



PRESS RELEASE

Stockholm, Sweden-August 14, 2000

Interim Report for the Period Jan. 1 – Jun. 30, 2000

Significant Events during First Half of 2000

First quarter;

- Launch of new profile
- The Expert chain becomes new distributor of Glocalnet's services
- Two new issues totaling SEK 160 m completed

Second quarter;

- Traffic revenue increased to SEK 48.7 m in the first half-year, which is 336% higher than the same period 1999
- Customer base expanded to 90,000, up 418% in 12 months
- Glocalnet resolved to establish a presence in Denmark
- Glocalnet share quoted on OM Stockholm Exchange's O List

During the first quarter a new profile was launched in the biggest marketing campaign in the company's history. The campaign, encompassing TV commercials, ads in the evening papers, direct marketing and telemarketing elements, was intended to raise brand awareness and establish Glocalnet's price advantage, thereby attracting new customers.

A new collaboration agreement was signed with the Expert chain, implying that Glocalnet's services are now sold in all of Expert's 225 stores around Sweden.

Two private placements totaling SEK 160.6 m were completed. In the first placement 5,000,000 class B shares were issued at a subscription price of SEK 16. In the second placement 2,120,000 class B shares were issued at SEK 38. Numbers quoted above are adjusted in accordance with the share split carried out in May.

In April, the customer base increased by 10,000 as a result of the aforementioned campaign, which mainly took place in March and April. In addition to the new customers the campaign attracted, Glocalnet's brand was significantly consolidated.



In May, the company effected a 10:1 share split in accordance with the Annual General Meeting's resolution on April 18, 2000. Glocalnet also announced that the company will establish operations in Denmark. The company intends to launch telecom services on the Danish market during the fourth quarter 2000.

In June, Glocalnet's share was quoted on OM Stockholm Exchange's O List. There was no new issue coincident with this listing which took place on June 5.

Prices on international calls were cut by up to 60 per cent, implying that Glocalnet's prices remain below Telia's and Tele2's.

Financial Report

(Figures below are consolidated numbers unless otherwise stated. Figures in brackets relate to a comparison with the first half-year 1999.)

Sales and Revenue

Glocalnet's total revenue amounted to SEK 46.4 (11.8) m in the first half-year 2000. Traffic revenue, excluding non-recurring discounts, amounted to SEK 48.7 (11.2) m, which represented an increase of 336 per cent on the corresponding period of the previous year. The total number of customers as of June 30, 2000 stood at 90,000 (17,375), up 418 per cent on one year previously. Customer numbers increased by 28,000 in the first half-year 2000, of which two-thirds were attributable to the second quarter. As a result of the substantial inflow of new customers, discounting totaled SEK 2.7 (0.0) m. This discounting was of a non-recurring nature and is part of Glocalnet's customer acquisition expenses.

The substantial growth in Glocalnet's customer base during the second quarter will not feed through fully until the third quarter. The increased customer base, and ensuing higher traffic volumes, will continue to have a positive impact on revenue and earnings over forthcoming quarters.

Network Expenses and Margins

Network expenses amounted to SEK 36.1 (10.5) m, primarily comprising variable expenses. The gross margin for the period was 22 per cent, 11 percentage points higher than in the previous year. In the second quarter 2000, the gross margin was slightly below the level in the preceding quarter, largely attributable to the increased discounting resulting from abundant customer inflows. Excluding this discounting, the gross margin amounted to 27 per cent in the second quarter, which is comparable to the previous quarter. The negative effects of price cuts and increased share of national traffic have been balanced by cost reductions.



Expenses and Operating Earnings

Total expenses including depreciation amounted to SEK 61.8 (30.9) m for the period. Excluding items affecting comparability, expenses increased by SEK 38.4 m on the corresponding period of the previous year. Direct sales expenses rose sharply and amounted to SEK 4.6 (0.4) m. The increase related to the buoyant customer growth, which entailed significant non-recurring expenses relating to the registration of pre-selection customers with Telia. Other external expenses stood at SEK 34.7 (8.6) m. A high proportion of the increase on the previous year related to direct marketing expenses, which comprised more than half of other external expenses in the first half-year 2000. Expenses for listing on OM Stockholm Exchange totaling just over SEK 2.0 m were also included in this item. Personnel expenses amounted to SEK 17.2 (11.5) m, increasing in line with the recruitment of new staff. Total number of employees at the end of the second quarter was 65 (40). Depreciation of tangible fixed assets stood at SEK 5.3 (2.9) m.

Operating earnings amounted to SEK –51.5 (-29.6) m for the period. Net interest income improved sharply as a result of increased interest income derived from the new issues in the first quarter, amounting to SEK 1.2 (0.3) m. Earnings after financial items were SEK –50.2 (-29.3) m.

Assets and Liabilities

Total assets stood at SEK 201.7 (47.1) m at the end of the period, comprising fixed assets of SEK 30.3 (15.7) m, current receivables of SEK 29.6 (7.6) m and cash of SEK 141.8 (23.7) m. Shareholders' equity totaled SEK 130.1 (25.3) m, long-term liabilities amounted to SEK 13.6 (1.0) m and current liabilities SEK 58.1 (20.7) m.

The increase in current receivables was primarily attributable to increased customer receivables and accrued income relating to the sharp sales growth. The increase in liquid assets and shareholders' equity was a result of the two new issues totaling SEK 160.6 m, effected during the first quarter. The change in current liabilities primarily related to accounts payable and accrued expenses and can be explained by an increased cost mass.

Investments in Fixed Assets

Investments in fixed assets amounted to SEK 14.8 (11.1) m during the period, of which leasing assets totaled SEK 7.2 (0.0) m. The lion's share of investments made in the first half-year 2000 related to hardware used for operations of the company's billing and reporting system. A smaller proportion of the investments made in the second quarter related to the development of an Internet-based customer care system.

Cash Flow

Cash flow before financing amounted to SEK –36.2 (-26.2) m for the period. The corresponding amount after financing activity was SEK 128.5 (-0.1) m. The positive



Glocalnet

outcome for the financing operations in the first half-year was attributable to the two new issues completed in the first quarter.

Parent Company

The parent company's total revenue amounted to SEK 31.9 m during the first half of 2000. Earnings after financial items were SEK -58.1 m. Investments in fixed assets amounted to SEK 14.8 m.

Forthcoming Reports

The company intends to publish its interim report for the third quarter on November 6, 2000 and the financial statement for 2000 on February 26, 2001.

Market Position and Outlook

Glocalnet's robust growth is continuing; the extensive marketing campaign launched in March has consolidated the company. The customer base has continued to expand and has passed 90,000, of which 4,000 are small businesses. This implies that the customer base has expanded by 27 per cent over the past quarter and by 45 per cent so far this year. The customer base currently generates traffic of approximately 23 million minutes per month, implying that volumes have more than doubled compared to at the end of last year. Another intention of the campaign was to strengthen the brand. The new graphics profile launched towards the end of the first quarter has raised awareness of Glocalnet via advertising and TV commercials.

Customer acquisitions will continue to be of high priority. New campaigns are planned ahead of this autumn, both under Glocalnet's own auspices and via distributors. So far this year a majority of new customers have been sourced via Glocalnet's own campaigns and through the collaboration with electronics retail chain Expert initiated in April. The two-year collaboration with Birka Energi runs until end of September 2000. The partnership has not resulted in any significant customer inflows during the year. Our objective of reaching 130,000 customers by year-end stands.

Glocalnet's international expansion has begun. The work associated with launching Glocalnet in Denmark in the forth quarter 2000 is underway. Growth in customer base and traffic volumes is expected to materialise in the early part of 2001.

Mobile offerings will constitute an important element of Glocalnet's future offering and we aim to offer services both in Sweden and Denmark as soon as access to mobile capacity is secured. Discussions with several parties relating to different consortium constellations for the next generation of mobile telephony UMTS, where

Glocalnet are promoting open mobile networks, are ongoing. Glocalnet is also pursuing discussions relating to purchasing mobile capacity within the GSM networks.



Glocalnet

Glocalnet is facing an eventful autumn; new marketing initiatives intended to continue to build the customer base, the launch of new services and international expansion are underway. At the same time, we continue with our efforts to offer mobile services. Glocalnet's management is also continuing to investigate potential acquisition targets as a means to step up the rate of expansion further and bring the company closer to our vision of becoming a leading supplier of IP-based communication services in northern Europe.

HYPERLINK



CONSOLIDATED INCOME STATEMENT SEK 000	Q 2 - 2000	Q 2 - 1999	6 months - 2000	6 months - 1999
OPERATING REVENUE				
Gross Traffic Revenue	28,123	4,606	48,748	11,177
Discounts	-2,684	0	-2,736	0
Net Traffic Revenue	25,439	4,606	46,012	11,177
Other Operating Revenue	72	487	435	592
Total Operating Revenue	25,511	5,093	46,447	11,769
OPERATING EXPENSES				
Network Expenses	-20,630	-3,815	-36,079	-10,493
Direct Sales Expenses	-3,550	-300	-4,620	-448
Other External Expenses	-17,756	-5,017	-34,673	-8,578
Personnel Expenses	-8,848	-5,959	-17,199	-11,482
Depreciation of Tangible Fixed Assets	-3,005	-1,611	-5,349	-2,922
Items Affecting Comparability	0	-7,474	0	-7,474
Total Operating Expenses	-53,789	-24,176	-97,920	-41,397
Operating Earnings	-28,278	-19,083	-51,473	-29,628
FINANCIAL ITEMS				
Interest Income	1,782	272	1,922	542
Interest Expenses	-641	-101	-695	-203
Total Financial Items	1,141	171	1,227	339
Earnings After Financial Items	-27,137	-18,912	-50,246	-29,289
NET EARNINGS	-27,137	-18,912	-50,246	-29,289



CONSOLIDATED BALANCE SHEET SEK 000	Jun 30 2000	Dec 31 1999	Jun 30 1999
ASSETS			
FIXED ASSETS			
Machinery and Equipment	30,260	20,840	15,677
Total Fixed Assets	30,260	20,840	15,677
CURRENT ASSETS			
Current Receivables			
Customer Receivables	8,100	5,981	954
Other Receivables	3,542	3,297	4,592
Prepaid Expenses and Accrued Income	17,983	8,618	2,091
Total Current Receivables	29,624	17,896	7,637
Cash and Bank Balances	141,826	13,314	23,743
Total Current Assets	171,450	31,210	31,380
TOTAL ASSETS	201,710	52,050	47,057
SHAREHOLDERS EQUITY AND LIABILITIES			
SHAREHOLDERS EQUITY			
Restricted Equity			
Share Capital	2,165	1,800	1,163
Ongoing New Share Issue	0	0	26,503
Share Premium Reserve	265,574	104,480	52,258
Accumulated Loss			
Accumulated Loss	-87,407	-25,332	-25,332
Net Earnings	-50,246	-62,078	-29,289
Total Shareholders Equity	130,086	18,870	25,303
Long-Term Liabilities			
Leasing Commitments	8,565	4,217	1,042
Other Long-Term Liabilities	5,000	0	0
Total Long-Term Liabilities	13,565	4,217	1,042
Current Liabilities			
Leasing Commitments	5,253	4,170	349
Accounts Payable	39,247	15,249	15,267
Other Liabilities	1,531	866	1,867
Accrued Expenses and Deferred Income	12,028	8,678	3,229
Total Current Liabilities	58,060	28,963	20,712
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	201,710	52,050	47,057



CONSOLIDATED CASH FLOW STATEMENT
SEK 000

	Q 2 – 2000	Q 2 - 1999	6 months - 2000	6 months 1999
Operations				
Payments from Customers	15,972	550	34,965	3,688
Payments to Suppliers and Employees	-30,227	-8,390	-64,802	-22,537
Cash Flow From Operations Before Interest and Income Tax Paid	-14,255	-7,840	-29,837	-18,849
 Interest Received	 1,782	 272	 1,922	 542
Interest Paid	-641	-101	-695	-203
Cash Flow From Operations	-13,114	-7,669	-28,610	-18,510
 Investment Activities				
Acquisitions of Tangible Fixed Assets	-3,949	-8,966	-7,553	-11,071
Sale of Tangible Fixed Assets	0	3,331	0	3,331
Cash Flow From Investment Activities	-3,949	-5,635	-7,553	-7,740
 Financing Activities				
New Issue	0	26,503	161,459	26,503
New Debt	0	0	5,000	0
Amortization of Debt	-1,069	-170	-1,785	-337
Cash Flow From Financing Activities	-1,069	26,333	164,674	26,166
 CASH FLOW FOR THE PERIOD	-18,133	13,029	128,512	-84
 Cash at Beginning of Period	 159,959	 10,714	 13,314	 23,827
CASH AT END OF PERIOD	141,826	23,743	141,826	23,743



CONSOLIDATED KEY RATIOS

Millions of SEK

	Q 2 - 2000	Q 2 - 1999	6 months - 2000	6 months - 1999
Revenue ¹⁾	25.5	5.1	46.4	11.8
Network Expenses ²⁾	-20.6	-3.8	-36.1	-10.5
Gross Profit ³⁾	4.9	1.3	10.4	1.3
Traffic Margin ⁴⁾ , %	19%	17%	22%	6%
Gross Margin ⁵⁾ , %	19%	25%	22%	11%
Gross Margin ⁵⁾ Before Discounts, %	27%	25%	26%	11%
Earnings Before Depreciation and Financial Items	-25.3	-17.5	-46.1	-26.7
Operating Earnings	-28.3	-19.1	-51.5	-29.6
Earnings Before Tax	-27.1	-18.9	-50.2	-29.3
Cash Flow From Operations	-13.1	-7.7	-28.6	-18.5
Cash Flow From Investment Activities	-3.9	-5.6	-7.6	-7.7
Cash Flow After Investment Activities	-17.1	-13.3	-36.2	-26.2

Other Data	Jun 30 2000	Dec 31 1999	Jun 30 1999
Shareholders' Equity	130.1	18.9	25.3
Cash and Bank Balances less Interest Bearing Debt	123.0	4.9	22.4
Net Capital Employed ⁶⁾	7.1	13.9	2.9
Return On Equity ⁷⁾ , %	Neg	Neg	Neg
Return On Capital Employed ⁸⁾ , %	Neg	Neg	Neg
Equity/Assets Ratio ⁹⁾ , %	64%	36%	54%

Data Per Share ¹⁰⁾	Q 2 - 2000	1999	Q 2 - 1999
Number of Outstanding Shares at end of period	43,304,120	36,000,000	23,250,000
Loss Per Share, SEK	-0.63	-1.72	-0.81

- 1) Total Operating Revenue, including Traffic Revenue and Other Revenue
- 2) Costs for network capacity and telephony traffic. Costs associated with management and maintenance of installed IP equipment ("Co-location costs") are not a part of Network Expenses.
- 3) Revenue less Network Expenses
- 4) Difference between Net Traffic Revenue and Network Expenses divided by Net Traffic Revenue
- 5) Gross Profit divided by Revenue
- 6) Equity and interest-bearing debt, less liquid assets
- 7) Net Earnings divided by average Equity during the period
- 8) Operating Earnings divided by average Capital Employed during the period
- 9) Equity divided by Total Assets
- 10) Number of shares has been adjusted for comparability due to the share split 1:10 in May 2000

Stockholm, Sweden, August 14, 2000

Stefan Krook
Chief Executive Officer



We have performed a summary review of the Interim Report for the period January 1, 2000–June 30, 2000 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, August 14, 2000

PriceWaterhouseCoopers KB

Michael Bengtsson
Authorised Public Accountant
Stockholm, Sweden, August 14, 2000

Glocalnet develops and provides communication services sold directly to the end customer or alongside marketing partners. This year, Glocalnet intends to become Sweden's third largest fixed private telephony player. The company's vision is to become a leading operator of Internet-based services in Northern Europe. Glocalnet has strategic collaborations with corporations such as Cisco Systems and Portal Software. Glocalnet is headquartered in Stockholm, Sweden, and the company's stock is quoted on Stockholm Exchange's O list.

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