



EUROPOLITAN

Europolitan reports first quarter result with pre-tax income of SEK 417 million

- **Net income of SEK 300 million**
- **56 000 net customer additions**
- **Revenue of SEK 1 308 million**
- **Operating cash flow of SEK 472 million**
- **First GPRS call made**
- **WAP services available to all customers**
- **Independent test finds Europolitan's GSM network to be the best in Sweden**

First Quarter Report 2000

At the extraordinary shareholders' meeting on October 22 1999, shareholders voted to change the financial year to April 1 to March 31. As a result of this decision, a first quarter report covering the period April 1, 2000 to June 30, 2000 is issued today. In this report the first quarter of the reporting period is compared to the equivalent calendar period of the previous financial period.

Customer Growth

Europolitan's customer base increased to 941 000 as of June 30, 2000, including 199 000 active Europolitan EASY prepaid cards. A total of 56 000 new customers (62 000) were added in the quarter, including 28 000 contract customers (53 000).

Revenue

Europolitan's consolidated first quarter net sales and other operating revenue increased 21% to SEK 1 308 million compared with the same period last year (SEK 1 080 million).

Average monthly revenue per customer, excluding prepaid cards, was SEK 551 (SEK 592) . The 7% fall was due to cuts in call termination rates, amounting to approximately 20%, made during the final quarter of the previous financial period and higher levels of calls originated in Sweden being re-filed internationally before being terminated in Europolitan's network. Europolitan receives lower rates than if these calls are terminated domestically directly.

Average monthly revenue per customer, including prepaid EASY customers declined 11% to SEK 449 (SEK 504), reflecting the factors above and the higher proportionate share of



EUROPOLITAN

prepaid users in the customer base and their lower average usage compared with subscription customers.

Operating Expenses and Profit

Operating expenses, excluding capitalised expenses for own use, increased 21% to SEK 892 million (SEK 735 million) in the first quarter. The increase is due to :

- The higher number of customers and the associated costs of managing them and higher depreciation expense resulting from the continued enhancement of the GSM network.
- Costs associated with acquiring new subscription customers. In the final quarter of the previous financial period Europolitan reported that it had been necessary to match the increased commissions its competitors were paying to dealers to connect new customers in order to maintain subscriber growth. The higher levels of commissions continued into the first quarter of the current financial year.
- The increased customer loyalty activities which were reported in the previous quarter also continued in the first quarter.

After net financial income of SEK 1 million (expense SEK 6 million), profit after financial items was SEK 417 million (SEK 339 million). After tax expense of SEK 117 million (SEK 96 million), net profit was SEK 300 million (SEK 243 million).

Capital Expenditures

Capital expenditure in the first quarter amounted to SEK 216 million (SEK 151 million). The increase reflects the company's objective of continuing to increase network capacity, coverage and quality and also to offer its customers the widest range and highest quality services available in the wireless environment.

Liquidity and Financing

Cash flow after investing activities (free cash flow) amounted to SEK 104 million (SEK 225 million). The reduction compared to the previous year is due to the company paying tax on its earnings, higher levels of capital expenditure and increased working capital following a change in the billing policy of the company.

The outstanding balance on the SEK 1.4 billion long-term debt facility from the majority shareholder Vodafone Group Plc at June 30, 2000 was SEK 210 million (SEK 690 million).

Parent Company Results

The Group's parent company, Europolitan Holdings AB, had revenue in the first quarter of SEK 6.2 million (SEK 5.2 million) and posted a profit after financial items of SEK 39 000 (SEK 2.0 million). There was no change in the parent company's cash (outflow SEK 4 000). There was no change in net financing in the parent company in the quarter (increase SEK 200 million) as the loan with Vodafone Group Plc is held in the books of Europolitan AB.

Market Overview

Customers

The growth in the customer base in the first quarter of the financial period was slightly below the growth experienced in the same calendar quarter of 1999 albeit that the proportion of the



EUROPOLITAN

growth attributable to lower spending prepaid subscribers increased. The stiffening of competition in the subscriber segment reported during the previous quarter continued in the first quarter. Europolitan continued to match its competitors' dealer commission packages in the first quarter and this resulted in higher costs to connect and retain customers than at the end of 1999. Competition continued to be particularly intense in the private customer segment. The Swedish mobile market now pays dealer commission packages which are among the highest in the world.

The campaign to attract new Easy customers, carried out in the previous quarter in conjunction with Marabou, continued to add customers in the first quarter due to Europolitan's policy of only counting customers as they reload their call card.

Services

Europolitan's strategy of being the leading operator in the provision of new services continues and during the quarter it became possible for all customers to access WAP (Wireless Application Protocol) services as standard part of all product offerings.

Technical development

Europolitan announced that it had made its first call on its GPRS (General Packet Radio Services) network, the first operator in Sweden and among the first in the world to do so on a commercial rather than test network. This technology represents a significant step forward in the carrying of data and information services over mobile networks.

In early July, Mobil magazine, the leading Swedish specialised mobile publication, reported the results of its survey to determine which of the three GSM networks offered the best voice service. The survey split the country into six geographic regions plus the three major cities and also looked at network performance in "special places" such as travel hubs, hospitals, outdoor bathing places and other "free time" locations. The results were an overwhelming endorsement of Europolitan's commitment to providing its customers with a quality network. Europolitan was found to have the best network in all but one of the geographic regions, the best network in the three major cities and the best network in the special places category. Overall Europolitan was judged to have the best GSM network in Sweden.

First Quarter Highlights

- In April, Scandic Hotels began to use WAP Direct, a product developed by Nocom and Europolitan. WAP Direct enables Scandic Hotels to communicate directly with its customers. The service also enables Scandic's 370 000 Scandic Club members to book hotel rooms, for example, directly using their WAP telephones. (Press Release 2000-04-04).
- On April 5, Europolitan announced that Aspiro, the mobile internet services and applications developer, was the first company to use its new wireless office product. The new product enables Europolitan to take over a company's switch functionality which means that it does not have to invest in its own PABX and its employees are made mobile. (Press Releases 2000-04-05).
- On April 14, Europolitan announced that it was to streamline its organisation which would include creating two new business units which would focus on the mobile



EUROPOLITAN

internet and on telematics products. These two areas are considered to have significant growth potential. (Press Release 2000-04-14).

- On April 25, Europolitan announced that it had, in association with SAS, developed a system to enable customers to search and receive regularly updated information regarding the status and times of flights via SMS. (Press Release 2000-04-25).
- On April 28, Europolitan announced that it had, in co-operation with Nokia, made the first GPRS call on its network. It was possible during the datacall to retrieve and download information from the internet. (Press Release 2000-04-28).
- On May 23, it was announced that Europolitan and Ericsson had signed a collaboration agreement to jointly develop, sell and market telematics services for alarms, monitoring, management and maintenance applications. (Press Release 2000-05-23).
- On May 25, Europolitan announced that it was to open a Lab of the Future in Karlskrona to focus on the development of new services for UMTS third generation mobile services (Press Release 2000-05-29).
- On June 27, Europolitan announced that all of its customers including prepaid EASY users, could surf the internet, send e-mails and use various WAP services. Eurodata, the service that enables customers to do this was to be automatically included in all telephony subscriptions and prepaid cards at no extra cost. (Press Release 2000-06-27).
- On June 28, Europolitan in collaboration with Kipling, held a demonstration of a new roaming system for GSM positioning which enables the position of a customer to be determined in another country when roaming on a network participating in the system. (Press Release 2000-06-28).

Regulatory Update

Access to Mobile Networks

In June the Swedish Parliament adopted a proposed change to the Telecommunications Act whereby existing GSM operators are compelled to enter into national roaming agreements with any new GSM and UMTS mobile operators. Such new operators will have the right for their customers to roam on existing GSM 900/1800 networks for a period of seven years from grant of the their new licences. The rates charged for national roaming shall be market based. The new legislation became effective on July 1, 2000.

UMTS

In May the Regulator announced the formal invitation for tenders for four national UMTS licences of which up to two also may be combined with new GSM licences.

As previously announced by the Regulator the evaluation of the applications will be based on a so called “beauty contest” where the applicant’s undertakings with regard to geographical UMTS coverage and roll-out speed are expected to be the determining criteria. Applications must be submitted by September 1 and licences will be issued during November 2000.



EUROPOLITAN

Interconnection

On May 31 the Regulator decided to reduce Telia Mobile's cost-based termination rates to an average of SEK 1.13 per minute to be effective from July 1. Telia Mobile has appealed and the implementation of the decision is pending the outcome in the administrative courts.

Quarterly Report

Europolitan's Second Quarter Report will be published by November 28, 2000.

Stockholm, August 9, 2000

The Board of Directors - Europolitan Holdings AB (publ)

For further information, please contact:

Jon Risfelt, President and CEO

John Townsend, CFO

Monica Enderstein, Investor Relations

Tel: +46 (0)8 678 09 50

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

This report has not been audited.



EUROPOLITAN

KEY RATIOS	Three Months		Change	Percent
	June 30, 2000	June 30, 1999		
THREE MONTHS				
Number of customers end of period	941 000	728 000	213 000	29%
Net customer additions	56 000	62 000	-6 000	-10%
Average monthly revenue per customer * (SEK)	449	504	-55	-11%
Average monthly revenue per subscriber * (excluding prepaid EASY cards) (SEK)	551	592	-41	-7%
Net sales and other income (SEK mil)	1 308	1 080	228	21%
Operating cash flow ** (SEK mil)	472	447	25	6%
Operating cash flow margin (%)	36%	41%	-5%	-12%
Profit after financial items (SEK mil)	417	339	78	23%
Capital expenditures (SEK mil)	216	151	65	43%
Free cash flow*** (SEK mil)	104	225	-121	-54%

* Europolitan AB Revenue (net sales)

** Cash supplied from operations before changes in working capital, investing activities and financial items

*** Cash flow after investing activities



EUROPOLITAN

Consolidated Income Statement

Amount in SEK millions	2000-04-01- 2000-06-30 (3 months)	1999-04-01- 1999-06-30 (3 months)
Net sales and other operating income	1 308	1 080
Capitalised expenses for own use	12	9
Total operating revenue	1 320	1 089
Operating expenses	-904	-744
Operating profit before financial items	416	345
Financial income and expense	1	-6
Profit after financial items	417	339
Tax	-117	-96
Net profit	300	243
Net profit per share (SEK)	0,73	0,59
Net profit after tax fully diluted		
Share price (end of period) (SEK)	112	84



EUROPOLITAN

Consolidated Balance Sheet

Amount in SEK millions	2000-06-30	1999-06-30
ASSETS		
Intangible fixed assets	69	2
Tangible fixed assets	2 628	2 294
Construction-in-progress	235	130
Total fixed assets	2 932	2 426
Inventories	86	38
Accounts receivable	423	261
Other current assets	467	313
Cash and bank deposits	61	26
Total current assets	1 037	638
Total assets	3 969	3 064
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		
Total shareholders' equity	2 095	1 333
Allocation to pension fund reserve (FPG/PRI)	15	9
Deferred taxes	512	363
Total provisions	527	372
Long term liabilities to group companies	0	690
Long term liabilities to financial institutions	8	110
Total long term liabilities	8	800
Short term liabilities to group companies	210	0
Short term liabilities to financial institutions	18	26
Accounts payable	209	139
Tax liabilities	272	42
Other liabilities	630	352
Total current liabilities	1 339	559
Total shareholders' equity, provisions and liabilities	3 969	3 064



EUROPOLITAN

Consolidated Statement of Cash Flows

<u>Amount in SEK millions</u>	<u>2000-04-01- 2000-06-30 (3 months)</u>	<u>1999-04-01- 1999-06-30 (3 months)</u>
Profit after financial items	417	339
Depreciation and amortisation	126	101
Other items	5	-1
Tax paid	<u>-75</u>	<u>0</u>
Cash supplied from operations before changes in working capital	473	439
Changes in working capital	<u>-153</u>	<u>-63</u>
Cash flow from operating activities	320	376
Investing activities	<u>-216</u>	<u>-151</u>
Cash flow after investing activities	104	225
Proceeds from long-term borrowings	210	300
Amortisation of loan	-19	-150
Cash dividend paid	<u>-450</u>	<u>-368</u>
Cash flow from financing activities	-259	-218
Change in cash	<u>-155</u>	<u>7</u>