



PRESS RELEASE

Stockholm, Sweden, April 25, 2002

Interim Report for the Period January 1, 2002 – March 31, 2002

Highlights in the Period

- Glocalnet's revenues grew by 4% quarter-on-quarter, to SEK 61.6 m. The increase was primarily an effect of the deregulation of local calls implemented in early February. The year-on-year increase in Glocalnet's revenues—through organic means—was 23%.
- Expenses increased as a consequence of ongoing marketing initiatives, and are a prime explanation for the corporation's earnings downturn on the preceding quarter. However, compared to the corresponding period of the previous year, Glocalnet's deficit was cut by SEK 28.1 m to SEK -9.5 m.
- Jan Edholm—formerly CEO of Svensk Filmindustri and the web-based car reseller Autoo—was appointed Glocalnet's CEO.
- Glocalnet reached an agreement with IKEA Svenska Försäljnings AB regarding a long-term strategic collaboration, launching a telephony offering to all members of the IKEA family cardholder program.
- Glocalnet embarked on an array of marketing initiatives in the quarter; in March it had 87,000 active fixed-line telephony customers, up by 2,000 on December 2001.

After the End of the Period

- Healthy inflows of fixed telephony customers, amounting to just over 91,000 as of April 20.
- The Annual General Meeting appointed Stig Nordfelt—whose other Board positions include H&M—to Glocalnet's Board of Directors and resolved on a stock option program.

The **period began** with Jan Edholm—formerly CEO of Svensk Filmindustri and the web-based car reseller Autoo—taking up position as Glocalnet's CEO. Until early April 2002, Glocalnet's former CEO and founder, Stefan Krook, headed a number of strategic projects, but subsequently, departed from all executive positions in the corporation. In future, he will focus on his position as a Board member.

As a continuation of the pre-selection reform introduced in Sweden in September 1999, local calls were also deregulated on February 2, 2002. Consequently, customers that have selected operators other than incumbent Telia no longer need to dial a prefix



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on local calls to use their pre-selection operators. For Glocalnet's part, this deregulation resulted in an increase of approximately 25% in monthly fixed telephony volumes and of over 10% in total revenues per month.

Glocalnet reached a long-term, strategic collaboration agreement with IKEA Svenska Försäljnings AB, launching the discount telecom package 'ring ring' for all members of the IKEA Family cardholder program in early March. This program has over one million members and IKEA's intention is to make attractive services offerings 'that make home life easier' within the auspices of this program, with telecom being an example.

Marketing activities were initiated, primarily late in the quarter, including an extensive telemarketing campaign and other direct sales activities. The number of active fixed telephony customers grew in March, to 87,000, up by 2,000 on December 2001.

In December 2001, the Stockholm tax board decided to impose a SEK 6.7 m tax surcharge on Glocalnet for the fiscal year 2001. Glocalnet appealed against this decision in the first quarter 2002, which it considers to have been reached on erroneous grounds, and gained a deferral of payment. 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, as announced in December 2001.

Customer inflows were healthy **after the end of the period**, particularly in terms of new fixed telephony customers, standing at somewhat more than 91,000 during the period March 21 through April 20.

The AGM on April 8 appointed Stig Nordfelt to Glocalnet's Board of Directors, who already holds Board positions in H&M and IBS. Additionally, the meeting resolved on a stock option program corresponding to 2,000,000 shares in Glocalnet AB.

Financial Reporting

(The following figures are consolidated. Figures in brackets are comparatives with the corresponding period/date of 2001.)

Accounting Principles

The accounting principles applied in this Interim Report are identical to those in the previous accounting year, and are stated in the Annual Report for 2001.

Revenues

Quarterly revenues amounted to SEK 61.6 m (47.4 m), a year-on-year increase of 23%. Revenues sourced from fixed telephony amounted to SEK 52.0 m (46.8 m). Revenues from Glocalnet's Internet and mobile services were SEK 1.1 m (0.5 m) and SEK 8.6 m (0.1 m) respectively. Revenues grew by 4% on the final quarter 2001, due



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mainly to higher average revenues per fixed telephony customer, largely the consequence of the implementation of pre-selection on local calls. Average revenues per active fixed telephony customer and month grew by SEK 17 to SEK 204 in the first quarter.

In March, the number of customers actively utilizing Glocalnet's fixed telephony services was 87,000, up 2,000 on December 2001. The corporation's mobile services base reduced by 500 in the quarter to 12,500. The number of Internet users grew by 400, and was 3,900 at the end of the period.

Network Expenses and Margins

Network expenses for the period were SEK 46.7 m (36.4 m), rising on the previous year because of expanded traffic volumes. Gross margins were 24% (23%), up 1 percentage point on the corresponding period of 2001 and down 2 percentage points on the previous quarter, a change mostly due to alterations in the structure and calling patterns of the customer base.

Expenses and Earnings

Expenses including depreciation amounted to SEK 23.5 m (47.2 m) in the quarter, implying that expenses have halved on the corresponding period of the previous year, due mainly to the operational restructuring completed late in the first quarter 2001, with measures including the closure of the Danish business, and downsizing of Glocalnet's headcount in Sweden by 11. Extensive cost-cutting and other rationalization measures implemented apart the aforementioned restructuring exerted a significant impact.

Expenses grew by SEK 2.3 m quarter-on-quarter, mainly because of higher other external expenses, the result of marketing initiatives. At the end of the period, the number of employee was 45 (47), the same as at the end of 2001.

Operating earnings were SEK -8.5 m (-36.2 m) in the period; the net financial position was SEK -1.0 m (-1.4 m); quarterly earnings were SEK -9.5 m (-37.6 m). In the previous quarter, losses stood at SEK -6.6 m; the deteriorated earnings in the period were attributable primarily to marketing initiatives.

Assets and Liabilities

The closing balance of total assets was SEK 142.5 m (128.7 m), comprising fixed assets of SEK 17.3 m (37.7 m), current receivables of SEK 65.3 m (42.2 m) and SEK 59.8 m (48.8 m) in cash. The main reason for the downturn in fixed assets was a significant reduction in the rate of investments, and write-downs on much of Glocalnet's network equipment, of SEK 9.1 m, effected in the third quarter of 2001. The increase in current receivables is due to factors including higher accounts receivable and accrued revenues. This is due to higher revenues than in the corresponding period of 2001.



As of March 31, 2002, Glocalnet's shareholders' equity was SEK 37.5 m (25.2 m), long-term liabilities were SEK 27.7 m (37.1 m) and current liabilities were SEK 77.3 m (66.4 m). The primary reason for further reduction of long-term liabilities lay in the pre-payment of leasing debts and an increase in current liabilities. The increase in current liabilities was mainly due to higher accrued traffic expenses in terms of total sales.

Investments

Investments in fixed assets in the period were SEK 0.4 m (4.8 m), of which SEK 0 m (2.3 m) was financed through leasing.

Cash flow and Financial Position

Cash flow from ongoing operations in the period was SEK -9.2 m (-34.0 m), a quarter-on-quarter downturn of SEK 8.4 m, this change due to the increased deficit, and differences in the change in working capital between quarters. Quarterly cash flow after investment and financing activities was SEK -13.4 m (-28.6 m); the closing balance of Glocalnet's liquid assets was SEK 59.8 m.

Change in Shareholders' Equity

Consolidated shareholders' equity reduced from SEK 46.9 m on December 31, 2001 to SEK 37.5 m at the end of the period. The change comprised losses in the period of SEK 9.5 m, and option premiums paid in by staff of SEK 64,000.

These option premiums comprise parts of the second stock option program resolved by the AGM in 2001. Stock options in the first program were sold to staff at market terms in the third quarter 2001. Including the stock option program approved by the AGM in 2002, potential dilution amounts to 4%.

Market and Outlook

Growth is entirely decisive to Glocalnet's prospects of achieving profitability, and accordingly, expanding its customer base for a viable acquisition cost is its prime objective. The fact that 75% of Sweden's telephony customers still have the incumbent Telia as their operator offers some indication of the massive potential target group for organic growth—and for the vast majority of these customers, changing to Glocalnet would be financially advantageous.

After last year's rationalization and cost-cutting, Glocalnet's cost mass has been reduced as far as possible at present. Its systems and organizational resources are ready for growth at a modest marginal expense in terms of technology and staff. Glocalnet is now pursuing sales channels and methods that enable the cost-efficient acquisition of customers. The objective is to establish multiple parallel sales channels to alleviate dependency on any single channel.



Such marketing investments were made in the first quarter, through means such as the collaboration with IKEA, although without generating any major positive impact on customer base growth in the quarter. Glocalnet intends to sustain these investments, and anticipates attaining cost-efficient growth gradually in the year. These increased marketing initiatives will, according to plan, continue burdening earnings but Glocalnet expects that the growth generated by these initiatives will lead to profitability.

Additionally, Glocalnet is firmly convinced that the economies of scale inherent in the industry suggest consolidation. Glocalnet intends to play an active role as an advocate and participant in this process towards structural growth.

<p>This Interim Report will be presented at a financial hearing 12 noon on Thursday, April 25, at Grand Hôtel, Stockholm Sweden.</p>
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Forthcoming Reports

The first half-year Interim Report 2002 is scheduled for publication on July 18, 2002.



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CONSOLIDATED INCOME STATEMENT SEK 000 (Unless stated otherwise)	Q 1 - 2002	Q 1 - 2001	Full Year -2001
OPERATING REVENUE			
Gross Traffic Revenue	61,640	47,687	217,451
Discounts	0	-267	-267
Net Traffic Revenue	61,640	47,420	217,184
Other Operating Revenue	1	1	150
Total Operating Revenue	61,641	47,421	217,334
OPERATING EXPENSES			
Network Expenses	-46,667	-36,377	-162,550
Direct Sales Expenses	-1,889	-1,784	-10,513
Other External Expenses	-11,038	-19,650	-53,495
Personnel Expenses	-7,373	-11,187	-32,671
Depreciation of Fixed Assets	-3,212	-5,538	-18,294
Items Affecting Comparability	0	-9,046	-18,111
Total Operating Expenses	-70,179	-83,582	-295,634
Operating Earnings	-8,538	-36,161	-78,300
FINANCIAL ITEMS			
Interest Income	564	128	2,135
Interest Expenses	-1,531	-1,534	-6,248
Total Financial Items	-967	-1,406	-4,113
Earnings After Financial Items	-9,505	-37,567	-82,413
NET EARNINGS	-9,505	-37,567	-82,413
DATA PER SHARE			
Number of Outstanding Shares at End of Period	130,019,775	43,339,925	130,019,775
Weighted Average Number of Shares during the Period	130,019,775	43,339,925	92,735,566
Deficit per Share, SEK	-0.07	-0.87	-0.89

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 actual value of the shares during the period.



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CONSOLIDATED BALANCE SHEET SEK 000	Mar 31, 2002	Mar 31, 2000	Dec 31, 2001
ASSETS			
FIXED ASSETS	17,303	37,715	20,106
CURRENT ASSETS			
Current Receivables			
Customer receivables	14,952	7,743	15,452
Other receivables	9,816	2,871	1,918
Prepaid Expenses and Accrued Income	40,538	31,577	32,925
Total Current Receivables	65,306	42,191	50,295
Cash and Bank Balances	59,844	48,808	73,286
Total Current Assets	125,150	90,999	123,581
TOTAL ASSETS	142,453	128,714	143,687
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted Equity			
Share Capital	6,501	2,167	6,501
Share Premium Reserve	328,330	266,066	328,266
Non-restricted Equity			
Accumulated Loss	-287,837	-205,424	-205,424
Net Earnings	-9,505	-37,567	-82,413
Total Shareholders' Equity	37,489	25,242	46,930
Long-Term Liabilities			
Leasing Commitments	2,696	12,072	4,068
Other Long-Term Liabilities	25,000	25,000	25,000
Total Long-Term Liabilities	27,696	37,072	29,068
Current Liabilities			
Leasing Commitments	7,308	8,651	7,897
Accounts Payable	32,912	31,489	25,251
Other Liabilities	3,742	678	3,588
Accrued Expenses and Deferred Income	33,306	25,582	30,953
Total Current Liabilities	77,268	66,400	67,689
TOTAL SHAREHOLDER EQUITY AND LIABILITIES	142,453	128,714	143,687



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CONSOLIDATED CASH FLOW STATEMENT	Q 1 - 2002	Q 1 - 2001	Full Year - 2001
SEK 000			
Operations			
Payments from Customers	54,951	38,048	198,904
Payments to Suppliers and Employees	-63,980	-70,683	-267,814
Cash Flow from Operations before Interest and Income Tax Paid	-9,029	-32,635	-68,910
Interest Received	141	128	2,135
Interest Paid	-339	-1,534	-2,662
Cash Flow from Operations	-9,228	-34,041	-69,437
Investment Activities			
Acquisitions of Fixed Assets	-2,317	-2,535	-4,610
Sale of Fixed Assets	0	0	1,180
Cash Flow from Investment Activities	-2,317	-2,535	-3,430
Financing Activities			
New Issue	64	0	66,534
New Debt	0	10,000	10,000
Amortization of Debt	-1,961	-2,002	-7,766
Cash Flow from Financing Activities	-1,897	7,998	68,768
CASH FLOW FOR THE PERIOD	-13,442	-28,578	-4,100
Cash at Beginning of Period	73,286	77,386	77,386
CASH AT END OF PERIOD	59,844	48,808	73,286



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CONSOLIDATED KEY RATIOS

Millions of SEK (Unless stated otherwise)

Income statements	Q 1 - 2002	Q 1 - 2001	Full Year - 2001
Total Operating Revenue	61.6	47.4	217.3
Network Expenses	-46.7	-36.4	-162.6
Gross Profit ¹⁾	15.0	11.0	54.8
Adjusted Operating Expenses ²⁾	-20.3	-32.6	-96.7
Depreciation	-3.2	-5.5	-18.3
Operating Earnings before Items Affecting Comparability	-8.5	-27.1	-60.2
Operating Earnings	-8.5	-36.2	-78.3
Financial Items	-1.0	-1.4	-4.1
Net Earnings	-9.5	-37.6	-82.4
Balance Sheets	Mar 31, 2002	Mar 31, 2001	Dec 31, 2001
Fixed Assets	17.3	37.7	20.1
Current Assets	65.3	42.2	50.3
Cash and Bank Balances	59.8	48.8	73.3
Total Assets	142.5	128.7	143.7
Shareholders' Equity	37.5	25.2	46.9
Long-Term Liabilities	27.7	37.1	29.1
Current Liabilities	77.3	66.4	67.7
Total Shareholders' Equity and Liabilities	142.5	128.7	143.7
Cash Flow Statements	Q 1 - 2002	Q 1 - 2001	Full Year - 2001
Cash Flow from Operations	-9.2	-34.0	-69.4
Cash Flow from Investment Activities	-2.3	-2.5	-3.4
Cash Flow from Financing Activities	-1.9	8.0	68.8
Cash Flow for the Period	-13.4	-28.6	-4.1
Key Ratios			
Traffic Margin ³⁾ , %	24	23	25
Gross Margin ⁴⁾ , %	24	23	25
Gross Margin before Discounts ⁵⁾ , %	24	24	25
Operating Capital at End of Period ⁶⁾	12.6	22.2	10.6
Equity to Assets Ratio at End of Period ⁷⁾ , %	26	20	33
Debt to Equity Ratio at End of Period ⁸⁾ , times	0.93	1.81	0.79

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.



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Stockholm April 25, 2002

Jan Edholm
Chief Executive Officer

Glocalnet develops and markets telecom services—fixed and mobile telephony plus Internet access— to the residential market. Glocalnet is Sweden's only provider capable of integrating these services with a single bill, customer service function and self-service web portal, as well as providing an array of combination offerings. Glocalnet can offer communication services directly to the consumer or provide other corporations with strong brands and large customer bases the possibility to offer communication services under the Glocalnet brand or their own. Glocalnet is headquartered in Stockholm, Sweden; its stock is quoted on the Stockholm Stock Exchange O-list.

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