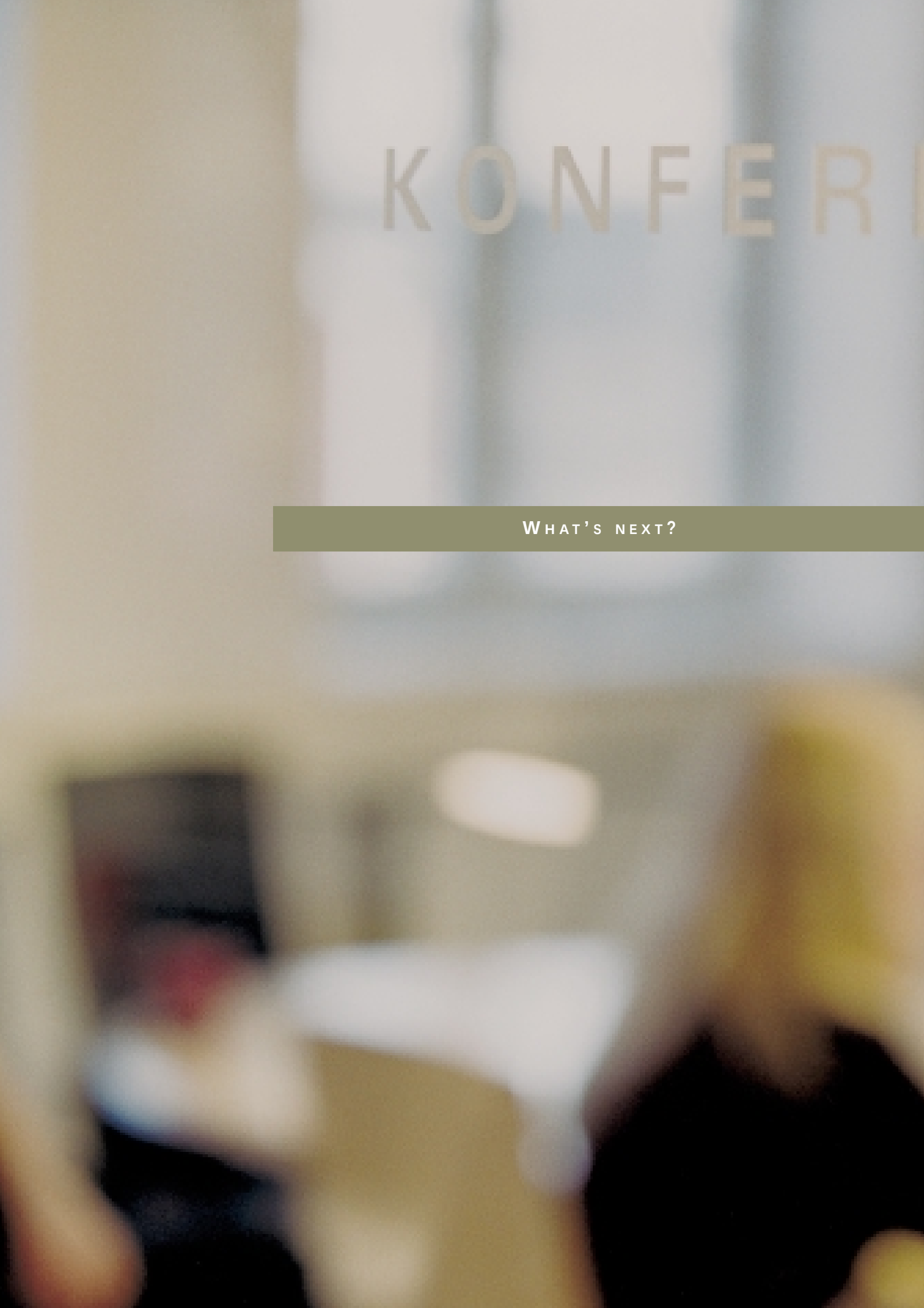
- Freephone: Free calls via intelligent management of the telephony network. Enables management of conversations with the help of queue handling, menu selection and re-routing. Considerable flexibility for gearing up or down of the amount of incoming traffic.
- Voice response – IVR: Automates standard procedures and steers calls correctly. Remote telefax and ordering functions are customized to match customer requirements.
- Contact Center: A network-based call center service that includes queue management, intelligent call steering and voice response. Makes it easy to link together various locations and teleworkers within a logical Contact Center.

Mobile services

During the past year Tele1 Europe invested in its own infrastructure to create unique communication solutions, improve profitability and enhance the quality of existing products. One example of this is the Unified Messaging service and the implementation of the company's own SMS services. Work aimed at creating unique mobile services for Tele1 Europe's customers continues together with investment in infrastructure.

Tele1 Europe has a strong position to act as a virtual operator for 3G services

UMTS licenses were awarded in Sweden and Norway during 2000. Tele1 Europe applied, as a member of the Broadwave consortium, for licenses in both countries but was unsuccessful. The consortium's bid was based on market conditions, but the decision to participate was not strategic. Building a UMTS network was never a part of the company's main strategy, and the consortium's bid was based on cautious and realistic assessments of the costs and potential revenues as well as the financial and operational risks. Tele1 Europe is focused on offering data, internet and voice services via its own broadband network, and considers that mobile services are a complementary service that is a part of the overall offer of comprehensive solutions. Tele1 Europe's customers will be offered UMTS services via co-operation with other players.



What's next?

“If today’s work is about building networks, tomorrow’s work will be about filling the network with content. The winners in the future will be those who can deliver the attractive services that users want. People love to communicate – and Tele1 Europe benefits from that. Our role is to offer services that help people to communicate.”

Tommy Ekström, CTO, Tele1 Europe

Chief Technology Officer Tommy Ekström is one of the founders of Tele1 Europe. He has worked in the telecom sector for 18 years, with spells at Ericsson, Europolitan and Motorola.

Tele1 Europe is installing a broadband network throughout the Nordic region. What do we need broadband for?

If today's work is about building networks, tomorrow's work will be about filling the network with content. Tele1 Europe's network will soon cover the Nordic region like a huge blanket, with up to 85% of businesses throughout the region being able to receive services via our network. But just like railway passengers are not concerned what the tracks look like as long as the trains are comfortable, users will not be concerned about what Tele1 Europe's network looks like. They will want interesting and useful content.

Isn't it limiting to be an operator in this context?

For Tele1 Europe it is not just about delivering broadband and renting capacity, it's about enabling content, too. The network must be built securely if new and traditional services are to be offered to customers. This is a major objective when we extend our fiber networks into business-intensive areas and link them together. We are using redundant loops that can deal with fiber breakdowns without causing down time. Our DSL networks are also being built in loops. This will ensure that even customers with lower capacity requirements and who are using our DSL networks, will receive a top class connection to the Tele1 Europe network.

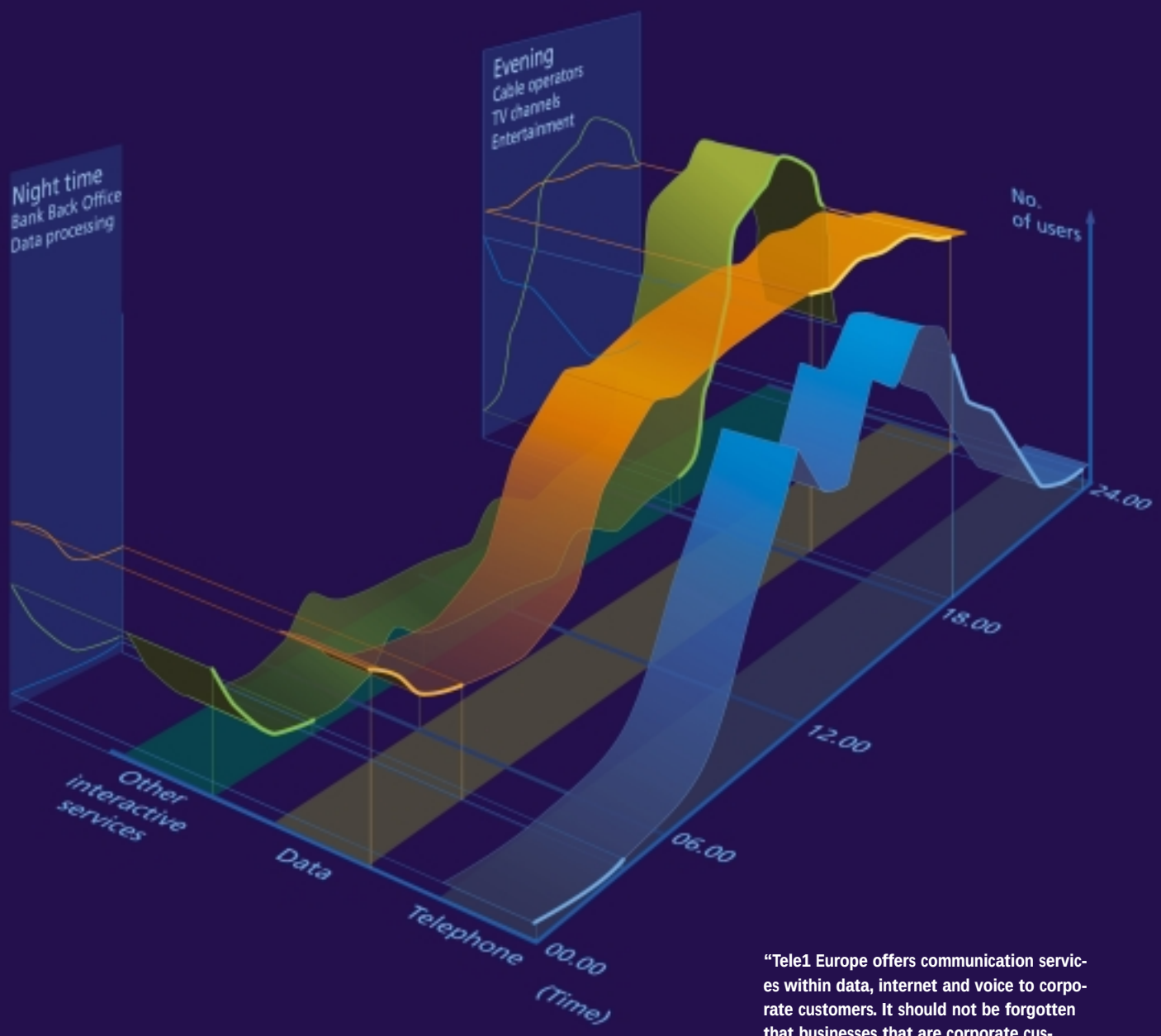
If we compare how mobile operators deliver content today, for example, we see that they are both Service Providers and Network Providers. Mobile operators own both the store (the mobile telephone network) and the products sold in the store (mobile services).

Tele1 Europe will be able to work in the same way. We can offer businesses various types of service package. These services, which are adapted for the Nordic corporate market, will be developed and marketed by Tele1 Europe, primarily via our own revenues resources. As a distribution channel for these business services we have built our own store – a fiber network that covers the entire Nordic region – which makes it highly attractive to sell services via Tele1 Europe.

Which services will Tele1 Europe offer?

Naturally, we will develop the services we currently offer to corporate customers. These services are specially developed to meet the requirements of businesses and their employees. We're talking about voice services provided via Tele1 Europe's large Ericsson or Nokia telephone stations and which customers reach via our telephone network. We are also testing voice services managed directly via IP, the internet protocol on the

Use of the network at a daily baises



"Tele1 Europe offers communication services within data, internet and voice to corporate customers. It should not be forgotten that businesses that are corporate customers during daytime consist of people who go home after a day's work and have completely new requirements. Operators want to use the network to serve people in their leisure time, too, of course. In the future Tele1 Europe will offer services via its network that are used outside normal working hours, via housing associations, for example, or businesses that serve private consumers."

Source: Tele1 Europe.

data network. Tele1 Europe sells various types of VPN solutions, too.

Tele1 Europe sells solutions for data (IP/VPN) and for voice (PBX/VPN or Centrex/VPN). In addition to these basic services Tele1 Europe also provides a series of other services such as voice mail, conferencing, hosting, security services, etc. that save money and make things easier for our corporate customers. It should not be forgotten that businesses that are corporate customers during daytime consist of people who go home after a day's work and have completely new requirements. Operators want to use the network to serve people in their leisure time, too, of course. Most people want entertainment in the form of TV, film, games, etc, which means that they must contact distributors of these services, because Tele1 Europe only markets directly towards businesses. These distributors can be housing associations, for example, or businesses that serve private consumers. We would be able to formulate a package to distributors who in turn will sell to thousands of private individuals.

However, it is important to emphasize that Tele1 Europe will not decide what content is delivered on its networks. We believe that consumers want to decide for themselves what is delivered, as long as it falls within the framework of an agreed policy for ethics and morality.

Tele1 Europe's network can be compared with the internet. The internet is just a very large network, with small parts owned by millions of individuals. The point is that everyone understands each other and speaks the same language, i.e. Internet Protocol. In the same way, Tele1 Europe owns an internet of extremely high quality and capacity. Tele1 Europe enables various types of information and services that flow throughout the network."

How will the content be formulated?
The guidelines will be drawn up within the near future. Then the content will begin to flow. People will invent new products and services that require broadband. Tele1 Europe is continually developing new services for our corporate customers. We listen to their needs and study what's going on elsewhere, especially in the US.

In the private market, for example, HDTV for IP will require around 25 Mbit/s, which is more than ten times the capacity that a DVD film via a satellite channel requires today. Another example is various ASPs (Application Service Providers), renting software such as Photoshop over the network.

Will existing technology be sufficient, or will it be out of date in a few years?
I'm convinced that the existing technology will be sufficient. We are using just a fraction of our network's possibilities at present. Fiber technology is well-proven. The oldest systems laid by Banverket and Televerket will soon be 20 years old and it's still working. The problems with them are not the fiber cables but the electronics that connects the cables.

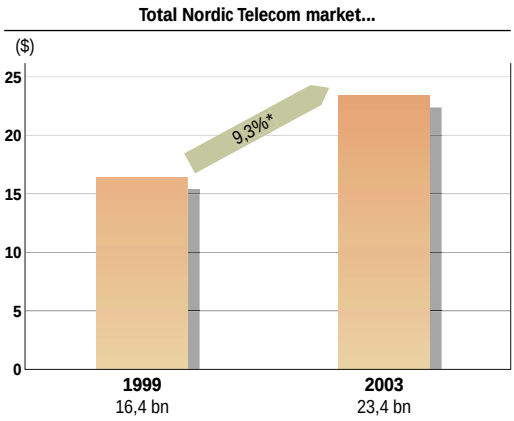
Electronics has developed enormously since the first fiber cables were laid. Furthermore, the fiber network that we are laying today has significantly higher capacity.

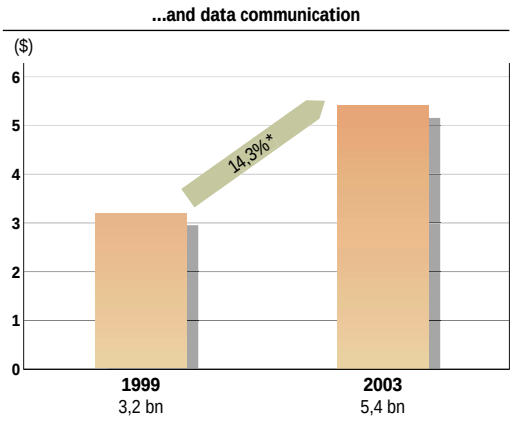
Is there a risk that the mobile radio network will be better than a fixed network?
I do not think that is realistic. We are not built to be mobile all the time and only use portable devices. People do not want to carry a large screen and computer around with them. Of course we do have smaller devices, something midway between a mobile telephone and a normal PC. But since human sight is rather limited we cannot use this small screen for so much, just to receive shorter messages. For larger amounts of information we prefer a larger computer with a bigger screen. So a mix of fixed and mobile networks is the best solution. Tele1 Europe is active in both areas.

Who will be the winners in the future?
The winners in the future will be those who can deliver attractive services that users want. Historically, operator services have been priced in a way that has meant that content providers have not received a significant part of the revenues. But look at the Japanese I-mode system and the Japanese operator, NTT DoCoMo. In Japan the technology has not developed as far as it has in Sweden, but pricing has developed in a way that has stimulated new players to develop services.

In Sweden, the operators have taken too large a slice of the cake. Early on this meant that there was no incentive to develop new services. There must be reasonable opportunities to develop new services. We must set price levels so that there is value there for people who want to develop services. As people consume broadband more they will discover the advantages. Just like mobile telephones - people discovered the benefits of making calls from the countryside, on the bus, in the shops, etc. Then demand changes and resources are re-allocated, from mobile telephones, for example, to the internet.

People love to communicate – and Tele1 Europe benefits from that. Our role is to offer services that help people to communicate.





***) Estimated average growth**
Source: Dataquest, September 2000

The people who build Tele1 Europe

Around 400 people work for Tele1 Europe AB in Sweden. The Swedish head office is in Stockholm, where most of the monitoring of operations and product development takes place.

In Finland there is no doubt about what is most important every day: Humor and Heart.

People play the decisive role in a knowledge-intensive and fast-growing business such as Tele1 Europe. The company is active within a sector that changes rapidly, and that puts great pressure on staff and managers. During the year the total number of employees rose from 369 to 971, a climb of 164%. The average age is 32 (32), and the proportion of women is 30% (29%). Staff turnover in 2000 was 15% (16%).
Internal mobility is high, something that Tele1 Europe encourages and is very proud of. There are several examples of how staff have successfully taken over completely new assignments within the company.

Tele1 Europe's management philosophy is based on achieving objectives. Decision-making is delegated close to customers and the organization is clearly decentralized among the subsidiaries in Sweden, Denmark, Finland and Norway. Satisfied personnel are the starting point for achieving satisfied customers. A goal for Tele1 Europe is to offer a work place with a strong corporate culture, an attractive working environment, good opportunities for development and good leadership. Measures to make improvements in these areas are carried out in parallel in various ways.

Responsibility for quality and Balanced Scorecard

Two quality managers were appointed in mid 2000 at Tele1 Europe AB and they have started a far-reaching project entitled Balanced Scorecard, which has involved the entire company. By implementing this control mechanism, Tele1 Europe aims to improve the way it follows key parameters in the utilization of resources. This includes tracking financial resources, human capital, customer satisfaction and internal business development.
Policies were established during the year for the working environment and gender equality.

Core Values

During 2000 a large-scale program was implemented to establish the core values of the company. The purpose of this project is to form a common base for all internal and external communication and also to establish a compass to guide the values of the business. This project is pan-Nordic and involves everyone in the organization.

Tele1 Europe's values – Nordic Lights

We will show the way | Focus

Stars in a team game | Credibility

Humor and Heart

Management development program

A management development program was developed during the year and implemented so far in Sweden alone, although there are plans to extend it to the other Nordic countries. The program is based on four building blocks: Core Values, business-oriented leadership, personal leadership and mentors and networks. The development program is a first phase of various concepts for competence development for various groups within Tele1 Europe. Individual competence development is tailored to match the needs of individual staff as expressed in personal development meetings.

Introduction program and Vibe Manager

Tele1 Europe has an introduction program for all new employees. Everyone who starts work for the company should feel welcome and understand the company's concepts and processes. In its most developed form it exists so far only in Sweden and Finland, but it will be extended to the other countries in 2001. The program lasts for four days and includes an introduction to the site, telecom training, product development and IT.

Tele1 Europe AB has also created a new role, a Vibe Manager. In a fast-changing business it is not always easy to listen to all opinions and requests. The task of the Vibe Manager is to act as a link between managers and staff and make Tele1 Europe a more attractive employer.

One of Tele1 Europe's core values is "Stars in a team game", which means that all assignments are based on teamwork, and leadership is mainly about coaching. By offering all employees exciting challenges and individual development, Tele1 Europe will remain an attractive company to work for.

Maria Bocande, Vibe Manager at Tele1 Europe AB:

"It's not only about recruiting new stars, we have to look after the ones we already have, too."

Why does a company need a Vibe Manager?

In a fast-growing organization there is a risk that employees are not looked after properly. People sometimes feel overlooked or out of the loop. When a negative seed is planted it can grow into a large negative tree. It's important to identify problems early on, and stay one step ahead of them. My job is specifically to check the climate and listen to ideas, so that we get the best possible communication and co-operation with employees.

What are a Vibe Manager's main work assignments?

There are many. The aim is to protect and develop the corporate culture. We do this partly by promoting our core values, our so-called Nordic Lights. During the spring we will have a series of workshops based on these values. A Vibe Manager also means being a collector of ideas, listening to people's suggestions and putting them into practice. So far this has included a photo bank on the intranet and massage in the office. In addition I work as a moderator in teams where problems have arisen, and I organize workshops in subjects such as stress, burn-out and conflict management. At present we are following up these areas with stress management and stop smoking courses.

An important forum for us is the Tele1 Breathing Space, a place where we meet and talk about everything that can help individuals to develop. We invite external speakers. Subjects have included Your Inner Leadership, Fun at Work, Male & Female, Yoga, Meditation and Qi Gong.

How would you describe Tele1 Europe's views on human capital?

It is a great privilege to work with a management team that is so genuinely interested in ensuring that staff feel good at work. There is openness and sensitivity, and great appreciation for what people do. By sharing our resources we do our best to create an attractive workplace and make Tele1 Europe a good employer. It pays when staff are satisfied and choose to stay with us.

I hope that my job becomes more common in other workplaces. It's not only about recruiting new stars, we have to look after the ones we already have, too. There is great value in that, both for the company and for its personnel.

At Tele1 Europe AS it is seen that for a rapidly growing business it is extremely important to know that staff are focused and enthusiastic about the company and its activities. Tele1 Europe's employees are exceptionally committed and customer-oriented.

Visit the Tele1 Europe AS office in Copenhagen and it is most probable that you will meet a happy smile. Even though the tempo is fast, the 100 or so employees have retained their pioneer spirit. Newly won contracts are advertised on line and the congratulations flow in. "We might not be a huge company - yet," says one employee, "but we are a good one."

Tele1 Europe Holding AB

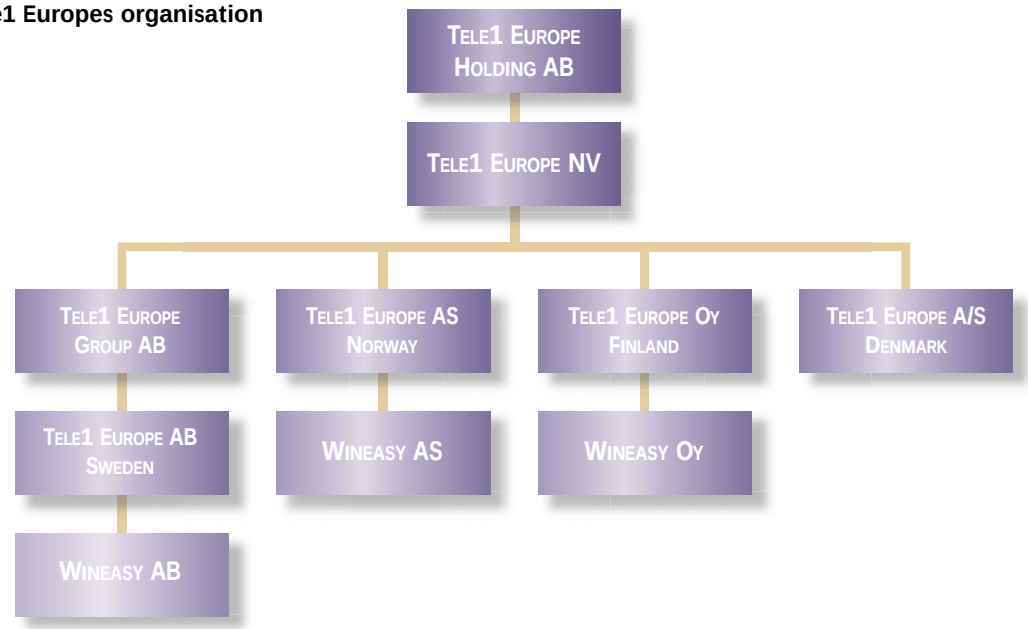
Ivar Strömberg, Chief Executive Officer
Born 1956
Joined the company when it was formed
Previous employer: MCI International

Tommy Ekström, Chief Technical Officer
Born 1955
Joined the company when it was formed
Previous employer: Europolitan

Liia Nõu, Chief Financial Officer
Born 1965
Joined the company: 1999
Previous employer: Icon Medialab

Anders Brismo, Chief Operating Officer
Born 1962
Joined the company: 1998
Previous employer: Data General Svenska AB

Tele1 Europes organisation



Heads of subsidiaries

Denmark
Claus Jacobsen, President, Tele Europe A/S
Born 1956
Joined the company 1998
Previous employer: Telia A/S

Finland
Ari-Jussi Knaapila, President, Tele1 Europe in Finland Oy. Born 1959
Joined the company 1999
Previous employer: Telenordia Oy

Norway
Pål E. Vegard, President, Tele1 Europe AS
Born 1959
Joined the company 1997
Previous employer: Telenor Mobil AS

Sweden
Pelle Hjortblad, President, Tele1 Europe AB
Born 1956
Joined the company 1999
Previous employer: Tele2 AB

Tele1 Europe's Board of Directors

Lars F. Windfeldt
Born 1955
Chairman since 1997

Tommy Ekström
Born 1955
Joined the Board 1996
Chief Technical Officer

Lennart Lübeck
Born 1938
Director since the formation of the company

Paul J. Salem
Born 1963
Joined the Board 1999

Viesturs Vucins
Born 1945
Joined the Board 1999

D. Craig Young
Born 1954
Joined the Board 1999

Lars Grönberg
Född 1949
Ordinarie ledamot sedan 2000

Board members

The Board is annually elected to office at the Tele1 Europe Annual General Meeting for a period of one year. The Board currently has seven members and no deputies. See further under The work of the Board.

Lars Grönberg was elected for the first time to the Board at the 2000 AGM. He replaces Niclas Handfast.

The AGM re-elected Tommy Ekström, Lennart Lübeck, Paul J. Salem, Viesturs Vucins, Craig Young and Lars Windfeldt.

The following information about Board members, shares and/or options held is correct as of 31 December 2000.

Lars F Windfeldt

Lars Windfeldt has been Chairman of the Board of Tele1 Europe since July 1997 and a member of the company's audit committee and salaries committee since December 1999. He has been a member of the Board of Tele1 Europe AS (Norway) since august 1997, Tele1 Europe A/S (Denmark) since October 1997 and Tele1 Europe Group AB since February 1999.

He became Chairman of the Board of Tele1 Europe in Finland Oy in May 1999. Since 1988 he has been active as a private investor mainly in the Nordic Region and for the past five years has focused his business on actively organizing start-ups in his chosen area of telecoms and technology. He is now building up a more structured stake via Pylonia Ventures in partnership with Christer Hegglund, another of Tele1 Europe's main owners (Christiana Foundation) He is also a member of the Board of Proffice AB, Stockholm, which is listed on the OM Stockholm Exchange. Shareholding in Tele1 Europe: 6 633 041 shares directly or indirectly via investors, and warrants corresponding to 500 000 shares.

Lennart Lübeck

Lennart Lübeck has been a Board member since Tele1 Europe was formed in 1995 and a member of the company's audit committee and salaries committee since December 1999. He is also the Chairman of Svenska rymdaktiebolaget. Shareholding in Tele1 Europe: 90 000 shares and warrants corresponding to 60 000 ordinary shares.

Tommy Ekström

Tommy Ekström, one of Tele1 Europe's founders, has been a Board member since 1996. He is also Chief Technology Officer. He has worked in the telecom industry for 18 years. Between 1982 and 1990 he was a project manager at Ericsson AB with responsibility for global projects. He was also a project manager at Motorola AB. At Europolitan he was responsible for the launch of the mobile network and for business development. Shareholding in Tele1 Europe: 1 213 701 shares directly or indirectly via investors, and warrants corresponding to 3 125 000 shares.

Viesturs Vucins
Viesturs Vucins has been a Board member of Tele1 Europe since March 1999. He has worked in the telecom industry for 30 years. He is currently regional manager at Lucent Enterprise Networks Middle East Africa, a post he has held since 1998. Before this he was CEO of Global One between 1996 and 1998, CEO of AT&T-Unisource NV between 1992 and 1996, CEO of Telia International between 1989 and 1992 and CEO of Ericsson Fiber Optics AB between 1985 and 1989. Shareholding in Tele1 Europe: 60 000 shares directly or indirectly via investors, and warrants corresponding to 60 000 shares.

Lars Grönberg
Lars Grönberg was elected to the Board for the first time at the AGM held on 24 May 2000. He replaced Niclas Handfast who left the board at the meeting. Between 1998 and 2000 he was Managing Director of Intrum Justitia. Between 1996 and 1998 he was deputy Managing Director of Tele Danmark, where he was responsible for international operations, Telenordia, Belgacom and Talkline. From 1993 to 1996 he was deputy Managing Director of Kinnevik, where he was responsible for telecom operations, Netcom, Tele2 and Comviq. Prior to 1993 he held senior management positions at Procordia Group and Rank Xerox. Shareholding in Tele1 Euroepe: 0.

Paul J Salem
Paul Salem has been a Board member of Tele1 Europe since March 1999. He is the Managing Director and partner of Providence Equity Partners. He has been responsible for Providence's investment activities including investment in switchboard operators, internet operators, specialized mobile radio, telecom infrastructure and mobile communication. He is currently on the Boards of AT&T Canada, Verio Star One and Atlantic Telecom. Prior to joining Providence, he worked at Morgan Stanley & Co, within the corporate finance and M&A departments. Shareholding in Tele1 Europe: Warrants corresponding to 60 000 shares.

D Craig Young
He was elected to the Tele1 Europe Board in April 1999. He has been vice Chairman and Board member of AT&T Canada since the merger between MetroNet Communications and AT&T Canada. Prior to this he was President and CEO of MetroNet Communications. He has over 20 years' experience as an entrepreneur and manager in the telecom sector. Before he joined MetroNet he was President and CEO of Brooks Fiber Properties Inc (now Brooks/WorldCom). He also held senior management positions at Ameritech, US West and Exutone Information Systems. Shareholding in Tele1 Europe: 841 480 shares directly or indirectly via investors.

Senior management team

The following information concerns Tele1 Europe's senior management, as well as their shares and/or warrants, as on 31 December 2000.

Ivar Strömberg
Ivar Strömberg, one of Tele1 Europe's founders, has been President and CEO of Tele1 Europe since 1996 and a member of the Board of Tele1 Europe N.V since the formation of the company and a member of the salaries committee since December 1999. He has been active in the telecom sector

for eight years. Previously, he worked at MCI International, as head of MCI's Nordic operations, between March 1992 and January 1996. He was also previously product manager at Ericsson Fibre Optics AB and marketing manager at Esselte Systems AB. Shareholding in Tele1 Europe: 1 133 267 shares directly or indirectly via investors, and warrants corresponding to 3 125 000 shares.

Tommy Ekström
See Board members.

Liia Nõu
Liia Nõu is CFO at Tele1 Europe, a post she has held since September 1999. She was appointed to the Board of Tele1 Europe N.V in December 1999. Between September 1997 and September 1999 she was CFO at Icon Medialab, a Swedish provider of internet communication solutions. From August 1995 to September 1997 she was CFO at Tele2 AB, a Swedish telecom operator.
From September 1989 to August 1995 she worked for Kuwait Petroleum Svenska AB as system administrator, controller and finance manager. Shareholding in Tele1 Europe: 1 000 shares directly or indirectly via investors, and warrants corresponding to 500 000 shares.

Anders Brismo
Anders Brismo has worked as COO at Tele1 Europe since May 2000. He was previously President of Tele1 Europe AB from October 1998. He has held senior positions at Data General Svenska AB, Novell UK Ltd and Software Products International Scandinavia. He has also worked for Esselte Dataskola AB and Helicon Micro AB. Shareholding in Tele1 Europe: 901 000 shares.

Senior managers at subsidiary companies

The following information concerns Tele1 Europe's senior management at the subsidiaries, as well as their shares and/or warrants, as on 31 December 2000

Sweden

Pelle Hjortblad
Pelle Hjortblad has been employed as President of Tele1 Europe AB since May 2000. He was previously COO of Tele1 Europe from August 1999. Prior to that he was head of revenues and marketing business with responsibility for product development, revenues and marketing to large and mid-sized businesses at Tele2 AB. He has also been marketing manager at Kuwait Petroleum Svenska AB and McDonald's Sweden AB. Shareholding in Tele1 Europe: 2 000 shares directly or indirectly via investors, and warrants corresponding to 800 000 shares.

Denmark

Claus Jacobsen
Claus Jacobsen has been President of Tele1 Europe A/S since August 1998. In 1994 he formed Telia A/S and Unisource Business Networks A/S in Denmark. He was previously President of both businesses between 1994 and 1998. He has also held management positions at SAS Data A/S, Tandem Computers A/S, Burroughs Computers and Apollo Computers. Shareholding in Tele1 Europe: 466 667 shares and warrants corresponding to 600 000 shares.

Norway

Pål E Vegard

Pål Vegard has been President of Tele1 Europe AS since January 1998. He was previously revenues and marketing manager at Aftenposten AS, Norway's largest newspaper, and Økonomisk Litteratur AS. He was Managing Director of DM-huset for three years. Before joining Tele1 Europe, he was revenue manager at Telenor Mobil AS. Shareholding in Tele1 Europe: 1 213 333 shares and warrants corresponding to 500 000 shares.

Finland

Ari-Jussi Knaapila

Ari-Jussi Knaapila has been President of Tele1 Europe in Finland Oy since May 1999. He was previously Managing Director of Telenordia Oy and head of Unisys Oy in Finland. He has also worked as revenues manager at Sophistics Oy, the largest hardware supplier in Finland. Shareholding in Tele1 Europe: Warrants corresponding to 1 200 000 ordinary shares.

The work of the Board

The Board is annually elected at Tele1 Europe's Annual General Meeting for a one-year period. The Board currently has seven members. According to the articles of association, the Board shall consist of at least three and at most eight members and three deputies. Ordinary Board meetings shall be held at least four times a year. Extra Board meetings shall be held when requested by the CEO or other Board member. Board meetings can be held via telephone or per capsulam.

The Board is responsible for the company's organization and administration of the company's affairs. The Board shall ensure that the company is organized so that the financial accounts, management of assets and the company's financial affairs are controlled in a secure manner. The Board shall continually check the company's financial situation, with monthly reporting among other measures, so that the Board can fulfill its responsibilities in accordance with the law, quotation rules and good practice. Furthermore, the Board shall consult with the CEO on strategic and other issues of importance. The Board also appoints a salaries committee and an audit committee.

The role of the salaries committee is to set salary levels and other remuneration for senior managers of the company and Group. It reports to and receives approval from the Board. The committee also undertakes a continual review of the employment conditions of senior managers.

The audit committee consists of at least three independent Board members and its role is to continually follow, on the Board's behalf, the auditing of the company and Group, and to make proposals to the Board regarding the choice of auditors, etc.

Financial and shareholders' information

Liia Nõu, CFO på Tele1 Europe:

"A listing on Nasdaq is a seal of quality for Tele1 Europe"

In March, Tele1 Europe became the first Swedish company to be listed simultaneously on both the OM Stockholm Exchange and Nasdaq.

What does the parallel listing mean for the company?

For Tele1 Europe it is very important to be a parallel listed company, even though the domestic market in terms of customers and employees is in the Nordic region. Above all, it means a seal of quality for investors that we have fulfilled all the requirements needed for listing on the Nasdaq. This seal of quality attracts capital and generates interest. It means high standards for systems, accounting, information distribution and openness. The new share issue in March, in connection with the listing, was one of the largest in Sweden. In addition to the important seal of quality signified by the parallel listing, it was a condition for obtaining such a great interest in the new issue.

How does Tele1 Europe regard information distribution and its investor relations?

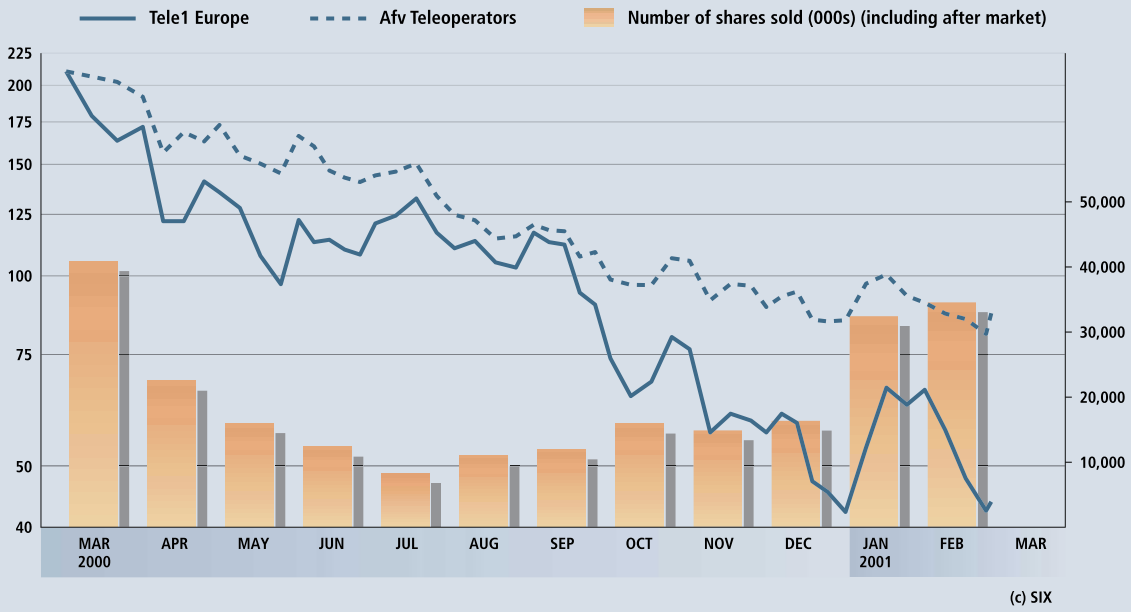
There was a great interest created in Tele1 Europe by our first bond loan in May 1999. Since the listing, interest has risen further. This creates a lot of work, but it is positive. A lot of the Group management's time is devoted to the information side, which is closely connected with our ambition to be clear and inform in a first-class way – open, explicit and focused. I think that this has been much appreciated, not least because Tele1 Europe also has a defining role for the sector, as we are the pioneers of our business in the Nordic region.

What does 2001 hold for Tele1 Europe in financial terms?

Even though we were fully financed to implement our original business plan, we chose in January 2001 to issue a further bond loan for SEK 1.5 billion, net, in order to make attractive and good-value acquisitions, as well as increase the rate of expansion. The loan was fully subscribed, which is proof that we have the market's confidence in a situation where the market for risk capital has hardened considerably.

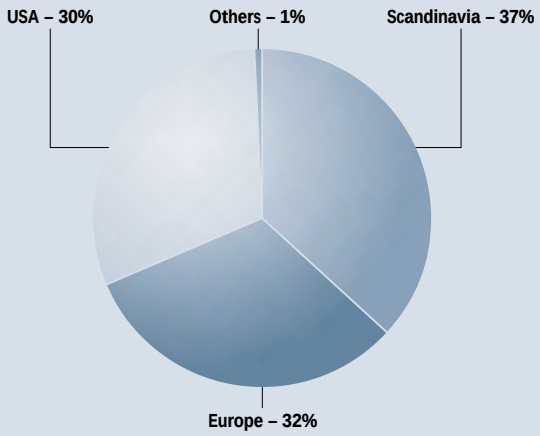
Tele1 Europe is a highly robust company with strong financing, long-term assets – fiber has a lifetime of at least 20 years – and many highly skilled people. The company has substance. Up to now, knowledge of Tele1 Europe has been relatively limited, but is gradually increasing. We are building up a major asset that will remain in place and which requires a big investment. There is no-one who questions the demand, the market is going to be there. What has been especially important since the summer has been to show that we have the capacity to meet set goals and have adequate financing – two very sound parameters that Tele1 Europe works within.

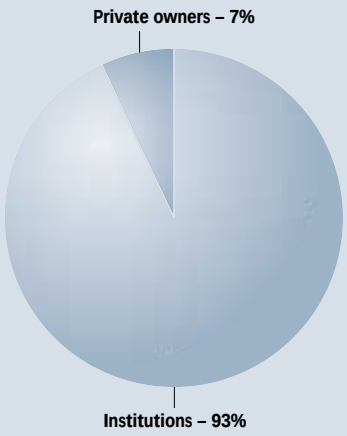
THE SHARE'S PERFORMANCE



In March, Tele1 Europe was the only Swedish company listed on both the OM Stockholm Exchange and the Nasdaq.

OWNERS 31 DECEMBER 2000





10 largest owners	%
Providence Equity Partners	17.8
Christiane Foundation	6.5
Lars Windfeldt	4.2
Fjärde AP-Fonden	3.7
Nordic Capital Partners Kunskapskontoret AS	2.5
Fritas AS	2.5
Senior executives	10.7
Others	52.1
	100.0

Division of ownership

No. of shares	Owner	%	Total number	%
1-500	10 506	72.0	1 872 959	1.2
501-1000	1 975	13.0	1 749 455	1.1
1001-10000	1 743	12.0	5 353 793	3.4
10001-100000	284	2.0	9 532 244	6.1
100001-	129	1.0	138 709 341	88.2
	14 637	100.0	157 217 792	100.0

Participation at the AGM

Shareholders wishing to participate at the Annual General Meeting should be registered in the shareholders' register kept by Värdepapperscentralen VPC AB, (the Swedish Central Securities Depository), no later than 4 May 2001 and should notify the company of their intention to participate, no later than 12.00 on 11 May 2001.

Notification of intention to attend can be made in writing to Tele1 Europe Holding AB (publ), Att: Ulrika Grauers Kullberg, Positionen 146, 115 74 Stockholm, via e-mail ulrika.kullberg@tele1europe.se, by fax +46 8 5631 01 01 or by phone +46 8 5631 00 00 (09.00-16.00). The number of motions seconded should also be stated in the notification. A copy of any possible authorization should be attached to the application.

Shareholders whose shares are registered in the name of a nominee through a bank's Trust Department or any other trustee must arrange to temporarily register their shares in their own name with VPC to be able to participate at the Annual General Meeting. The shareholder must notify the nominee about this well in advance of 4 May 2001.

The Annual General Meeting for Tele1 Europe Holding AB, 2000, will be held on Wednesday 16 May 2001 at 1.30 p.m. at the World Trade Center (London Conference Hall) in Stockholm. Address: Kungsbron 1.

Share option schemes

Tele1 Holding Europe AB has issued warrants to employees, senior executives and board members in the Group. Up to and including 1999, the Company had respective Swedish and international option schemes. In 2000, there was a harmonisation in which the Company chose to create a general common option scheme for employees and senior executives management throughout in the entire Group.

Option scheme 2001

Following a decision taken at the General Meeting on 27 February 2001, promissory notes were issued together with detachable warrants for a new issue of shares. The promissory notes, with a nominal value of SEK 10 each, were connected with 100 warrants issued at a rate corresponding to the warrants' worth according to the Black & Scholes model and based on the share's market value, with an addition of SEK 10 regarding the promissory note. The offer is aimed at employees and senior executives in the Group. The employees' subscription for the promissory notes connected with the warrants have been exercised between 12 March 2001 and 19 March 2001. Settlement date is 30 March 2001. Each warrant carries the right to subscribe for one new share in the Company. The warrants have been exercised between 3 September 2001 and 15 March 2004 at an exercise price of SEK 52 per share. In total a maximum 1 700 000 warrants have been issued.

Option scheme 2000

Following a decision taken by the Board of Directors on 28 January 2000, in accordance with a mandate from the Extraordinary General Meeting of 23 December 1999, promissory notes were issued together with detachable warrants for a new issue of shares. The price per unit, consisting of a promissory note with a nominal value of SEK 5 and a warrant, amounted to SEK 20. The offer was aimed at employees and senior executives in the Group. In total, 789 000 warrants were issued. Each warrant carries the right to subscribe for one new share in the Company. The warrants can be exercised up to and including 28 January 2003 at an exercise price of SEK 129 per share. Following a decision taken at the General Meeting on 15 August 2000 promissory notes were issued together with detachable warrants for a new issue of shares. The price per unit, consisting

of a promissory note with a nominal value of SEK 1 and a warrant, amounted to SEK 24. The offer was directed at employees who transferred to the Company's Norwegian subsidiary, Tele1 Europe AS, as part of the acquisition of ElTele Rogaland AS's operations. In total, 38 718 warrants were issued. Each warrant carries the right to subscribe for a new share in the Company. Warrants can be exercised up to and including 1 October 2003 at an exercise price of SEK 119 per share.

Option schemes up to and including 1999

In 1999 a decision was taken about an options scheme for Board members, senior management as well as employees of the Tele1 Europe Group. Because of differences in legislation concerning stock options, option schemes are structured differently in Sweden, Denmark, Finland and Norway. In the following summary, the share split decided on in December 1999 has been taken into account.

The Swedish scheme

Employees, board members and senior executives were invited to buy one unit consisting of a warrant to subscribe for one share and a promissory note in the Company. The price per unit varied between SEK 0.95 and SEK 2.4 including a promissory note with a nominal value that varied between SEK 0.25 and SEK 0.5. The warrants can, in general, be exercised up to and including 30 June 2002 at an exercise price per share that varies between SEK 7.0 and SEK 25.8. In total, 11 656 000 units have been allocated in accordance with the 1999 option scheme.

The international scheme

In Norway, Denmark and Finland, the Company's subsidiaries have granted employees and senior executives staff options carrying a right to subscribe for shares in the Company. To enable the subsidiaries to fulfill their obligations to supply these staff options, the Company has as of 3 March 2000 issued warrants for a new issue of shares in the Finnish subsidiary, Tele1 Europe in Finland Oy. When conditions for the staff options are fulfilled, Tele1 Europe in Finland Oy will, on condition of approval by the Company's AGM, distribute warrants to staff option holders. Employees and senior executives in Norway, Denmark and Finland have not paid anything for these warrants.

Norway

Employees and senior executives have received staff options that carry the right to subscribe for shares in the Company. According to the scheme, each option entitles the holder to subscribe for one share in the Company. Most of the options can be exercised at various times up to and including 1 May 2004, at an issue price of NOK 5 per share. The issue price increases by one percent per month from the allocation day up to and including the month in which the option is exercised. In total, 634 000 staff options were issued to employees and senior executives in the Company's Norwegian subsidiary during 1999.

Denmark

Employees and senior executives have received staff options that carry the right to subscribe for shares in the Company. According to the scheme, each option entitles the holder to subscribe for one share in the Company. Most options can be exercised at various times up to and including 1 May 2003 at an issue price amounting to between NOK 5 and NOK 16 per share. In total, 549 960 staff options were issued to employees and senior executives in the Company's Danish subsidiary during 1999.

Finland

Employees and senior executives have received staff options that carry the right to subscribe for shares in the Company. According to the scheme, each option entitles the holder to subscribe for one share in the Company. In total, 1 820 000 staff options were issued during 1999. These options can be exercised at various times up to and including 8 May 2003, at an issue price amounting to NOK 5.

In addition, the Finnish subsidiary has issued 700 000 staff options to employees and senior executives, which can be exercised at various times at an issue price corresponding to the average market price of the Company's shares during certain designated months.

Summary of option schemes

Name	Date of decision	No. of subscribed warrants	No. of outstanding warrants
Board scheme	23/04/99	800 000	740 000
General scheme	29/06/99	9 000 000	6 066 000
Scheme for senior executives	29/07/99	1 100 000	800 000
Scheme for senior executives	25/10/99	660 000	620 000
2000 scheme	28/01/00	789 000	789 000
International scheme*	03/03/00	5 843 960	4 372 380
option scheme after listing			
2000 scheme **	15/08/00	38 718	38 718
Total:		18 231 678	13 426 098

* includes 1999 international scheme and options for employees and senior management outside Sweden, preceding before 1999

** additional scheme for former ElTele Rogaland employees

Dilution

Assuming that the warrants in the option scheme for 2001 are fully exercised, and with consideration taken for all outstanding warrants decided on after the Company became listed, dilution amounts to around 1.1% of the total number of shares and votes. The total dilution, including outstanding warrants decided on before the listing amounts to around 9.6% of the total number of shares and votes.

The Board of Directors and President of Tele1 Europe Holding AB (publ), corporate identity number: 556512-7031, registered office in Stockholm, herewith submit the following annual report and group accounts for the financial year 2000.

Group structure

Tele1 Europe Holding AB (Tele1 Europe) is a Swedish limited company that was established in 1995. The commercial operations of Tele1 Europe started in January 1997. In April 1999 a subsidiary was established in the Netherlands, Tele1 Europe NV, which is a holding company for the Tele1 Europe Group's operating subsidiaries. The operating subsidiaries are in Sweden, Denmark, Finland and Norway.

Strategic orientation

Tele1 Europe is a fast-growing data, internet and telecommunications operator active in Sweden, Denmark, Finland and Norway. Its aim is to become the leading broadband operator for business customers in the Nordic region. The most important elements in the business strategy are to focus on corporate customers, build broadband networks for local access, offer complete solutions and first-class customer service, increase the range of hosting services, and to expand locally. Today, Tele1 Europe provides broadband, internet and voice solutions including server/web hosting and value added services for large and medium-sized companies in the Nordic countries.

Performance and trends in 2000

Tele1 Europe's revenues in 2000 increased by 351% compared with 1999, while the gross margin before depreciation improved from 23.7% for the full year 1999, to 36.2% for the full year 2000. The main drivers of this strong growth are the sharp increase in data and internet services, as well as substantial growth in the number of directly connected business customers. The gross margin improvement can be attributed to the rapidly rising number of customers for own fiber.

The business continued to grow strongly during the year. Corporate customers increased by 5 514 in 2000, to a total of 12 980. The number of directly connected customers amounted on 31 December to 2 458, which represents an increase of 1 472 during the year.

For 2000, revenue from hosting and directly connected customers accounted for 45% of revenues, accumulated to 31 December.

The Company's costs for services sold in 2000, including depreciation, were SEK -761 million (-185). Selling and administrative costs for the year, including depreciation, amounted to SEK -854 million (-315). Excluding provisions for social security contributions related to staff options and depreciation, these increased from SEK -237 million in 1999 to SEK -728 million in 2000. Selling and administrative costs adjusted for provisions and depreciation as a percentage of revenues improved from -102% in 1999 to -69% in 2000. The rise in absolute numbers can principally be attributed to the growing work force needed in order to meet requirements for network expansion and continued growth of the business.

Earnings before interest, taxes and depreciation (EBITDA adjusted) as a percentage of revenues continued to improve in 2000 to -33%, compared with -79% in 1999.

The negative financial net for 2000 was SEK -235 million, compared with SEK -130 million for 1999.

For the full year 2000, the net loss was SEK -798 million, compared with SEK -400 million in 1999. This change is mainly related to increased depreciation on tangible fixed assets and goodwill, as well as deterioration in the financial net.

The Company's gross investment in tangible fixed assets amounted on 31 December to SEK 3 154 million (513). The increase in tangible fixed assets is mainly attributable to the expansion of the Company's fiber network and DSL nodes, as well as company acquisitions.

Highlights of the year

At the start of the year, a split of 20:1 was registered with the Swedish Patent and Registration Office (PRV), through which the nominal value of shares was changed from SEK 1 to SEK 0.05.

In the middle of March, the company carried out its listing on the stock exchange. The listing was done in parallel on both the OM Stockholm Exchange and the Nasdaq. All previous outstanding preference shares were converted to ordinary shares in connection with the stock exchange listing. On the last day of December, the company had 157 217 792 outstanding shares.

During the year, the Company has successfully connected customers to IP/VPN services. Tele1 Europe was the first Nordic operator to launch Virtual Private Network (VPN) services over Internet Protocol (IP).

Tele1 Europe became the first teleoperator to sign an agreement on operator access (LLUB) in Norway, with Telenor. The agreement means that Tele1 Europe, by combining Telenor's access network with its own fiber network, can provide Norwegian companies with both services and subscriptions. A similar agreement has also been signed with Telia in Sweden, again as first operator. The agreement means that competition is increasing for the first time in Norway and Sweden regarding the offering of advanced broadband services via the existing copper-based network.

The focus on hosting has intensified during the year and the construction of DataCenters has begun in Sweden and Norway. Demand from Nordic companies for outsourcing of data and internet solutions is constantly increasing, and Tele1 Europe's DataCenters mean that the Company can offer complete solutions, including broadband capacity and hosting. In total, 10 000 square metres will be ready by the end of 2001, divided between six DataCenters in the Nordic region.

In the spring, Tele1 Europe signed an agreement with Telia and Utfors concerning the joint building of a broadband network along the coast of northern Sweden. The long-haul network consists of a total of 1 100 km of fiber cable and stretches from Haparanda in the north to Norrtälje in the south. The project represents an investment of about SEK 300-600 million, a cost that is divided equally between the three broadband companies.

Tele1 Europe signed an agreement with the Norwegian company Enitel on the purchase of fiber capacity in the ring: Oslo-London-Amsterdam-Hamburg-Copenhagen-Oslo. The supply is produced in Enitel's international fiber ring. The agreement refers to 4 x STM1 and also gives Tele1 Europe the option to upgrade the ring to 16 x STM1 (STM16).

Tele1 Europe signed a strategic agreement with Netcom GSM that makes it possible to offer mobile telephony services to business customers in Norway. The agreement with Netcom is similar to the one the Company signed with Telia Mobile in Sweden at the end of 1999. The Company also reached an agreement with Tele Danmark that enables Tele1 Europe to offer mobile telephony to business customers in Denmark.

Several important customer agreements have been signed during the year. Among these is an agreement with FöreningsSparbanken to connect at least 25 of the largest bank branches to Tele1 Europe's network. FöreningsSparbanken consequently gains access to the Nordic fastest broadband network for data and telephony. A telephony agreement was signed with the county administration boards. Of Sweden's 21 county administration boards, 19 signed up for directly connected telephony. In addition, an agreement was signed with Bredbandsbolaget on the supply of hardwired telephony to Bredbandsbolaget's customers in Sweden. Through the agreement, Tele1 Europe becomes a supplier to Bredbandsbolaget and its services of hardwired preselected telephony to the private market. Tele1 Europe signed a contract with Finland's largest computer magazine, MikroBitti, for a broadband connection with a capacity of 100 Mbit/s. The internet connection will be used by MikroBitti as a new service for its readers.

Tele1 Europe's wholly-owned subsidiary WinEasy launched in collaboration with Intel the service, Dedicated Webserver. It is a service that enables companies to be seen on the internet – cost-effectively, securely and rapidly. The service means that the customer gains access to its own server located in WinEasy's DataCenter, where applications such as Windows NT and IIS can be run. WinEasy is responsible for operation, security and monitoring round the clock. For WinEasy's customers, it means that there are no high costs for hardware and software, just a fixed monthly fee.

In cooperation with the American mobile operator, Western Wireless, and the Swedish teleoperator Rix Telecom, Tele1 Europe established Broadwave Communications, a jointly-owned company that competed for the UMTS licences in Sweden and Norway. A further two players became part of the jointly-owned company in September, the Finnish GSM/UMTS mobile operator group 2G/3P and You Communication of Norway, a service provider in mobile telephony. In the fourth quarter it was announced which candidates in Sweden and Norway had been granted a UMTS licence, and Broadwave Communications was not among those selected. Tele1 Europe's customers will be offered UMTS services, in which the starting point will be to function as a virtual operator in one of the licensed player's networks.

Financing and financial position

The offering in connection with the stock exchange listing comprised of 33.3 million shares, of which 28.3 were newly issued. The remaining 5 million were sold by existing shareholders. The offering drew in SEK 5.36 billion, of which SEK 4.55 billion was a new capital increase for the Company. The net capital increase for Tele1 Europe amounted to a total of SEK 4.20 billion. In April, Tele1 Europe exercised the overallocation option it was entitled to use in connection with the stock exchange listing. This meant that a further 1.6 million new shares were issued, with a net capital increase of SEK 260 million. The total net capital increase was SEK 4.46 billion.

The Company has a good financial position. On 31 December, the Company had SEK 3 135 million in liquid funds and short and medium-term investments, as well as SEK 453 million in frozen assets. In total, this amounted to SEK 3 588 million, which fully finances Tele1 Europe's business plan. Liquid funds and investment assets have been invested in interest-bearing securities.

Personnel

The number of employees increased in 2000 by 602 to 971, of which 459 worked in Sweden, 239 in Norway, 108 in Denmark and 165 in Finland. The average number of employees was 766 (265).

Pelle Hjortblad, formerly Chief Operating Officer (COO) at Tele1 Europe Holding AB, was appointed as new President for Tele1 Europe AB in Sweden. Anders Brismo, formerly President of Tele1 Europe AB, was appointed as COO for Tele1 Europe Holding AB. For the Company, this management shift was a natural change. Pelle Hjortblad has extensive experience of operational leadership in the telecom sector and will now become responsible for the development of the Swedish company, which is in a phase of strong growth. Anders Brismo has leading-edge competence in developing services, strategies and partnerships in data and the internet, and therefore takes on overall responsibility for the Nordic countries. The management shift applied from 26 May 2000.

On 15 August 2000, an extraordinary general meeting took the decision to issue promissory notes with detachable warrants aimed at the employees in line with the Law (1987:464) concerning certain directed share issues by market-listed companies, etc. For further information please see "Options schemes" on page 50.

Network expansion

On 31 December 2000, 1 704 km of local fiber network had been implemented in the four Nordic countries, an increase of 1 636 during the year, including 200 km of local fiber network that was part of the acquisition of ElTele Rogaland (see under Acquisitions). The total local fiber network is expected to amount to more than 2 000 km by the end of 2002. On 31 December, 21 fiber pockets had been completed in Sweden, Denmark, Finland and Norway.

Tele1 Europe's trunk network of long-term hired fiber amounted to 6 652 km on 31 December, an increase of 5 632 on the previous year, which includ-

ed 300 km of trunk network that was part of the acquisition of ElTele Rogaland. The trunk network is expected to exceed a total of 11 100 km before the end of 2001.
On 31 December, Tele1 Europe had 232 active DSL nodes in Sweden, Denmark, Finland and Norway.

Acquisitions
In mid-2000, Tele1 Europe acquired the data and broadband operator Eltele Rogaland for NOK 717 million. The purchase was part of Tele1 Europe's efforts to become the Nordic leading provider of broadband services to the corporate market. Tele1 Europe took over all ElTele Rogaland's operations from 1 July. Payment was made partly through the transfer of 902 642 shares in Tele1 Europe Holding AB, and partly through a cash payment of NOK 617 million. Through the purchase of ElTele Rogaland, Tele1 Europe accelerated its penetration of the Norwegian broadband communications and data services market. The Company gained a substantially larger broadband network and can offer improved internet access and VPN services.

In connection with the purchase of ElTele Rogaland, one-third of Explore IT, a Norwegian consulting firm in IT services, was also acquired by the Company. On 5 September, Tele1 Europe acquired the remaining two-thirds of Explore IT.

Tele1 Europe Holding AB acquired the Stavanger-based company Cegal AS, active in decentralized information technology, for a price of around NOK 50 million, which was paid in cash. Through the acquisition, Tele1 Europe further strengthens its competencies in hosting, outsourcing and added value services in data.

At the start of the year an agreement was signed concerning the purchase of parts of Global One Services AB's Swedish customer database of companies and authorities.

Highlights after the end of the financial year
In January, Tele1 Europe announced an implemented bond loan for EUR 175 million, via the wholly-owned subsidiary, Tele1 Europe NV. The capital increase will first and foremost be used to create opportunities to make acquisitions that complement the existing business plan, and secondly to accelerate expansion of the Nordic broadband network.

Kilroy International Travel A/S, which also includes Benns Rejser and Team Travel, has signed a three-year agreement with Tele1 Europe. The agreement means that Tele1 Europe will function as Kilroy's operator for IP/VPN networks. During the autumn, Kilroy has had IP/VPN-based data connections, based on MPLS technology, implemented in all its European offices. This is a big investment in new technology that complements the Company's investment in a new bookkeeping and revenues system.

Parent company
The parent company Tele1 Europe Holding AB's income for the year amounted to SEK 0 million, compared with SEK 0 million in 1999, and profit before tax was SEK 7 million, compared with SEK -6 million in 1999. During the year investments in tangible fixed assets were made for SEK 0 million (0). The Parent company's liquid funds at year-end amounted to SEK 59 million (26).

Outlook
Tele1 Europe expects to reach the breakeven point for adjusted EBITDA in the second quarter of 2002, positively adjusted EBITDA for the full year 2002, and a positive cash flow in early 2004.

There have been no events during the year that lead management to expect anything other than continued expansion of the business.

The capacity to generate positive EBITDA and positive cash flow is subject to risks and dependent on a number of factors, some of which are beyond the Company's control.

Proposed treatment of accumulated loss

The following accumulated loss is at the disposal of the Annual General Meeting.

Loss brought forward	-60 698 548 kr
Net profit for the year	7 156 021 kr
	-53 542 527 kr

The Board of Directors proposes that the accumulated loss of

is carried forward	-53 542 527 kr

According to the Consolidated Balance Sheet, the Company's accumulated loss amounts to SEK 1 320 646 000. No allocation to restricted equity is required.

Concerning aspects of the Company's net profit/loss and position, refer to the following Income Statements and Balance Sheets with corresponding additional information.

CONSOLIDATED INCOME STATEMENT (SEK 000s)

INCOME STATEMENT

	Note	2000	1999
Operating revenues	1	1 047 860	232 376
Cost of goods and services sold	3, 5	-761 476	-185 376
Gross profit		**286 384**	**47 000**
Selling expenses	3, 5	-222 635	-80 679
Administrative expenses	3, 5	-631 645	-234 238
Other operating income	6	3 117	–
Other operating costs	7	-2 230	–
		-853 393	**-314 917**
Operating loss	8	**-567 009**	**-267 917**
Results from financial investments			
Other interest income and similar income items	9	238 104	60 268
Interest expense and similar loss items	10	-473 448	-189 990
		-235 344	**-129 722**
Loss before income taxes		**-802 353**	**-397 639**
Tax on net loss	11	4 568	-2 098
NET LOSS		**-797 785**	**-399 737**

CONSOLIDATED BALANCE SHEET (SEK 000s)

ASSETS

	Note	31 Dec. 2000	31 Dec. 1999
Fixed assets			
Intangible assets			
Goodwill	12	1 087 132	416 563
		1 087 132	**416 563**
Tangible assets	17		
Buildings and land	13	30 082	9 246
Plant and machinery	14	1 343 914	165 301
Equipment, tools, fixtures and fittings	15	238 634	49 523
Construction in progress	16	1 343 256	249 044
		2 955 886	**473 114**
Financial assets			
Shares in associated companies	20	55 570	–
Other long-term securities	21	146 272	370 659
Other financial fixed assets	22	114 007	120 565
		315 849	**491 224**
Total fixed assets		**4 358 867**	**1 380 901**
Current assets			
Inventories etc.			
Goods for resale		18 600	3 571
		18 600	**3 571**
Current receivables			
Trade debtors		408 729	66 212
Other receivables		184 667	76 739
Tax receivables		4 425	–
Prepaid expenses and accrued income	24	268 470	55 812
		866 291	**198 763**
Short-term investments	25	**2 125 958**	**1 524 003**
Cash and bank	26	**1 316 000**	**729 077**
Total current assets		**4 326 849**	**2 455 414**
TOTAL ASSETS		**8 685 716**	**3 836 315**

SHAREHOLDERS' EQUITY AND LIABILITIES

	Note	31 Dec. 2000	31 Dec. 1999
Shareholders' equity	27		
Restricted shareholders' equity			
Share capital		7 861	5 758
New share issue in progress		–	4 584
Restricted reserves		5 063 888	315 973
		5 071 749	**326 315**
Accumulated loss			
Loss brought forward		-522 861	-74 008
Net loss		-797 785	-399 737
		-1 320 646	**-473 745**
Total shareholders' equity		**3 751 103**	**-147 430**
Provisions			
Provision for taxes		–	823
		–	**823**
Long-term liabilities	28		
Bond loans		3 638 571	3 389 631
Liabilities to other credit institutions		17 186	26 548
		3 655 757	**3 416 179**
Current liabilities			
Trade debtors		722 282	363 018
Tax liabilities		187	3 135
Other liabilities		136 919	27 556
Accrued expenses and deferred income	24	419 468	173 034
		1 278 856	**566 743**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**8 685 716**	**3 836 315**
MEMORANDUM ITEMS			
COLLATERAL PLEDGED	30	926 482	889 230
CONTINGENT LIABILITIES	30	210	NONE

CONSOLIDATED CASH FLOW STATEMENT (SEK 000s)

OPERATING ACTIVITIES

	Note	2000	1999
Operating loss		-567 009	-267 917
Adjustments for items not included in cash flow			
– Capital gain/loss on tangible assets		-887	–
– Depreciation according to plan		239 054	33 931
– Capital gain/loss on financial instruments		-3 639	–
– Unrealized exchange rate differences, net		76 550	–
– Dissolved costs for loan raised		13 359	–
– Other		1 495	–
Interest received		208 374	60 268
Interest paid		-476 980	-189 990
Paid income tax		–	-2 098
Cash flow from operating activities before changes in working capital		**-509 683**	**-365 806**
Changes in working capital			
– Increase/decrease in inventories		-15 029	-3 191
– Increase/decrease in receivables		-603 969	-136 812
– Increase/decrease in liabilities		53 468	450 958
Cash flow from operating activities		**-1 075 213**	**-54 851**

INVESTING ACTIVITIES

Acquisition of subsidiaries	23	-812 925	-423 152
Acquisition of associate companies	23	-55 570	–
Acquisition of tangible assets		-1 757 938	-397 640
Sale of tangible assets		95 277	–
Cash flow from investing activities		**-2 531 156**	**-820 792**

FINANCING ACTIVITIES

New share issue		4 506 556	223 480
New share issue in progress		–	4 584
Amortization of bank loan		-115 007	–
Loans raised		–	3 391 529
Net payment of forward agreements		183 094	–
Translation difference		–	-2 303
Capitalized costs for loans raised		-6 817	-120 565
Investments in interest-bearing securities, net		-373 913	-1 894 662
Cash flow from financing activities		**4 193 913**	**1 602 063**
Cash flow during the year		**587 544**	**726 420**
Cash, beginning of period		**729 077**	**2 657**
Exchange rate difference in cash		-621	–
Cash, end of period		**1 316 000**	**729 077**

PARENT COMPANY INCOME STATEMENT (SEK 000s)

INCOME STATEMENT

	Note	2000	1999
Operating revenues	1, 2	–	–
Cost of goods and services sold	3, 5	–	–
Gross profit		**–**	**–**
Selling expenses	3, 5	–	–
Administrative expenses	3, 5	-11 309	-5 915
		-11 309	**-5 915**
Operating loss		**-11 309**	**-5 915**
Results from financial investments			
Other interest income and similar income items	9	19 102	762
Interest expense and similar loss items	10	-638	-396
		18 464	**366**
NET LOSS		**7 155**	**-5 549**

PARENT COMPANY BALANCE SHEET (SEK 000s)

ASSETS

	Note	31 Dec. 2000	31 Dec. 1999
Fixed assets			
Tangible assets			
Equipment, tools, fixtures and fittings	15	587	–
		587	**–**
Financial assets			
Shares in Group companies	19	4 728 062	240 847
Receivables from Group companies		115 244	–
Shares in associated companies	20	29 059	–
		4 872 365	**240 847**
Total fixed assets		**4 872 952**	**240 847**
Current assets			
Current receivables			
Receivables from Group companies		–	2 796
Other receivables		570	4 065
Prepaid expenses and accrued income	24	5 416	270
		5 986	**7 131**
Cash and bank	26	**59 406**	**26 018**
Total current assets		**65 392**	**33 149**
TOTAL ASSETS		**4 938 344**	**273 996**

SHAREHOLDERS' EQUITY AND LIABILITIES

	Note	31 Dec. 2000	31 Dec. 1999
Shareholders' equity			
Restricted shareholders' equity			
Share capital		7 861	5 758
New share issue in progress		–	4 584
Share premium reserve		4 967 892	308 855
Statutory reserve		7 907	7 907
		4 983 660	**327 104**
Accumulated loss			
Loss brought forward		-60 698	-55 149
Net loss		7 155	-5 549
		-53 543	**-60 698**
Total shareholders' equity		**4 930 117**	**266 406**
Current liabilities			
Trade debtors		2 643	711
Liabilities to Group companies		176	6
Other liabilities		4 144	5 746
Accrued expenses and deferred income	24	1 264	1 127
		8 227	**7 590**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4 938 344**	**273 996**
MEMORANDUM ITEMS			
COLLATERAL PLEDGED	30	NONE	NONE
CONTINGENT LIABILITIES	30	99 255	28 460

PARENT COMPANY CASH FLOW STATEMENT (SEK 000s)

OPERATING ACTIVITIES

	2000	1999
Operating loss	-11 309	-5 915
Adjustments for items not included in cash flow		
– Depreciation according to plan	91	–
Interest received	19 102	762
Interest paid	-638	-396
Cash flow from operating activities before changes in working capital	**7 246**	**-5 549**
Changes in working capital		
– Increase/decrease in receivables	1 145	-3 671
– Increase/decrease in liabilities	637	5 326
Cash flow from operating activities	**9 028**	**-3 894**

INVESTING ACTIVITIES

Acquisition of tangible assets	-678	–
Acquisition of subsidiaries	-54 152	-240 847
Acquisition of associated companies	-29 059	–
Shareholders' contribution/new share issue in Group companies	-4 433 063	–
Increase in long-term receivables from Group companies	-115 244	–
Sales of subsidiaries	–	41 326
Cash flow from investing activities	**-4 632 196**	**-199 521**

FINANCING ACTIVITIES

New share issue	4 656 556	223 480
New share issue in progress	–	4 584
Cash flow from financing activities	**4 656 556**	**228 064**
Cash flow during the year	**33 388**	**24 649**
Cash, beginning of period	**26 018**	**1 369**
Cash, end of period	**59 406**	**26 018**

GENERAL INFORMATION

Accounting principles
In all significant respects, the Company complies with the Swedish Annual Accounts Act, as well as Swedish Accounting Standards Board, the Swedish Financial Accounting Standards Council and the Swedish Institute of Authorized Public Accountants' recommendations and statements. The principles are the same for the Group and parent company and are unchanged in comparison with last year.

Consolidated accounts
The consolidated accounts have been prepared in accordance with the purchase method and the Swedish Financial Accounting Standards Council's recommendation
No. 1:00, which the company has chosen to apply early during the year. The acquisition cost of shares in subsidiaries has been offset against the acquired shareholders' equity, including equity in untaxed reserves, attributable to these shares. The difference between the acquisition cost and acquired shareholders' equity has been entered as goodwill in the consolidated balance sheet, to the extent that it is not possible to attribute it to surplus value in acquired assets. Goodwill is amortized over ten years.

The consolidated accounts include subsidiaries in which the Parent Company, directly or indirectly, controls more than 50% of the voting rights.

Companies acquired during a year in progress are included in the consolidated accounts as of the date of acquisition. Divested companies are included in the consolidated accounts up to the date of divestment.

The accounts of foreign subsidiaries are translated in accordance with the current-rate method. This means that the assets and liabilities of the foreign subsidiaries are translated at the year-end rate. All items included in shareholders' equity are translated at the rates applying at the particular date of acquisition.

All items in the income statement are translated at the average rate for the year. Translation differences are entered directly in the Group's shareholders' equity.

Shares in associate companies are reported in the consolidated accounts according to the equity method, when the Group's share in the associated companies' results is lost in the event of depreciation of the Group's surplus values, they are reported as Shares in associated companies' results.

Changes in the Group's composition
– During the year, Euroconnect A/S merged with Tele1 Europe A/S, with effect from 1 January 2000.

– In January, Tele1 Europe Solutions AB acquired part of Global One Services AB's customer database.

– During the first half of the year Tele1 Europe in Finland Oy acquired 100% of the shares in seven companies. For a complete description of the acquired companies, please see Note 19 Shares in Group companies.

– In July, Tele1 Europe AS acquired all the activities of ElTele Rogaland AS. The acquisition includes 33.34% of the shares in Explore IT AS. In August the remaining 66.66% of the shares in Explore IT AS were acquired.

– In August, Tele1 Europe Holding AB started the company Broadwave Communications AB.

– In September, Tele1 Europe Holding AB acquired 100% of the shares in Cegal AS.

Tangible and intangible fixed assets
Tangible fixed assets, consisting mainly of the acquired and performing networks for telecommunication, are reported at their acquisition value after deductions for depreciation according to plan.

The acquisition value of performing fixed assets includes interest during the manufacturing stage.

When performing assets are taken into operation they are reclassified from Construction in progress to Machinery and other equipment.

The Company has signed a number of usufruct/right of use agreements (IRU agreements) as the lessor of the network capacity. The agreement conveys an obligation for the company that as well as making payments in advance, it must also pay in future when the network is taken into operation. Furthermore the Company assumes responsibility for paying future maintenance costs after the network has been taken into operation. The payment of the basis of the IRU agreement is reported as a tangible fixed asset. Future payments are entered as liabilities when the other party has fulfilled their obligations, which normally means that the network has been taken into operation. The maintenance fee is written off on a running basis.

Tangible and intangible fixed assets are straight-line depreciated over their expected economic life. The following are the applicable depreciation periods:

Goodwill	10 years
Machinery, equipment and installations	3 – 10 years
Switches and transmission equipment	3 – 10 years
Networks	20 years
Buildings	25 years
Usufruct agreements (IRU agreements)	The shortest of the right of use period and the underlying asset's economic lifetime.

Leasing
The Company only uses fixed assets under leasing agreements to a very limited extent, except for right of use agreements (IRUs). All such agreements are reported in accordance with the rules applying for operational leasing agreements.

Receivables and liabilities in foreign currency
Receivables and liabilities in foreign currency are valued at the year-end exchange rate. Gains and losses on receivables and liabilities of an operational character are reported net among other operating revenues or other operating expenses.

Receivables and liabilities hedged through forward contracts are translated at the rate applying on the hedging date and accrual accounting of the hedging premium (the difference between the forward rate and the current rate when the contracts were concluded) is based on the entire life of the forward contract.

Inventories
Inventories are valued at acquisition or actual value at year-end, whichever is lower.

Revenue recognition
Connecting, one-time and quarterly fees, are recognized as revenues in connection with performance of the service involved. Revenues and costs related to call times for telephony and other services are recognized as revenues and costs in connection with consumption.

Loan costs
The costs for raising the bond loan, are capitalized as a financial fixed asset. The amount is written-down over the bond's duration, which corresponds to ten years.

Income taxes
The income tax for the year includes current tax and deferred tax. Unutilized tax loss carry forwards have not been assigned a value in the Parent Company or consolidated balance sheets because it is not known when it will be possible to utilize them. Accordingly, no reversal of tax amounts is made for costs charged directly against shareholders' equity. Estimated income tax pertains to companies.

Assets and receivables
Assets are booked at acquisition value, unless otherwise stated. Receivables are booked at the amount expected to be received.

Provisions and liabilities
Unless otherwise stated below, liabilities are booked at acquisition value, following customary provisions for accrued costs. Provisions are booked for known or anticipated risks, on the basis of individual assessment.

NOTE 1

Operating revenues by geographic market

	Group		Parent company	
	2000	**1999**	**2000**	**1999**
Sweden	518 224	131 812	–	–
Norway	204 625	49 299	–	–
Denmark	226 537	38 678	–	–
Finland	98 474	12 587	–	–
	1 047 860	**232 376**	**–**	**–**

NOTE 2

Intra-Group purchases and sales

	2000	**1999**
Proportion of sales accounted for by other Group companies	0%	0%
Proportion of purchases accounted for by other Group companies	0%	0%

NOTE 3

Average number of employees, personnel costs, pensions and other data

	2000		**1999**	
	Employees	of whom, men	Employees	of whom, men
Parent Company				
Sweden	–	–	–	–
Subsidiaries				
Sweden	334	231	130	92
Norway	205	146	48	33
Denmark	90	52	58	42
Finland	137	109	29	20
	766	**538**	**265**	**187**
Group total	**766**	**538**	**265**	**187**

	Group		Parent company	
	2000	**1999**	**2000**	**1999**
Salaries and other remunerations				
Board of Directors and President	11 378	9 254	800	–
Other employees	266 521	95 519	–	–
	277 899	**104 773**	**800**	**–**
Social security costs				
Pension costs for Board of Directors and President	1 116	658	–	–
Pension costs for other employees	21 167	8 675	–	–
Other social security costs according to law and agreement	103 744	34 696	264	–
	126 027	**44 029**	**264**	**–**

	Group		Parent company	
	2000	1999	2000	1999
Pension obligations				
Current Board of Directors and President	–	–	–	–
Former Board of Directors and President	–	–	–	–

Salaries and other remunerations to Board of Directors and Presidents by country

	2000	1999	2000	1999
Sweden	5 380	5 567	800	–
Norway	1 417	911	–	–
Denmark	1 217	1 373	–	–
Finland	3 364	1 403	–	–
	11 378	**9 254**	**800**	**–**

Remuneration to senior executives
During 2000, TSEK 800 (0) was paid to the Chairman of the Board and certain other Board members. Of this, a fee of TSEK 200 was agreed for the Chairman of the Board, Lars Windfeldt, for the period up to and including 31 December 2000.

Ivar Strömberg, the President of the parent company received a salary and other remuneration amounting to TSEK 1 560. The Parent company President's salary and other remuneration were paid by the subsidiary Tele1 Europe Group AB, not by the Parent Company. His pension terms are the same as other employees in the Group. The President's period of notice in connection with employment termination is six months.

Group management, managers of the business areas and subsidiaries as well as key staff have a bonus as well as salary. The bonus is based on the Group's and/or the specific operational area's profit. The bonus can be a maximum 20% of the person's fixed salary.

Options for employees and senior executives
During the year Tele1 Europe Holding AB issued a total of 827 718 options to employees and senior executives, besides the 5 843 960 options decided about on 3 March 2000. Each option was issued together with a debenture with a nominal value of SEK 1-5 and the exercise price per unit varies from SEK 20 to SEK 24 depending on the date of allotment.

The final dates for exercising the options range from 28 January 2003 and 1 October 2003.

The exercise price is SEK 119 -129. At the end of 2000, 13 426 098 options remained outstanding, including last year's issued options. A provision has been posted for social security fees and taxes related to those options that already meet the above requirements. For a detailed presentation of the options scheme, please see separate section.

NOTE 4

Information regarding remuneration to auditors

Auditors and audit firms have received the following remuneration:

– for audits and other examinations in accordance with the Swedish Companies Act, and other acts, as well as advice and other assistance required due to observations during examinations

	Group	Parent Company
Ernst & Young	3 004	534
	3 004	**534**
– for independent counseling		
Ernst & Young	8 783	3 575
Other audit firms	1 559	148
	10 342	**3 723**

The figures regarding the Group include significant units in Sweden and other countries.

NOTE 5

Depreciation

Depreciation/amortization of tangible and intangible fixed assets is included in the income statement items as follows:

	Group		Parent company	
	2000	**1999**	**2000**	**1999**
Cost of services sold	-93 092	-8 051	–	–
Selling expenses	-26 663	-4 226	–	–
Administrative expenses	-119 298	-21 654	-91	–
	-239 053	**-33 931**	**-91**	**–**

NOTE 6

Other operating income

	Group		Parent company	
	2000	**1999**	**2000**	**1999**
Profit from sale of fixed assets	3 117	–	–	–

NOTE 7

Other operating costs

	Group		Parent company	
	2000	**1999**	**2000**	**1999**
Loss from sale of fixed assets	-2 230	–	–	–

NOTE 8

Operating loss

	Group		Parent company	
	2000	**1999**	**2000**	**1999**
Sweden	-294 372	-110 599	-11 309	-5 915
Norway	-149 131	-88 023	–	–
Denmark	-59 743	-44 991	–	–
Finland	-65 848	-21 234	–	–
Holland	2 085	-3 070	–	–
	-567 009	**-267 917**	**-11 309**	**-5 915**

NOTE 9

Other interest income and similar profit items

	Group		Parent company	
	2000	**1999**	**2000**	**1999**
Interest income	227 491	60 216	4 647	730
Interest income from Group receivables	–	–	1 808	–
Exchange rate difference	–	–	6 149	32
Other financial income	10 613	52	6 498	–
	238 104	**60 268**	**19 102**	**762**

NOTE 10

Interest expense and similar loss items

	Group		Parent company	
	2000	**1999**	**2000**	**1999**
Interest expense	-409 388	-177 305	-207	-351
Exchange rate difference	-36 025	-5 873	–	–
Write-off of costs for raised loan	-13 359	-6 323	–	–
Other financial expenses	-14 676	-489	-431	-45
	-473 448	**-189 990**	**-638**	**-396**

NOTE 11

Tax on net loss for the year

	Group		Parent company	
	2000	**1999**	**2000**	**1999**
Current income tax	1 740	-2 099	–	–
Deferred tax income	810	1	–	–
Current tax for previous year	2 018	–	–	–
	4 568	**-2 098**	**–**	**–**

The year's positive income tax refers to tax reversals arising from estimated tax in acquired companies. Unutilized loss carry forwards amounted in year 2000 to TSEK 378 668 (TSEK 83 279) in the Parent company and TSEK 1 453 965 (TSEK 282 196) in the Group.

Utilization of loss carry forwards is subject to imposed time-limits and certain other blocks and presumes future taxable results.

NOTE 12

Goodwill

	Group		Parent company	
	31 Dec. 2000	**31 Dec. 1999**	**31 Dec. 2000**	**31 Dec. 1999**
Opening acquisition value	425 370	–	–	–
Opening acquisition value, additional companies	737	–	–	–
Purchases	743 643	425 370	–	–
Sales/scrapping	-905	–	–	–
Reclassification for the year	-3 191	–	–	–
Translation differences for the year	12 231	–	–	–
Closing accumulated acquisition value	**1 177 885**	**425 370**	**–**	**–**
Opening depreciation	-8 807	–	–	–
Sales/scrapping	165	–	–	–
Depreciation during the year	-78 975	-8 807	–	–
Reclassification for the year	-346	–	–	–
Translation differences for the year	-2 790	–	–	–
Closing accumulated depreciation	**-90 753**	**-8 807**	**–**	**–**
Book value	**1 087 132**	**416 563**	**–**	**–**

NOTE 13

Buildings and land

	Group		Parent company	
	31 Dec. 2000	**31 Dec. 1999**	**31 Dec. 2000**	**31 Dec. 1999**
Opening acquisition value	9 474	–	–	–
Opening acquisition value, additional companies	–	11 139	–	–
Purchases	30 082	20	–	–
Sales/scrapping	-9 541	-1 685	–	–
Translation differences for the year	67	–	–	–
Closing accumulated acquisition value	**30 082**	**9 474**	**–**	**–**
Opening depreciation	-228	–	–	–
Sales/scrapping	274	243	–	–
Opening depreciation, additional companies	–	-340	–	–
Depreciation during the year	-43	-131	–	–
Translation differences for the year	-3	–	–	–
Closing accumulated depreciation	**0**	**-228**	**–**	**–**
Book value	**30 082**	**9 246**	**–**	**–**

The property is held by Tele1 Europe AS and is situated in Oslo, Norway, which is why there is no information about the tax assessment value.

NOTE 14

Plant and machinery

	Group		Parent company	
	31 Dec. 2000	**31 Dec. 1999**	**31 Dec. 2000**	**31 Dec. 1999**
Opening acquisition value	192 180	43 028	–	–
Opening acquisition value, additional companies	–	15 607	–	–
Purchases	1 091 640	135 966	–	–
Sales/scrapping	-56 178	-2 174	–	–
Reclassification for the year	244 742	–	–	–
Translation differences for the year	2 115	-247	–	–
Closing accumulated acquisition value	**1 474 499**	**192 180**	**–**	**–**
Opening depreciation	-26 879	-4 087	–	–
Sales/scrapping	69	773	–	–
Opening depreciation, additional companies	–	-8 395	–	–
Reclassification for the year	763	–	–	–
Depreciation during the year	-102 294	-15 652	–	–
Translation differences for the year	-2 244	482	–	–
Closing accumulated depreciation	**-130 585**	**-26 879**	**–**	**–**
Book value	**1 343 914**	**165 301**	**–**	**–**

NOTE 15

Equipment, tools, fixtures and fittings

	Group		Parent company	
	31 Dec. 2000	**31 Dec. 1999**	**31 Dec. 2000**	**31 Dec. 1999**
Opening acquisition value	62 458	14 129	–	–
Opening acquisition value, additional companies	1 840	4 839	–	–
Purchases	265 830	43 867	678	–
Sales/scrapping	-31 884	-359	–	–
Reclassification for the year	7 582	–	–	–
Translation differences for the year	733	-18	–	–
Closing accumulated acquisition value	**306 559**	**62 458**	**678**	**–**
Opening depreciation	-12 935	-3 024	–	–
Sales/scrapping	2 755	14	–	–
Opening depreciation, additional companies	–	-532	–	–
Reclassification for the year	681	–	–	–
Depreciation during the year	-57 742	-9 395	-91	–
Translation differences for the year	-684	2	–	–
Closing accumulated depreciation	**-67 925**	**-12 935**	**-91**	**–**
Book value	**238 634**	**49 523**	**587**	**–**

NOTE 16

Construction in progress

	Group		Parent company	
	31 Dec. 2000	**31 Dec. 1999**	**31 Dec. 2000**	**31 Dec. 1999**
Opening balance	249 044	–	–	–
Costs incurred during the year	1 346 160	249 044	–	–
Translation differences for the year	1 278	–	–	–
Construction completed during the year	-253 226	–	–	–
Closing balance	**1 343 256**	**249 044**	**–**	**–**
Book value	**1 343 256**	**249 044**	**–**	**–**

Construction in progress pertains to the Company's access networks.
The acquisition value includes interest of TSEK 25 087 (0).

NOTE 17

Tangible fixed assets by geographic area

	Group		Parent company	
	31 Dec. 2000	**31 Dec. 1999**	**31 Dec. 2000**	**31 Dec. 1999**
Sweden	1 491 623	327 479	587	–
Norway	727 312	38 370	–	–
Denmark	361 048	84 696	–	–
Finland	375 903	22 569	–	–
	2 955 886	**473 114**	**587**	**–**

NOTE 18

Leasing agreements
The leasing and rental agreements of an operational nature concluded by the Group, concerning offices are distributed as follows with the following contracted minimum payments:

for payment within a year	68 996
for payment between one and five years	358 026
for payment later than five years	101 250
	528 272
Leasing costs paid during the year	46 808

Other obligations
The Company has signed a number of usufruct/right of use agreements (IRU agreements) where the Group has made obligations to pay future payments when the contracted party has fulfilled its liabilities according to the agreement. These obligations have been entered as a liability first when the other party fulfills its obligations. Future payment obligations in line with the usufruct agreements fall due as follows:

for payment within a year	187 393
for payment between one and five years	–
for payment later than five years	–
	187 393

NOTE 19

Shares in group companies

Company	Country	Head office	Org. no	Proportion of share capital	Proportion of votes
Tele1 Europe NV	Holland	Rotterdam	24 292 701	100%	100%
Tele1 Europe Group AB	Sweden	Stockholm	556568-8784	100%	100%
Tele1 Europe Solutions AB	Sweden	Stockholm	556576-4148	100%	100%
WinEasy AB	Sweden	Stockholm	556496-7254	100%	100%
Tele1 Europe AB	Sweden	Stockholm	556543-0955	100%	100%
PS! Internet Company AB	Sweden	Stockholm	556577-4477	100%	100%
Interconnect Scandinavia AB	Sweden	Stockholm	556553-1042	100%	100%
Broadwave Communications AB	Sweden	Stockholm	556594-4419	100%	100%
Tele1 Europe AS	Norway	Oslo	979 225 334	100%	100%
Alfa Industrier AS	Norway	Oslo	928 151 107	100%	100%
Broadwave Communications AS	Norway	Oslo	981 070 100	100%	100%
WinEasy AS	Norway	Oslo	981 132 580	100%	100%
Explore IT AS	Norway	Oslo	979 949 588	100%	100%
Cegal AS	Norway	Stavanger	981 912 349	100%	100%
Tele1 Europe A/S	Denmark	Copenhagen	20 444 037	100%	100%
Euroconnect GmbH	Germany	Flensburg	15 295 133 57	100%	100%
Tele1 Europe in Finland Oy	Finland	Helsinki	760 077	100%	100%
Clinet Oy	Finland	Helsinki	557 096	100%	100%
Aritele Oy	Finland	Helsinki	535 551	100%	100%
Oy Mobitalk Ab	Finland	Helsinki	716 419	100%	100%
Oy Porvoon Tele-ja Turvayhtiö Ab	Finland	Helsinki	632 133	100%	100%
Suomen Tele-Puhelinjärjestelmät Oy	Finland	Helsinki	611 662	100%	100%
Majeston Oy	Finland	Helsinki	499 923	100%	100%
Tietorinki Oy	Finland	Helsinki	558 344	100%	100%
Salon Telepiste Oy	Finland	Helsinki	426 944	100%	100%

Parent company's holdings

Company	Org.no Head office	Share capital	Number of participations	Book value
Tele1 Europe NV	24 292 701	100%	4 940 845	4 673 910
	Rotterdam	100%		
Broadwave Communications AB	556594-4419	100%	1 000	100
	Stockholm	100%		
Broadwave Communications AS	981 070 100	100%	100	120
	Oslo	100%		
Cegal AS	981 912 349	100%	1 895 000	53 932
	Stavanger	100%		
				4 728 062

	31 Dec. 2000	31 Dec. 1999
Opening acquisition value	240 847	41 326
Purchases	54 152	240 847
Shareholders' contribution/New issue	4 433 063	–
Sales	–	-41 326
Closing accumulated acquisition value	**4 728 062**	**240 847**
Book value	**4 728 062**	**240 847**

Supplementary payments may be required for some of the acquisitions. Such supplementary payments will be based on the acquired companies' future revenue. As on 31 December 2000, provision had been made for supplementary payments which in all probability will be paid and the amount can be estimated reliably. These provisions amount to SEK 67.5 million. The maximum amount for supplementary payments is SEK 131.7 million.

NOTE 20

Shares in associated companies

Company	Country	Head office	Org.no	Proportion of equity	Proportion of votes
SNPAC AB	Sweden	Stockholm	556595-2925	20%	20%
Tele-Punkt Söborg A/S	Denmark	Söborg	12 930 089	30%	30%
DanDial Salg A/S	Denmark	Aalborg	21 497 484	33%	33%
DanDial Service A/S	Denmark	Aalborg	17 240 242	33%	33%
DanDial Import & Prod. A/S	Denmark	Aalborg	21 497 479	33%	33%
Kidra AS	Norway	Stavanger	982 812 151	27%	27%

Parent company's holdings

Company	Org.no Head office	Proportion of equity votes	No. of shares	Book value
Tele-Punkt Söborg A/S	12 930 089	30%	203 400	28 841
	Söborg	30%		
Kidra AS	982 812 151	27%	10 000	218
	Stavanger	27%		
				29 059

	Group		Parent company	
	31 Dec. 2000	31 Dec. 1999	31 Dec. 2000	31 Dec. 1999
Opening acquisition value	–	–	–	–
Purchases	55 570	–	29 059	–
Closing accumulated acquisition value	**55 570**	**–**	**29 059**	**–**
Book value	**55 570**	**–**	**29 059**	**–**

Because of the short time between the year's acquisitions of associate companies and the end of the accounting period, the proportion of share capital is negligible. The book value on 31 December 2000 amounts to the acquisition value.

NOTE 21

Other long-term securities held

	Group		Parent company	
	31 Dec. 2000	**31 Dec. 1999**	**31 Dec. 2000**	**31 Dec. 1999**
Opening acquisition value	370 659	–	–	–
Purchases	–	370 659	–	–
Interest income	9 935	–	–	–
Reclassifications	-285 376	–	–	–
Exchange rate differences	51 054	–	–	–
Book value	**146 272**	**370 659**	**–**	**–**

In connection with the First loan (see Long-term liabilities), Tele1 Europe acquired and deposited government bonds at an amount large enough to finance the loan's six initial interest payments (until interest payment date 15 May 2002). These investments are blocked as a consequence of the terms of the loan. Those parts that fall due for payment later than one year are reported under Other long-term securities held. On 31 December 2000, these amounted to TSEK 146 256 (370 659).

NOTE 22

Other financial fixed assets

	Group		Parent company	
	31 Dec. 2000	**31 Dec. 1999**	**31 Dec. 2000**	**31 Dec. 1999**
Opening acquisition value	120 565	–	–	–
Purchases during the year	6 801	126 888	–	–
Write-off of costs of raised loans	-13 359	-6 323	–	–
Booked value	**114 007**	**120 565**	**–**	**–**

NOTE 23

Cash flow from acquired companies

The Tele1 Europe Group's composition changes continually as a consequence of the corporate acquisitions made. The market value of the acquired companies assets and liabilities break-down as follows:

	Group	
	31 Dec. 2000	**31 Dec. 1999**
Intangible assets	712 146	422 223
Tangible assets	396 544	59 287
Current liabilities	33 829	28 852
Liquid funds	14 626	4 864
Current liabilities	-75 493	-78 728
Long-term liabilities	-94 118	-8 482
Total purchase price	**987 534**	**428 016**
Of which, non-cash issue carried out, paid	-102 400	–
Of which, other yet unpaid purchase price	-57 583	–
Cash purchase price	**827 551**	**–**
Acquired liquid funds, left	-14 626	-4 864
Acquisitions of associate companies, added	55 570	–
Cash flow from acquired companies	**868 495**	**423 152**

NOTE 24

Accruals and deferrals

	Group		Parent company	
	31 Dec. 2000	**31 Dec. 1999**	**31 Dec. 2000**	**31 Dec. 1999**
Prepaid expenses and accrued income				
Accrued income	132 930	24 250	–	–
Prepaid rents	40 170	15 488	–	–
Accrued interest income	48 829	5 615	–	–
Other items	46 541	10 459	5 416	270
	268 470	**55 812**	**5 416**	**270**
Accrued expenses and prepaid income				
Accrued social security fees	40 730	58 728	–	–
Accrued interest expenses	50 656	43 077	–	–
Accrued liability for vacation salaries	23 834	8 346	–	–
Accrued telecom traffic costs	130 041	43 984	–	–
Prepaid income	49 723	5 868	–	–
Other items	124 484	13 031	1 264	1 127
	419 468	**173 034**	**1 264**	**1 127**

NOTE 25

Short-term investments

	Group		Parent company	
	31 Dec. 2000	**31 Dec. 1999**	**31 Dec. 2000**	**31 Dec. 1999**
Swedish interest bearing securities	1 819 000	1 246 483	–	–
Blocked government bonds	306 958	277 520	–	–
	2 125 958	**1 524 003**	**–**	**–**

In connection with the First loan (see Long-term liabilities), Tele1 Europe acquired and deposited government bonds at an amount large enough to finance the loan's six initial interest payments (until interest payment date 15 May 2002). These investments are blocked as a consequence of the terms of the loan. Those parts that fall due for payment within one year are reported under Short-term investments.

NOTE 26

Liquid funds including short-term investments and other bonds

	Group		Parent company	
	31 Dec. 2000	**31 Dec. 1999**	**31 Dec. 2000**	**31 Dec. 1999**
Cash and bank	1 316 000	729 077	59 406	26 018
Swedish interest bearing securities	1 819 000	1 246 483	–	–
	3 135 000	**1 975 560**	**59 406**	**26 018**
Blocked government bonds (incl in Other long-term securities held)	146 256	370 659	–	–
Blocked government bonds (incl in Short-term investments)	306 958	277 520	–	–
	453 214	**648 179**	**–**	**–**
Total	**3 588 214**	**2 623 739**	**59 406**	**26 018**

NOTE 27

Shareholders' equity

Change in shareholders' equity in the Group	Share capital	Share issue in progress	Restricted reserves	Accu-mulated loss	Total share-holders' equity
Opening balance	**5 758**	**4 584**	**315 973**	**-473 745**	**-147 430**
New issue in progress	2 103	-4 584	4 961 588		4 959 107
Cost of new issue			-350 151		-350 151
Transfers between restricted and unrestricted shareholders' equity			37 112	-37 112	0
Translation difference			99 366	-12 004	87 362
Net loss for the year				-797 785	-797 785
Closing balance	**7 861**	**0**	**5 063 888**	**-1 320 646**	**3 751 103**

Change in shareholders' equity in the Parent Company	Share capital	Share issue in progress	Legal reserve	Share premium reserve	Accu-mulated loss	Total share-holders' equity
Opening shareholders' equity	**5 758**	**4 584**	**7 907**	**308 855**	**-60 698**	**266 406**
New issue	2 103	-4 584		4 961 588		4 959 107
Cost of new issue				-302 551		-302 551
Net loss for the year					7 155	7 155
Closing balance	**7 861**	**0**	**7 907**	**4 967 892**	**-53 543**	**4 930 117**

Share capital

On 5 January 2000, a 20:1 split was registered with PRV, whereby the share's nominal value changed from SEK 1 to SEK 0.05. In connection with the new share issue for the listing of the Company on Nasdaq and the OM Stockholm Exchange, all preference shares were converted to ordinary shares. The possibility of issuing preference shares was stopped at the AGM on 24 May 2000. On 31 December the share capital consisted of 157 217 792 shares each at a nominal SEK 0.05.

EPS calculation

	Group 31 Dec. 2000	31 Dec. 1999
Net loss for the year	-797 785	-399 737
Weighted avg. no. of shares	147 198 329	105 570 628
Loss per share (SEK)	-5.42	-3.79

EPS calculation after full conversion

Net loss for the year	-797 785	-399 737
Weighted avg. no. of shares	162 311 982	120 550 601
Loss per share (SEK)	-4.92	-3.32

NOTE 28

Long-term liabilities
Long-term liabilities mainly consist of two bond loans raised by Tele1 Europe NV, no portion of which becomes due for repayment within 5 years. Other loans become due for repayment after one to five years. The terms and conditions for the bond loans are as follows.

First loan
On 12 May, 1999 Tele1 Europe NV issued 150 000 units ("First loan") of a total of 150 000 000 in senior dollar bonds. The interest rate is 13% and the bonds mature in 2009. Tele1 Europe NV also issued dollar options on the purchase of 40 403 common shares in Tele1 Europe NV and 100 000 euro-denominated units with a total principal of 100 000 000 in senior euro bonds carrying 13% interest and maturing in 2009, as well as euro-denominated options on the purchase of 28 740 common shares in Tele1 Europe NV.

In November 1999, Tele1 Europe NV completed a public exchange offer, pursuant to which all of the bonds originally issued under the First loan were exchanged for what were essentially identical bonds registered in accordance with the Securities Act and which are not subject to transfer restrictions. The options issued under the First loan remain subject to transfer restrictions. As a result of the public exchange offer, Tele1 Europe NV is now covered by the information disclosure obligation of the Exchange Act.

The interest on the First loan is paid semiannually on 15 May and 15 November each year. Tele1 Europe NV is entitled to redeem the First loan, in full or in part, as of 15 May 2004, in return for 106.5% of the principal, plus accrued interest, reduced to 100% of the principal, plus accrued interest, as of 15 May 2007. Prior to 15 May 2002, Tele1 Europe NV is entitled to redeem up to 35% of the First loan in return for 113% of the principal, using net revenues received through Tele1 Europe NV's sale of assets, or through another capital contribution to Tele1 Europe NV. Tele1 Europe NV is also entitled at any time to redeem the First loan in full, but not in part, at a redemption price corresponding to the entire principal, plus possible damages, up to the date established plus any additional amount that is past due or will become due for payment as a result of redemption or of a change in Dutch taxation or of a change in the application of Dutch taxation laws, pursuant to which Tele1 Europe NV becomes obliged to pay an additional amount which it is considered cannot be avoided by taking reasonable measures. The First loan carries the same payment rights as Tele1 EuropeNV's other senior debt and will carry preferential payment rights in relation to Tele1 Europe NV's future subordinated loans.

The terms and conditions of the First loan contain clauses pertaining to Tele1 Europe Holding AB and certain of its subsidiaries. These clauses include limits and demands related to indebtedness, payment restrictions, profit sharing and other payments that affect the subsidiaries concerned, share issues and sales of the share capital of the subsidiaries concerned, transactions with shareholders and Group companies, liens, sales of assets, guarantees for the debts of the subsidiaries concerned, sale-leaseback transactions, mergers, and the provision of financial accounts. These terms and conditions also stipulate that Tele1 Europe NV shall initiate and complete an offer to purchase the First loan for 101% of the total principal, if something occurs that results in or could result in a change in the control of Tele1 Europe NV.

Tele1 Europe NV is also obligated, in certain circumstances, to offer to acquire the First loan using revenues from the sale of certain assets. The terms and conditions for these bonds also contain clauses pertaining to breach of contract, whereby in the event of one or more breaches of contract, it will be permissible to request or demand that the principal plus any premium, interest and other financial obligations under the First loan become due for payment or be declared as immediately due for payment. Under certain circumstances, holders of bonds under the First loan are entitled to receive compensation for taxes and similar expenses incurred in connection with payments under the First loan. The terms and conditions of the First loan are governed by the 1939 Trust Indenture Act.

Second loan
On December 8, 1999 Tele1 Europe NV issued Senior Notes with a total principal of EUR 150 000 000. The interest rate is 11.875% and the bonds mature in 2009.

The interest on the Second loan is paid semiannually on 1 June and 1 December each year. Tele1 Europe NV is entitled to redeem the Second loan, in full or in part, as of 1 December 2004, in return for 105.937% of the principal, plus accrued interest, reduced to 100% of the principal, plus accrued interest, as of 1 December 2007. Prior to 1 December 2002, Tele1 Europe NV is entitled to redeem up to 35% of the Second loan in return for 111.875% of the principal, using net revenues received through Tele1 Europe NV's sale of assets, or through another capital contribution to Tele1 Europe NV. Tele1 Europe NV is also entitled at any time to redeem the Second loan in full, but not in part, at a redemption price corresponding to the entire principal, plus possible damages, up to the date established by Tele1 Europe NV as the redemption date, plus any additional amount that is past due or will become due for payment as a result of redemption or of a change in Dutch taxation or of a change in the application of Dutch taxation laws, pursuant to which Tele1 Europe NV becomes obliged to pay an additional amount which it is considered cannot be avoided by taking reasonable measures. The Second loan carries the same payment rights as Tele1 Europe NV's other senior debt and will carry preferential payment rights in relation to Tele1 Europe NV's future subordinated loans.

The terms and conditions of the Second loan contain clauses pertaining to Tele1 Europe Holding AB and certain of its subsidiaries. These clauses include limits and demands related to indebtedness, payment restrictions, profit sharing and other payments that affect the subsidiaries concerned, share issues and sales of the share capital of the subsidiaries con-

cerned, transactions with shareholders and Group companies, liens, sales of assets, guarantees for the debts of the subsidiaries concerned, sale-leaseback transactions, mergers, and the provision of financial accounts. These terms and conditions also stipulate that Tele1 Europe NV shall initiate and complete an offer to purchase the Second loan for 101% of the total principal, if something occurs that results in or could result in a change in the control of Tele1 Europe NV. Tele1 Europe is also obligated, in certain circumstances, to offer to acquire the Second loan using revenues from the sale of certain assets. The terms and conditions for these bonds also contain clauses pertaining to breach of contract, whereby in the event of one or more breaches of contract, it will be permissible to request or demand that the principal plus any premium, interest and other financial obligations under the Second loan become due for payment or are declared as immediately due for payment. Under certain circumstances, holders of bonds under the Second loan are entitled to receive compensation for taxes and similar expenses incurred in connection with payments under the Second loan.

The terms and conditions of the Second loan are governed by the 1939 Trust Indenture Act.

NOTE 29

Warrants

In connection with Tele1 Europe NV's raising of the First loan (see Long-term liabilities), warrants were issued in accordance with Note 28. As Tele1 Europe Holding AB was listed on Nasdaq and the OM Stockholm Exchange, the warrant-holders had the opportunity of receiving shares in Tele1 Europe Holding AB. The number of shares issued in connection with this was 4 521 159.

All the outstanding warrants have been issued to employees and board members in accordance with Note 3.

NOTE 30

Collateral pledged and contingent liabilities

	Group		Parent company	
	31 Dec. 2000	**31 Dec. 1999**	**31 Dec. 2000**	**31 Dec. 1999**
Collateral pledged				
Pertaining to overdraft facility				
Accounts receivable	–	4 034	–	–
Pertaining to off-balance instruments				
Restricted short-term investments	240 000	230 000	–	–
Pertaining to liabilities to other credit institutions				
Real estate mortgages	–	5 297	–	–
Other fixed assets	603	1 510	–	–
Other collateral pledged				
Bank deposits	232 664	210	–	–
Blocked government bonds	453 215	648 179	–	–
Total collateral pledged	**926 482**	**889 230**	**–**	**–**
Contingent liabilities				
Sureties	210	–	–	–
Sureties/contingent liabilities on behalf of Group companies	–	–	99 255	28 460
Total contingent liabilities	**210**	**–**	**99 255**	**28 460**

NOTE 31

Financial risks

The Tele1 Europe Group's management of financial instruments is based on the need to finance its business activities, manage its liquidity and hedge the financial exposure that results from its operations. At year-end, Tele1 Europe NV had currency forward agreements outstanding in USD and EUR, which largely correspond to the principal of the two bond loans.

Following the fiscal year-end, Tele1 Europe NV has concluded two interest-swap agreements corresponding to 20% of the loan volume in USD and EUR, in order to achieve a more even maturity profile for its fixed-interest loans.

NOTE 32

International accounting principles – US GAAP

The Tele1 Europe Group's financial statements are prepared in accordance with accounting principles that comply with the Swedish Companies Act and Annual Accounts Act and with generally acceptable accounting principles in Sweden. These accounting principles differ somewhat from US GAAP. In order to facilitate understanding by international investors, a listing of the significant differences between certain Swedish and US accounting principles, and their impact on the net results and shareholders' equity, is presented below.

Reported loss	2000	1999
Reported loss according to Swedish accounting principles	-797 785	-399 737
Warrants	-2 384	-1 631
Option premium	-7 738	-2 384
Reported loss according to US GAAP	**-807 907**	**-403 752**

Shareholders' equity	31 Dec. 2000	31 Dec. 1999
Shareholders' equity according to Swedish accounting principles	3 751 103	-147 430
Warrants	21 853	24 464
Market-listed securities	723	–
Preferred shares	–	-183 637
New issue in progress	–	-4 584
Shareholders' equity according to US GAAP	**3 773 679**	**-311 187**

Explanation of current differences between Swedish accounting principles and US GAAP

Warrants

The warrants were issued in connection with Tele1 Europe NV's raising of the First loan (see Long-term liabilities). According to US GAAP, these warrants are to be added to shareholders' equity and reversed over the term of the loan, i.e. 10 years.

Option premium

No option premium was paid when options were issued to personnel and senior executives in Norway, Denmark and Finland. According to US GAAP, a market value shall be computed for the option premium and expensed.

Market-listed securities

The Company has invested in long-term and short-term interest bearing securities. According to US GAAP these are all reported as securities that are considered to be available for sale at their market value. Changes in their valuation are shown as a specific item in shareholders' equity and do not affect the year's results.

Preferred shares

In accordance with an agreement, holders of preferred shares are entitled to be reimbursed for the amount originally invested after five years. According to US GAAP, these shares are to be inserted between liabilities and shareholders' equity.

Stockholm 3 April 2001

Lars Windfeldt
Chairman

Lars Grönberg

Lennart Lübeck

Paul Salem

Viesturs Vucins

Tommy Ekström

Craig Young

Ivar Strömberg
CEO

Audit Report
To the general meeting of the shareholders of Tele1 Europe Holding AB
Corporate identity number 5565127031

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and CEO of Tele1 Europe Holding AB for the fiscal year 2000. These accounts and the administration of the Company are the responsibility of the Board of Directors and the CEO. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.
We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any board member or the CEO. We also examined whether any Board member or the CEO has in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company's and the Group's financial position and of the results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of the shareholders that the income statements and the balance sheets of the Parent company and the Group be adopted, that the loss for the Parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Our audit report was submitted on 4 April 2001

Ernst & Young

Johan Kaijser
Authorized Public Accountant

This document is essentially a translation of the Swedish language version.
In the event of any discrepancies between this translation and the original
Swedish document, the latter shall be deemed correct.

FOUR-YEAR SUMMARY

TELE1 EUROPE GROUP	2000	1999	1998	1997
INCOME STATEMENT, SEK MILLION				
Net revenues	1 047.8	232.4	64.5	13.1
Gross profit/loss	286.4	47.0	8.2	-1.3
Operating loss	-567.0	-267.9	-58	-14.3
Loss after net financial items	-802.4	-397.6	-58.4	-14.3
Net loss for the year	-797.8	-399.7	-58.4	-14.3
BALANCE SHEET, SEK MILLION				
Intangible fixed assets	1 087.1	416.6	–	0.2
Tangible fixed assets	2 955.9	473.1	50.0	11.7
Financial fixed assets	315.8	491.2	–	–
Current assets	4 326.8	2 455.4	36.2	45.3
Total assets	8 685.7	3 836.3	86.2	57.2
Shareholders' equity	3 751.1	-147.4	26.5	41.5
Provisions	–	0.8	–	–
Interest-bearing liabilities	3 655.8	3 416.2	21.1	–
Non interest-bearing liabilities	1 278.9	566.7	38.6	15.7
Total shareholders' equity and liabilities	8 685.7	3 836.3	86.2	57.2
CASH FLOW, SEK MILLION				
Cash flow from operating activities	1 075.2	-54.9	-51.2	-8.4
Cash flow from investing activities	-2 531.2	-820.8	-45.2	-12.7
Cash flow from financing activities	4 193.9	1 602.1	64.5	54.8
Cash flow for the year	587.5	726.4	-31.9	33.8
KEY DATA				
Growth in sales compared with previous year, %	351	261	392	20
Gross margin before depreciation, %	36	24	15	-9
Gross margin, %	27	20	13	-10
Sales and administration costs, adjusted, %	-69	-102	-93	-84
EBITDA, adjusted, %	-33	-79	-80	-94
Capital employed, SEK million	7 406.8	3 268.8	47.6	41.5
Equity/assets ratio, %	43	-4	31	73
Financial net debt/net cash, SEK million	67.6	792.5	18.4	-34.5
PER SHARE DATA				
Average number of shares	147 198 329	105 570 628	61 726 027	24 684 931
Number of shares at year-end	157 217 792	115 166 800	69 000 000	38 000 000
Loss per share, SEK	-5.42	-3.79	-0.95	-0.58
Shareholders' equity, SEK	23.86	-1.28	0.38	1.09
STATISTICS				
Number of corporate customers	12 980	7 466	2 572	802
Number of directly connected customers	2 458	986	115	20
Number of directly connected sites	3 736	1 200	139	24
Fiber kilometers, own access network	1 704	68	–	–
Fiber kilometers, own backbone network	6 652	1 020	–	–
Number of network nodes	232	92	15	5
Number of employees at year-end	971	369	102	30
Number of invoiced minutes, thousands	2 332 320	858 997	317 647	38 503

DEFINITIONS

Gross margin before depreciation
Net sales less costs of goods and services sold excluding depreciation as a percentage of sales.

Gross margin
Net sales less costs of goods and services sold as a percentage of sales.

Sales and administration costs, adjusted
Sales and administration costs, excluding costs for social security payments related to personal options.

EBITDA, adjusted
Earnings before interest, tax and depreciation, before provisions for social security payments related to personal options.

Capital employed
Total assets less interest free provisions and liabilities.

Equity/assets ratio
Shareholders' equity as a percentage of total assets.

Financial net debt/net cash
Interest bearing liabilities less liquid assets including short-term investments and other bonds.

Loss per share
Loss after taxes divided by average number of shares.

Shareholders' equity per share
Shareholders' equity divided by the number of shares at year-end.

GLOSSARY

3G	3rd Generation for mobile system
ADSL	Asymmetric Digital Subscriber Line
ASP	Application Service Provider
CATV	Cable TV
CENTREX	Centralised Exchange
DA	Direct Access
DAB/DVB	Digital Audio Broadcast
DSL	Digital Subscriber Line
EDGE	Enhanced Digital GSM Encoding
GPRS	General Packet Radio System
GSM	Global System for Mobile
HDTV	High Definition TV
IMT-2000	International Mobile Telephony 2000
INTERNET	Public network for Information
IP	Internet Protocol
ISDN	Integrated Services Digital Network
IVR	Interactive Voice Response
LAN	Local Area Network
LLUB	Local Loop Unbuilding
MPLS	Multiprotocol Label Switching
MSISDN	Mobile Subscriber International Directory Number
MVNO	Mobile Virtual Network Operator
OS	Operating System
PBX	Private Branch Exchange
PLMN	Public Land Mobile Network
POMS	Plain Old Mobile Service
POTS	Plain Old Telephony Service
PSTN	Public Switched Telephony Network
SDH	Synchronous Digital Hierarchy
SDSL	Symmetric Digital Subscriber Line
SMS	Short Message System
SQL	Standard Query Language
SSL	Secure Sockets Layer
UMTS	Universal Mobile Telephony System
VoIP	Voice Over IP
VPN	Virtual Private Network
WAP	Wireless Application Protocol
WCDMA	Wide-band Code Division Multiple Access
WLAN	Wireless Local Area Network

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