



GLOCALNET

PRESS RELEASE

Stockholm, Sweden-February 28, 2000

Financial Statement 1999

Significant events during the year

January - September:

- Collaboration with Cisco
- Jan Prising appointed as new Chairman
- Greek activities wound down
- Glocalnet launches the world's first IP-based preselect service

October - December:

- Private placement raises SEK 26.5 m
- Swedish telecom regulator approves international-routed calls
- Glocalnet runs its own marketing campaign
- Traffic volumes increase many times over
- Revenues up 186%
- Gross margins increase to 30% in the fourth quarter
- Collaboration agreement with Bredbandsbolaget

After the end of the period:

- Private placement raises SEK 80 m
- Swedish Industrial Development Fund grants a SEK 25 m loan
- Franco Fedeli appointed to Glocalnet's Board
- Decision to apply for quotation on the SSE O-list
- More price reductions

Events in the fourth quarter

During October, Glocalnet's customer base continued to expand, to 45,000 by the end of the month, which sparked increased traffic volumes to 7.0 million minutes in the month. Glocalnet also cut its prices by 5% to customers that are also Hemel customers. At the same time, rates to selected countries were cut so that no call costs more than SEK 10.



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Swedish telecom regulator PTS (the National Post and Telecom Agency) announced that it was approving the method of routing calls outside Sweden, favoring operators like Glocalnet. This lent added assurance to Glocalnet's continued emphasis on low prices, including call rates from the fixed to mobile networks.

A private placement generated SEK 26.5 m, with asset manager Brummer & Partners raising SEK 15 m through its *Zenitfonden* (Zenith Fund), fund manager Aragon fondförvaltning SEK 5 m, Pomonagruppen SEK 3.5 m and CMA Europe SEK 3 m. The issue price was SEK 53; a total of 500,000 shares were issued.

Glocalnet also decided to sue its former Greek distributor with whom it had pursued ultimately abortive negotiations for some time. Glocalnet initiated a collaboration with ATS Ltd. at the end of 1998. However, ATS did not pay Glocalnet's receivables, sparking the termination of traffic flows in April 1999. After repeated but unsuccessful negotiations, Glocalnet submitted a summons application to the Stockholm District Court.

In November, Glocalnet's customer inflows continued; at the end of the month, Glocalnet had 50,000 customers, implying traffic expanding to 8.3 million minutes for the period.

The month of December saw a marketing campaign sourced exclusively from Glocalnet—i.e. without any marketing partner. The campaign demonstrated that Glocalnet's brand has been strengthened, and that it is capable of recruiting customers successively under its own auspices. The campaign also allowed Glocalnet to start up on new regional Swedish markets in Malmö, Helsingborg, Umeå, Luleå and Östersund.

The company signed a strategic collaboration with Bredbandsbolaget at the end of the year. The terms of the agreement stipulate Glocalnet offering Bredbandsbolaget customers telephony services for a fixed monthly fee.

Customer inflows continued; Glocalnet had 62,000 customers at the end of the year, exceeding its target of 35,000 customers by 77%. Traffic volume in December was 10.4 million minutes.

After the end of the year, the company implemented a further private placement, which raised SEK 80 m, with a total of 500,000 class B shares issued at a price of SEK 160. Venture capitalist Cognition AB subscribed for SEK 50 m in shares, Nomura International plc for SEK 22 m and asset manager Brummer & Partners for SEK 8 m.

The Swedish Industrial Development Fund granted a SEK 25 m loan; the funds are to be used in selected projects with the intention of supporting continued market expansion and the development of new services.



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Franco Fedeli, who enjoys substantial experience from many IT and telecom corporations and brings a valuable contact network, was appointed to Glocalnet's Board by an EGM.

The company's Board also resolved to examine the prospects for an IPO on OM Stockholm Exchange's O-list, with the ambition of scheduling this move in the second or third quarter 2000.

Further price cuts on domestic calls were made, making Glocalnet the cheapest operator, with an evening and weekend rate of SEK 0.09 per minute.

January - December

(Numbers in brackets are for December 31, 1998)

Turnover and revenues

Glocalnet's consolidated gross turnover including other operating revenue, amounted to kSEK 30,601 (8,457) for the year, a gain of 262%. Consolidated traffic revenues were kSEK 29,940 (3,979). Excluding Greece, traffic revenues for the period was kSEK 23,305 (3,140), implying that traffic revenues soared by 642% between 1998 and 1999, the consequence of robust customer inflows in the latter half-year 1999.

Discounting relating to marketing campaigns such as promotional call units amounted to kSEK 1,424, reducing revenues by the commensurate amount.

Fourth-quarter revenues were kSEK 13,899, an increase of 184%, against kSEK 4,934 for the third quarter. By the end of the year, incumbent telco Telia had yet to register a minority of the company's 62,000 customers, implying that revenues will continue to increase through 2000 as a consequence of the customer inflows of 1999.

Network expenses and margins

Network expenses for the year were kSEK 24,400 (4,572) primarily comprising variable expenses for traffic produced in the network, plus to a lesser extent, fixed expenses relating to transport agreements. Gross margins for the year expanded to 20%, the result of increased volumes, a lower share of fixed expenses, choices of alternative supplier and concerted cost-cutting initiatives. The fourth-quarter gross margin was 30%.

Expenses and operating earnings

Total expenses excluding network expenses but including depreciation were kSEK 68,678 (26,941) for the year. Direct sales expenses were kSEK 5,328 (269) comprising expenses for registering preselect subscribers with Telia, and commission.



Other external expenses were kSEK 24,743 (10,101), attributable to marketing campaigns, customer services, billing, support from external consultants and administration.

Headcount expansion increased personnel expenses to kSEK 24,435 (13,867).

Operating earnings for the financial year 1999 were kSEK -62,477 (-23,110) implying that fourth-quarter operating earnings were kSEK -21,777, a deterioration on the third-quarter figure of kSEK -11,022, a result of Glocalnet's high-paced expansion. Earnings net of financial items and non-recurring depreciation were kSEK -62,078 (-22,217) including non-recurring depreciation of receivables from Glocalnet's former Greek partner ATS Ltd., of kSEK 7,470, effected in the Half-Year Interim Financial Statement.

Y2K expenses

Thanks to diligent monitoring and preparation, the millennium changeover passed without disruption. Only minor expenses were caused by Y2K issues.

Assets and liabilities

Total assets amounted to kSEK 52,050 (39,143) at the end of the period, comprising fixed assets of kSEK 20,840 (10,859), current receivables of kSEK 17,896 (4,457) and bank assets of kSEK 13,314 (23,827).

Glocalnet's fixed assets primarily consist of network equipment, plus equipment and installations of customer care and billing systems. Customer receivables, accrued customer revenue and sales tax receivables were the primary constituents of Glocalnet's current receivables.

Shareholders' equity amounted to kSEK 18,870 (28,089), long-term liabilities were kSEK 4,217 (1,042) and current liabilities stood at kSEK 28,963 (10,013). Long-term liabilities comprised leasing commitments for network and systems equipment. Current liabilities largely comprised accounts payable, accrued traffic expenses, while current liabilities primarily related to leasing commitments.

Investments in fixed assets

Investments in fixed assets amounted to kSEK 20,931 (10,759) for the period, of which kSEK 7,878 was financed by leasing agreements, largely comprising equipment for the technical network from Cisco and software and equipment for the company's new customer care and billing system from Portal Software. During the year, the technical platform from InterTel was exchanged for equipment from Cisco. The old equipment was bought back by Cisco in connection with the transaction, reducing net investments by kSEK 6,392.



Cash flow

Cash flow before financing was kSEK –62,153 (-28,243) for the year. The change was primarily attributable to deteriorated operating earnings and investments made. Two new issues during the year raised kSEK 52,858.

Financial position

At the end of the period, bank assets amounted to kSEK 13,314 (23,827). A new issue was completed after the end of the period, raising SEK 80 m for the company. The Swedish Industrial Development Fund also provided a loan of SEK 25 m.

Share data

Earnings after tax for 1999 were kSEK –62,078 (-22,217), corresponding to SEK –17.24 per share. After dilution of warrants issued, the figure was SEK –16.14 per share.

At year-end, the total number of shares was 3,600,000, of which 666,667 class A shares conferring the right to 10 votes per share. The number of shares increased by 166,667 class A and 1,108,333 class B during the year.

In 2000, a new issue increased the number of shares by 500,000 class B shares. Given full utilization of outstanding warrants, the number of shares will increase by a further 254,500.

Market position and prospects

Glocalnet is continuing to grow briskly; its customer base and turnover both expanded dramatically during the fourth quarter of 1999 and are continuing to grow. At the end of February 2000, traffic volumes corresponded to a monthly rate of 14 million minutes, which can be compared to a monthly rate of 200,000 minutes when the prefix service was launched in February 1999. The sharp increase in customers and traffic implied that at the end of February, turnover corresponded to an annualized figure of SEK 100 m—and the growth is continuing.

Glocalnet has also paved the way for continued expansion through extensive initiatives focused on the implementation of its customer services and invoicing systems, the development of processes vis à vis customers, and investments in equipment in order to cope with network capacity increases. Glocalnet's organizational resources have also been consolidated by further marketing expertise while a far-reaching brand project has resulted in more clearly defined customer segmentation. With these initiatives and its leading-edge competencies within what is now well-established IP technology, Glocalnet is in a strong position to face the future.



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Initiatives on the Swedish market will encompass continued forceful initiatives aimed at marketing campaigns with the intention of raising awareness of Glocalnet and to achieve a minimum twofold increase in the company's customer base. The ambition is to become the number three player on the Swedish consumer fixed-line telephony market. This also implies sustained efforts aimed at initiating collaborations with more partners for the distribution of Glocalnet's services. At the same time, Glocalnet will continue to pursue campaigns intended to strengthen its brand.

With the experience of the initiatives aimed at the Swedish market, Glocalnet is now also poised to expand internationally. The primary target area is northern Europe. Planning ahead of an establishment on a new national market is underway. Glocalnet's business model, competencies and organizational resources means that the company is ready to grow ahead of expansion on new markets. Access to new national markets is set to imply growth potential over the coming years. Glocalnet's infrastructure in the form of networks, systems, processes and organizational resources, harbors the capacity for growth with new partners and customers.

The expanding customer base also provides opportunities for introducing new services. Preparations have been made for this development and concrete projects are being pursued within the company. New services will be launched during the year within message handling, Web-based customer services and telephony via other networks. Glocalnet monitors market developments in terms of the deregulation of local access and mobile telephony. Ultimately, these areas will be included in Glocalnet's offering, although it is problematic to pinpoint the precise timing of launch as a result of insufficient information relating to the applicable terms.

Appropriation of earnings/dividends

Consolidated retained earnings amount to kSEK 87,410.

The Board of Directors proposes no dividend.

Annual General Meeting and forthcoming reports

Glocalnet AB's Annual General Meeting will be held on April 18, 2000.

The Annual Report will be available at the company's offices from the first week in April.



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The Interim Report for the first quarter will be published on May 8, 2000.
The Interim Report for the second quarter will be published on August 14, 2000.
The Interim Report for the third quarter will be published on November 6, 2000.

Stockholm, Sweden 28 February 2000
Chief Executive Officer on behalf of the board.

Appendices:

- Income Statement
- Balance Sheet
- Cash Flow Analysis
- Key Figures

Glocalnet AB, quoted on Aragon Fondkommission's Reuters page, is a next-generation telco. Glocalnet markets its services in close collaboration with local market partners including Birka Energi and Bredbandsbolaget. Glocalnet is headquartered in Stockholm, Sweden.

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CONSOLIDATED INCOME STATEMENT

	1999 kSEK	1998 kSEK
OPERATIONAL INCOME		
Traffic Income	29 940	3 979
Other Income	661	4 478
Total Operational Income	30 601	8 457
OPERATIONAL EXPENSE		
Network Expenses	-24 400	-4 572
Direct Sales Expenses	-5 328	-269
Other External Expenses	-24 743	-10 101
Personnel Costs	-24 435	-13 867
Depreciation Fixed Assets	-6 698	-2 758
Items Affecting Comparability	-7 474	0
Total Operational Expense	-93 078	-31 567
Income From Operations	-62 477	-23 110
FINANCIAL ITEMS		
Interest Income	693	1 068
Interest Expense	-294	-175
Total Financial Items	399	893
Income After Financial Items	-62 078	-22 217
NET INCOME	-62 078	-22 217



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CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31

	1999 kSEK	1998 kSEK
ASSETS		
FIXED ASSETS		
Machinery And Equipment	20 840	10 859
Total Fixed Assets	20 840	10 859
CURRENT ASSETS		
Short-term Receivables		
Accounts Receivable	5 981	1 540
Other Receivables	3 297	2 020
Prepaid Expenses And Accrued Income	8 618	897
Total Short-term Receivables	17 896	4 457
Cash And Bank Balances	13 314	23 827
Total Current Assets	31 210	28 284
TOTAL ASSETS	52 050	39 143
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Restricted Equity		
Share Capital	1 800	1 163
Premium Fund	104 480	52 259
Retained Losses		
Retained Losses	-25 332	-3 115
Net Income	-62 078	-22 217
Total Shareholders' Equity	18 870	28 090
Long-term Liabilities		
Leasing Debt	4 217	1 042
Total Long-term Liabilities	4 217	1 042
Current Liabilities		
Leasing Debt	4 170	686
Accounts Payable	15 249	3 699
Other Liabilities	866	1 958
Accrued Expenses And Prepaid Income	8 678	3 668
Total Current Liabilities	28 963	10 013
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	52 050	39 143
Memorandum Items		
Pledged Assets And Contingent Liabilities		
Pledged Assets	8 748	3 251
Contingent Liabilities	4 105	None



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CONSOLIDATED CASH FLOW STATEMENT

	1999	1998
	kSEK	kSEK
Operations		
Payments From Customers	10 730	5 954
Payments To Suppliers And Employees	-64 717	-24 551
Cash From Operations Before Interest And Tax	-53 986	-18 590
Interest Income	693	1 068
Interest Cost	-294	-175
Cash From Operations	-53 587	-17 697
Investments		
Purchase Of Fixed Assets	-14 959	-10 751
Sale Of Equipment	6 392	212
Cash From Investments	-8 566	-10 546
Financing		
New Issue	52 858	10 308
Amortisation Of Debt	-1 218	-670
Cash From Financing	51 640	9 638
CASH FLOW FOR THE YEAR	-10 513	-18 605
Cash At Beginning Of Year	23 827	42 433
CASH AT END OF YEAR	13 314	23 827



FINANCIAL RATIOS

Consolidated

(mSEK)

CONSOLIDATED

	1999-12-31	1998-12-31
Sales ¹⁾	30.6	8.5
Network Expense ²⁾	-24.4	-4.6
Gross Profit ³⁾	6.2	3.9
Gross Margin ⁴⁾ , %	20%	46%
Income Before Depreciation And Financial Items	-55.8	-20.3
Income From Operations	-62.5	-23.1
Earnings Before Tax	-62.1	-22.2
Cash Flow From Operations	-53.6	-17.7
Cash Flow From Investments	-8.6	-10.5
Cash Flow After Investments	-62.2	-28.2

Other Data:

	1999-12-31	1998-12-31
Shareholders' Equity	18.9	28.1
Cash And Bank Balances	13.3	23.8
Net Capital Employed ⁵⁾	13.9	5.9
Return On Equity ⁶⁾ , %	Neg	Neg
Return On Capital Employed ⁷⁾ , %	Neg	Neg
Equity/Assets Ratio ⁹⁾ , %	36%	72%

Data Per Share

	1999-12-31	1998-12-31
Number Of Outstanding Shares	3 600 000	2 325 000
Loss Per Share, SEK	-17.24	-9.56

- 1) Total consolidated sales, including Traffic Income and Other Income
- 2) Costs for network capacity and telephony traffic. Costs associated with management and maintenance of installed IP equipment ("Co-location cost") are not a part of Network Expense.
- 3) Sales less Network Expense
- 4) Gross Profit divided by Sales. A lump sum of mSEK 4 is included in the figure for 1998.
- 5) Equity and interest-bearing debt, less liquid assets.
- 6) Net Income divided by average Equity during the period.
- 7) Income From Operations divided by average Capital Employed during the period
- 8) Equity divided by Total Assets