



PRESS RELEASE

Stockholm, 17 July 2001

Interim report for the period 1 January – 30 June 2001

Important Events during the Period

First quarter:

- Internet and mobile services were launched during the first quarter. The sale of mobile services began at the beginning of March and is based on an agreement with Europolitan.
- A strategic and structural change programme was launched in March involving, among other things, the division of operations into two business areas, one of which was into a new direction, the winding up of the Danish operation and a reduction of 11 in the number of employees in Sweden.

Second quarter:

- Glocalnet's revenue for the first half of 2001 was MSEK 101.4, an increase of 118% compared to the same period in 2000. Revenue for the second quarter was MSEK 54.0, an increase of 14% on the previous quarter.
- Glocalnet's net earnings for the first half of the year were MSEK -55.1. The net earnings for the second quarter were MSEK -17.5, an improvement of MSEK 20.0 compared to the previous quarter.
- The improvement in earnings is a consequence of the structural change programme and further ongoing cost reductions.
- A new share issue with preferential rights for existing shareholders was undertaken. This share issue earned the Company MSEK 66.5 after costs.
- The number of registered mobile customers increased significantly, mainly through cross-selling against the existing customer base, and was 10,600 at the end of the quarter.

During the first quarter Glocalnet launched Internet and mobile services, and was then able to be the first provider in Sweden with an integrated range of fixed and mobile telephony as well as Internet services on a shared invoice and a self-service portal.

During March a strategic and structural change programme was launched, which is expected to bring the Company to profitability faster. Operations were divided into two business areas, Glocalnet Service Operator and Glocalnet Service Provider. In



conjunction with this, the Danish operation was wound up including seven employees, and the number of employees in Sweden was reduced by 11.

The AGM on 29 March 2001 passed a resolution on two share option schemes, one of which (involving one million options) was effected after the end of the period, and an authorisation for the board to issue a maximum of 40 million shares.

During the second quarter, following the approval of an extraordinary general meeting held on 2 May 2001, a new share issue of 86,679,850 shares was implemented with preferential rights for existing shareholders. Approximately 60 percent of the new share issue were subscribed via subscription rights. The balance of around 40 percent was subscribed by the main shareholder Catella IT AB in accordance with a guarantee agreement. The share issue raised MSEK 66.5 after costs.

The division of operations into two business areas was implemented. During the quarter, Glocalnet Service Provider focused mainly on cross-selling mobile telephony services to the Company's existing fixed telephony customer base. This was successful, and the take-up rate of customers was good. The number of registered mobile customers increased from around 1,800 at the end of March to 10,600 at the end of June. The number of customers using Glocalnet's fixed telephony services dropped somewhat, standing at 88,000 during June. The average income per fixed telephony customer did, however, rise for the second quarter in succession, to SEK 187 per month.

The Glocalnet Service Operator business area worked mainly on technical and organisational preparations for obtaining partners, and held discussions with potential partners.

Glocalnet's focus on profitability started to bear fruit during this quarter, and losses were more than halved compared to the first quarter, mainly due to the strategic and structural change programme.

Financial Reporting

(Unless otherwise stated, figures below relate to the group. Figures in brackets represent a comparison with the corresponding period/date in 2000.)

Accounting Principles

The accounting principles applied in this interim report are the same as for the previous financial year, and are contained in the annual accounts for 2000.

Revenue

The total operating revenue during the first half of the year amounted to MSEK 101.4 (46.5). The total operating revenue during the second quarter amounted to MSEK 54.0, corresponding to an increase of 14 percent compared to the first quarter. This



increase was due mainly to higher average revenue per fixed telephony customer and the mobile telephony services that were launched at the beginning of March.

The number of customers actively using Glocalnet's fixed telephony services during June was around 88,000, 3,000 fewer than in March, but 1,500 more than in December 2000. The average revenue per active fixed telephony customer amounted to SEK 187 per month during the second quarter, representing an increase of SEK 12 on the previous quarter. This increase was mainly due to a price rise for calls to mobile phones and a higher volume per customer for these calls. The Internet service was used by 2,600 customers during June.

Customer take-up on the mobile side was good during the quarter. On 30 June Glocalnet had 10,600 registered mobile customers, representing an increase of 8,800 since 31 March. Because of the lead time between registration of customers and actual use of the service, not all registered customers were active in June.

Network Expenses and Margins

Network expenses during the first half of the year amounted to MSEK 77.5 (36.1). The gross margin for the first half of the year was 23.5 percent, an increase of 1.2 percentage points compared to the same period in the previous year. Network expenses during the second quarter were MSEK 41.2, compared to MSEK 36.4 during the first quarter. This increase was mainly due to increased sales. The gross margin for the quarter was 23.7 percent, which was 0.4 percentage points higher than the previous quarter, largely due to the aforementioned price rise for calls to mobile phones.

Other Expenses and Earnings

Operating expenses excluding network expenses amounted to MSEK 76.8 (61.8) during the first half of the year. Operating expenses excluding network expenses were MSEK 29.6 during the second quarter, a reduction of MSEK 17.6 compared to the previous quarter. Of this, around MSEK 6 can be attributed to the direct effects of the structure programme. A further MSEK 9.0 relates to the items affecting comparability that comprised winding up costs as posted during the first quarter. The winding up work of the restructuring programme is running to plan and the reserve set aside during the first quarter is expected to match the actual outcome.

Direct sales expenses increased during the second quarter due to the major take-up on the mobile side, and amounted to MSEK 3.1. Other external expenses amounted to MSEK 13.4, which was MSEK 6.2 less than the previous quarter, and included costs of the major customer acquisition programme on the mobile side. Thanks to cost efficient cross-selling to the existing customer base, it was possible to keep customer acquisition costs to a low level. The reduction of other external expenses was partly due to lower consultancy costs. Personnel expenses amounted to MSEK 8.2, which was MSEK 3.0 lower than the previous quarter, and was due to fewer employees



during the quarter. The number of employees at the end of the period was 47 (65). Depreciation of tangible fixed assets was MSEK 4.9.

The operating earnings for the first six months were MSEK -55.1 (-50.2). The operating earnings for the second quarter were MSEK -16.8, compared to MSEK -36.2 for the previous quarter. Net interest for the quarter was MSEK -0.7, and the earnings after financial items were therefore MSEK -17.5, representing an improvement of MSEK 20.0 on the previous quarter.

Assets and Liabilities

At the end of the period the balance sheet total was MSEK 177.2 (201.7), and comprised fixed assets to the value of MSEK 33.9 (30.3), current receivables to the value of MSEK 61.2 (29.6) and cash to the value of MSEK 82.0 (141.8). The increase in current receivables related mainly to accrued income and accounts receivable.

As of 30 June 2001 equity amounted to MSEK 74.2 (130.1), long-term liabilities to MSEK 35.1 (13.6) and current liabilities to MSEK 67.8 (58.1). The change in equity can be attributed to the Company's earnings for the last 12 months and the new share issue that took place during the second quarter. The increase in current liabilities related mainly to accrued costs and was due to higher network costs as a result of the increase in sales. The increase in long-term liabilities related to financing through leasing as well as the arrangement of a loan to the order of MSEK 20.

Investments

During the first half of 2001 total investments amounted to MSEK 5.8 (14.8), of which MSEK 2.3 (7.2) was financed through leasing. During the second quarter total investments amounted to MSEK 1.0. Investments made during the period relate mainly to upgrades of the Company's technical platform for invoicing and customer management.

Cash Flow and Financial Position

The cash flow after financing activities for the first half of the year was MSEK 4.7 (128.5). Negative cash flow before financing activities decreased during the second quarter by MSEK 5.3, and amounted to MSEK -31.2. The new share issue implemented during the second quarter meant that cash flow after financing activities amounted to MSEK 33.2. As of 30 June 2001 Glocalnet's liquid assets amounted to MSEK 82.0.

Change in Equity

Equity has increased from MSEK 62.8 on 31 December 2000 to MSEK 74.2 on 30 June 2001. This change was brought about by the Company's loss during the period, which amounted to MSEK 55.1, and the new share issue implemented during the second quarter, which generated MSEK 66.5 after costs.



The Parent Company

The parent company's total revenue during the first half of 2001 was MSEK 144.9 (31.9), and the earnings after financial items were MSEK -59.8 (-58.1). Investments in fixed assets during the period amounted to MSEK 5.8 (14.8).

Future Reports

The Company intends to publish an interim report for the third quarter on 17 October 2001.

Market and Outlook

There was a clear change in the direction of the profit trend during the second quarter compared to the previous quarter. We can thus confirm that many of the efficiency measures are already taking effect. The Company is also in the final phase of a major project of thoroughly analysing the Company's fixed telephony production. This is expected to result in continued, positive trends in the margin for fixed telephony. However, the project might also result in that major elements of the fixed assets that relate to the network will not be used for the time being. At the end of the period, these represented around one third of the Company's total fixed assets, which amounted to MSEK 33.9.

In order to be able to take in new partners, technical and organisational preparations have been made in the Service Operator business area. The business area offers companies the opportunity to gain further returns from their customer bases and brand names by launching telecom services without major initial investments. As previously indicated, the sales process is expected to be relatively long since the offer is of strategic character and aimed at larger organizations and companies. No agreements have been signed during the period.

The efforts put behind mobile telephony have thus far exceeded expectations. During the second quarter the Company has succeeded in increasing the customer base from 1,800 to 10,600 customers, at the same time improving profits. Growth continues to be good, but it is not possible to provide a forecast, as marketing campaigns are tried out on a weekly basis against defined targets for customer acquisition costs.



CONSOLIDATED INCOME STATEMENT
SEK 000

	Q 2 - 2001	Q 2 - 2000	6 months - 2001	6 months - 2000
OPERATING REVENUE				
Gross Traffic Revenue	53,823	28,123	101,510	48,748
Discounts	0	-2,684	-267	-2,736
Net Traffic Revenue	53,823	25,439	101,243	46,012
Other Operating Revenue	137	72	138	435
Total Operating Revenue	53,960	25,511	101,381	46,447
OPERATING EXPENSES				
Network Expenses	-41,161	-20,630	-77,538	-36,079
Direct Sales Expenses	-3,100	-3,550	-4,884	-4,620
Other External Expenses	-13,431	-17,756	-33,081	-34,673
Personnel Expenses	-8,202	-8,848	-19,389	-17,199
Depreciation of Tangible Fixed Assets	-4,861	-3,005	-10,399	-5,349
Items Affecting Comparability	0	0	-9,046	0
Total Operating Expenses	-70,755	-53,789	-154,337	-97,920
Operating Earnings	-16,795	-28,278	-52,956	-51,473
FINANCIAL ITEMS				
Interest Income	866	1,782	994	1,922
Interest Expenses	-1,615	-641	-3,149	-695
Total Financial Items	-749	1,141	-2,155	1,227
Earnings After Financial Items	-17,544	-27,137	-55,111	-50,246
NET EARNINGS	-17,544	-27,137	-55,111	-50,246
DATA PER SHARE				
Number of Outstanding Shares at End of Period	130,019,775	43,304,120	130,019,775	43,304,120
Weighted Average Number of Shares During the Period	66,200,545	43,241,398	54,833,386	39,972,194
Loss Per Share, SEK	-0.27	-0.63	-1.01	-1.26



**CONSOLIDATED BALANCE SHEET
SEK 000**

	Jun 30 2001	Dec 31 2000	Jun 30 2000
ASSETS			
FIXED ASSETS			
Machinery and Equipment	33,877	44,301	30,260
Total Fixed Assets	33,877	44,301	30,260
CURRENT ASSETS			
Current Receivables			
Customer Receivables	20,110	6,695	8,100
Other Receivables	3,130	23,059	3,542
Prepaid Expenses and Accrued Income	38,000	23,252	17,983
Total Current Receivables	61,240	53,006	29,624
Cash and Bank Balances	82,037	77,386	141,826
Total Current Assets	143,277	130,392	171,450
TOTAL ASSETS	177,154	174,693	201,710
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted Equity			
Share Capital	6,501	2,167	2,165
Share Premium Reserve	328,262	266,066	265,574
Unrestricted Equity			
Accumulated Loss	-205,424	-87,407	-87,407
Net Earnings	-55,111	-118,017	-50,246
Total Shareholders' Equity	74,228	62,809	130,086
Long-Term Liabilities			
Leasing Commitments	10,101	13,944	8,565
Other Long-Term Liabilities	25,000	15,000	5,000
Total Long-Term Liabilities	35,101	28,944	13,565
Current Liabilities			
Leasing Commitments	8,558	9,049	5,253
Accounts Payable	32,240	36,185	39,247
Other Liabilities	889	19,489	1,531
Accrued Expenses and Deferred Income	26,138	18,217	12,028
Total Current Liabilities	67,825	82,940	58,060
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	177,154	174,693	201,710



CONSOLIDATED CASH FLOW STATEMENT SEK 000	Q 2 - 2001	Q 2 - 2000	6 months - 2001	6 months - 2000
Operations				
Payments from Customers	35,170	15,972	73,218	34,965
Payments to Suppliers and Employees	-64,635	-30,227	-135,318	-64,802
Cash Flow From Operations Before Interest and Income Tax Paid	-29,465	-14,255	-62,100	-29,837
Interest Received	866	1,782	994	1,922
Interest Paid	-1,615	-641	-3,149	-695
Cash Flow From Operations	-30,214	-13,114	-64,255	-28,610
Investment Activities				
Acquisitions of Tangible Fixed Assets	-1,023	-3,949	-3,558	-7,553
Cash Flow From Investment Activities	-1,023	-3,949	-3,558	-7,553
Financing Activities				
New Issue	66,530	0	66,530	161,459
New Debt	0	0	10,000	5,000
Amortization of Debt	-2,064	-1,069	-4,066	-1,785
Cash Flow From Financing Activities	64,466	-1,069	72,464	164,674
CASH FLOW FOR THE PERIOD	33,229	-18,133	4,651	128,512
Cash at Beginning of Period	48,808	159,959	77,386	13,314
CASH AT END OF PERIOD	82,037	141,826	82,037	141,826



CONSOLIDATED KEY RATIOS

Millions of SEK (Unless stated otherwise)

Income statements	Q 2 - 2001	Q 2 - 2000	6 months - 2001	6 months - 2000
Total Operating Revenue	54.0	25.5	101.4	46.4
Network Expenses	-41.2	-20.6	-77.5	-36.1
Gross Profit ¹⁾	12.8	4.9	23.8	10.4
Adjusted Operating Expenses ²⁾	-24.7	-30.2	-57.4	-56.5
Depreciation	-4.9	-3.0	-10.4	-5.3
Operating Earnings Before Items Affecting Comparability	-16.8	-28.3	-43.9	-51.5
Operating Earnings	-16.8	-28.3	-53.0	-51.5
Financial Items	-0.7	1.1	-2.1	1.2
Net Earnings	-17.5	-27.1	-55.1	-50.2
Balance Sheets	Jun 30 2001	Dec 31 2000	Jun 30 2000	
Fixed Assets	33.9	44.3	30.3	
Current Assets	61.2	53.0	29.6	
Cash and Bank Balances	82.0	77.4	141.8	
Total Assets	177.2	174.7	201.7	
Shareholders' Equity	74.2	62.8	130.1	
Long-Term Liabilities	35.1	28.9	13.6	
Current Liabilities	67.8	82.9	58.1	
Total Shareholders' Equity and Liabilities	177.2	174.7	201.7	
Cash Flow Statements	Q 2 - 2001	Q2 - 2000	6 months - 2001	6 months - 2000
Cash Flow from Operations	-30.2	-13.1	-64.3	-28.6
Cash Flow from Investment Activities	-1.0	-3.9	-3.6	-7.6
Cash Flow from Financing Activities	64.5	-1.1	72.5	164.7
Cash Flow for the Period	33.2	-18.1	4.7	128.5
Key Ratios				
Traffic Margin ³⁾ , %	24	19	23	22
Gross Margin ⁴⁾ , %	24	19	24	22
Gross Margin Before Discounts ⁵⁾ , %	24	27	24	27
Operating Capital at End of Period ⁶⁾	35.8	7.1	35.8	7.1
Equity to Assets ratio at End of Period ⁷⁾ , %	42	64	42	64
Debt to Equity ratio at End of Period ⁸⁾ , times	0.59	0.14	0.59	0.14

- 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, July 17, 2001

Stefan Krook
Chief Executive Officer

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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