

## **Tele1 Europe Holding AB Reports Fourth Quarter and Year 2000 Results**

**Annual revenue increase of 351% and quarterly growth of 22% driven by strong demand for data services.**

Stockholm, Sweden - February 12, 2001 - Tele1 Europe Holding AB (Stockholm Stock Exchange: TEUR, NASDAQ: TEUR), the rapidly growing Nordic provider of broadband communication services, today announces its financial and operating results for the fourth quarter and full year ending 31 December 2000. Commenting on the results, CEO Ivar Strömberg stated: "Demand for broadband services in the Nordic region continues to be strong and is reflected in our results. Fourth quarter revenue rose by 263% over the same period in 1999 and year on year growth was 351%. Our gross margin improved in the fourth quarter to 37,8%, compared to 30,2% in the fourth quarter of 1999. Tele1 Europe added 597 corporate customers during the fourth quarter to hit a total of 12,980, with directly connected customers climbing from 2,144 to 2,458. We completed the installation of 686km of local access fiber for a total of 1,704km, and connected another 149 sites to our fiber network to bring the total number of sites to 451. The company's business plan continues to be fully funded"

### **Financial Highlights**

- Fourth quarter revenue grew to SEK 362 million (USD 38 million), an increase of 22% over third quarter revenues and 263% over the same quarter last year.
- Gross margin was 37,8% in Q4, an increase of 757 basis points over the same period in 1999.
- Adjusted EBITDA, as a percentage of revenue, was -35% in Q4, compared to -24% in Q3. Adjusted EBITDA includes SEK 20 million (USD 2 million) in allowance for doubtful accounts. Adjusted EBITDA also includes SEK 15 million (USD 1,6 million) in contractual payments related to prior acquisitions and nonrecurring costs related to UMTS applications in Sweden and Norway.
- Corporate On-net and hosting revenue represented 45% of year 2000 revenue.
- Revenue from data and Internet services increased to SEK 93 million (USD 10 million) or 26% of total revenue in the fourth quarter.
- Switched minutes rose with 32% to 800 million in Q4.
- The business plan continues to be fully funded with approximately SEK 3,6 billion (USD 376 million) in cash and cash equivalents, including investments in bonds and other securities, and restricted cash.
- In January 2001, Tele1 completed an offering of Euro 175 million. The proceeds of the offering will be used to capitalise on acquisition opportunities which complement the company's current business plan and to further accelerate the expansion of the company's business.

### **Operational Highlights**

- The number of sites connected to the company's own local fiber network rose by 149 to 451 in Q4.

- The number of corporate customers increased by 597 to 12,980. Directly connected customers totaled 2,458 an increase of 314, and directly connected sites totaled 3,736, an increase of 426.
- The number of DSL sites rose to 1,885, an increase of 153 over Q3.
- The number of dedicated hosting customers rose to 166.
- Completed construction of an additional 689km of local access fiber, for a total of 1,704km
- Deployed or acquired 2,651km of back-bone fiber, for at total of 6,652km.

### Financial and Operating Summary:

	Q1 2000	Q2 2000	Q3 2000	Q4 2000	FULL YEAR 1999	FULL YEAR 2000
<b>Net revenues (MSEK)</b>	166.4	223.2	296.5	361.8	232.4	1047.8
<b>Growth in net revenues, %, sequential quarters</b>	67%	34%	33%	22%	260%	351%
<b>Gross Margin, %</b>	33.4%	34.7%	37.0%	37.8%	23.7%	36.2%
<b>SG&amp;A<sup>1</sup> % adjusted for option provisions</b>	-78%	-69%	-61%	-73%	-102%	-69%
<b>EBITDA<sup>2</sup> adjusted for option provisions (MSEK)</b>	-73.9	-77.9	-70.1	-126.5	-182.8	-348.5
<b>EBITDA<sup>3</sup> adjusted for option provisions, %</b>	-44%	-35%	-24%	-35%	-79%	-33%

<b>Local access fiber – IRU or own fiber/Fiber ready duct (route km)</b>	208	619	1015	1704	68	1704
- including intra-city network, km	95	481	540	944	36	944
- including business concentration area fiber, km	113	138	475	760	32	760
<b>No. of buildings connected with fiber</b>	28	93	566	1165	10	1165
<b>Back-bone network – IRU or own fiber/Fiber ready duct (route km)</b>	1084	1767	4001	6652	0	6652
<b>DSL co-locations (POPs)</b>	102	113	145	232	92	232
<b>Corporate customers (number)<sup>4</sup></b>	9284	10830	12383	12980	7466	12980
- incl. On Net directly connected customers	1495	1695	2144	2458	986	2458
- incl. On Line, dedicated hosting customers	66	102	164	166	0	166
<b>No. of direct-connection sites<sup>5</sup></b>	2028	2427	3310	3736	1200	3736
<b>Switched minutes (millions/quarter)</b>	452	472	608	800	860	2332
<b>Employees</b>	481	638	839	971	369	971

### Results of Operations

<sup>1</sup> Before provisions for social security fees and compensation expense related to employee stock options.

<sup>2</sup> Before provisions for social security fees and compensation expense related to employee stock options, foreign exchange gains and losses, and other items found under other income (expense).

<sup>3</sup> See footnote 2 above

<sup>4</sup> Corporate customers exclude carriers and ISP's.

<sup>5</sup> A "site" is defined as a customer connection/office

Tele1 Europe's revenue for the fourth quarter of 2000 reached SEK 362 million (USD 38 million), an increase of 22% over Q3 and up 263% on the same period in 1999. For the full year, revenue was up 351% compared to 1999. Gross margin for Q4 was 37,8%, an 80 basis-point improvement over Q3 2000.

Data and Internet revenues, excluding ISP (Internet Service Provider) terminating revenue, were SEK 93 million (USD 10 million) in the fourth quarter. Corporate On-net and hosting revenue constituted 45% of year 2000 revenue. For the year 2000, carriers, resellers and ISP's, accounted for 27% of revenue, while indirect and other revenue constituted 27%.

Liia Nõu, Chief Financial Officer, commented, "The improvement in margins can be attributed to increases in the number of customers on our owned fiber network, and rising demand for data and Internet services."

Sweden accounted for 48% of total revenue in Q4, Norway 17%, Denmark 24% and Finland 11%.

Tele1 Europe's costs of services sold in Q4 were SEK 225 million (USD 24 million), compared to SEK 187 million (USD 20 million) in Q3 of 2000. Sales, general and administrative (SG&A) costs were SEK 250 million (USD 26 million) in Q4 compared to SEK 174 million (USD 18 million) in Q3 2000. Adjusted SG&A, which excludes provisions for social taxes payable and compensation expense relating to the company's stock option plan, rose from SEK 180 million (USD 19 million) in Q3 to SEK 263 million (USD 28 million) in Q4. Adjusted SG&A rose as a percentage of net revenues from 61% in Q3 to 73% in Q4. The increase in SG&A, in absolute terms, resulted primarily from continued growth in human resources, related expenses to support the network build-out and the expansion of the business. SG&A in Q4 includes SEK 20 million (USD 2 million) in allowance for doubtful accounts, the largest portion of which is related to customers in Internet related businesses. SG&A in Q4 also includes SEK 15 million (USD 1,6 million) in contractual payments related to prior acquisitions completed earlier in the year and nonrecurring costs related to UMTS applications in Sweden and Norway. The payment of additional purchase price for acquisitions is treated as SG&A under US GAAP.

Adjusted EBITDA in Q4, which excludes provisions for social security fees and compensation expense related to employee stock options and foreign exchange gains and losses, declined, as a percentage of revenue from -24% to -35%, from SEK -70 million (USD -7 million) to SEK -126 million (USD -13 million).

Financial net for the fourth quarter of 2000 was SEK -57 million (USD -6 million) compared to SEK -68 million (USD -7 million) in the third quarter.

The Company's net loss in Q4 was SEK 262 million (USD 28 million), compared to a loss of SEK 206 million (USD 22 million) in Q3. The net loss for the full year was SEK 808 million (USD 85 million), compared to SEK 404 million (USD 43 million) in 1999. The change was driven primarily by greater depreciation on fixed assets and goodwill, and the change in net financial interest.

Capital expenditures during Q4 amounted to SEK 1 209 million (USD 127 million), out of which approximately 500 MSEK (USD 53 million) is payable in 2001, versus SEK 448 million (USD 46 million) in Q3 2000. Expenditures for the full year totaled SEK 2 292 million (USD 241 million), out of which approximately 500 MSEK (USD 53 million) is payable in 2001. The increase in expenditures can be attributed to the continued construction of the Tele1 Europe fiber network and the build-out of DSL co-locations. Gross PP&E amounted to SEK 3 154 million (USD 332 million), and net PP&E totaled SEK 2 956 million (USD 311 million).

As of December 31, 2000 the Company had SEK 2 903 million (USD 305 million) in cash and cash equivalents, including investments in bonds and other securities, and SEK 672 million (USD 71 mil-

lion) in restricted cash, for a total SEK 3 575 million (USD 376 million). The cash balance is invested short-term in fixed-income securities.

Tele1 Europe ended the final quarter with 971 employees, compared to 369 at the end of 1999.

### **Business development**

Operational growth continued to be strong during Q4. As of December 31, 2000 the company had 12,980 corporate customers, of which 2,458 customers were directly connected to the Tele1 Europe network through a total of 3,736 sites. This represents a gain of 314 directly connected customers and 426 sites over Q3. As of December 31, 451 sites were connected through owned fiber. The number of DSL sites increased to 1,885. Sites on leased lines amounted to 1,353, and point-to-point radio sites totaled to 47. The Company had 166 dedicated hosting customers at the end of the quarter.

During the quarter, the Company continued to successfully connect customers to its IP/VPN services. Tele1 Europe was the first Nordic Operator to launch virtual private network services using the Internet protocol.

### **Network construction**

As of December 31, 2000, Tele1 Europe had completed the installation of 1,704 km of local access fiber in the four Nordic countries, an increase of 689km over Q3 of 2000. Total local fiber kilometers are expected to reach more than 2,000km by the end of 2002.

By the end of the fourth quarter, 21 business areas (pockets) were completed in the four countries. Construction of 51 additional pockets was initiated or contracted for and 37 additional pockets are in the planning or design stage.

Tele1 Europe's backbone fiber totaled 6,652 km at the end of December, an increase of 2,651 km over the third quarter. The total number of backbone kilometers in the Tele1 Europe network is expected to reach more than 11,000km by the end of 2001, including leased lines.

As of December 31, Tele1 Europe had 232 active DSL co-locations in the four Nordic countries. The total number of DSL co-locations is expected to reach more than 350 by the end of 2003.

### **Acquisitions**

Tele1 Europe successfully completed several acquisitions during the year 2000. In January, the company acquired Global One's Swedish business and local government customer base. In May, the company acquired seven Finish distribution channels and in June, it signed an agreement to acquire EITele Rogaland, a leading Norwegian data and broadband operator. In the third and fourth quarter, the company acquired Explore IT, an outsourcing and value added service provider, and Cegal AS, an application service provider. Commenting on the acquisitions, Ivar Stromberg said: "Our approach to buying companies in the year 2000 was to find businesses that would augment our business customers base, strengthen our product portfolio and expand our network presence. Each of the companies we acquired has helped us achieve these goals and improved our position as a leading provider of broadband services in the region."

### **Financing**

Tele1 Europe ended the fourth quarter with a total of SEK 3 575 million (USD 376 million) in cash and cash equivalents (including investments in bonds, other securities and restricted cash), which fully funds the Company's business plan.

## **Subsequent Events**

In January 2001, Tele1 completed an offering of Euro 175 million 12 3/8% Senior Notes due 2008 through its wholly owned subsidiary, Tele1 Europe N.V. The proceeds of the offering will be used to capitalise on acquisition opportunities which complement the company's current business plan and to further accelerate the expansion of the company's business.

Kilroy Travel International A/S, which includes Benns Rejser and Team Travel, signed a three-year agreement with Tele1 Europe for IP-VPN services. Commenting on the addition of Kilroy as a customer Ivar Stromberg said: "This contract further validates Tele1 Europe's strong virtual private network product offering and the company's ability to service companies with multiple office locations."

Tele1 Europe's wholly owned subsidiary WinEasy commenced operations at its state-of-the art data center located in Lidingö, Stockholm. Construction of the center was initiated in the late spring of 2000, with a total investment to date of approximately SEK 100 million. The data center, which will have a total floor area of approximately 2000 square metres, consists of five halls with varying levels of security and support.

## **Outlook**

Tele1 Europe expects to achieve EBITDA break-even in the second quarter of 2002, to be EBITDA positive for the full year 2002, and to turn cash flow positive in early 2004.

Notwithstanding these expectations, Tele1's ability to generate positive EBITDA and cash flow is subject to numerous risks and uncertainties, some of which are beyond the company's control.

## **Company disclosure**

An English translation of the Company's 2000 Annual Report and Accounts will be available at the end of April from Tele1 Europe's offices at Hangövägen 25, Positionen 146, 115 74 Stockholm. The Annual Report and quarterly results are also available on our website: [www.tele1europe.com](http://www.tele1europe.com)

The Annual General Meeting (AGM) will be held at 1.30 pm on May 16, 2001 at the World Trade Center in Stockholm, address Kungsbron 1.

Tele1 Europe Holding AB's financial and operating results for the January-March period will be released on May 15, 2001.

Tele1 Europe will hold a telephone conference call at 15.30 CET, February 12, to present the fourth quarter results for the year ending 31 December, 2000, and answer questions. The conference will be hosted by Ivar Strömberg (CEO) and Liia Nõu (CFO). The dial in number will be: UK + 44 20 8240 8245, US + 1 303 267 10 02. A recorded version of the conference will be available from 16.30 CET, directly after the conference call is finished, until 17 February, on: UK + 44 20 8288 4459, access code 618 752, US + 1 303 804 18 55, access code 910 878.

Livecasting is also available during the presentation at [www.tele1europe.com](http://www.tele1europe.com)

Stockholm, February 12, 2001

On behalf of The Board of Directors of Tele1 Europe Holding AB

Ivar Strömberg, CEO

## **Tele1 Europe Holding AB in summary**

Tele1 Europe is a rapidly expanding data and telecommunications operator with activities in Denmark, Finland, Norway and Sweden. The company provides broadband solutions for data, Internet and voice to large and mid-range businesses and organizations in the Nordic region. Tele1 Europe is currently the only pan-Nordic data and telecommunications operator investing in local access networks with broadband capacity. The company is constructing networks in the nine largest cities in the Nordic region. The access networks, which are linked together by a long-distance network, will be Europe's fastest data and Internet super-highway with an initial capacity for customers of up to one gigabyte. [www.tele1europe.com](http://www.tele1europe.com)

The information and statements contained in this release that are not historical facts are forward-looking statements, which involve predictions by Tele1 Europe's management. Tele1 Europe can give no assurance that the future results expressed or implied by such statements will be achieved or that, if achieved, such results will be indicative of the results in subsequent periods. Actual events or results may differ materially as a result of risks facing Tele1 Europe. Such risks include, but are not limited to: changes in business conditions; changes in the telecommunications industry and general economy; competition; changes in service offerings; and risks associated with Tele1 Europe's limited operating history, entry into developing markets, managing rapid growth, and acquisitions and strategic investments; international operations; dependence on effective information and billing systems; future capital needs; and risks of regulatory developments; any of which could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements.

For further discussion of these and additional risks associated with the business operations of the Tele1 Europe group, please refer to the registration statement on form F-1 filed by Tele1 Europe Holding AB, together with the exhibits thereto, reports and other infor-

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mation filed at the Public Reference Section of the U.S. Securities and Exchange Commission at 450 Fifth Street, N.W., Washington D.C. 20549; Seven World Trade Center, 13<sup>th</sup> Floor, New York, New York 10048; and 500 West Madison Street, Chicago, Illinois 60661.

## Consolidated Income Statements

	Three month ended 31 December			Twelve month ended 31 December		
	1999 SEK ' 000	2000 SEK ' 000	2000 \$ ' 000	1999 SEK ' 000	2000 SEK ' 000	2000 \$ ' 000
<b>Operating revenue</b>	99 790	361 804	38 069	232 376	1 047 860	110 255
<b>Cost of Services sold</b>	-69 646	-225 070	-23 682	-177 325	-668 384	-70 327
<b>Gross Profit</b>	<b>30 144</b>	<b>136 735</b>	<b>14 387</b>	<b>55 051</b>	<b>379 477</b>	<b>39 928</b>
Gross Margin	30,21%	37,79%	37,79%	23,69%	36,21%	36,21%
<b>Operating expenses</b>						
Selling	-40 205	-64 095	-6 744	-76 930	-197 520	-20 783
General and administrative	-113 995	-186 149	-19 586	-214 928	-518 312	-54 536
Depreciation and amortization	-19 366	-93 814	-9 871	-33 931	-239 054	-25 153
<b>Total operating expenses</b>	<b>-173 566</b>	<b>-344 058</b>	<b>-36 201</b>	<b>-325 789</b>	<b>-954 886</b>	<b>-100 472</b>
<b>Operating Loss</b>	<b>-143 422</b>	<b>-207 323</b>	<b>-21 814</b>	<b>-270 738</b>	<b>-575 409</b>	<b>-60 544</b>
Financial net	-67 940	-57 485	-6 049	-130 916	-237 067	-24 944
<b>Loss before income taxes</b>	<b>-211 362</b>	<b>-264 808</b>	<b>-27 863</b>	<b>-401 654</b>	<b>-812 476</b>	<b>-85 488</b>
Income tax benefit	-2 098	2 916	307	-2 098	4 568	481
<b>Net loss</b>	<b>-213 460</b>	<b>-261 892</b>	<b>-27 556</b>	<b>-403 752</b>	<b>-807 908</b>	<b>-85 007</b>
Net loss per share	-2,73	-1,67	-0,18	-5,31	-5,79	-0,61
Weighted average number of shares outstanding	78 209 957	157 032 114	157 032 114	75 967 879	139 642 274	139 642 274
<b>EBITDA</b>	<b>-152 676</b>	<b>-121 041</b>	<b>-12 736</b>	<b>-242 680</b>	<b>-375 556</b>	<b>-39 516</b>
*	28 620	7 532	793	5 873	39 201	4 125
Capital expenditures	277 096	1 209 016	127 211	381 738	2 291 724	241 133
Acquisitions of Businesses	388 666	18 243	1 920	428 713	998 464	105 057

### Notes:

1. All financial data is recorded in accordance with US GAAP.
2. The financial data for the three months periods ending December 31, 1999 and 2000 are unaudited. The financial data for the twelve months periods ending December 31, 1999 and 2000 are audited.
3. Solely for the convenience of the reader the financial statements ended December 31, 2000 have been translated into USD at the rate of SEK 9,504 per US\$ 1.00.
4. EBITDA is defined as earning/(loss) before interest, tax, depreciation and amortization.

\* Items found under Financial net, such as foreign exchange gains and losses etc, included in EBITDA



## Consolidated Balance Sheets

	31 December 1999 SEK ' 000	31 December 2000 SEK ' 000	31 December 2000 \$ '000
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash	729 077	1 083 337	113 987
Restricted current assets	289 734	530 371	55 805
Other current assets	1 473 493	2 730 831	287 335
<b>Total current assets</b>	<b>2 492 304</b>	<b>4 344 539</b>	<b>457 127</b>
Investments	-	55 570	5 847
Restricted non-current assets	370 659	141 838	14 924
Property and equipment, net <sup>6</sup>	473 113	2 955 886	311 015
Goodwill, net	416 563	1 087 128	114 386
<b>TOTAL ASSETS</b>	<b>3 752 639</b>	<b>8 584 961</b>	<b>903 300</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities	601 858	1 297 900	136 564
Long term debt, net	3 278 330	3 513 382	369 674
Redeemable preferred shares	183 638	-	-
<b>Shareholder's equity (deficit):</b>			
Share capital	3 920	7 861	827
Additional paid-in capital	167 998	4 968 746	522 806
Other comprehensive income (loss)	-2 071	86 014	9 050
Accumulated deficit	-481 034	-1 288 942	-135 621
<b>Total Shareholder's equity (deficit)</b>	<b>-311 187</b>	<b>3 773 679</b>	<b>397 062</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3 752 639</b>	<b>8 584 961</b>	<b>903 300</b>

### Notes:

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<b>Total Cash including investments and other securities</b>	<b>31 Dec 1999 (SEK '000)</b>	<b>31 December 2000 (SEK '000)</b>	<b>31 December 2000 (\$ '000)</b>	
Cash	729 077	1 083 337	113 987	
Investments, current (including in other current assets)		1 246 483	1 819 723	191
469				

<sup>6</sup> The historical cost of PP&E as of December 31, 2000 amounts to SEK 3 154 million (USD 332 million)

Restricted cash, current	289 734	530 371	55 805
Restricted cash, non current	370 659	141 838	14 924
<b>Total</b>	<b>2 635 953</b>	<b>3 575 269</b>	<b>376 185</b>

## Consolidated Cash Flow Statements

	12 months ended 31 December 1999 SEK ' 000	12 months ended 2000 SEK ' 000	12 month ended 31 December 2000 \$ ' 000
<b>Cash Flow from operating activities:</b>			
Net loss	-403 752	-807 908	- 85 007
Adjustments for:			
Unrealized foreign exchange gains	5 873	36 025	3 791
Depreciation and amortization	33 931	239 054	25 153
Other non-cash items	-130	11 842	1 246
Changes in non-cash working capital	321 406	-856 010	-90 068
<b>Cash Flow from investing activities:</b>			
Additions to networks and equipment, net	-381 738	-1 662 661	-174 943
Acquisitions of subsidiary entities, including additional acquisition consideration	-428 713	-812 923	-85 535
Purchase of equity interest	-	-55 570	-5 847
Change in restricted and other assets, net	-1 905 516	-275 715	-29 010
<b>Cash Flow from financing activities:</b>			
Share capital, net of issue costs	223 480	4 512 533	474 804
Increase in long-term borrowings, net	3 339 906	-156 880	-16 507
Other financial activities	-	183 094	19 265
Translation adjustment	-2 303	-	-
Effect of exchange rate changes on cash	-76 024	-621	-65
<b>Net increase (decrease) in cash</b>	<b>726 420</b>	<b>354 260</b>	<b>37 275</b>
<b>Cash, beginning of period</b>	<b>2 657</b>	<b>729 077</b>	<b>76 713</b>
<b>CASH, END OF PERIOD</b>	<b>729 077</b>	<b>1 083 337</b>	<b>113 987</b>

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