

Tele1 Europe Announces Results for the Three Months Ended June 30, 1999

Stockholm, August 16, 1999 - Tele1 Europe Holding AB, a rapidly growing, facilities-based pan-Nordic competitive telecommunications carrier, today reported second quarter financial and operating results. Commenting on the results, Tele1's Chief Executive Officer Ivar Stromberg said: "During the second quarter, we continued to achieve rapid growth across the Nordic market, successfully executed a high yield bond offering and completed an important acquisition in Finland of Clinet, a business focused ISP."

Highlights

- Second quarter revenues increased 29% to SEK 43.3 million over Q1 revenues. Revenues for the six month period of SEK 76.9 million exceeded revenues for the whole twelve months of 1998 by 19%
- Completed a unit offering of USD 150 million and EUR 100 million, comprised of Senior Notes due 2009 and Warrants
- Cash resources as of June 30, 1999 of SEK 1,312 million, leaving us well positioned to finance our growth and expansion plans
- Number of business customers increased by 1,704 to 4,546 and directly connected customers increased from 140 to 261 as of June 30, 1999
- Switched minutes in Q2 increased to 195 million, 24% over Q1
- Network build-out on target
 - 30 km inter-city fiber link between Malmo and Copenhagen completed
 - 464 km inter-city fiber link agreement signed, connecting Copenhagen-Odense-Kolding, Aarhus and Alborg
 - 16 km intra-city dark fiber acquired in Oslo
 - 10 km intra-city dark fiber deployed in Malmo
 - IRU secured on a sea cable connecting Stockholm and Helsinki
- Award for the best customer care in the Swedish telecom industry recieved for the second consecutive year
- Acquired Clinet OY, a fast growing ISP serving business customers in Finland

Key Operating Statistics

	Q1 1998	Q2 1998	Q1 1999	Q2 1999
Network route kilometers	-	-	-	30
Business customers (number)	1,602	2,083	2,842	4,546
Directly connected customers (number)	39	69	140	261
Switched minutes (millions)	48	64	157	195
Employees	28	43	123	183

Review of Operations

Tele1's revenues for the second quarter of 1999 reached SEK 43.3 million (USD 5.1 million), an increase of 29% compared to the first quarter of 1999 and a near threefold increase over the second quarter of 1998. "Revenue growth was driven by both a strong increase in business customers across the Nordic region and volume increases in our carrier services business. We continue to focus on directly connecting customers, adding 121 new businesses to our directly connected customer base in the second quarter", said Ivar Stromberg.

Tele1's service costs in the second quarter were SEK 36.6 million (USD 4.3 million), compared to SEK 28.4 million (USD 3.5 million) in the first quarter. Sales, general and administrative (SG&A) for the second quarter increased to SEK 45.3 million (USD 5.4) from SEK 32.1 million (USD 3.8 million) in the first quarter. Ivar Stromberg said: "The increase in SG&A resulted primarily from accelerating the growth of our highly motivated workforce to be able to meet our network build-out targets. In addition, the planned launch of our mobile services and the accelerated build-up of staffing levels at our newly formed Finnish subsidiary contributed to the increase in SG&A".

Tele1's loss before interest, tax, depreciation and amortization (EBITDA) in the second quarter was SEK 38.6 million (USD 4.6 million) compared to SEK 26.9 million in Q1 1999 (USD 3.2 million). Net loss in the second quarter was SEK 52.2 million (USD 6.2 million) compared to SEK 29.1 million (USD 3.5 million) in the first quarter.

Tele1's second quarter capital expenditures increased to SEK 60.9 million (USD 7.2 million). "We have made significant progress in designing and deploying our intra-city and inter-city networks and remain on track with our network build-out plan", commented Mr. Strömberg.

On May 18, 1999, Tele1 completed a Unit offering of USD 150 million and EUR 100 million comprised of Senior Notes due 2009 and Warrants. Mr. Strömberg commented: "We are pleased to have secured sufficient funding to execute our plan of deploying fiber optic networks in nine key Nordic cities, connected by an owned fiber optic inter-city network".

Subsequent Events

- Pelle Hjortblad joined Tele1 as Chief Operating Officer on August 9, 1999. Mr. Hjortblad brings 7 years of experience in the European telecommunications industry to Tele 1. Prior to joining the company, he was sales and marketing director for the business customer division of Tele2, a Scandinavian competitive telecom operator.
- In August 1999, Tele1 launched its mobile service in Sweden, Tele1 Mobil, providing business customers with an integrated fixed-mobile service.

Income Statements

	Three months ended 30 June			Six months ended 30 June			12 months ended 31 December	
	1998 SEK '000	1999 SEK '000	1999 \$ '000	1998 SEK '000	1999 SEK '000	1999 \$ '000	1998 SEK '000	1998 \$ '000
Operating revenues	14,284	43,261	5,123	23,642	76 843	9,099	64,468	7,634
Service costs	(11,428)	(36,511)	(4,323)	(19,462)	(64,892)	(7,684)	(52,332)	(6,197)
Gross Profit	2,856	6,750	799	4,180	11,951	1,415	12,136	1,437
Operating expenses								
Selling	(3,104)	(18,534)	(2,195)	(5,404)	(28,983)	(3,432)	(20,436)	(2,420)
General and administrative	(8,135)	(26,813)	(3,175)	(13,231)	(48,435)	(5,735)	(43,496)	(5,151)
Depreciation and amortization	(1,177)	(3,936)	(466)	(2,321)	(6,683)	(791)	(6,158)	(729)
Total operating expenses	(12,416)	(49,283)	(5,836)	(20,956)	(84,101)	(9,959)	(70,090)	(8,300)
Operating Loss	(9,560)	(42,533)	(5,036)	(16,776)	(72,150)	(8,544)	(57,954)	(6,863)
Interest Income (expense), net	(216)	(9,628)	(1,140))	(23)	(10,097)	(1,196)	(441)	(52)
Net loss	(9,776)	(52,161)	(6,177)	(16,799)	(82,247)	(9,739)	(58,395)	(6,915)
Net loss per share	(3,43)	(9,22)	(1,09)	(5,89)	(14,53)	(1,72)	(16,93)	(2,00)
End period shares outstanding	2,850	5,659	5,659	2,850	5,659	5,659	3,450	3,450
EBITDA	(8,383)	(38,597)	(4,570)	(14,455)	(65,467)	(7,752)	(51,796)	(6,133)
Capital expenditures	(7,459)	(59,041)	(6,991)	(7,459)	(60,907)	(7,212)	(17,719)	(2,098)

Balance Sheets

	31 December	30 June	30 June
	1998 SEK ' 000	1999 SEK ' 000	1999 \$ 000
ASSETS			
Current assets:			
Cash	2,657	1,312,402	155,406
Restricted cash	-	777,200	92,031
Other current assets	33,493	156,827	18,570
Total current assets	36,150	2,246,429	266,007
Property and equipment, net	50,047	151,786	17,973
TOTAL ASSETS	86,197	2,398,215	283,980
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities	43,492	100,191	11,864
Long term debt	16,158	2,143,144	253,777
Shareholder's equity:			
Share capital	3,450	5,659	670
Restricted reserves	95,823	304,194	36,021
Accumulated deficit	(72,726)	(154,973)	(18,351)
Total Shareholder's equity	26,547	154,880	18,340
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	86,197	2,398,215	283,980

Cash Flow Statements

	Year ended	Six months ended	
	1998	1999	1999
	SEK ' 000	SEK ' 000	\$ 000
Cash Flow from operating activities:			
Net loss	(58,395)	(82,247)	(9,739)
Adjustments for:			
Depreciation and amortization	6,314	6,683	791
Capital gain	717	32	4
Changes in non-cash working capital	5,075	(66,635)	(7,890)
Cash Flow from financing activities:			
Share capital, net of issue costs	43,215	211,008	24,986
Increase in long-term borrowings, net	16,158	2,126,986	251,863
Cash Flow from investing activities:			
Additions to networks and equipment	(45,189)	(60,907)	(7,212)
Acquisitions of subsidiary entities	-	(47,547)	(5,630)
Change in restricted and other assets, net	-	(777,200)	-
Effect of exchange rate changes on cash	232	(428)	(51)
Net increase (decrease) in cash	(31,873)	1,309,745	155,091
Cash, beginning of period	34,530	2,657	315
CASH, END OF PERIOD	2,657	1,312,402	155,406

Corporate facts

Tele1 Europe is a fast growing facilities-based pan-Nordic telecommunications carrier headquartered in Stockholm, Sweden. It provides a broad range of telecommunications services, including local, national and international voice, data, and value added services, such as Centrex, to large and medium sized businesses, Internet service providers, resellers, other carriers and residential customers in Sweden, Norway, Denmark and Finland. The company plans to build local access networks in the nine key Nordic cities (Stockholm, Gothenburg, Malmo, Copenhagen, Aarhus, Aalborg, Oslo, Bergen and Helsinki) and establish what Tele1 believes will be the first competitive local exchange carrier (CLEC) to span the Nordic region.

Corporate Information

Principal Executive Offices
Tele1 Europe Holding AB
Positionen 146
SE-115 74 Stockholm
Sweden
Visiting address:
Hangovagen 25
Tel: +46 8 56 31 00 00
Fax: +46 8 56 31 01 01
Web Site: www.tele1europe.se

Enquiries

Ivar Stromberg, CEO
Tel. +46 8 56 31 00 01
E-mail: ivar.stromberg@tele1europe.se