



PRESS RELEASE

Stockholm, Sweden January 29, 2002

Financial Statement 2001

Financial Summary 2001

Revenues amounted to SEK 217.3 m in 2001, an 88% increase, while gross margin expanded six percentage points to 25%. Network expenses consequently increased considerably less than revenues. Other expenses, excluding items affecting comparability of SEK 18.1 m, were down SEK 27.1 m, to SEK 115.0 m in 2001. These advances implied that operating losses excluding items affecting comparability virtually halved in 2001, to SEK -60.2 m.

Highlights in the Period

Fourth quarter:

- Revenues grew to SEK 59.4 m, up 5% quarter-on-quarter;
- Earnings excluding items affecting comparability rose for the fourth consecutive quarter. Fourth quarter earnings were SEK -6.6 m, up SEK 5.1 m on third quarter earnings excluding items affecting comparability.

January - September:

- Glocalnet launched Internet and mobile services in the first quarter, attracting a very healthy influx of mobile customers during the second and third quarters;
- The corporation embarked on an extensive strategic and restructuring program in March, with implications including the liquidation of the Danish operation and the Swedish headcount being downsized by 11 to 47 staff;
- In June, Glocalnet effected a new issue with preferential rights for existing shareholders, raising SEK 66.5 m net of issue expenses;
- During the third quarter, Glocalnet became party to a keynote agreement with a primary provider of network capacity, which implied increased margins in the second half-year.

After the End of the Period

- Mr. Jan Edholm—whose previous experience includes being CEO of SF (Svensk Filmindustri) and www car reseller Autoo—was appointed as Glocalnet's CEO.
- Glocalnet signed an agreement with IKEA Svenska Försäljnings AB concerning a long-term, strategic collaboration.



Operations in the Year

During the first quarter, Glocalnet launched Internet and mobile services, thereby becoming Sweden's first player to make a bundled fixed and mobile telephony plus Internet services offering with a single bill and self-service www portal. Glocalnet remains Sweden's only provider to make an integrated offering of these services.

In March, a strategic and restructuring program was launched implying the liquidation of Glocalnet's Danish operation including seven staff; headcount in Sweden was downsized by 11. Coincident with this program, operations were divided into two business areas: Glocalnet Service Operator and Glocalnet Service Provider. The latter offers Glocalnet-branded telecom services direct to consumers. Glocalnet Service Operator offers turnkey telecom operation solutions that enable other corporations—virtual operators—to launch proprietary-branded, integrated telecom offerings.

Subsequent to approval at an Extraordinary General Meeting on May 2, 2001, a new issue of 86,679,850 shares with preferential rights for existing shareholders was consummated **in the second quarter**. Approximately 60% of this issue was underwritten with subscription rights, with the remaining 40% subscribed by Glocalnet's main owner Catella IT AB, pursuant to a guarantee agreement. The issue raised SEK 66.5 m after issue expenses.

Glocalnet's focus on profitability started to generate results, with losses falling by SEK 20 m on the first quarter, thereby amounting to SEK 17.5 m, with SEK 9.0 m of this difference attributable to items affecting comparability relating to the restructuring program posted in the first quarter. A further SEK 6 m or so was directly attributable to savings related to the restructuring program. Accordingly, a total of some SEK 15 m of the improvement relates to non-recurring effects, while additionally, earnings improved by some SEK 5 m, mainly due to increased sales and further cost-cutting.

In the third quarter, Glocalnet became party to a keynote agreement valid until June 2002 inclusive, its counterparty being a primary provider of network capacity, generating a distinct margin improvement compared to the first half-year.

The implications of this deal include much of Glocalnet's network equipment becoming unutilized for the time being, and therefore, the corporation effected an SEK 9.1 m non-recurring write-down, accounted as an item affecting comparability.

Earnings excluding items affecting comparability rose by a further SEK 5.9 m, to SEK -11.6 m, the consequence of increased revenues, primarily related to a healthy influx of mobile customers, sustained cost-cutting and expanding margins.

In the fourth quarter, revenues expanded to SEK 59.4 m, up 5% quarter-on-quarter.



Fourth quarter earnings were SEK -6.6 m, gains of SEK 5.1 m on the third quarter figure excluding items affecting comparability. The declining losses are primarily due to reduced other external expenses, the consequence of low marketing expenses and ongoing cost rationalization.

In December, the Stockholm tax board decided to impose a SEK 6.7 m tax surcharge on Glocalnet for the fiscal year 2001. Glocalnet intends to appeal against this decision, which it considers to have been reached on erroneous grounds. After considering the various aspects and taking counsel on this issue, the corporation perceives good prospects of ultimately achieving success, and accordingly, Glocalnet has opted to account this item as a contingent liability that does not burden earnings.

After the End of the Period

On 14 January, Mr. Jan Edholm—whose previous experience includes being CEO of SF (Svensk Filmindustri) and www car reseller Autoo—was appointed Glocalnet's CEO. The previous CEO and Glocalnet's founder, Stefan Krook, will continue to head up a number of strategic projects until the end of March, to then concentrate on his Board position.

Glocalnet signed an agreement with IKEA Svenska Försäljnings AB concerning a long-term, strategic collaboration where Glocalnet will offer telephony to IKEA Family customers in Sweden. The offer will be presented parallel to IKEA's launch of the new IKEA Family at the end of February.

Financial Reporting

(The following are consolidated figures. Figures in brackets are comparatives with the corresponding period/date of 2000.)

Accounting Principles

The accounting principles applied in this Financial Statement are identical to those in the previous accounting year, and are stated in the Annual Report for 2000.

Revenues

Revenues amounted to SEK 217.3 (115.5) m in 2001, an 88% year-on-year increase. Traffic revenues were SEK 217.2 (115.1) m, SEK 192.2 (115.1) m of this total being fixed-line telephony, SEK 21.9 (0) m being mobile telephony and SEK 3.1 (0) m derived from Internet services. The fixed telephony revenue gains were primarily due to brisk customer base growth in 2000 generating its first full-year effects in 2001, as well as increased volumes, and the resulting higher revenues per customer.

Fourth quarter revenues were SEK 59.4 m, up 5% quarter-on-quarter, due largely to a SEK 1.5 m expansion of mobile telecom services revenues on the previous quarter, to SEK 10.1 m. Fixed telephony revenues also increased slightly, mainly the consequence of higher revenues per customer.



The number of customers actively utilizing Glocalnet's fixed telephony services in December amounted to some 85,000, down 3,000 on September, and 1,500 fewer than in December 2000. Average monthly revenues per active fixed telephony customer were SEK 187 in the fourth quarter, up SEK 7 quarter-on-quarter, an upturn mainly due to increased domestic traffic volumes due to a recovery from adverse summer seasonality. 3,500 customers used Glocalnet's Internet service in December, up by 400 since September. The number of customers actively utilizing Glocalnet's mobile telephony services in December was some 13,000, up by 1,000 since September.

Network Expenses and Margins

Network expenses were SEK 162.6 (93.1) m in 2001, a consequence of growing traffic volumes. Gross margins were 25.2%, up 5.8 percentage points year-on-year, primarily the consequence of significant reduced discounting in 2001, and the aforementioned agreement with a primary network capacity provider.

Fourth quarter network expenses were SEK 43.7 m, up SEK 2.5 m quarter-on-quarter. Accordingly, gross margins reduced to 26.3%, and were 0.8 percentage points lower than in the third quarter, but higher than in the first half-year, consistent with expectations stated in the Nine-month Interim Report. This was mainly due to price reductions effected in September.

Other Expenses and Earnings

Operating expenses excluding network expenses stood at SEK 133.1 (142.1) m in the year, with the year-on-year reduction mainly due to reduced marketing expenses and ongoing cost rationalizations enabling growth, simultaneous with reducing expenses. Excluding items affecting comparability of SEK 18.1 m, these expenses amounted to SEK 115.0 m, down by SEK 27.1 m on 2000. The items affecting comparability comprised a SEK 9.0 m provision for liquidation expenses coincident with restructuring in the first quarter, and a SEK 9.1 m write-down of network equipment effected in September.

Fourth quarter operating expenses excluding network expenses were SEK 21.2 m. Excluding items affecting comparability, this represented a decrease of SEK 4.8 m quarter-on-quarter, mainly due to reduced other external expenses and depreciation.

The employee headcount at the end of the period was 45 (73), one less than at the end of the third quarter. Personnel expenses amounted to SEK 32.7 m in the year, down SEK 6.1 m on 2000, the consequence of a reduced average headcount. Fourth quarter personnel expenses were SEK 7.5 m, up SEK 1.8 m quarter-on-quarter, largely the consequence of a seasonal downturn in expenses in the third quarter, in turn the result of staff vacations. Other external expenses include items such as marketing, external customer service and consulting expenses, and reduced by SEK 4.6 m, amounting to SEK 7.9 m in the fourth quarter. Marketing initiatives during the fourth quarter were



limited, because Glocalnet did not consider that customer acquisition expenses were at a level that could confer attractive long-term profitability.

Operating earnings for 2001 were SEK -78.3 (-119.7) m; excluding items affecting comparability, operating earnings were SEK -60.2 (-119.7) m. Net financial income was SEK -4.1 (1.7) m; net earnings were SEK -82.4 (-118.0) m. Fourth quarter operating earnings stood at SEK -5.6 m, a SEK 5.1 m quarter-on-quarter upturn, excluding items affecting comparability. Net interest income was SEK -1.0 m, and accordingly, quarterly earnings were SEK -6.6 m, against SEK -20.7 m in the previous quarter.

Assets and Liabilities

The closing balance of total assets was SEK 143.7 (174.7) m, comprising fixed assets of SEK 20.1 (44.3) m, current receivables of SEK 50.3 (53.0) m and SEK 73.3 (77.4) m in cash. Explanations for the distinct downturn in fixed assets include the write-down of much of the corporation's network equipment, of SEK 9.1 m, effected in the third quarter.

As of December 31, 2001, shareholders' equity amounted to SEK 46.9 (62.8) m; long-term liabilities were SEK 29.1 (28.9) m, and short-term liabilities stood at SEK 67.7 (82.9) m. The reduction in current liabilities is due to factors including reduced accounts payable.

Investments

Investments in fixed assets were SEK 9.2 (37.6) m in the period, SEK 2.3 (19.7) m financed through leasing contracts. The corporation's fourth quarter investments amounted to SEK 2.3 m, financed with liquid assets; investments effected in the year were mainly upgrades of the enterprise's billing and customer care technology platform.

Cash Flow and Financial Position

Cash flow after financing activity for the year was SEK -4.1 (64.1) m, with the negative cash flow before financing activity down quarter-on-quarter, the result of reduced working capital in the fourth quarter, and amounting to SEK -0.7 m. Quarterly cash flow after financing activity was SEK -2.4 m; as of December 31, 2001, Glocalnet's liquid assets stood at SEK 73.3 m.

Change in Shareholders' Equity

Consolidated shareholders' equity reduced from SEK 62.8 m as of December 31, 2000 to SEK 46.9 m as of December 31, 2001, a change consisting of losses of SEK 82.4 m, a SEK 66.5 m new issue after issue expenses effected in the second quarter and option premiums paid by staff of SEK 4,000.



The Annual General Meeting on March 29, 2001, resolved to grant the Board of Directors authorization to issue stock within the framework of two option incentive schemes targeted at Glocalnet's staff, each encompassing one million options, one of which was effected in the third quarter.

Allocation of Earnings/Dividends

Consolidated accumulated losses amounted to SEK -287.8 m; the Board of Directors and Chief Executive Officer propose that these losses are carried forward.

Market and Outlook

Glocalnet has experienced yet another eventful year, achieving substantial sales growth; in 2001, Glocalnet evolved from being a single-product enterprise, offering fixed telephony exclusively, to its current positioning with the market's most comprehensive services offering in integrated form. Glocalnet now offers fixed and mobile telephony plus Internet connections with single-point customer service, a facility for customers to utilize a self-service www portal, and easily comprehensible billing on a single statement. On the marketing side, the biggest challenge has been to be able to launch these new services, while maintaining healthy growth with limited resources. The overall corporate focus has been to stake out a clearly defined path towards profitability rapidly, and within the framework of the capital raised in the new issue consummated in the second quarter.

Glocalnet's efforts have been fruitful; sales were up 88% year-on-year, and are now converging on annualized sales of SEK 250 m. The new services, particularly mobile services, were launched successfully and together, now generate one-fifth of Glocalnet's revenues.

Glocalnet's profitability focus has also generated clear results—in the final quarter of the year, operating losses fell below SEK 6 m, against SEK 46 m a year previously. Part of this improvement is due to a significant reduction of marketing initiatives in the quarter compared to 2000, but even adjusted for this, the improvement is radical. This is the consequence of intense efforts during the year to enhance processes, minimize system expenses and renegotiate contracts with primary providers. Significant headcount downsizing was also effected in late March.

Despite the favorable results already achieved, it is worthwhile noting that the full effect of rationalization is not yet visible in Glocalnet's earnings. Systems and organizational resources are now adapted for handling additional volume with only marginal headcount expansion and infrastructure investments necessary. Accordingly, over time growth would imply a significant positive earnings impact.

In 2001, Glocalnet achieved healthy sales gains from a basically unchanged customer base, in the face of limited market resources. This year, customer base growth will



also be prioritized. The collaboration with IKEA is expected to have the most growth potential. Glocalnet has worked out special offers for IKEA customers and will in return be helped by IKEA's marketing, distribution and brand. Although the potential of this collaboration is deemed big, one should not underestimate the difficulties in successfully realizing it.

Overall, Glocalnet now possesses a uniquely integrated services portfolio and the organizational, systems and financial prospects to achieve profitability through both marketing initiatives in collaboration with IKEA and other initiatives. From this vantage point, the management and Board will continue to evaluate various merger and acquisition alternatives in the hope of identifying opportunities to shorten the path to profitability further, thereby consolidating the corporation.

This Financial Statement will be presented at 12 noon on January 29 at *Operaterrassen* in Stockholm, Sweden.

Annual General Meeting and Forthcoming Reports

The Annual General Meeting of Glocalnet AB will be convened on April 8, 2002; the Annual Report will be available at the corporation's offices from the last week in March.

The first quarter Interim Report is scheduled for publication on April 25, 2002.



CONSOLIDATED INCOME STATEMENT
SEK 000 (Unless stated otherwise)

	Q 4 2001	Q 4 2000	2001	2000
OPERATING REVENUE				
Gross Traffic Revenue	59,355	41,235	217,451	122,645
Discounts	0	-3,518	-267	-7,580
Net Traffic Revenue	59,355	37,717	217,184	115,065
Other Operating Revenue	12	2	150	447
Total Operating Revenue	59,367	37,719	217,334	115,512
OPERATING EXPENSES				
Network Expenses	-43,746	-32,050	-162,550	-93,100
Direct Sales Expenses	-2,527	-2,165	-10,513	-8,348
Other External Expenses	-7,883	-32,183	-53,495	-81,046
Personnel Expenses	-7,534	-12,138	-32,671	-38,743
Depreciation of Fixed Assets	-3,254	-5,246	-18,294	-13,945
Items Affecting Comparability	0	0	-18,111	0
Total Operating Expenses	-64,944	-83,782	-295,634	-235,182
Operating Earnings	-5,577	-46,063	-78,300	-119,670
FINANCIAL ITEMS				
Interest Income	711	442	2,135	3,365
Interest Expenses	-1,722	-604	-6,248	-1,712
Total Financial Items	-1,011	-162	-4,113	1,653
Earnings After Financial Items	-6,588	-46,225	-82,413	-118,017
NET EARNINGS	-6,588	-46,225	-82,413	-118,017
DATA PER SHARE	Q 4 2001	Q 4 2000	2001	2000
Number of Outstanding Shares at End of Period	130,019,775	43,339,925	130,019,775	43,339,925
Weighted Average Number of Shares During the Period	130,019,775	43,339,925	92,735,566	41,665,387
Earnings Per Share, SEK ¹⁾	-0.05	-1.07	-0.89	-2.83

1) Earnings per share have not been disclosed after dilution in accordance with RR's (The Swedish Financial Accounting Standards Council) recommendation number 18, for reasons including the present value of the exercise price of outstanding options not being less than the true value of the shares.



CONSOLIDATED BALANCE SHEET
SEK 000

Dec 31
2001

Dec 31
2000

ASSETS

FIXED ASSETS

20,106

44,301

CURRENT ASSETS

Current Receivables

Customer Receivables

15,452

6,695

Other Receivables

1,918

23,059

Prepaid Expenses and Accrued Income

32,925

23,252

Total Current Receivables

50,295

53,006

Cash and Bank Balances

73,286

77,386

Total Current Assets

123,581

130,392

TOTAL ASSETS

143,687

174,693

SHAREHOLDERS EQUITY AND LIABILITIES

SHAREHOLDERS EQUITY

Restricted Equity

Share Capital

6,501

2,167

Share Premium Reserve

328,266

266,066

Accumulated Loss

Accumulated Loss

-205,424

-87,407

Net Earnings

-82,413

-118,017

Total Shareholders Equity

46,930

62,809

Long-Term Liabilities

Leasing Commitments

4,068

13,944

Other Long-Term Liabilities

25,000

15,000

Total Long-Term Liabilities

29,068

28,944

Current Liabilities

Leasing Commitments

7,897

9,049

Accounts Payable

25,251

36,185

Other Liabilities

3,061

19,489

Accrued Expenses and Deferred Income

31,480

18,217

Total Current Liabilities

67,689

82,940

TOTAL SHAREHOLDERS EQUITY AND LIABILITIES

143,687

174,693

ASSETS PLEDGED AND CONTINGENT LIABILITIES

Assets Pledged

6,823

28,192

Contingent Liabilities

6,663

4,105



CONSOLIDATED CASH FLOW STATEMENT SEK 000	Q 4 2001	Q 4 2000	2001	2000
Operations				
Payments from Customers	64,904	38,976	198,904	100,357
Payments to Suppliers and Employees	-66,052	-74,619	-267,814	-191,900
Cash Flow From Operations Before Interest and Income Tax Paid	-1,149	-35,643	-68,910	-91,543
Interest Received	711	442	2,135	3,365
Interest Paid	-404	-605	-2,662	-1,712
Cash Flow From Operations	-842	-35,805	-69,437	-89,890
Investment Activities				
Acquisitions of Fixed Assets	0	-3,227	-4,610	-17,885
Sale of Tangible Fixed Assets	159	0	1,180	0
Cash Flow From Investment Activities	159	-3,227	-3,430	-17,885
Financing Activities				
New Issue	0	318	66,534	161,953
New Debt	0	10,000	10,000	15,000
Amortization of Debt	-1,738	-2,033	-7,766	-5,107
Cash Flow From Financing Activities	-1,738	8,285	68,768	171,846
CASH FLOW FOR THE PERIOD	-2,420	-30,747	-4,100	64,072
Cash at Beginning of Period	75,705	108,132	77,386	13,314
CASH AT END OF PERIOD	73,286	77,386	73,286	77,386



CONSOLIDATED KEY RATIOS	Q 4 2001	Q 4 2000	2001	2000
Millions of SEK (Unless stated otherwise)				
Income statements				
Total Operating Revenue	59.4	37.7	217.3	115.5
Network Expenses	-43.7	-32.0	-162.6	-93.1
Gross Profit ¹⁾	15.6	5.7	54.8	22.4
Adjusted Operating Expenses ²⁾	-17.9	-46.5	-96.7	-128.1
Depreciation	-3.3	-5.2	-18.3	-13.9
Operating Earnings Before Items Affecting Comparability	-5.6	-46.1	-60.2	-119.7
Operating Earnings	-5.6	-46.1	-78.3	-119.7
Financial Items	-1.0	-0.2	-4.1	1.7
Net Earnings	-6.6	-46.2	-82.4	-118.0
Balance Sheets				
	Dec 31 2001	Dec 31 2000		
Fixed Assets	20.1	44.3		
Current Assets	50.3	53.0		
Cash and Bank Balances	73.3	77.4		
Total Assets	143.7	174.7		
Shareholders' Equity	46.9	62.8		
Long-Term Liabilities	29.1	28.9		
Current Liabilities	67.7	82.9		
Total Shareholders' Equity and Liabilities	143.7	174.7		
Cash Flow Statements				
	Q 4 2001	Q 4 2000	2001	2000
Cash Flow from Operations	-0.8	-35.8	-69.4	-90.0
Cash Flow from Investment Activities	0.2	-3.2	-3.4	-17.9
Cash Flow from Financing Activities	-1.7	8.3	68.8	171.8
Cash Flow for the Period	-2.4	-30.7	-4.1	64.1
Key Ratios				
	Q 4 2001	Q 4 2000	2001	2000
Traffic Margin ³⁾ , %	26	15	25	19
Gross Margin ⁴⁾ , %	26	15	25	19
Gross Margin Before Discounts ⁵⁾ , %	26	22	25	24
Operating Capital at End of Period ⁶⁾	10.6	23.4	10.6	23.4
Equity to Assets ratio at End of Period ⁷⁾ , %	33	36	33	36
Debt to Equity ratio at End of Period ⁸⁾ , times	0.79	0.60	0.79	0.60

- 1) Total Operating Revenue less Network Expenses.
- 2) Operating Expenses excluding Network Expenses, Depreciation and Items Affecting Comparability.
- 3) Difference between Net Traffic Revenue and Network Expenses divided by Net Traffic Revenue.
- 4) Gross Profit divided by Total Operating Revenue.
- 5) Sum of Gross Profit and Discounts divided by sum of Total Operating Revenue and Discounts.
- 6) Sum of Shareholders' Equity and Interest bearing debt, less Cash and Bank Balances.
- 7) Shareholders' Equity divided by Total Assets.
- 8) Interest bearing debt divided by Shareholders' Equity.



Stockholm, Sweden, January 29, 2002

Jan Edholm
Chief Executive Officer

Glocalnet develops and markets telecom services – for fixed and mobile telephony plus the Internet – to private individuals. Glocalnet is Sweden's only provider capable of offering these services with an integrated bill, customer service function and self-service www portal. Glocalnet is headquartered in Stockholm, Sweden; its stock is quoted on the Stockholm Stock Exchange O-list.

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