

Press Release - Stockholm 26 April 2001

## **Europolitan Holdings AB reports annual results with pretax income of SEK 1 757 million**

- **Net income of SEK 1 260 million**
- **128 000 net customer additions**
- **Net sales of SEK 5 313 million**
- **EBITDA of SEK 2 289 million**
- **Launch of Europolitan Vodafone brand and first pan European tariff and short code dialling**
- **Launch of Sweden's first voice portal**

### **Annual results for the year ended 31 March 2001**

#### **Customer Growth**

Europolitan Vodafone's customer base increased to 1 013 000 as of 31 March 2001, including 237 000 Europolitan Vodafone EASY prepaid cards. A total of 128 000 new customers were added in the year (219 000), including 62 000 contract customers. During the final quarter 19 000 (39 000) customers were added, including 10 000 contract customers (19 000).

#### **Net sales**

Europolitan Vodafone's consolidated net sales for the year increased 15% to SEK 5 313 million compared with the prior year (SEK 4 640 million).

Average monthly revenue per customer, excluding EASY prepaid cards, was SEK 550 (SEK 565). This decline reflects the impact of lower termination rates, which was partially offset by increased usage per customer.

Average monthly revenue per customer, including EASY prepaid customers, declined 7% to SEK 445 (479).

The proportionate number of prepaid customers in the customer base increased during the year to 23% (19%). Their lower average usage, compared with contract customers, contributed to the decline in ARPU.

## **Cost of Sales, Operating Expenses and Net Income**

Cost of sales and operating expenses increased by 18% to SEK 3 592 million (SEK 3 040 million) in the year. The change was largely due to:

- Customer related costs and depreciation
- New business areas (Doberman, Ocom, Mobile Internet and Telematics) however not included for the full prior year

After net financial income of SEK 10 million (expense SEK 11 million), income before taxes was SEK 1 757 million (SEK 1 608 million). After tax expense of SEK 498 million (SEK 452 million) and minority share of SEK 1 million (nil), net income was SEK 1 260 million (SEK 1 156 million).

## **Capital Expenditures**

Capital expenditures for the year amounted to SEK 983 million (SEK 841 million). This reflects the company's continued investment in its GSM network, now enhanced with GPRS technology, to ensure that both the highest quality and most advanced technology are available to its customers.

## **Liquidity and Financing**

Cash flow after investing activities (free cash flow) amounted to SEK 1 019 million (SEK 1 200 million) in the year. The slightly lower level compared to the prior year is due principally to the company paying tax on its earnings, the increased investment in capital expenditures and higher working capital, due to a change in the company's billing policy.

## **Parent company results**

The Group's parent company, Europolitan Holdings AB, had revenues in the year of SEK 25 million (SEK 27 million) and posted income before taxes of SEK 187 million (SEK 1 292 million). The parent company's cash increased by SEK 1 thousand (decrease of SEK 12 thousand). Net financing decreased by SEK 1 million (SEK 487 million).

In 1997 Europolitan Holdings AB issued three debentures (issue Nos. 1, 2 and 3) each with detachable warrants with a right to subscribe to new shares. Warrants were detached and transferred to senior management of the Europolitan Group. The exercise period according to the warrants connected to issue No.1 was 1 June to 1 December 2000. Subscriptions for new shares in connection with exercises of the warrants attached to issue No.1 have been made which increased the share capital outstanding to SEK 102 295 545 and the number of shares to 409 182 180.

## **Market overview**

### **UMTS**

On 16 December 2000 the company was awarded a licence to operate a UMTS network by the Swedish National Post and Telecom Agency (PTS). Certain unsuccessful licence applicants have appealed the award of the four licences by the PTS. It is difficult to predict the length of the appeals process. However, Europolitan Vodafone is confident that its licence award will be upheld. Europolitan Vodafone continues to progress with its detailed rollout plans as submitted in its licence application in order to fulfill the licence conditions.

In January 2001, Europolitan Vodafone and HI3G Access AB signed a letter of intent to form a joint venture to build and operate UMTS infrastructure, mainly outside the three metropolitan areas of Stockholm, Gothenburg and Malmö. Discussions with HI3G Access AB are progressing well with

detailed network rollout planning including vendor selection for the joint network continuing according to plan.

#### Customers

A number of customers connected during the equivalent quarter last year after a promotional campaign were disconnected during this quarter in line with the company's disconnection policy. In line with its previous announcements, the company continued to maintain commission levels below those of its competitors, which resulted in lower growth during the final quarter.

#### Customer satisfaction

In January 2001, Svenskt Kvalitetsindex published the results of its survey which sought to measure customer satisfaction and quality improvement in, among others, the fixed and mobile telephony sectors. As with previous surveys, Europolitan Vodafone stood out as the leader in terms of customer satisfaction in both the private and business customer segments of the mobile telecommunications sector.

#### Traffic

Traffic in Europolitan Vodafone's GSM network increased significantly to 31 March 2001, though at a slower rate than the prior period due to the high penetration level in the market. Total minutes carried over the network increased by 23% (41%), while average minutes of use per subscriber (excluding EASY prepaid customers) grew 5% (9%). Value added services continued to grow strongly as well. The volume of SMS messages generated increased by 146% (163%) over the same period.

#### Services

During the fourth quarter of the financial year, the company was the first mobile operator in Sweden to launch a voice-activated portal. In addition to the services already offered on the company's Hantera mobile website, customers can now "surf" the internet using voice commands, to access services such as the latest weather forecasts, share prices, sports and financial updates.

The company also announced a collaboration with Volvo Cars to provide in-car telematics solutions, initially focusing on navigation and safety services, such as emergency service notification after an accident.

Europolitan Vodafone signed a partnership agreement with Anoto during the fourth quarter to provide paperless communication solutions to its customers. These services, to be launched later in 2001 and during 2002, will enable customers to send messages written with a specially enabled pen direct to a computer, mobile phone or fax machine.

In April 2001, the company launched a broad range of gaming and entertainment services directly for mobile phones. Europolitan Vodafone's gaming and entertainment suppliers are currently Bluefactory, Picofun and Aspiro, but the company is also conducting ongoing discussions with other content providers. These services will stimulate the use of mobile phones for more than just speech and they will be easier to use with GPRS technology.

#### Service Provider Agreements

In addition to the agreements announced previously, Europolitan Vodafone has signed service provider agreements with LunarWorks and Mobyson. After the end of the period, Europolitan Vodafone and LunarWorks announced that they are forming a company known as LunarMobil Sverige AB. LunarWorks is currently managing an on-line meeting place for young people – Lunar

Storm - with more than half a million active members. The collaboration is designed to help LunarWorks' youth portal to go mobile.

Glocalnet launched mobile phone services to its customers as a complement to their fixed line service package during the fourth quarter. A number of the service providers with whom Europolitan Vodafone has already announced agreements are planning to launch mobile services during the first quarter of the financial year which began on 1 April 2001.

## **Fourth Quarter Highlights**

- During the final quarter of the financial year, Europolitan Vodafone announced that it had signed service provision agreements with HemEI (which has over 800 000 private customers), ICA (which has a loyal cardholder base of over 3 million users in Sweden), LunarWorks (which operates Lunar Storm, a website for young people which has attracted over 500 000 active members since its launch) and Mobyson (which has a target group of young people and specialises in gaming and entertainment) – See Press Releases 2001-01-19, 2001-01-22, 2001-02-13 and 2001-02-21 respectively.
- On 23 January, Europolitan Vodafone signed a letter of intent with HI3G to set up a joint venture which will co-build and operate up to 70% of the population coverage (Press Release 2001-01-23).
- Europolitan Vodafone and Volvo Cars announced a collaboration on 6 March to provide in-car telematics solutions, including safety and navigational services (Press Release 2001-03-06).
- On 19 March, Europolitan Vodafone was launched, highlighting the company's membership of the Vodafone Group, the world's largest mobile company which will enable the company to provide its customers with a broader range of international services (Press Release 2001-03-19).
- Europolitan Vodafone announced a collaboration with Anoto to provide paper-based wireless communication services to its customers (Press Release 2001-03-20).
- On 27 March, Europolitan Vodafone launched its first international service, enabling its customers to benefit from uniform prices when travelling to 38 European countries (Press Release 2001-03-27).
- On 28 March, Europolitan Vodafone became the first mobile operator in Sweden to launch a voice portal service on the Internet for its customers, enabling them to "surf" weather forecasts, share prices and news direct from their mobile phone using voice commands (Press Release 2001-03-28).
- Europolitan Vodafone announced on 29 March a broad range of entertainment and gaming services available to its customers using their mobile phones, either by SMS or WAP (Press Release 2001-03-29).

## **Regulatory Update**

### **Interconnection Tariffs**

On 28 February 2001, the Administrative Court announced that it had upheld the claim by PTS for Telia to charge lower interconnection rates, instructing Telia to charge an average of SEK 1,18 per minute for mobile call termination. This decision has been appealed by Telia.

## **Employee Profit Sharing Trust**

The Board has decided to pay a profit-related bonus to all qualifying employees by providing 0.6% of the company's income before taxes for the financial year ended 31 March 2001 to an employee profit sharing trust investing in Europolitan shares.

## **Annual General Meeting**

The Annual General Meeting will be held at 3:00pm on Tuesday 26 June 2001 at Moderna Muséet, on Skeppsholmen in Stockholm.

## **Dividend**

The Board of Directors will propose at the Annual General Meeting that the company not pay a dividend for the financial year ended 31 March 2001 (SEK1,10 per share). In coming to this decision, the Board has given consideration to the significant investment required in its UMTS network rollout in the coming financial years.

## **Annual Report**

The company's 2000/2001 Annual Report will be distributed to the shareholders and will be available at the Head Office of Europolitan Holdings AB, Biblioteksgatan 11, Stockholm from 12 June 2001.

## **Quarterly Report**

Europolitan Holdings AB First Quarter Report for 2001/2002 will be published on 17 July 2001.

Stockholm 26 April 2001

The Board of Directors – Europolitan Holdings AB (publ)

For more information, please contact:

Jon Risfelt, President and CEO, +46708331001

Mark Carey, CFO, +46708331803

Monica Enderstein, Investor Relations, +46708331802

Tel: +46 (0) 8 678 09 50

This report has not been audited.

---

**Europolitan Holdings AB** is the holding company of the mobile operator Europolitan Vodafone. The group operates a GSM network in Sweden and has a licence to build a 3G mobile telecoms network. Europolitan Vodafone employs some 1 400 people. Europolitan Holdings AB is listed on the O-list of the OM Stock Exchange's Attract 40. The company's principal owner is Vodafone, with 71 per cent of Europolitan Holdings. The remaining 29 per cent is owned by approximately 30,000 private shareholders, investment companies and pension funds. The Vodafone group is represented on 5 continents and has around 80 million customers (proportionate customers). For more information, please visit **[www.europolitan.se](http://www.europolitan.se)** and **[www.vodafone.com](http://www.vodafone.com)**.

<b>KEY FINANCIAL DATA</b>	<b>Years Ended</b>		<b>Change</b>	<b>Percent</b>
	<b>31 March 2001</b>	<b>31 March 2000</b>		
<b>FULL YEAR</b>				
Number of customers end of period *	1 013 000	885 000	128 000	14%
Net customer additions	128 000	219 000	-91 000	-42%
Average monthly revenue per customer ** (SEK)	445	479	-34	-7%
Average monthly revenue per subscriber ** (excluding prepaid EASY cards) (SEK)	550	565	-15	-3%
Net sales (SEK mil)	5 313	4 640	673	15%
EBITDA*** (SEK mil)	2 289	2 054	235	11%
EBITDA margin (%)	43%	44%	-1%	-2%
Income before taxes (SEK mil)	1 757	1 609	148	9%
Capital expenditures (SEK mil)	983	841	142	17%
Free cash flow**** (SEK mil)	1 019	1 200	-181	-15%
Weighted average undiluted net income per share***** (SEK)	3,08	2,83	0,25	9%
Share price (end of period) (SEK)	75,50	186,00	-110,5	-59%
Number of shares outstanding (end of period) – undiluted	409 182 180	408 660 000	522 180	0,1%
Number of shares outstanding (weighted average) – undiluted	408 929 947	408 660 000		
	<b>Three Months Ended</b>		<b>Change</b>	<b>Percent</b>
	<b>31 March 2001</b>	<b>31 March 2000</b>		
<b>FOURTH QUARTER</b>				
Number of customers end of period *	1 013 000	885 000	128 000	14%
Net customer additions	19 000	39 000	-20 000	-51%
Average monthly revenue per customer ** (SEK)	436	442	-6	-1%
Average monthly revenue per subscriber ** (excluding prepaid EASY cards) (SEK)	545	528	17	3%
Net sales (SEK mil)	1 342	1 187	155	13%
EBITDA *** (SEK mil)	551	511	40	8%
EBITDA margin (%)	41%	43%	-2%	-5%
Income before taxes (SEK mil)	412	395	17	4%
Capital expenditures (SEK mil)	296	292	4	1%
Free cash flow**** (SEK mil)	280	198	82	41%
Weighted average undiluted net income per share***** (SEK)	0,72	0,69	0,03	4%

\* Of its total customer base at 31 March 2001, Europolitan Vodafone had an active customer base of 89%, of which contract 91% and prepaid 83%. Active customers are defined as those who have made a chargeable outgoing call in the last three months.

\*\* Europolitan AB Revenue (net sales)

\*\*\* Earnings before interest, taxes, depreciation and amortisation

\*\*\*\* Cash flow after investing activities

\*\*\*\*\* There is no material difference between undiluted and fully diluted net income per share.

# Consolidated Income Statements

Amounts in SEK millions	2001-01-01- 2001-03-31 (3 months)	2000-01-01- 2000-03-31 (3 months)	2000-04-01- 2001-03-31 (12 months)	1999-04-01- 2000-03-31 (12 months)	1999-01-01- 2000-03-31 (15 months)
Net sales	1 342	1 187	5 313	4 640	5 559
Cost of sales	-701	-596	-2 785	-2 405	-2 917
<b>Gross profit</b>	<b>641</b>	<b>591</b>	<b>2 528</b>	<b>2 235</b>	<b>2 642</b>
Selling expenses	-135	-111	-445	-344	-401
Administrative expenses	-105	-85	-353	-276	-327
Other operating income	7	5	26	19	23
Other operating expenses	-2	-6	-9	-15	-19
<b>Operating income before financial items</b>	<b>406</b>	<b>394</b>	<b>1 747</b>	<b>1 619</b>	<b>1 918</b>
Financial income	8	2	18	5	7
Financial expense	-2	-1	-8	-16	-25
<b>Income before taxes</b>	<b>412</b>	<b>395</b>	<b>1 757</b>	<b>1 608</b>	<b>1 900</b>
Taxes	-120	-112	-498	-452	-534
Minority interests	1	0	1	0	0
<b>Net income</b>	<b>293</b>	<b>283</b>	<b>1 260</b>	<b>1 156</b>	<b>1 366</b>

The financial statements have been presented with costs classified on a “functional basis” in order to provide a more meaningful analysis to readers. Prior year amounts have been restated to conform to the 2001 presentation.

# Consolidated Balance Sheets

Amounts in SEK millions	2001-03-31	2000-03-31
ASSETS		
Intangible fixed assets	58	73
Tangible fixed assets	2 918	2 534
Construction-in-progress	303	237
Financial fixed assets	3	0
<b>Total fixed assets</b>	<b>3 282</b>	<b>2 844</b>
Inventories	32	56
Accounts receivable	440	350
Other current assets	465	385
Short-term loan to majority owner	760	180
Cash and bank deposits	58	36
<b>Total current assets</b>	<b>1 755</b>	<b>1 007</b>
<b>Total assets</b>	<b>5 037</b>	<b>3 851</b>
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		
Restricted equity	1 759	1 322
Unrestricted equity	1 310	923
<b>Total shareholders' equity</b>	<b>3 069</b>	<b>2 245</b>
<b>Minority interests</b>	<b>4</b>	<b>0</b>
Allocation to pension fund reserve (FPG/PRI)	21	13
Deferred taxes	636	469
Other provisions	9	0
<b>Total provisions</b>	<b>666</b>	<b>482</b>
Long-term liabilities to financial institutions	57	25
<b>Total long term liabilities</b>	<b>57</b>	<b>25</b>
Short-term liabilities to financial institutions	9	20
Accounts payable	258	232
Tax liabilities	283	272
Other liabilities	691	575
<b>Total current liabilities</b>	<b>1 241</b>	<b>1 099</b>
<b>Total shareholders' equity, provisions and liabilities</b>	<b>5 037</b>	<b>3 851</b>



# Consolidated Statements of Cash Flows

Amounts in SEK millions	2001-01-01- 2001-03-31 (3 months)	2000-01-01- 2000-03-31 (3 months)	2000-04-01- 2001-03-31 (12 months)	1999-04-01- 2000-03-31 (12 months)	1999-01-01- 2000-03-31 (15 months)
Income before taxes	412	395	1 757	1 609	1 900
Depreciation and amortisation	145	117	542	434	529
Other items	12	9	26	15	9
Taxes paid	-70	-20	-310	-20	-20
<b>Cash provided by operations before changes in working capital</b>	<b>499</b>	<b>501</b>	<b>2 015</b>	<b>2 038</b>	<b>2 418</b>
Changes in working capital	76	51	-18	70	62
<b>Cash flows from operating activities</b>	<b>575</b>	<b>552</b>	<b>1 997</b>	<b>2 108</b>	<b>2 480</b>
Formation of associated companies and majority owned subsidiaries	1	-62	5	-67	-67
Investing activities	-296	-292	-983	-841	-1 019
<b>Cash flows after investing activities</b>	<b>280</b>	<b>198</b>	<b>1 019</b>	<b>1 200</b>	<b>1 394</b>
Proceeds from long-term borrowings	0	0	210	300	300
Repayment of loan	-31	-63	-190	-935	-1 135
Exercise of options	0	0	13	0	0
Dividends paid	0	0	-450	-368	-368
<b>Cash flows from financing activities</b>	<b>-31</b>	<b>-63</b>	<b>-417</b>	<b>-1 003</b>	<b>-1 203</b>
<b>Increase in cash and cash equivalents</b>	<b>249</b>	<b>135</b>	<b>602</b>	<b>197</b>	<b>191</b>

# Statements of changes in shareholders' equity

Amounts in SEK millions	Share capital	Restricted reserves	Total restricted reserves	Unrestricted equity	Total shareholders' equity
<b>Balance at 1 January 1999</b>	<b>102</b>	<b>609</b>	<b>711</b>	<b>536</b>	<b>1 247</b>
Reclassification between restricted and unrestricted reserves		210	<b>210</b>	-210	-
Net income 3 months				210	<b>210</b>
<b>Balance at 31 March 1999</b>	<b>102</b>	<b>819</b>	<b>921</b>	<b>536</b>	<b>1 457</b>
Reclassification between restricted and unrestricted reserves		401	<b>401</b>	-401	-
Dividends paid				-368	<b>-368</b>
Net income 12 months				1 156	<b>1 156</b>
<b>Balance at 31 March 2000</b>	<b>102</b>	<b>1 220</b>	<b>1 322</b>	<b>923</b>	<b>2 245</b>
Exercise of options		13	<b>13</b>		<b>13</b>
Reclassification between restricted and unrestricted reserves		424	<b>424</b>	-424	-
Dividends paid				-449	<b>-449</b>
Net income 12 months				1 260	<b>1 260</b>
<b>Balance at 31 March 2001</b>	<b>102</b>	<b>1 657</b>	<b>1 759</b>	<b>1 310</b>	<b>3 069</b>