



PRESS RELEASE

Stockholm, Sweden, January 16, 2001

Financial Statement 2000

Highlights in the Period

Fourth quarter:

- Glocalnet's revenues for 2000 were SEK 115.5 m, a 277% increase.
- Fourth-quarter revenues were SEK 37.7 m, the fifth consecutive quarterly rise exceeding 20%.
- The net earnings for year 2000 were SEK –118.0 m, compared to SEK –62.1 m previous year.
- The customer base expanded to 118,000, up 90% in 12 months.
- Number of active customers increased to 86,500, also up 90%. Of these, 82,500 were pre-selection customers, which makes Glocalnet the third largest operator in the Swedish residential market.
- Glocalnet's brand recognition increased rapidly, to 48% by the end of the year.
- An agreement was reached with Europolitan relating to the purchase of mobile capacity, enabling the launch of mobile services during the first half-year 2001.
- Danish mobile and fixed telephony agreements complete.
- IP based fixed telephony network in Denmark brought into operation.

January-September:

- New graphics profile launched.
- Distributor agreement signed with home electronics retailer Expert.
- Two private placements totaling SEK 160.6 m implemented.
- 10:1 share split effected.
- Glocalnet stock quoted on OM Stockholm Exchange's O-list.
- Glocalnet's fixed-fee nationwide call concept *G-telefoni* launched.
- Glocalnet implemented a new technology platform for Internet-based customer care.

Highlights after the End of the Period

- Internet service launched.

Glocalnet launched its new graphics profile **in the first quarter**, coincident with a major marketing campaign. A distributor agreement was reached with home electronics retail chain Expert, implying the sale of Glocalnet's services through all Expert's 225 stores throughout Sweden. Thus the customer base expanded by 9,000,



reaching 71,000 by March 31. Active customers, i.e. pre-selection and prefix customers who used Glocalnet's services during March, were 55,000. Operating revenues were SEK 20.9 m.

Two private placements were consummated, raising a total of SEK 160.6 m for the corporation. The first issue related to 5 million class B shares with a subscription price of SEK 16; the second issue to 2,120,000 class B shares at a price of SEK 38.

Glocalnet's customer base expanded to 90,000, of which 73,000 active, **during the second quarter** as a consequence of the marketing campaign initiated during the first quarter. Revenues expanded by 22% quarter on quarter, amounting to SEK 25.5 m.

Glocalnet stock was quoted on the OM Stockholm Exchange O-list; no share issue was effected coincident with this IPO.

Glocalnet cut the prices of international calls by up to 60%, allowing its prices to remain below Swedish competitors Telia and Tele2.

During the third quarter, Glocalnet's revenues continued to expand robustly to SEK 31.3 m, 23% up quarter on quarter. As of September 30, the customer base amounted to 100,000, of which 76,000 were active.

Glocalnet linked up to a consortium formed by Ratos, Teracom and Nomura—Tenora Networks—to apply for a UMTS license.

Glocalnet launched its *G-telefoni* concept at the end of September, allowing its customers to make zero-tariff calls nationwide to other Glocalnet customers for a fixed monthly fee of SEK 19. Thereby, Glocalnet became Sweden's first operator to replace floating call tariffs with a fixed fee. Meanwhile, Glocalnet also brought a new www-based platform on stream, enabling the rationalization and enhancement of customer care, allowing processes including subscription sales, bill reviews and adding new services on the Internet.

Glocalnet's customer base expanded to 118,000 **during the fourth quarter**. Some 86,500 customers were active during December. Of these, 82,500 were pre-selection customers, making Glocalnet the third largest operator in the Swedish residential fixed telephony market. Revenues were SEK 37.7 m, a 20% quarter-on-quarter increase.

Glocalnet effected its biggest-ever marketing campaign coincident with the launch of *G-telefoni*. Apart from a sustained healthy influx of customers, this campaign produced a significant enhancement of brand recognition. However, customer recruitment expenses increased, implying that Glocalnet did not achieve its objective of 130,000 customers. Independent assessments indicate that 48% of the Swedish population aged between 22 and 44 recognized Glocalnet's brand—a more than four-fold increase on the corresponding point in the previous year.



Glocalnet

At the beginning of the quarter, Glocalnet established its Danish organization, encompassing six professionals at the end of the year. A fixed telephony agreement was reached with TeleDanmark, while an agreement with Sonofon was reached regarding the purchase of GSM capacity. Glocalnet installed a nationwide IP fixed telephony network during the quarter, and thereby, as planned, Glocalnet is ready to launch fixed telephony services in Denmark.

Glocalnet pursued discussions with GSM operators regarding the purchase of mobile capacity in parallel with Swedish regulator PTS's (the Swedish National Post and Telecom Agency) selection process for allocating UMTS licenses. Soon after the regulator indicated that Tenora Networks' application had been unsuccessful, Glocalnet signed an agreement with Europolitan regarding mobile services on its existing GSM network. Glocalnet began a major initiative relating to the development of mobile services and modification of support systems and processes during the quarter, and alongside the Europolitan agreement, this will enable the launch of mobile services during the first half-year 2001.

After the end of the period, Glocalnet launched an Internet service with two subscription types in Sweden.

Financial Reporting

(Unless otherwise indicated, the following are full-year figures for the group. Figures in brackets are comparables from 1999).

Revenues

Glocalnet's total revenues for 2000 were SEK 115.5 (30.6) m. Traffic revenues, excluding non-recurring discounting, amounted to SEK 122.6 (31.4) m, a 290% increase on the previous year. Excluding discounting, fourth-quarter traffic revenues were SEK 41.2 m, a quarter-on-quarter increase of 26%.

As of December 31, 2000, Glocalnet's total customer base was 118,000, of which 86,500 were active, 90% up on one year previously. Thus the customer base expanded by 56,000 during 2000. Discounting amounted to SEK 7.6 (1.4) m, a partial consequence of this robust customer influx. Over half of this discounting was generated coincident with customers signing agreements with Glocalnet and was a part of Glocalnet's non-recurring customer recruitment expenses. The remainder is attributable to fixed fees relating to *G-telefoni* not invoiced as yet. Coincident with the launch of *G-telefoni* at the end of September, Glocalnet issued non-recurring discounting to existing pre-select customers, which were not billed for the fixed fee until January 1, 2001 onwards.

Average revenue per active customer was SEK 160 per month in the fourth quarter, up SEK 13 on the previous quarter. Primarily, this increase is due to higher average call volumes.



Network Expenses and Margins

Network expenses were SEK 93.1 (24.4) m, mainly comprising floating expenses. The gross margin for the period was 19.4%, 0.9 percentage points lower than the previous year. In the fourth quarter of 2000, Glocalnet's gross margin was lower than in the preceding quarter, largely explained by increased discounting coincident with the launch of *G-telefoni*. Fourth-quarter gross margins excluding discounting were 22.3%, down 1.3 percentage points quarter on quarter, a deterioration due primarily to a substantial increase in expenses relating to calls to mobile phones.

Operating Expenses and Earnings

Operating expenses including depreciation for the period were SEK 142.1 (68.7) m. Excluding items affecting comparability, expenses increased by SEK 80.9 m on the previous year. Direct sales expenses rose to SEK 8.3 (5.3) m, an upturn related to robust customer growth, with implications including substantial expenses relating to the pre-select registration of customers. Other external expenses includes items such as marketing, external customer services and consultants for services development, amounting to SEK 81.0 (24.7) m. A high proportion of the increase on the previous year related to direct marketing expenses, which comprise some 30% of other external expenses in the period. Human resources expenses amounted to SEK 38.7 (24.4) m, an increase consistent with the hiring Glocalnet has effected. The employee headcount at the end of the period was 73 (42), 6 of which were in Denmark. The depreciation of tangible fixed assets was SEK 13.9 (6.7) m.

Total expenses including depreciation were SEK 51.7 m in the fourth quarter, with over half of this total comprising direct marketing expenses, start-up costs in Denmark and expenses relating to Glocalnet's Internet and mobile services. A large part of these expenses are non-recurring, however being slightly lower than the SEK 20 m anticipated in Glocalnet's last Interim Report.

Operating earnings for the period were SEK -119.7 (-62.5) m. Glocalnet's net interest income improved as a consequence of increased interest income relating to the private placements in the first quarter, standing at SEK 1.7 (0.4) m. Thereby, earnings after financial items amounted were SEK -118.0 (-62.1) m.

Assets and Liabilities

Total assets at the end of the period were SEK 156.0 (52.0) m, comprising fixed assets of SEK 44.3 (20.8) m, current receivables of SEK 34.3 (17.9) m and SEK 77.4 (13.3) m in cash. The increase in current receivables relates mainly to accrued income from Glocalnet's brisk sales growth. The increase in liquid funds is primarily the consequence of two private placements totaling SEK 160.6 m effected in the first quarter.

As of December 31, 2000, shareholders' equity was SEK 62.8 (18.9) m, long-term liabilities were SEK 28.9 (4.2) m, with current liabilities of SEK 64.3 (29.0) m. The change in shareholders equity is due to the aforementioned private placements and net



earnings. The increase in current liabilities is primary because of accounts payable and accrued expenses due to an increased cost mass. The increase in long-term liabilities relates to leasing financing and raising a SEK 15 m loan.

Investments in Fixed Assets

Investments in fixed assets in the period were SEK 37.6 (20.9) m, SEK 19.7 (7.9) m of which was financed through leasing contracts. The majority of investments implemented related to the aforementioned www-based customer care platform, computer equipment for the corporation's billing and reporting systems and equipment sourced from Cisco to expand network capacity.

Cash Flow

Cash flow before financing activities was SEK -107.8 (-62.2) m for the period, with the corresponding figure after financing activities being SEK 64.1 (-10.5) m. The positive actual for financing activities for the period is explained by the two private placements effected in the first quarter.

Share Data

Earnings after tax were SEK -118.0 (-62.1) m, corresponding to SEK -2.72 (-1.72) per share.

In accordance with the decision of an April 20 shareholders' meeting, Glocalnet effected a 10:1 share split in May. All key financial ratios in this Financial Statement have been adjusted in accordance with this corporate action. In conjunction to the quotation on the OM Stockholm Exchange O-list all class A shares were converted to class B shares, which means that all shares have the same voting power.

The total number of shares at the end of the year was 43,339,925 class B shares, an increase of 7,339,925 in the period. Of this, 7,120,000 shares related to the private placements effected in the first quarter, with the remainder due to the exercise of warrants. With full exercise of outstanding warrants, the number of shares would increase by a further 2,545,875.

Market and Outlook

Glocalnet has achieved yet another year of brisk growth, with revenue expansion generated through a growing base of fixed telephony customers in Sweden. The present customer base is 118,000, of which 86,500 are active, nearly twice that at the corresponding point of the previous year. The launch of the *G-telefoni* concept has attracted a sustained abundant influx of customers and resulted in substantial strengthening of Glocalnet's brand.

Sustained revenue growth will primarily be possible through launching new services; Glocalnet has been intensively engaged with the enhancement and modification of billing and customer care systems and its in-house processes since September 2000.



Glocalnet

In January, Glocalnet launched its Internet service. The corporation is now focusing on the launch of mobile services. Through its agreement with Europolitan, Glocalnet will be able to purchase mobile capacity on the existing GSM network, thereby launching mobile services in Sweden during the first half-year 2001.

Progressive deregulation also creates the right prospects for revenue growth within fixed telephony. The EU has decided that the dominant players on individual markets must open their fixed networks to competition, with thereby, Glocalnet expected to gain the opportunity to compete for fixed telephony subscriptions.

Glocalnet's efforts in Denmark are presently focused on structuring a mobile offering and intensifying its search for market partners. The launch will occur during the second or third quarter 2001, a delay on previous plans to coordinate the launch of fixed and mobile services in Denmark with mobile services in Sweden, and to ensure cost-efficient launches through market partners.

Fixed telephony market deregulation, the recent Internet services launch and upcoming fixed telephony launches in Denmark, and mobile services launches in Sweden and Denmark imply that the market Glocalnet can address will multiply—therefore, the prospects of sustained growth are very bright. Glocalnet's 118,000-strong customer base, its solid brand and established infrastructure in terms of organizational resources and systems mean that the corporation is well positioned to exploit these opportunities.

The corporation will now sharpen its focus on achieving profitability:

- In January 2001, margins are expected to be affected positively by the implementation of the *G-telefoni* fixed-fee. The cost increases on mobile calls that have negatively affected the margin during the last quarter are expected to burden the margin also during the first quarter of 2001. Glocalnet is considering raising its mobile prices as several competitors have already done. However, Glocalnet's prices will continue to be competitive.
- When pricing Internet services and subscriptions, Glocalnet will prioritize margins ahead of robust volume expansion.
- Our ongoing systems and process rationalizations will generate further cost savings. In combination with the launch of an Internet service, and the opportunity to offer fixed telephony subscriptions and acquisition of customer bases, is expected to mean Glocalnet's Swedish fixed telephony activities becoming profitable by the second quarter of 2002.
- To ensure cost-efficient customer recruitment, the *G-telefoni* concept will be replicated to recruit fixed-telephony customers and mobile services marketing will be mainly targeted on the existing customer base.



Glocalnet

Activities relating to Glocalnet's further funding have begun; apart from liquid assets of SEK 77.4 m on December 31, 2000, Glocalnet has an additional funding facility of SEK 10 m within the framework of its agreement with the Swedish Industrial Development Fund reached during the first quarter of 2000. With the current expansion plans, existing funding covers Glocalnet's capital requirement until the latter part of the second quarter. To cover the capital requirements of existing business and further expansion, Glocalnet intends to effect a new issue during the first half-year 2001.

Allocation of Earnings/Dividends

The group's aggregate losses amount to SEK -205.4 m; the Board and Chief Executive Officer propose zero dividends for the year.

Shareholders' Meetings and Forthcoming Reports

Glocalnet's AGM will be on March 29, 2001. The Annual Report will be available at the corporation's offices from the second week of March.

The first-quarter Interim Report will be published on April 20, 2001

The second-quarter Interim Report will be published on July 17, 2001

The third-quarter Interim Report will be published on October 17, 2001.

Glocalnet develops and produces communications services sold directly to end customers, or alongside market partners. Glocalnet is presently Sweden's third largest private telephony player and has recently launched an Internet service. The company intends to offer fixed telephony, Internet and mobile services with integrated customer service, single billing and a joint Web portal in the first half-year 2001. The vision is to become one of northern Europe's leading Internet-based services operators. Glocalnet has strategic collaborations with corporations including Cisco Systems and Portal Software. Glocalnet is headquartered in Stockholm, Sweden; its stock is quoted on the OM Stockholm Exchange O-list.

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Glocalnet

CONSOLIDATED INCOME STATEMENT SEK 000	Q 4 - 2000	Q 4 - 1999	2000	1999
OPERATING REVENUE				
Gross Traffic Revenue	41,235	15,105	122,645	31,364
Discounts	-3,518	-861	-7,580	-1,424
Net Traffic Revenue	37,717	14,244	115,065	29,940
Other Operating Revenue	2	-345	447	661
Total Operating Revenue	37,719	13,899	115,512	30,601
OPERATING EXPENSES				
Network Expenses	-32,050	-9,806	-93,100	-24,400
Direct Sales Expenses	-2,165	-4,584	-8,348	-5,328
Other External Expenses	-32,183	-11,686	-81,046	-24,743
Personnel Expenses	-12,138	-7,492	-38,743	-24,435
Depreciation of Tangible Fixed Assets	-5,246	-2,108	-13,945	-6,698
Items Affecting Comparability	0	0	0	-7,474
Total Operating Expenses	-83,782	-35,676	-235,182	-93,078
Operating Earnings	-46,063	-21,777	-119,670	-62,477
FINANCIAL ITEMS				
Interest Income	442	82	3,365	693
Interest Expenses	-604	-73	-1,712	-294
Total Financial Items	-162	9	1,653	399
Earnings After Financial Items	-46,225	-21,767	-118,017	-62,078
NET EARNINGS	-46,225	-21,767	-118,017	-62,078



Glocalnet

**CONSOLIDATED BALANCE SHEET
SEK 000**

Dec 31 2000 Dec 31 1999

ASSETS

FIXED ASSETS

Machinery and Equipment	44,301	20,840
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Total Fixed Assets	44,301	20,840
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CURRENT ASSETS

Current Receivables

Customer Receivables	6,695	5,981
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Other Receivables	4,371	3,297
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Prepaid Expenses and Accrued Income	23,252	8,618
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Total Current Receivables	34,318	17,896
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Cash and Bank Balances	77,386	13,314
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Total Current Assets	111,704	31,210
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TOTAL ASSETS	156,005	52,050
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SHAREHOLDERS EQUITY AND LIABILITIES

SHAREHOLDERS EQUITY

Share Capital	2,167	1,800
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Share Premium Reserve	266,066	104,480
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Accumulated Loss	-87,407	-25,332
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Net Earnings	-118,017	-62,078
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Total Shareholders Equity	62,809	18,870
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Long-Term Liabilities

Leasing Commitments	13,944	4,217
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Other Long-Term Liabilities	15,000	0
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Total Long-Term Liabilities	28,944	4,217
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Current Liabilities

Leasing Commitments	9,049	4,170
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Accounts Payable	36,185	15,249
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Other Liabilities	801	866
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Accrued Expenses and Deferred Income	18,217	8,678
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Total Current Liabilities	64,252	28,963
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**TOTAL SHAREHOLDER EQUITY AND
LIABILITIES**

156,005	52,050
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**ASSETS PLEDGED AND CONTINGENT
LIABILITIES**

Assets Pledged	28,192	8,748
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Contingent Liabilities	4,105	4,105
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CONSOLIDATED CASH FLOW STATEMENT
SEK 000

	Q 4 - 2000	Q 4 - 1999	2000	1999
Operations				
Payments from Customers	38,976	4,929	100,357	10,730
Payments to Suppliers and Employees	-74,619	-26,490	-191,900	-64,717
Cash Flow From Operations Before Interest and Income Tax Paid	-35,643	-21,561	-91,543	-53,986
Interest Received	442	82	3,365	693
Interest Paid	-605	-73	-1,712	-294
Cash Flow From Operations	-35,805	-21,552	-89,890	-53,587
Investment Activities				
Acquisitions of Tangible Fixed Assets	-3,227	241	-17,885	-14,959
Sale of Tangible Fixed Assets	0	3,061	0	6,392
Cash Flow From Investment Activities	-3,227	3,303	-17,885	-8,566
Financing Activities				
New Issue	318	26,470	161,953	52,858
New Debt	10,000	0	15,000	0
Amortization of Debt	-2,033	-318	-5,107	-1,218
Cash Flow From Financing Activities	8,285	26,153	171,846	51,640
CASH FLOW FOR THE PERIOD	-30,747	7,904	64,072	-10,513
Cash at Beginning of Period	108,132	5,410	13,314	23,827
CASH AT END OF PERIOD	77,386	13,314	77,386	13,314



CONSOLIDATED KEY RATIOS

Millions of SEK

	Q 4 - 2000	Q 4 - 1999	2000	1999
Revenue	37.7	13.9	115.5	30.6
Network Expenses ¹⁾	-32.1	-9.8	-93.1	-24.4
Gross Profit ²⁾	5.7	4.1	22.4	6.2
Traffic Margin ³⁾ , %	15%	31%	19%	19%
Gross Margin ⁴⁾ , %	15%	29%	19%	20%
Gross Margin ⁴⁾ Before Discounts, %	22%	34%	24%	24%
Earnings Before Depreciation and Financial Items	-40.8	-19.7	-105.7	-55.8
Operating Earnings	-46.1	-21.8	-119.7	-62.5
Earnings Before Tax	-46.2	-21.8	-118.0	-62.1
Cash Flow From Operations	-35.8	-21.6	-89.9	-53.6
Cash Flow From Investment Activities	-3.2	3.3	-17.9	-8.6
Cash Flow After Investment Activities	-39.0	-18.2	-107.8	-62.2

Other Data

	Dec 31 2000	Dec 31 1999
Shareholders' Equity	62.8	18.9
Cash and Bank Balances less Interest Bearing Debt	39.4	4.9
Net Capital Employed ⁵⁾	23.4	13.9
Return On Equity ⁶⁾ , %	Neg	Neg
Return On Capital Employed ⁷⁾ , %	Neg	Neg
Equity/Assets Ratio ⁸⁾ , %	40%	36%

Data Per Share

	Q 4 - 2000	Q 4 - 1999	2000	1999
Number of Outstanding Shares at End of Period ⁹⁾	43,339,925	36,000,000	43,339,925	36,000,000
Loss Per Share, SEK	-1.07	-0.60	-2.72	-1.72

- 1 Expenses for network capacity and telephony traffic.
- 2 Operating revenues less network expenses.
- 3 The difference between net traffic revenues and network expenses divided by net traffic revenues.
- 4 Gross earnings divided by operating revenues.
- 5 Shareholders' equity and interest-bearing liabilities less cash and bank balances.
- 6 Net earnings divided by average shareholders' equity in the period.
- 7 Operating earnings divided by average capital employed in the period.
- 8 Shareholders' equity divided by total assets.
- 9 Number of shares as of December 31, 1999 has been calculated to be consistent with the 10:1 share split effected in May 2000.

Stockholm, Sweden, January 16, 2001

Stefan Krook
Chief Executive Officer