



## PRESS RELEASE

Stockholm, Sweden, April 20, 2001

### **Interim Report for the Period January 1 – March 31, 2001**

#### **Highlights in the Period**

- The customer base expanded to approximately 91,000 active fixed telephony customers, up 65% in 12 months.
- Glocalnet's revenues for Q1 2001 were SEK 47.4 m, up 127% on the corresponding period of 2000, and a quarter-on-quarter increase of 26%. This implies revenue gains of over 20% for the sixth consecutive quarter.
- Gross margins improved to 23%, against 15% in the previous quarter, primarily due to lower discounting.
- Glocalnet launched Internet services in mid January.
- Glocalnet launched mobile services in the beginning of March through its deal with Europolitan.
- A strategic and restructuring program was implemented, comprising a new business area, the wind-down of Glocalnet's Danish activities and headcount downsizing of 11 people in Sweden.
- The Annual General Meeting resolved on a stock option plan.

#### **After the End of the Period**

- Subject to approval of an Extraordinary General Meeting on May 2, the Board has resolved to effect a preferential rights issue of SEK 73.7 m before issue expenses, 100% guaranteed by Catella IT AB.
- Considerable inflow of mobile customers, approximately 4,000 registered as of April 20.

Glocalnet launched Internet and mobile services **in the first quarter**, and was thereby Sweden's first player to bundle fixed telephony, Internet and mobile telephony services with a single bill and self-service www portal. Initially, the services were offered to Glocalnet's existing customer base by means of direct and telemarketing.

Glocalnet implemented a strategic and restructuring program in March, intended to bring the business to profitability faster. By dividing operations into two business areas, Glocalnet will be able to better exploit the market potential created once renowned corporations active in other sectors start to investigate their possibilities of starting up as virtual telecom operators. The corporation will offer these corporations



turn-key telecom operation solutions under the auspices of a new business area—Glocalnet Service Operator. Thus, Glocalnet will enable them to offer their customers bundled packages of proprietary-branded communications services quickly and simply, without compromising their core business focus.

Glocalnet's other business area is a pure service provider selling Glocalnet-branded telecom services to end-customers. The Danish operations will be wound down coincident with this restructuring, while headcount downsizing in Sweden will reduce staff by 11 people. Glocalnet is pursuing negotiations with a Danish player regarding the transfer of the Danish operations, including staff. Overall, these measures will reduce the Swedish and Danish employee headcounts by a total of 18.

This strategic and restructuring program will significantly alleviate Glocalnet's capital requirement, bringing the corporation to profitability faster. Glocalnet's monthly expenses are expected to decrease by SEK 2 m as a result of these measures. Furthermore, the new strategies will imply Glocalnet's marketing expenses reducing. These proposals are scheduled to bring their earnings effect from the second quarter 2001 onwards.

The AGM of March 29, 2001 resolved on a stock option plan and authorization for the Board to issue a maximum of 40 million shares.

Glocalnet's customer influx continued, with the number of active customers expanding by 4,500, to 91,000 as of March 31. Glocalnet thus confirms its position as the third largest fixed telephony operator on the residential market in Sweden. Registered Internet customers were 3,500 and registered mobile customers were 1,800 at the end of the quarter. Revenues for the period were SEK 47.4 m.

**After the end of the period**, the Board resolved to implement a new issue of a maximum of 86,679,850 shares with preferential rights for existing shareholders, subject to EGM approval. This decision was founded on the Board's view that a preferential rights issue with an attractive subscription price and comprehensive guarantees from Glocalnet's main shareholders, was the most favorable alternative for existing shareholders. To achieve this aim, while simultaneously seeking to provide sufficient capital to meet requirements until Glocalnet can achieve a positive cash flow, the Board chose to resolve on the issue of more stock than previously authorized. Thereby, an EGM was suggested to approve the Board's issue proposal, canceling the authorization from March 29, 2001.

The subscription price was set at SEK 0.85, raising SEK 73.7 m for Glocalnet before issue expenses. Glocalnet's main owner, Catella IT AB, will guarantee the issue in its entirety. The EGM will be held on May 2, 2001 in Stockholm, Sweden.

The number of registered mobile customers has increased from approximately 1,800 at the end of the period to approximately 4,000 as of April 20.

### **Financial Reporting**



(The following figures apply to the group, unless otherwise stated. Figures in brackets are comparatives for the corresponding period/date 2000.)

## **Accounting principles**

The accounting principles applied in this Interim Report are the same as for the previous fiscal year and can be found in last year's Annual Report.

## **Revenues**

Quarterly revenues were SEK 47.4 (20.9) m, up 26% on Q4 2000. The increase was caused by the higher average revenues and the larger customer base. The number of customers actively utilizing Glocalnet's fixed telephony services in March was approximately 91,000 which was 4,500 customers more than in December.

Glocalnet's January 2001 launch of Internet services was followed by a launch of mobile services in early March. As of March 31, Glocalnet had 3,500 registered Internet customers and 1,800 mobile customers.

During the first quarter, the average revenue per active fixed telephony customer amounted to SEK 175, an increase by SEK 15 compared to the previous quarter. This increase was primarily due to a considerable reduction in discounting. Coincident with the launch of *G-telefoni* at the end of September, Glocalnet issued non-recurring discounting to existing pre-select customers, which were not billed for the fixed fee until January 1, 2001 onwards.

## **Network Expenses and Margins**

Network expenses were SEK 36.4 (15.4) m during the period; the gross margin for the period was 23.3%, up 8.3 percentage points quarter on quarter. These margin gains were mainly due to a sharp reduction in discounting.

## **Other Expenses and Earnings**

Operating expenses excluding Network expenses were SEK 47.2 (28.7) m during the quarter. Direct sales expenses were SEK 1.8 m. Other external expenses were SEK 19.6 m, down SEK 12.5 m quarter on quarter. This downturn was mainly due to lower marketing expenses. Personnel expenses were SEK 11.2 m, down SEK 1.0 m quarter on quarter, and explained by fewer employees. Glocalnet's employee headcount at March 31 was 47. Depreciation of tangible fixed assets was SEK 5.5 m. The first quarter expenses include direct costs concerning the operations in Denmark amounting to SEK 3.2 m. In addition, the expenses include Items affecting comparability of SEK 9.0 m concerning restructuring costs related to the closedown of the operations in Denmark and the headcount downsizing in Sweden.

Operating earnings for the first quarter were SEK -36.2 (-23.2) m. The financial net was SEK -1.4 (0.1) m, with thereby, earnings after financial items amounting to SEK -37.6 (-23.1) m.



## **Assets and Liabilities**

Total assets at the end of the period were SEK 128.7 (206.2) m, comprising fixed assets of SEK 37.7 (22.6) m, current receivables of SEK 42.2 (23.6) m, plus cash of SEK 48.8 (160.0) m. The increase in current receivables was primarily attributable to accrued income relating to Glocalnet's brisk sales growth.

Shareholders' equity was SEK 25.2 (157.2) m, long-term liabilities were SEK 37.1 (10.0) m and current liabilities were SEK 66.4 (39.0) m. The change in shareholders' equity refers to the result for the period and accumulated losses from previous periods. The change in current liabilities mainly relates to accounts payable and accrued expenses, explained by an expanded cost mass. The increase to long-term liabilities related to leasing financing and raising an SEK 20 m loan.

## **Investments**

Investments in the period were SEK 4.8 m, of which SEK 2.3 m were funded through leasing. The investments were primarily related to upgrades of the corporation's billing and customer care platform.

## **Cash Flow and Financial Position**

Cash flow before financing activities for the period was SEK -36.6 (-19.1) m. The outcome is primarily caused by the negative result during the period. Raising an SEK 10 m loan resulted in a cash flow after financing activities of SEK -28.6 (146.6) m.

In the period, the corporation utilized the remaining SEK 10 m of a total SEK 25 m of project financing granted by the Swedish Industrial Development Fund in January 2000. As of March 31, 2001, Glocalnet's liquid assets were SEK 48.8 m.

## **Change of Shareholders' Equity**

Shareholders' equity has decreased from SEK 62.8 m as of December 31, 2000, to SEK 25.2 m as of March 31, 2001. This change relates to the corporation's loss during the period, which amounted to SEK 37.6 m.

## **Parent company**

The parent company's revenues during the period amounted to SEK 71.4 (14.8) m and the earnings after financial items were SEK -43.3 (-26.1) m. Investments in fixed assets during the period were SEK 4.8 (4.1) m.

## **Forthcoming Reports**

Glocalnet intends to publish its second-quarter Interim Report on July 17, 2001.



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## **Market and Outlook**

Glocalnet has concluded an eventful quarter, launching new services and thereby reaching the position as Sweden's only provider capable of offering bundled fixed telephony, Internet and mobile telephony services. Glocalnet embarked on a strategic and restructuring program, which according to the Board's assessment will bring the corporation closer to profitability and considerably alleviate its capital requirements ahead of the fully guaranteed funding program now resolved. Consequently, Glocalnet is now able to better exploit the potential inherent in its unique competencies and technology platform.

Growth on the fixed telephony side continued, with the customer base expanding by 4,500 active customers in the first quarter, with the total at approximately 91,000 active customers as of March 31. During the last few months, the number of customers leaving Glocalnet has been stable at just under 2 percent of the total customer base per month. Revenues were up 26% quarter on quarter. The increase almost exclusively referred to organic growth within fixed telephony. Glocalnet's sales efforts are now focused on offering existing fixed telephony customers Internet and mobile services, and on the collaboration with home electronics retail chain Expert. Hence, inflow of new fixed telephony customers is expected to be very limited. Through cross-selling, marketing expenses are expected to continue to be considerably lower than to the previous year.

Glocalnet Service Operator—the corporation's new business area—has the technology and organizational resources to service new partners with large customer bases and consequently increased traffic volumes. Bundled fixed and mobile telephony, and Internet services, implies a competitive offering to other players that intend to offer telecom services to their customers. Glocalnet will gain a better pay-off on investments it has made in systems, organizational resources and processes as a consequence of the expected volume gains from customers in this new business area.

The focus on the Swedish market and on cross-selling of new services to its customer base, combined with the new business area, implies that Glocalnet is well positioned for the future. According to the Board's assessment, the corporation is expected to reach profitability without raising additional capital.



**CONSOLIDATED INCOME STATEMENT**  
**SEK 000 (Unless stated otherwise)**

	<b>Q 1 - 2001</b>	<b>Q 1 - 2000</b>	<b>Full Year - 2000</b>
<b>OPERATING REVENUE</b>			
Gross Traffic Revenue	47,687	20,625	122,645
Discounts	-267	-52	-7,580
<b>Net Traffic Revenue</b>	<b>47,420</b>	<b>20,573</b>	<b>115,065</b>
Other Operating Revenue	1	363	447
<b>Total Operating Revenue</b>	<b>47,421</b>	<b>20,936</b>	<b>115,512</b>
<b>OPERATING EXPENSES</b>			
Network Expenses	-36,377	-15,449	-93,100
Direct Sales Expenses	-1,784	-1,070	-8,348
Other External Expenses	-19,650	-16,917	-81,046
Personnel Expenses	-11,187	-8,351	-38,743
Depreciation of Tangible Fixed Assets	-5,538	-2,344	-13,945
Items Affecting Comparability	-9,046	0	0
<b>Total Operating Expenses</b>	<b>-83,582</b>	<b>-44,131</b>	<b>-235,182</b>
<b>Operating Earnings</b>	<b>-36,161</b>	<b>-23,195</b>	<b>-119,670</b>
<b>FINANCIAL ITEMS</b>			
Interest Income	128	140	3,365
Interest Expenses	-1,534	-54	-1,712
<b>Total Financial Items</b>	<b>-1,406</b>	<b>86</b>	<b>1,653</b>
<b>Earnings After Financial Items</b>	<b>-37,567</b>	<b>-23,109</b>	<b>-118,017</b>
<b>NET EARNINGS</b>	<b>-37,567</b>	<b>-23,109</b>	<b>-118,017</b>
<b>DATA PER SHARE</b>			
Number of Outstanding Shares at End of Period	43,339,925	43,120,000	43,339,925
Weighted Average Number of Shares During the Period	43,339,925	36,666,667	41,665,387
Loss Per Share, SEK	-0,87	-0,63	-2.83



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**CONSOLIDATED BALANCE SHEET  
SEK 000**

**Mar 31 2001    Mar 31 2000    Dec 31 2000**

**ASSETS**

**FIXED ASSETS**

Machinery and Equipment

37,715                      22,591                      44,301

**Total Fixed Assets**

**37,715                      22,591                      44,301**

**CURRENT ASSETS**

**Current Receivables**

Customer Receivables

7,743                      3,628                      6,695

Other Receivables

2,871                      7,070                      23,059

Prepaid Expenses and Accrued Income

31,577                      12,913                      23,252

**Total Current Receivables**

**42,191                      23,611                      53,006**

**Cash and Bank Balances**

**48,808                      159,959                      77,386**

**Total Current Assets**

**90,999                      183,570                      130,392**

**TOTAL ASSETS**

**128,714                      206,161                      174,693**

**SHAREHOLDERS' EQUITY AND LIABILITIES**

**SHAREHOLDERS' EQUITY**

**Restricted Equity**

Share Capital

2,167                      2,156                      2,167

Share Premium Reserve

266,066                      265,583                      266,066

**Non-restricted Equity**

Accumulated Loss

-205,424                      -87,410                      -87,407

Net Earnings

-37,567                      -23,109                      -118,017

**Total Shareholders' Equity**

**25,242                      157,220                      62,809**

**Long-Term Liabilities**

Leasing Commitments

12,072                      4,984                      13,944

Other Long-Term Liabilities

25,000                      5,000                      15,000

**Total Long-Term Liabilities**

**37,072                      9,984                      28,944**

**Current Liabilities**

Leasing Commitments

8,651                      3,179                      9,049

Accounts Payable

31,489                      25,838                      36,185

Other Liabilities

678                      1,106                      19,489

Accrued Expenses and Deferred Income

25,582                      8,834                      18,217

**Total Current Liabilities**

**66,400                      38,957                      82,940**

**TOTAL SHAREHOLDER EQUITY AND  
LIABILITIES**

**128,714                      206,161                      174,693**



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**CONSOLIDATED CASH FLOW STATEMENT  
SEK 000**

	<b>Q 1 - 2001</b>	<b>Q 1 - 2000</b>	<b>Full Year - 2000</b>
<b>Operations</b>			
Payments from Customers	38,048	18,993	100,357
Payments to Suppliers and Employees	-70,683	-34,575	-191,900
<b>Cash Flow From Operations Before Interest and Income Tax Paid</b>	<b>-32,635</b>	<b>-15,582</b>	<b>-91,543</b>
Interest Received	128	140	3,365
Interest Paid	-1,534	-54	-1,712
<b>Cash Flow From Operations</b>	<b>-34,041</b>	<b>-15,496</b>	<b>-89,890</b>
<b>Investment Activities</b>			
Acquisitions of Tangible Fixed Assets	-2,535	-3,604	-17,885
Sale of Tangible Fixed Assets	0	0	0
<b>Cash Flow From Investment Activities</b>	<b>-2,535</b>	<b>-3,604</b>	<b>-17,885</b>
<b>Financing Activities</b>			
New Issue	0	161,459	161,953
New Debt	10,000	5,000	15,000
Amortization of Debt	-2,002	-715	-5,107
<b>Cash Flow From Financing Activities</b>	<b>7,998</b>	<b>165,744</b>	<b>171,846</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-28,578</b>	<b>146,644</b>	<b>64,072</b>
Cash at Beginning of Period	77,386	13,314	13,314
<b>CASH AT END OF PERIOD</b>	<b>48,808</b>	<b>159,959</b>	<b>77,386</b>





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## CONSOLIDATED KEY RATIOS

Millions of SEK (Unless stated otherwise)

### Income statements

	Q 1 - 2001	Q 1 - 2000	Full Year - 2000
Total Operating Revenue	47,4	20,9	115,5
Network Expenses	-36,4	-15,4	-93,1
Gross Profit <sup>1)</sup>	11,0	5,5	22,4
Adjusted Operating Expenses <sup>2)</sup>	-32,6	-26,3	-128,1
Depreciation	-5,5	-2,3	-13,9
Operating Earnings Before Items Affecting Comparability	-27,1	-23,2	-119,7
Operating Earnings	-36,2	-23,2	-119,7
Financial Items	-1,4	0,1	1,7
<b>Net Earnings</b>	<b>-37,6</b>	<b>-23,1</b>	<b>-118,0</b>

### Balance Sheets

	Mar 31 2001	Mar 31 2000	Dec 31 2000
Fixed Assets	37,7	22,6	44,3
Current Assets	42,2	23,6	53,0
Cash and Bank Balances	48,8	160,0	77,4
<b>Total Assets</b>	<b>128,7</b>	<b>206,2</b>	<b>174,7</b>
Shareholders' Equity	25,2	157,2	62,8
Long-Term Liabilities	37,1	10,0	28,9
Current Liabilities	66,4	39,0	82,9
<b>Total Shareholders' Equity and Liabilities</b>	<b>128,7</b>	<b>206,2</b>	<b>174,7</b>

### Cash Flow Statements

	Q 1 - 2001	Q 1 - 2000	Full Year - 2000
Cash Flow from Operations	-34,0	-15,5	-89,9
Cash Flow from Investment Activities	-2,5	-3,6	-17,9
Cash Flow from Financing Activities	8,0	165,7	171,8
<b>Cash Flow for the Period</b>	<b>-28,6</b>	<b>146,6</b>	<b>-64,1</b>

### Key Ratios

Traffic Margin <sup>3)</sup> , %	23	25	19
Gross Margin <sup>4)</sup> , %	23	26	19
Gross Margin Before Discounts <sup>5)</sup> , %	24	26	24
Operating Capital at End of Period <sup>6)</sup>	22,2	10,4	23,4
Equity to Assets ratio at End of Period <sup>7)</sup> , %	20	76	36
Debt to Equity ratio at End of Period <sup>8)</sup> , times	1,81	0,08	0,60

- 1) Total Operating Revenue less Network Expenses.
- 2) Operating Expenses excluding Network Expenses, Depreciation and Items Affecting Comparability.
- 3) Difference between Net Traffic Revenue and Network Expenses divided by Net Traffic Revenue.
- 4) Gross Profit divided by Total Operating Revenue.
- 5) Sum of Gross Profit and Discounts divided by sum of Total Operating Revenue and Discounts.
- 6) Sum of Shareholders' Equity and Interest bearing debt, less Cash and Bank Balances.
- 7) Shareholders' Equity divided by Total Assets.
- 8) Interest bearing debt divided by Shareholders' Equity.



Stockholm, Sweden, April 20, 2001

Stefan Krook  
Chief Executive Officer

We have performed a summary review of the Interim Report for the period January 1, 2001 – March 31, 2001 and have adhered to the recommendations issued by the Swedish Institute of Authorised Public Accountants (FAR).

A summary review is significantly limited in extent compared to a full audit. Nothing has emerged to indicate that the Interim Report fails to satisfy the requirements of the Annual Accounts Act.

Stockholm, Sweden, April 20, 2001

PriceWaterhouseCoopers KB

Michael Bengtsson  
Authorised Public Accountant

*Glocalnet develops and markets telecom services—for fixed and mobile telephony plus the Internet—to private individuals. Glocalnet is Sweden's only provider capable of offering these services with an integrated bill, customer service function and self-service www portal. Activities are pursued through two business areas: Glocalnet Service Provider, Sweden's third-largest private fixed telephony operator, offers Glocalnet-branded telecom services direct to consumers, and Glocalnet Service Operator, which offers turn-key telecom operation solutions to other corporations—virtual operators—who want to launch proprietary branded integrated telecom offerings. Glocalnet is headquartered in Stockholm, Sweden; its stock is quoted on the Stockholm Stock Exchange O-list.*

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