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## NETCOM AB ANNOUNCES SIGNIFICANT GROWTH IN OPERATING RESULTS FOR THE QUARTER ENDED DECEMBER 31, 1999

### QUARTERLY REPORT : JANUARY TO DECEMBER 1999

- EBITDA increased by 71% to MSEK 2,097
- EBITDA margins increased from 20.5% to 25.6%
  - EBIT increased by 120% to MSEK 1,142
- Operating revenue increased by 37% to MSEK 8,193
  - Earnings per share accelerated to SEK 36.29
- Debt to equity ratio decreased from 1.41 to 0.66

New York and Stockholm – February 22, 2000 - NetCom AB (“NetCom”, “the Group”) (Nasdaq Stock Market: NECS), the leading provider of telecommunication services in the Nordic countries, the Baltic region and Poland, today announced its consolidated results for the quarter ended December 31, 1999.

### Financial Summary for the Year ended December 31, (in MSEK)

	1999	1998	% Change
Operating Revenue	8,193	5,969	+37
Operating Profit			
before depreciation and amortization (i)	2,097	1,223	+71
after depreciation and amortization (ii)	1,142	518	+120
Profit after financial items	4,179	232	+1701
Of which profit on sale of associated companies	3,228	-	-
Excluding profit on sale of associated companies	951	232	+310
Profit after taxes	3,769	67	+5525
Earnings per share (SEK) (iii)	36.29	0.64	+5570

(i) EBITDA

(ii) EBIT

(iii) Earnings per share figures include profit on sales of shares in an associated company and are after tax and full conversion.

Lars-Johan Jarnheimer, President and CEO stated, “NetCom reported strong operating results for the 1999 financial year. This was driven by the strength of our mobile telephony offering where ARPU’s and minutes of usage increased strongly, ensuring continuously more efficient network utilization. The profitability of our fixed operations are accelerating as we leverage preselect to substantially increase minutes of usage in addition to the significant cost benefits we continue to derive from initiatives implemented in June. We believe 2000 offers a number of future growth opportunities, our investment interest in SEC will enable us to leverage our product development and create cost efficient services for our customers. We will also continue to increase the functionality of our offering through the development and expansion of new ventures such as Everyday.com, SMS and mobile data services. Our fixed operations in Denmark and Norway are also shortly to turn EBITDA positive. We plan to offer our customers GPRS this year if handsets become available and are commercially viable.”

## **OPERATING HIGHLIGHTS**

- Inclusive of prepaid, Comviq added 362,000 gross new subscribers on an annualized basis for a total of 1,641,000
- 48% annualized growth in activated prepaid card customers in Sweden to 909,000
- Monthly mobile average revenue per subscriber (ARPU) in Sweden, excluding prepaid subscribers, increased by over 14% to SEK 418
- During 1999, preselect was introduced in Denmark, Norway and Sweden resulting in an increase in minutes of usage and revenue
- In March, the NetCom Board announced the appointment of Lars-Johan Jarnheimer as President and CEO of NetCom AB
- In June, NetCom announced a business reorganization initiative to cut costs to meet future increases in market competition and will create annualized cost savings of MSEK 80, effective January 2000
- In September, NetCom's joint venture with Modern Times Group ("MTG") called Everyday.com, creating Scandinavia's biggest Internet portal, was launched offering free Internet, secure payments in addition to broad product content
- In October, NetCom announced a collaboration with Cisco to launch a new fiber optic ring as part of Tele2's Internet back bone which will facilitate greater bandwidth
- In November, NetCom announced the sale of its 24.8% shareholding in its associate company, NetCom ASA, in exchange for a 17.8% stake in Société Européenne de Communication SA
- NetCom's operations were not, as previously indicated, effected by the changeover to Y2K and expenses were kept to a minimum.

## **FINANCIAL RESULTS**

(The figures shown in parenthesis correspond to the comparable periods in 1998 and all negative amounts are distinguished with a minus sign)

### **Results for the year ended December 31, 1999**

**Operating revenue** increased by 37% to MSEK 8,193. There has been strong revenue growth in the Mobile Telephony operation in Sweden and an exceptional growth in NetCom's operations in Denmark and Norway.

**Operating profit before depreciation and amortization (EBITDA)** increased by 71% to MSEK 2,097. The EBITDA margin increased to 25.6% (20.5%). This was a result of an increase in the profitability of NetCom's Mobile Telephony operations and a reduction in EBITDA losses contributed by Tele2 Norge AS and Tele2 A/S Denmark.

The cost of the Employee Share Option Program is calculated relative to the market value of NetCom's shares. The increase in share price has increased the provisions due under the terms of the Program by MSEK -134 for the year, compared to a provision of MSEK -67 for 1998.

**Operating profit after depreciation and amortization (EBIT)** increased by 120% to MSEK 1,142. The EBIT margin increased to 13.9% (8.7%).

**Net interest expense and other financial items** totaled MSEK 241 (276). The decrease in net interest reflects lower interest rates despite an increase in debt outstanding. The average interest rate applied to debt outstanding in the year declined to 4.8% (6.6%).

**The profit after financial items** increased to MSEK 4,179 (232). The increase reflects improving profitability at the operating level. It also includes a MSEK 3,228 profit on disposal of the Company's 24.8% shareholding in its associated company, NetCom ASA. The profit after financial items excluding the sale of associated companies was MSEK 951 for the twelve months ended December 31, 1999.

**Profit after tax** also increased to MSEK 3,769 (67). This increase reflects the improving profitability of NetCom's operations and also the profit on disposal of investment interests. As a consequence, **earnings per share** increased to SEK 36.29 (0.64). Profit after tax, excluding the effect of profits on the sale of associated undertakings, increased to MSEK 541 (67) and earnings per share increased to SEK 5.21 (0.64).

**NetCom's total assets** at December 31, 1999 increased by 44% to MSEK 14,693 compared to MSEK 10,189 reported at December 31, 1998, reflecting increased investment in the core operations and the purchases of operations.

### **Results for the three months ended December 31, 1999**

**Total revenues** increased by 42% to MSEK 2,368 (1,664) as a result of strong call volume growth in the Mobile Telephony operation in Sweden. The Fixed Telephony operations also reported significant volume increases as a consequence of preselect in Sweden, Norway and Denmark. NetCom's operations in Denmark and Norway also reported exceptional growth.

**Operating profit before depreciation and amortization (EBITDA)** increased by 148% to MSEK 550 (222). The Group EBITDA margin increased to 23.2% (13.3%). Mobile Telephony operations contributed MSEK 501 (275) to Group EBITDA. The Fixed Telephony and Internet operations of Tele2 AB in Sweden, reported EBITDA of MSEK 200 (55). The results for the Fixed Telephony operation benefited particularly from the introduction of preselect in Sweden.

The increase in share price increased the provisions due under the Employee Share Option Program by MSEK -146 for the three months ended December 31, 1999, compared to a provision of MSEK -30 for the comparable 1998 period.

**Operating profit after depreciation and amortization (EBIT)** increased by 978% to MSEK 291, reflecting the strong performance of both the Mobile Telephony and Fixed Telephony operations. The EBIT margin increased to 12.3% (1.6%).

## **GROUP REVIEW**

### **Restructuring initiative**

In the first half of 1999, NetCom announced an extensive reorganization of its operations to meet increased levels of demand in its markets. As a consequence the headcount was reduced by 150, mostly full time staff resulting in a cost saving of MSEK 80 per annum.

### **Joint Ventures**

#### **Everyday.com**

In December 1999, Everyday.com was officially launched in Sweden, creating the largest Internet portal in Scandinavia and offering Internet, free email, secure payments and broad content. Everyday.com will benefit from the entire value chain for transactions over the Internet and will generate revenue through the provision of free Internet access, advertising sales, e-commerce, payment services and logistics on a pan European basis.

NetCom is the leading Internet service provider or ISP in the Nordic region and its 987,000 Internet subscribers are being offered Everyday.com as their starting page. MTG publishes content on the WWW and has significant experience in the mass media and marketing and advertising sales through TV channels, radio stations and newspapers. The Everyday.com content offering is growing continuously and service will be launched in Norway and Denmark early in 2000.

## Acquisitions and Disposals

### Estonia

In the first quarter of 1999, NetCom's percentage interest in Ritabell was increased from 48% to 94.8%, with the purchase of Tele2 Eesti AS (formerly AS Levicom Cellular or "CellCo") and OÜ Levicom Broadband ("BroadCo") resulting in NetCom acquiring a 90% share in the capital of Tele2 Eesti AS, which holds the 52% interest in the share capital of Ritabell, and 100% of a DCS 1800 license in Lithuania. In addition, NetCom acquired 19% of the capital of BroadCo, which encompasses Internet activities in Estonia, and a number of cable television operations in Estonia and Lithuania.

### Finland

In March 1999, NetCom announced the acquisition of 20% of the stock and 15% of the voting rights in Suomen Kolmegee OY, to become the largest shareholder. Suomen Kolmegee OY, which has been granted one of only four nationwide licenses for a third generation mobile telephony WCDMA/UMTS network in Finland. The Company plans to have an operational mobile network within approximately three years.

### Europe

In November 1999, NetCom announced the acquisition of a 17.8% shareholding in Société Européenne de Communication SA, (SEC) a leading European telecommunications provider. NetCom exchanged its 24.8% shareholding in NetCom ASA for newly issued shares in SEC, totaling 92,533,625 Class A and 9,318,316 Class B shares.

SEC provides national and international long distance telephony services through Tele2 Europe in the Netherlands, Germany, Switzerland, Austria, France, Italy and Luxembourg and provides customer care services and call centers through Transcom Europe. Other major operations include Tango, the GSM 900/DCS 1800 cellular operator in Luxembourg and new operations such as Everyday.com BV, C prepaid calling cards for fixed telephony customers and IntelliNet selling residential routers.

At the end of December, SEC reported a 288% annualized increase to 2,931,173 fixed telephony subscribers. Cellular subscribers increased by 113% to 77,364 over the same time period. Revenues totaled DEM 607.1 million, and SEC reported a loss after tax of DEM 446.9 million or a loss of DEM 1.29 per ordinary share for the 1999 financial year. This loss reflects the sales and marketing expense incurred to build SEC's subscriber base and the launch of a number of new operations during the period.

For accounting purposes, NetCom's shareholding in SEC is treated as an investment. Preceding the transaction, Anders Björkman, SEC's President and CEO resigned from the Board of NetCom AB due to a conflict of interest.

## OPERATIONAL REVIEW

Number of customers			
	12 months		
	1999	1998	%
Tele2 AB Sweden			
Mobile telephony	1,641,000	1,279,000	+28
of which prepaid	909,000	615,000	+48
Fixed telephony	852,000	691,000	+23
Internet	536,000	421,000	+27
Tele2 A/S Danmark			
Fixed telephony	421,000	274,000	+54
Internet	276,000	149,000	+85
Tele2 Norge A/S			
Fixed telephony	289,000	131,000	+121
Internet	175,000	63,000	+178
Ritabell			
Mobile telephony	56,000	43,000	+30

## **Tele2 AB in Sweden**

Tele2 AB encompasses three operational divisions: Mobile Telephony, Fixed Telephony and Internet and Cable Television which are marketed under the respective brand names of Comviq, Tele2 and Kabelvision.

### **Mobile Telephony**

**Operating revenue**, MSEK 3,909 (2,958), +32%

**EBITDA**, MSEK 1,858 (1,277), +45%

Strong subscriber growth continues to be fueled by the introduction of new marketing and pricing initiatives. Comviq successfully launched the first flexible and price leading mobile telephony subscription form which no longer sets a minimum subscription period allowing subscribers to change subscription forms when calling patterns change. NetCom has benefited from substantially reduced dealer commission levels as a result of the introduction of this new subscription form.

Prepaid customers accounted for 55% of the total mobile subscriber base and 81% of net new subscriber additions in the period. The total number of cards sold to retailers totaled 909,000 in the fourth quarter compared to 843,000 in the third quarter of 1999. The annual churn rate excluding prepaid subscribers was approximately 24% for the year period.

In the year ended December 31, 1999, monthly average revenue per subscriber (ARPU), excluding prepaid subscribers, increased by over 14% to SEK 418 compared to the same period in 1998 and airtime usage per month increased, excluding prepaid, by over 13% to 123 minutes. Increased ARPU's and minutes of usage have driven volumes and more efficient network utilization.

### **Fixed Telephony and Internet**

**Operating revenue**, MSEK 2,630 (2,223), +18%

**EBITDA**, MSEK 466 (263), +77%

Strong customer growth has been fuelled by a number of new service initiatives such as Call2Web, the IP based telephony service, which recently launched "Double Line", which allows customers to make and receive telephone calls on a single line while surfing the Net.

On September 11, 1999 preselect was introduced in Sweden which has had a significant effect on the growth in minutes of usage. A new interconnect agreement with Telia was introduced on December 1, 1998 and this has lead to higher margins for Tele2's fixed telephony operations in 1999. It has conversely created margin pressure for NetCom's Internet operations. In the first quarter of 1999, Tele2 began offering lower Internet surfing rates to existing Internet customers who also become telephony customers and this has proved successful with approximately 205,000 customers subscribing to both Internet and fixed telephony services as of December 31, 1999, corresponding to approximately 38% of NetCom's Internet customers are also fixed telephony customers. A wide range of initiatives designed to increase the rate of conversion from Internet only to combined Internet and fixed telephony customers are being implemented.

Through NetCom's joint venture with MTG, all of Tele2's Internet customers now have Everyday.com as their starting page and this can be utilized using most browsers. On July 1, 1999, NetCom also commenced offering Internet access with no subscription fee. The content for this service continues to improve and customer response to Everyday.com has been very favorable.

In October, NetCom announced a collaboration with Cisco to launch a new fiber optic ring which will facilitate greater bandwidth.

### **Cable Television**

**Operating revenue**, MSEK 110 (137), -20%  
**EBITDA**, MSEK -8 (2)

The number of subscribers increased by 10% to 148,000 on an annualized basis in 1999. The brand has been repositioned and a new program offer launched which will drive future subscriber growth.

### **Tele2 A/S, Denmark**

**Operating revenue**, MSEK 974 (546), +78%  
**EBITDA**, MSEK -47 (-115)

In 1999, Tele2 A/S, Denmark, continued to grow substantially reporting strong increases in both the number of fixed telephony customers and the number of Internet customers.

The Company had previously indicated its hope that Tele2 A/S, Denmark would be EBITDA positive for the 1999 financial year based on the premise that existing interconnect terms would be renegotiated, however, this process is still ongoing.

### **Tele2 Norge AS, Norway**

**Operating revenue**, MSEK 444 (169), +163%  
**EBITDA**, MSEK -58 (-93)

Tele2 Norge reported a 121% increase in the number of fixed telephony subscribers.

As of June 1, 1999, preselect became available in Norway and this has had a favorable impact both on revenues and on average minutes of usage.

### **Other operations**

**Operating revenue**, MSEK 696 (197), +253%  
**EBITDA**, MSEK 51 (-21)

Included within Other Operations are amongst others, Optimal Telecom, 4T Solutions, Datametrix and Ritabell.

At December 31, 1999, Ritabell reported 56,000 gross cellular subscribers, an increase of 30% over the prior year and inclusive of 28,000 prepaid customers. Since February 1, 1999, NetCom's 94.8% interest in Ritabell has been reflected as a subsidiary.

In May, NetCom announced that through its 49% owned affiliate In2loop Polska, it had been awarded a license for national and international data network services and for wireless local loop.

### **Parent Company**

**Profit after financial items was MSEK 914 (-29).**

Included within the reported profit figure is primarily a profit of MSEK 2,957 relating to the sale of NetCom ASA, a loss of MSEK -1,912 relating to a sale within the NetCom Group and a MSEK -19 contribution from associated companies. Also included is an increased provision due under the terms of the Employee Share Option Program for senior management of MSEK -134 (-67) due to a strong increase in the market value of the Group's share equity.

Liquidity as at December 31, 1999 totaled MSEK 7 (148).

## **Associated Companies**

### **Share of profit from associated companies was MSEK 50 (-10).**

The main contributor to associated companies was NetCom's interest in NetCom ASA. As of November 25, 1999, NetCom's entire 24.8% shareholding was sold and settlement was received in the form of a 17.8% shareholding in SEC.

In the income statement therefore, results from associated companies reflects the financial contribution of NetCom ASA up to the date of disposal.

NetCom ASA made significant progress in 1999 in both subscriber growth and operating results.

## **ACCOUNTING PRINCIPLES**

NetCom has reported its quarterly financial statements in accordance with the new accounting principle RR8 introduced in 1999 by the Swedish Financial Accounting Standards Council. This has resulted in a change in the accounting treatment of goodwill arising from the purchase in foreign currencies of associate and subsidiary companies. As a consequence, the exchange rate difference arising for NetCom has been restated to increase "goodwill" and "equity" of MSEK 16 for the fourth quarter of 1998 and a decrease in "shares of associated companies" and "equity" of MSEK 10 in the period to December 31, 1998.

Since February 1, 1999, NetCom's 94.8% interest in Ritabell has been reflected as a subsidiary. The goodwill arising from the purchase of Ritabell during 1998 was MSEK 390 and this has been reclassified from fixed assets to intangible assets or goodwill.

In all other respects, NetCom reported its quarterly financial statement in accordance with the accounting principles and methods used in the Annual Report and Accounts for the 1998 financial year.

## **COMPANY DISCLOSURES**

### **1999 Annual Report**

The 1999 Annual report will be distributed to shareholders in April 2000, and will also be available from NetCom's office at Borgarfjordsgatan 16, PO Box 62, 164 94, Kista, Sweden.

### **First Quarter of 2000 Results**

It is proposed that NetCom's financial and operating results for the period ended March 31, 2000 will be released May 8, 2000.

### **The Annual General Meeting (AGM)**

The AGM will be held at 1.30 pm local time on Thursday, May 25, 2000 at Gamla Stans Bryggeri, Tullhus 2 on Skeppsbrogaten, Stockholm, Sweden.

### **Dividend Policy**

The Board and President of NetCom AB will propose at the Company's AGM that no dividend is paid to shareholders for the 1999 financial year.

**Stockholm, February 22, 2000  
The Board of Directors of NetCom AB**

## **REPORT REVIEW**

We have reviewed this interim report. A review is significantly limited compared to an audit. Nothing has come to our attention that causes us to believe that the report does not fulfill the requirements of the Swedish Stock Exchange Act.

Pål Wingren  
Authorized Public Accountant

Hans Karlsson  
Authorized Public Accountant

*NetCom AB, formed in 1993, is the leading telecommunications company in the Nordic countries, the Baltic region and Poland. It has GSM cellular operations in Sweden (Comviq and Tele2Mobil), in Europe through Société Européenne de Communication SA and in Estonia through Ritabell. In the areas of public telecommunications, data communication services and Internet, NetCom operates Tele2 in Sweden, Tele2 A/S in Denmark and Norge AS in Norway. NetCom also operates Datamatrix, specializing in systems integration, 4T Solutions and Optimal Telecom in addition to Kabelvision, a Swedish cable TV services company and Everyday.com, a joint venture with Modern Times Group. NetCom is listed both on the Stockholm Stock Exchange under the symbols NCOMA and NCOMB and on the Nasdaq Stock Market under the symbol NECS.*

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## **APPENDICES**

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# CONSOLIDATED INCOME STATEMENT (MSEK)

	1999 Full Year	1998 Full Year
Operating revenue	8,193	5,969
Operating expenses	-7,129	-5,564
Option to Management	-134	-67
Other revenues	213	190
Other expenses	-1	-10
<b>Operating Profit</b>	<b>1,142</b>	<b>518</b>
Share of profit (loss) from associated companies	50	-10
Sale of associated company	3,228	-
Net interest and other financial expenses	-241	-276
<b>Profit after financial items</b>	<b>4,179</b>	<b>232</b>
Taxes	-412	-165
Minority Interests	2	-
<b>Profit after taxes</b>	<b>3,769</b>	<b>67</b>
 <b>Earnings per share after tax</b>	 36.29 kr	 0.64 kr
 <b>Earnings per share after tax and after full conversion</b>		
Tele2 Norway	-1.10 kr	-1.24 kr
Tele2 Denmark	-1.39 kr	-1.69 kr
Associated companies	0.18 kr	-0.14 kr
Sale of associated companies	31.08 kr	-
Tele2 Sweden and other operations	7.52 kr	3.71 kr
<b>Total</b>	<b>36.29 kr</b>	<b>0.64 kr</b>

# CONSOLIDATED BALANCE SHEET (MSEK)

	1999 Dec 31	1998 Dec 31
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible assets*	2,305	1,687
Tangible assets	6,167	5,604
Long-term financial assets*	3,604	786
	<b>12,076</b>	<b>8,077</b>
<b>Current assets</b>		
Materials and supplies	34	31
Current receivables	2,162	1,648
Cash and cash equivalents	421	433
	<b>2,617</b>	<b>2,112</b>
<b>Total assets</b>	<b>14,693</b>	<b>10,189</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' Equity</b>		
Restricted equity	4,761	4,221
Non-restricted equity	2,241	-952
	<b>7,002</b>	<b>3,269</b>
<b>Minority interest</b>	<b>1</b>	<b>2</b>
<b>Provisions</b>		
Deferred tax liabilities	139	-
Options issued	236	102
	<b>375</b>	<b>102</b>
<b>Long-term liabilities</b>		
Interest-bearing liabilities	4,840	4,801
Non interest-bearing liabilities	15	1
	<b>4,855</b>	<b>4,802</b>
<b>Short-term liabilities</b>		
Interest-bearing liabilities	248	239
Non interest-bearing liabilities	2,212	1,775
	<b>2,460</b>	<b>2,014</b>
<b>Total equity and liabilities</b>	<b>14,693</b>	<b>10,189</b>

\* The change in long term financial assets relates primarily to the purchase of shares in SEC and the disposal of shares in NetCom ASA. For the period ended December 31, 1998, long term financial assets included deferred tax relating to subsidiaries of MSEK 232. From February 1, 1999, Ritabell was accounted for as a subsidiary and the goodwill of MSEK 382 arising from its purchase in 1998 was reclassified from financial fixed assets (shares in associated companies) to intangible assets (goodwill).

## CONSOLIDATED CASHFLOW STATEMENT (MSEK)

	1999 Full Year	1998 Full Year
Cash flow from operations	1,812	955
Changes in working capital	-41	35
Cash flows provided by operating activities	1,771	990
Investing activities	-1,458	-1,841
Financing activities	-322	703
<b>Net change in cash</b>	<b>-9</b>	<b>-148</b>
Cash at beginning of year	433	579
Exchange difference in cash	-3	2
Cash at end of year	421	433

## CONSOLIDATED CHANGES IN SHAREHOLDERS EQUITY (MSEK)

	Restricted Equity		Non-restricted Equity	
	Share Capital	Other Restr. Equity	Share in Associated Co's.	Other Retained Profits
Equity, Jan. 1, 1999	519	3,712	-318	-650
Changed accounting principle		-10		16
Equity, Jan. 1, 1999, adjusted	519	3,702	-318	-634
Transfers:				
- Shares in associated co.'s	-	-	347	-347
- Deferred Tax	-	-243	-39	282
- Untaxed reserves	-	987	-	-987
- Other	-	-203	10	193
Translation differences,	-	-1	-	-35
Profit for the period	-	-	-	3,769
Equity, December 31, 1999	519	4,242	-	2,241
Total Restricted & Retained Losses		4,761		2,241

## COMPANY REVIEW (MSEK)

	1999	1998
	Full Year	Full Year
<b>Operating revenue by business area</b>		
Tele2 AB:		
-Mobile telephony	3,909	2,958
-Fixed telephony included Internet	2,630	2,223
-Cable Television	110	137
	6,649	5,318
Tele2 Norway	444	169
Tele2 Denmark	974	546
Other operations	696	197
Parent Company	10	6
Adjustments for sales internal	-580	-267
Total	<b>8,193</b>	<b>5,969</b>

## Depreciation and amortization by business area

Tele2 AB:		
-Mobile telephony	-304	-273
-Fixed telephony included Internet	-301	-217
-Cable Television	-61	-62
	-666	-552
Tele2 Norway	-24	-17
Tele2 Denmark	-68	-41
Other operations	-78	-16
Parent company	-	-
Group adjustments, depreciation	-119	-79
Total	<b>-955</b>	<b>-705</b>

## Operating profit by business area

Tele2 AB:		
-Mobile telephony	1,554	1,004
-Fixed telephony included Internet	165	46
-Cable Television	-69	-60
	1,650	990
Tele2 Norway	-82	-110
Tele2 Denmark	-115	-156
Other operations	-27	-37
Parent company	-165	-90
Group adjustments, depreciation	-119	-79
Total	<b>1,142</b>	<b>518</b>

COMPANY REVIEW (MSEK), continued

	1999 Full Year	1998 Full Year
<b><u>Profit after financial items by business area</u></b>		
Tele2	1,455	651
Tele2 Norway	-114	-128
Tele2 Denmark	-144	-176
Other operations	-65	3
Parent company *	-112	-29
Share of profit (loss) from associated companies	50	-10
Sale of associated company	3,228	-
Group adjustments, depreciation	-119	-79
<b>Total</b>	<b>4,179</b>	<b>232</b>

**Investments by business area**

Tele2 AB:		
-Mobile telephony	424	612
-Fixed telephony included Internet	431	572
-Cable Television	14	17
-Purchase of companies (net) **	221	95
	1,090	1,296
Tele2 Norway	53	69
Tele2 Denmark	93	130
Other operations	133	60
Parent company, tangible assets	-	-4
Parent company, purchase of companies (net) **	69	319
Long-term receivables, change	20	-29
	1,458	1,841
Finance lease	35	118
<b>Total investments including finance lease</b>	<b>1,493</b>	<b>1,959</b>

\* The following transactions are stated on a separate line or are eliminated at Group level. A profit of MSEK 2,957 relating to the sale of NetCom ASA, a loss of MSEK -1,912 relating to a sale within the NetCom Group and a MSEK -19 contribution from associated Companies.

\*\* The following transactions have not been included as they have no cash flow effect:

- In November 1999, shares in NetCom ASA were sold in exchange for shares in SEC implying a book value for SEC of MSEK 3,518
- In January 1999, shares in Ritabell were purchased partly by a loan from the seller of MSEK 223 (MSEK 214 provided by Tele2 and MSEK 9 provided by NetCom).

## QUARTERLY HISTORIC FINANCIAL REVIEW (MSEK)

	1999 Q4	1999 Q3	1999 Q2	1999 Q1	1998 Q4	1998 Q3
<b>Operating revenue by business area</b>						
Tele2 AB:						
-Mobile telephony	1,054	1,106	936	813	809	796
-Fixed telephony included Internet	776	603	627	624	592	526
-Cable Television	29	21	28	32	30	26
	<u>1,859</u>	<u>1,730</u>	<u>1,591</u>	<u>1,469</u>	<u>1,431</u>	<u>1,348</u>
Tele2 Norway	168	120	84	72	70	39
Tele2 Denmark	283	246	242	203	172	141
Other operations	223	182	157	134	91	53
Parent company	2	3	3	2	2	2
Adjustments for sales internal	-167	-121	-150	-142	-102	-63
Total	<u>2,368</u>	<u>2,160</u>	<u>1,927</u>	<u>1,738</u>	<u>1,664</u>	<u>1,520</u>
<b>Depreciation and amortization by business area</b>						
Tele2 AB:						
-Mobile telephony	-78	-76	-75	-75	-70	-70
-Fixed telephony included Internet	-79	-79	-73	-70	-66	-51
-Cable Television	-14	-15	-15	-17	-13	-18
	<u>-171</u>	<u>-170</u>	<u>-163</u>	<u>-162</u>	<u>-149</u>	<u>-139</u>
Tele2 Norway	-8	-5	-6	-5	-4	-4
Tele2 Denmark	-21	-16	-16	-15	-15	-9
Other operations	-27	-21	-18	-12	-7	-6
Group adjustments, depreciation	-32	-29	-29	-29	-20	-21
Total	<u>-259</u>	<u>-241</u>	<u>-232</u>	<u>-223</u>	<u>-195</u>	<u>-179</u>
<b>Operating profit by business area</b>						
Tele2 AB:						
-Mobile telephony	423	536	310	285	205	322
-Fixed telephony included Internet	121	28	-5	21	-11	-18
-Cable Television	-10	-22	-20	-17	-16	-22
	<u>534</u>	<u>542</u>	<u>285</u>	<u>289</u>	<u>178</u>	<u>282</u>
Tele2 Norway	-11	-27	-21	-23	-7	-20
Tele2 Denmark	-16	-14	-34	-51	-56	-26
Other operations	-26	-11	-2	12	-29	-2
Parent company	-158	-15	-11	19	-39	18
Group adjustments, depreciation	-32	-29	-29	-29	-20	-21
Total	<u>291</u>	<u>446</u>	<u>188</u>	<u>217</u>	<u>27</u>	<u>231</u>
<b>Profit after financial items by business area</b>						
Tele2	496	495	239	225	103	198
Tele2 Norway	-20	-35	-29	-30	-15	-24
Tele2 Denmark	-23	-21	-42	-58	-63	-32
Other operations	-38	-21	-10	4	-26	9
Parent company *	-147	-4	3	36	-25	34
Shares of profit (loss) from associated companies	-	25	19	6	-11	3
Sale of associated company	3,228	-	-	-	-	-
Group adjustments, depreciation	-32	-29	-29	-29	-20	-21
Total	<u>3,464</u>	<u>410</u>	<u>151</u>	<u>154</u>	<u>-57</u>	<u>167</u>

\* The following transactions are stated on a separate line or are eliminated at Group level. A profit of MSEK 2,957 relating to the sale of NetCom ASA, a loss of MSEK -1,912 relating to a sale within the NetCom Group and a MSEK -19 contribution from associated Companies

# QUARTERLY HISTORIC FINANCIAL REVIEW (MSEK) continued

	1999 Q4	1999 Q3	1999 Q2	1999 Q1	1998 Q4	1998 Q3
<b>Value per share (SEK)</b>						
Profit/loss, after full conversion	32.35	2.68	0.78	0.49	-0.64	0.92
-of which Tele2 Norway	-0.19	-0.34	-0.28	-0.29	-0.15	-0.23
-of which Tele2 Denmark	-0.24	-0.19	-0.40	-0.56	-0.61	-0.30
-of which associated companies	-0.01	0.15	0.13	-0.10	-0.09	0.00
-of which sale of associated companies	31.08	-	-	-	-	-
-of which Tele2 Sweden and other operations	1.71	3.06	1.33	1.44	0.21	1.45
<b>Investments by business area</b>						
Tele2 AB:						
-Mobile telephony	84	71	142	127	186	122
-Fixed telephony included Internet	69	93	114	155	165	191
-Cable Television	6	2	3	3	12	1
-Purchase of companies (net) **	-	-	10	211	-	84
	159	166	269	496	363	398
Tele2 Norway	13	17	10	13	20	-
Tele2 Denmark	15	34	15	29	52	25
Other operations	44	22	25	42	21	14
Parent company, tangible assets	-	-	-	-	-2	-
Parent company, purchase of companies (net) **	37	6	2	24	319	-
Long-term receivables, change	20	-	-	-	-29	-
	288	245	321	604	744	437
Finance leases	-17	10	1	41	3	19
Total investments including finance leases	271	255	322	645	747	456

\*\* The following transactions have not been included as they have no cash flow effect:

- In November 1999, shares in NetCom ASA were sold in exchange for shares in SEC implying a book value for SEC of MSEK 3,518
- In January 1999, shares in Ritabell were purchased partly by a loan from the seller of MSEK 223 (MSEK 214 provided by Tele2 and MSEK 9 provided by NetCom).

## FIVE YEAR SUMMARY

	1999	1998	1997	1996	1995*
<b><u>Income Statement and Balance Sheet (MSEK)</u></b>					
Operating revenue	8,193	5,969	4,036	2,872	1,953
Operating profit before depreciation	2,097	1,223	1,000	651	-431
Operating profit after depreciation	1,142	518	392	254	-728
Profit/loss after financial items	4,179	232	-37	29	-1,456
Shareholders' equity	7,002	3,269	3,156	2,276	-910
Shareholders' equity, after full conversion	7,002	3,269	3,193	2,923	-910
Total assets	14,693	10,189	8,684	7,527	4,831
Cash flow provided by operating activities	1,771	990	411	610	-759
Liquidity	1,123	821	1,499	819	189
Net borrowing	4,605	4,600	3,579	3,894	4,555
Net borrowing, after full conversion	4,605	4,600	3,542	3,247	4,555
Investments including financial lease**	1,493	1,959	1,117	1,016	1,006
<b><u>Key ratio (%)</u></b>					
Solidity	48%	32%	36%	30%	-19%
Solidity, after full conversion	48%	32%	37%	39%	-19%
Return on shareholders' equity	73.4%	2.1%	3.2%	-10%	N/A***
Return on shareholders' equity, after full conversion	73.4%	2.1%	3.2%	-3.3%	N/A***
Return on capital employed	43.6%	6.7%	4.8%	1.3%	-24.5%
Average interest rate	4.8%	6.6%	7.1%	8.9%	11.5%
Average interest rate, after full conversion	4.8%	6.6%	7.1%	8.6%	11.5%
<b><u>Value per share**** (SEK)</u></b>					
Profit/loss	36.29	0.64	0.50	2.80	-44,107.40
Profit/loss, after full conversion	36.29	0.64	0.57	2.78	-44,107.40
-of which Tele2 Norway	-1.10	-1.24	-0.46	-0.12	-28.15
-of which Tele2 Denmark	-1.39	-1.69	-0.79	-0.16	-
-associated companies	0.18	-0.14	-0.85	2.52	-20,005.20
-sale of associated companies	31.08	-	-	-	-
-of which Tele2 Sweden and other operations	7.52	3.71	2.67	0.54	-24,074.05
Shareholders' equity	67.43	31.55	32.18	25.78	-45,520.00
Shareholders' equity, after full conversion	67.43	31.48	30.86	28.70	-45,520.00
Cash flow	17.05	9.56	4.19	6.91	-37,965.70
Cash flow, after full conversion	17.05	9.53	3.97	5.99	-37,965.70
Dividend	-	-	-	-	-
Market value at closing day	598.00	330.00	170.50	110.50	N/A*
P/E-ratio	16.48	512.92	344.43	39.40	N/A*
P/E-ratio, after full conversion	16.48	514.17	298.12	39.81	N/A*

\* The NetCom group was, until market flotation in 1996, a wholly owned subsidiary of Industriförvaltnings AB Kinnevik.

\*\* Finance leases are included from January 1, 1997.

\*\*\* Not applicable because of negative shareholders' equity

\*\*\*\* The weighted number of A and B shares outstanding at December 31, 1999, was 103,850,246.

For definitions, please see the 1998 Annual Report. Cash flow per share is based on cash flow from operating activities before investing and financing activities. Dividend per share refers to the decided or suggested dividend for each year.



