



EUROPOLITAN

Europolitan reports strong first half year results with pre-tax income up 50%

- **104,000 net customer additions**
- **Revenue of SEK 2,003 million**
- **Operating cash flow up 37%**
- **New subscription form for private customers a success**
- **Ongoing success of Europolitan's wireless office service**

1999 Half Year Report

Customer Growth

Europolitan increased its total customer base to 728,000 as of June 30, 1999, including 124,000 active Europolitan EASY prepaid cards. A total of 104,000 (104,000) new customers were added in the first half of 1999, including 75,000 subscribers (60,000). During the second quarter 62,000 (54,000) customers were added, including 53,000 subscribers (27,000).

Revenue

Europolitan's consolidated first half net sales and other income increased 33% to SEK 2,003 million compared with the same period last year (SEK 1,505 million). Average monthly revenue per subscriber, excluding prepaid cards, increased a strong 7% to SEK 568 (SEK 531), due to continued higher usage per customer and growth in value added services. Average monthly revenue per customer, including prepaid EASY customers, declined 5% to SEK 485 (SEK 509), reflecting the larger proportionate share of prepaid users in the customer base and their lower average usage compared with subscription customers.

Operating Expenses and Profit

First half operating expenses increased 30% to SEK 1,360 million (SEK 1,052 million), excluding capitalised expenses for own use. This increase was largely due to the high level of subscriber growth, higher traffic volumes and depreciation cost. After net financial expense of SEK 13 million (SEK 32 million), profit after financial items increased 50% to SEK 630 million (SEK 421 million). After tax expense of SEK 177 million (SEK 65), net profit was SEK 453 million (SEK 356 million).

Capital Expenditures

Capital expenditure in the first half increased slightly to SEK 329 million (SEK 327 million) as Europolitan continued to increase capacity and coverage and improve the quality of its GSM network, using both the 900 and 1800 MHz frequency bands, as well as providing new services.

Liquidity and Financing

Cash Flow after investing activities (free cash flow) rose sharply to SEK 419 million (SEK 172 million), up 144% compared with the same period last year. The SEK 1.4 billion syndicated loan facility from a consortium of banks led by Chase Investment Bank Ltd and Banque Nationale de Paris was retired during the second quarter and replaced by a new SEK 1.4 billion long-term debt facility from the majority shareholder Vodafone AirTouch Plc. The outstanding balance of this loan was SEK 690 million at the end of the first half. Undrawn borrowing facilities as of June 30, 1999 were SEK 827 million (SEK 346 million).

Parent Company Results

The Group's parent company, Europolitan Holdings AB, had revenue in the first half of SEK 10.3 million (SEK 8.4 million) and posted a loss after financial items of SEK -1.0 million (SEK -0.7 million). There were no new investments made in the first half of 1999 (SEK 16 thousand). The parent company's change in cash was SEK -4.0 million (SEK 0.7 million). As noted above, the SEK 1.4 billion syndicated loan facility was replaced by a new long-term debt facility from Europolitan's majority shareholder. Net financing increased by SEK 10 million (SEK 640 million).

Market Overview

In May Europolitan launched an easy-to-manage, flexible subscription package designed to give private customers greater freedom of choice. With the new Europolitan Privat subscription, both new and existing customers can choose the contract period, price level and range of services that best suit their own needs. This new subscription form proved to be very popular and attracted a substantial number of new customers. Growth in the business segment also remained strong during the first half. Europolitan aims at creating long-term relationships with its customers and is very pleased with its strong subscriber growth. The company believes it has continued to attract a substantial share of new subscribers.

The number of Europolitan Stores increased to 28 by July 1, 1999 (24 by year-end 1998). The four new Stores were opened in Helsingborg, Linköping, Stockholm and Nacka.

In addition to the wireless office contracts previously announced in April, the company has now entered into an agreement with Danisco Sugar AB. Including this latest agreement Europolitan now has orders in place for more than 8,000 wireless office users.

Results of a survey by Statistics Sweden were published on June 11, measuring customer satisfaction and quality improvement in, among others, the fixed and mobile telephony sectors. The survey results underlined the importance of the customer's actual experience (availability and coverage, for example) in determining the level of satisfaction with their mobile telecommunications provider. The survey revealed that Europolitan stands out as leader in terms of customer satisfaction in both the private and business segments of the mobile telecommunications sector.

Second Quarter Highlights

- Europolitan became one of the first mobile operators in the world to speed up mobile data transmission to a rate of 14.4 kilobits per second in a demonstration in April. Higher data transmission rates are a prerequisite for new and advanced wireless services in the network. (Press Release April 13, 1999).
- Europolitan introduced a new feature on its europolitan@internet service, enabling customers to check their e-mail messages on any computer in the world connected to the internet. (Press Release April 26, 1999).
- Europolitan upgraded and enhanced its presence on the internet by creating a special home page for its internet customers. (Press Release May 6, 1999).
- Europolitan launched a new chat function for all Europolitan customers, including those using EASY prepaid cards. (Press Release June 9, 1999).
- From June Europolitan EASY prepaid customers are able to send SMS messages from their mobile phones.
- Europolitan paid out its second common dividend of SEK 9.00 per share (prior to 10:1 share split on May 12, 1999).

Regulatory Update

Europolitan is actively engaged in the debate regarding PTS's (Swedish National Post and Telecommunications Agency) proposal to change the Telecommunications Act, which, if adopted, would force today's as well as the next generation's (UMTS) mobile network operators to give service providers access to their networks. It would also grant the regulator the right to intervene in setting access fees should the parties not be able to agree. It is Europolitan's position that the adoption of such a proposal would be a significant departure from Sweden's highly successful competitive structure for mobile telecommunications, which has generated the second highest penetration in the world, a wide range of leading-edge mobile services, and very competitive price offerings. The proposal is undesirable because it would put further investment at risk and thus undermine the competitive framework that has enabled the market to flourish. It is also Europolitan's position that, with respect to existing mobile licenses, the PTS proposal contravenes both Swedish and European legislation. The proposal is currently under review by the Ministry of Trade and Industry. Europolitan will continue to oppose it.

Majority Shareholder

On June 30, 1999 the merger between AirTouch Communications Inc. and Vodafone Group Plc was completed, creating the world's largest mobile telecommunications company, Vodafone AirTouch Plc, with nearly 28 million customers and a market capitalisation of over \$100 billion. As a result of the merger, Vodafone AirTouch now holds a 71.1% ownership interest in Europolitan Holdings AB.

Nine Month Report

The Company's Nine Month Report will be released on October 22, 1999.

Stockholm, July 14, 1999

The Board of Directors - Europolitan Holdings AB (publ)

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Previous financial reports and additional information regarding Europolitan can also be obtained on the internet at www.europolitan.se.

COMPARISON OF KEY FIGURES

	Six Months Ended		Change	Percent
	June 30, 1999	June 30, 1998		
HALF YEAR				
Customers (End of Period)	728 000	528 000	200 000	38%
Net Customer Additions	104 000	104 000	0	0%
Average Monthly Revenue per Customer * (SEK)	485	509	-24	-5%
Average Monthly Revenue per Subscriber* (excluding prepaid EASY cards) (SEK)	568	531	37	7%
Net sales and other income (SEK mil)	2 003	1 505	498	33%
Operating Cash Flow ** (SEK mil)	845	617	228	37%
Operating Cash Flow Margin (%)	42%	41%	1%	2%
Pre-Tax Income (SEK mil)	630	421	209	50%
Capital Expenditures (SEK mil)	329	327	2	1%
Free Cash Flow *** (SEK mil)	419	172	247	144%

	Three Months Ended		Change	Percent
	June 30, 1999	June 30, 1998		
SECOND QUARTER				
Customers (End of Period)	728 000	528 000	200 000	38%
Net Customer Additions	62 000	54 000	8 000	15%
Average Monthly Revenue per Customer * (SEK)	504	529	-25	-5%
Average Monthly Revenue per Subscriber* (excluding prepaid EASY cards) (SEK)	592	561	31	6%
Net sales and other income (SEK mil)	1 080	817	263	32%
Operating Cash Flow ** (SEK mil)	447	355	92	26%
Operating Cash Flow Margin (%)	41%	43%	-2%	-5%
Pre-Tax Income (SEK mil)	339	255	84	33%
Capital Expenditures (SEK mil)	151	157	-6	-4%
Free Cash Flow *** (SEK mil)	225	131	94	72%

* Europolitan AB Revenue (net sales and other income)

** Cash Supplied from Operations before Changes in Working Capital, excluding financial items

*** Cash Flow after Investing Activities



EUROPOLITAN

CONSOLIDATED INCOME STATEMENT

(Amount in SEK million)

	Three Months Ended June 30		Six Months Ended June 30,	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Net sales and other operating income	1 080	817	2 003	1 505
Capitalized expenses for own use	9	9	17	16
Total Operating Revenue	1 089	826	2 020	1 521
Operating Expenses	-744	-554	-1 377	-1 068
Operating Profit before Financial Items	345	272	643	453
Financial Income and Expense	-6	-17	-13	-32
Profit after Financial Items	339	255	630	421
Taxes	-96	-65	-177	-65
Net Profit	243	190	453	356
Net Profit per Share (SEK) (fully diluted, adjusted for preference share dividends and share split)	0.59	0.46	1.11	0.86

Half year results have not been audited.



EUROPOLITAN

CONSOLIDATED BALANCE SHEET

(Amount in SEK million)

	June 30,	
	<u>1999</u>	<u>1998</u>
ASSETS		
Fixed assets	2 296	2 041
Construction-in-progress	130	121
Total Fixed Assets	2 426	2 162
Inventories	38	37
Accounts receivable	261	173
Other current assets	313	252
Cash and bank deposits	26	20
Total Current Assets	638	482
TOTAL ASSETS	3 064	2 644
SHAREHOLDERS' EQUITY AND LIABILITIES		
Total Shareholders' Equity	1 333	847
Allocation to pension fund reserve (FPG/PRI)	9	5
Deferred taxes	363	65
Total Provisions	372	70
Long term liabilities to group companies	690	0
Long term liabilities to financial institutions	110	1 307
Total Long-term Liabilities	800	1 307
Short term liabilities to financial institutions	26	29
Accounts payable	139	92
Other liabilities	394	299
Total Current Liabilities	559	420
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	3 064	2 644

Half year results have not been audited.



EUROPOLITAN

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amount in SEK million)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Profit after financial items	339	255	630	421
Depreciation and amortization	101	80	196	156
Other items	-1	11	-7	25
Cash Supplied from Operations before	439	346	819	602
Changes in working Capital				
Changes in Working Capital	-63	-58	-71	-103
Cash Flow from Operating Activities	376	288	748	499
Investing Activities	-151	-157	-329	-327
Cash Flow after Investing Activities	225	131	419	172
Proceeds from long-term borrowings	300	99	300	627
Amortization of loan	-150	-43	-350	-81
Cash dividend paid	-368	-184	-368	-184
Redemption of preference shares	0	0	0	-536
Cash Flow from Financing Activities	-218	-128	-418	-174
Change in Cash	<u>7</u>	<u>3</u>	<u>1</u>	<u>-2</u>
Interest paid and received, net during the period	8	9	26	15

Half year results have not been audited.