



EUROPOLITAN

Europolitan reports nine months results with pre-tax income of SEK 1 345 million

- **Net income of SEK 967 million**
- **109 000 net customer additions**
- **Net sales of SEK 3 971 million**
- **EBITDA of SEK 1 738 million**
- **Pre-tax income for third quarter of SEK 458 million**
- **The first operator in Scandinavia to offer General Packet Radio Services ("GPRS")**
- **Europolitan awarded a licence to operate a UMTS network in Sweden**
- **Europolitan announces co-operation to build a UMTS network**

Nine months results 2000

Customer Growth

Europolitan's customer base increased to 994 000 as of December 31, 2000, including 228 000 active Europolitan EASY prepaid cards. A total of 109 000 new customers were added in the nine months (180 000), including 52 000 contract customers (144 000). During the third quarter 31 000 (56 000) customers were added, including 12 000 contract customers (41 000).

Net Sales

Europolitan's consolidated nine months' net sales increased 15% to SEK 3 971 million compared with the same period last year (SEK 3 453 million).

Average monthly revenue per customer, excluding prepaid cards, was SEK 551 (SEK 579).

The decrease compared to the same period in 1999 was due to the impact of termination rates being reduced in early 2000 and the effects of fixed operators refiling domestic calls internationally before terminating them on Europolitan's network.

Average monthly revenue per customer, including prepaid EASY customers declined 9% to SEK 449 (SEK 493). In addition to the above mentioned factors, there is also a higher



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proportion of prepaid users in the customer base who have lower average usage compared with contract customers.

Cost of Sales, Operating Expenses and Profit

Cost of sales and operating expenses, increased 18% to SEK 2 630 million (SEK 2 227 million) in the nine months. The increase was due to :

- Increases in costs which are directly related to the number of customers and higher depreciation expense resulting from the continued expansion and enhancement of the GSM/GPRS network.
- Commission costs associated with helping existing customers to upgrade their mobile phones.
- Costs for the current period include those incurred by Doberman AB and Ocom AB which were only included for part of the previous period.

After net financial income of SEK 4 million (expense SEK 12 million), income before taxes was SEK 1 345 million (SEK 1 214 million). After tax expense of SEK 378 million (SEK 341 million), net income was SEK 967 million (SEK 873 million).

Capital Expenditures

Capital expenditures in the nine months amounted to SEK 687 million (SEK 549 million). The company continues to expand its GSM network, now enhanced with GPRS technology, to ensure that its customers have access to a network of the highest quality and with the most advanced technical features. This puts the company in the best possible position to take advantage of new revenue streams from data and information services as they become available.

Liquidity and Financing

Cash flow after investing activities (free cash flow) amounted to SEK 739 million (SEK 999 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.

At December 31, 2000, there was no outstanding balance on the SEK 1.4 billion debt facility from the majority shareholder Vodafone Group Plc (SEK 65 million). The company has a short term loan to Vodafone Group Plc of SEK 500 million (SEK 0) on normal commercial terms and at prevailing market rates.

Parent Company Results

The Group's parent company, Europolitan Holdings AB, had revenue in the nine months of SEK 18,3 million (SEK 18,3 million) and posted a loss after financial items of SEK 2,5 million (SEK 0,4 million). There was no change in the parent company's cash (outflow SEK 18 000). The parent company's net financing in the nine months decreased by SEK 1 million (decreased SEK 422 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



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the warrants connected to issue No 1 was June 1 to December 1, 2000. Subscriptions for new shares with exercise of the warrants connected to issue No 1 have been made whereby the share capital has increased to SEK 102 295 545 and the number of shares increased to 409 182 180.

Market Overview

UMTS

On December 16, 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 and have applied for an injunction to stop the licences from being issued until such time as the appeals process has been completed. It is difficult to predict the likely length of the appeals process or if an injunction will be granted. However, Europolitan is confident that its licence award will be upheld.

In January 2001 Europolitan and HI3G Access AB signed a letter of intent to form a common company to build and provide UMTS infrastructure, mainly outside the three major metropolitan areas of Stockholm, Gothenburg and Malmö. The parties intend to jointly build up to 70 per cent of the population coverage. The companies' independent UMTS infrastructure efforts will be concentrated on the metropolitan areas. The company is open to co-operation and partnership with other companies sharing the same ambitions.

Customers

In the previous quarter, the company reported that it had reduced the commission rates paid to its distributors to connect private contract customers below the rates paid by its competitors. The commission levels were maintained for much of the quarter now being reported which resulted in similar levels of contract customer growth to the previous quarter. Growth in the prepaid base was higher than the previous quarter due, principally, to seasonal factors and promotional activities.

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 stood out as the leader in terms of customer satisfaction in both the private and business customer segments of the mobile telecommunications sector.

Services

A number of new services were introduced during the quarter. Most notably, the company was among the first mobile operators in the world to offer GPRS services in a commercial network. It was the first company in Scandinavia to launch such services. These services radically affect the way in which data can be carried by cellular networks and enable users to maintain virtual connections but only incur charges when data is transmitted, rather than being charged for time connected. Data speeds are also enhanced compared with conventional



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GSM technology. UMTS similarly uses the packet data principle, thus GPRS is the first step towards advanced data capabilities on the network. It is envisaged that packet data technology will make it easier, faster and more cost efficient for customers to use data and information services.

Service Provider Agreements

One of the key points in Europolitan's application for a UMTS licence was that it would operate an open network. The first steps in fulfilling that commitment were taken during the quarter when service provider agreements were signed with Glocalnet and Sense. In January 2001, the company also signed service provider agreements with HemEl and ICA.

Not only do these agreements enable Europolitan to fulfil its UMTS licence commitment but the market focus of these operators is complimentary to that of the company. The agreements will enable Europolitan to gain additional returns on its network investments.

Additionally, a strategic collaboration agreement was signed with BlueFactory during the quarter to enable the companies to jointly provide access to gaming and entertainment services to Europolitan's customers via their mobile telephones.

Third Quarter Highlights

- On October 17, the company announced that it had signed an agreement with Tetra Pak to supply wireless office services. (Press Release 2000-10-17).
- On November 22, Europolitan and Pipebeach announced that they would together develop a voice controlled mobile portal making it easier for customers to access their mobile information services. (Press Release 2000-11-22).
- On November 29, the company launched its WAP enabled e-mail service. This new version of the company's euomail service enables customers to retrieve their e-mails via a WAP telephone. (Press Release 2000-11-29).
- On November 30, Europolitan was the first Scandinavian operator to launch General Packet Radio Services ("GPRS"). (Press Release 2000-11-30).
- On December 16, Europolitan was awarded a licence to operate a third generation UMTS network and announced on December 18 that this would result in the recruitment of 300 employees and SEK 20 million being invested in UMTS research and development. (Press Releases 2000-12-16 and 2000-12-18).
- On December 21, Europolitan announced that it had signed agreements whereby Glocalnet and Sense would sell mobile services under their own brands using the Europolitan network. (Press Release 2000-12-21).
- On December 21, the company announced that it would change its brand name to Europolitan Vodafone in the beginning of 2001. (Press Release 2000-12-21).
- On December 22, Europolitan and BlueFactory announced that they had signed a strategic collaboration agreement to jointly provide Europolitan's customers with access to gaming and entertainment services via mobile phones. (Press Release 2000-12-22).



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Regulatory Update

Interconnection

On December 22, 2000, the administrative court issued an interim decision in an action between the PTS and Telia whereby the former was attempting to reduce the latter's mobile call termination to an average of SEK 1,13 per minute. The administrative court instructed Telia in its interim decision to reduce its rate to an average of SEK 1,35 per minute effective January 8, 2001.

Quarterly Report

Europolitan's Final Report will be published on April 26, 2001.

Stockholm, January 26, 2000

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

This report has not been audited.



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KEY FINANCIAL DATA	Nine Months		Change	Percent
	December 31, 2000	December 31, 1999		
NINE MONTHS				
Number of customers end of period	994 000	846 000	148 000	17%
Net customer additions	109 000	180 000	-71 000	-39%
Average monthly revenue per customer * (SEK)	449	493	-44	-9%
Average monthly revenue per subscriber * (excluding prepaid EASY cards) (SEK)	551	579	-28	-5%
Net sales (SEK mil)	3 971	3 453	518	15%
EBITDA** (SEK mil)	1 738	1 543	195	13%
EBITDA margin (%)	44%	45%	-1%	-2%
Income before taxes (SEK mil)	1 345	1 214	131	11%
Capital expenditures (SEK mil)	687	549	138	25%
Free cash flow*** (SEK mil)	739	999	-260	-26%
Net income per share (SEK)	2,36	2,13	0,23	11%
Share price (end of period) (SEK)	83,5	150	-66,5	-44%
Number of shares (end of period)	409 182 180	408 660 000	522 180	0,1%
	Three Months		Change	Percent
	December 31, 2000	December 31, 1999		
THREE MONTHS				
Number of customers end of period	994 000	846 000	148 000	17%
Net customer additions	31 000	56 000	-25 000	-45%
Average monthly revenue per customer * (SEK)	448	476	-28	-6%
Average monthly revenue per subscriber * (excluding prepaid EASY cards) (SEK)	554	561	-7	-1%
Net sales (SEK mil)	1 344	1 207	137	11%
EBITDA ** (SEK mil)	593	546	47	9%
EBITDA margin (%)	44%	45%	-1%	-2%
Income before taxes (SEK mil)	458	435	23	5%
Capital expenditures (SEK mil)	296	223	73	33%
Free cash flow*** (SEK mil)	275	399	-124	-31%
Net income per share (SEK)	0,80	0,76	0,04	5%

* Europolitan AB Revenue (net sales)

** Earnings before interest, taxes, depreciation and amortisation

*** Cash flow after investing activities



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Consolidated Income Statements

Amounts in SEK millions	2000-10-01- 2000-12-31 (3 months)	1999-10-01- 1999-12-31 (3 months)	2000-04-01- 2000-12-31 (9 months)	1999-04-01- 1999-12-31 (9 months)
Net sales	1 344	1 207	3 971	3 453
Cost of sales	-686	-622	-2 084	-1 809
Gross profit	658	585	1 887	1 644
Selling expenses	-116	-79	-310	-233
Administrative expenses	-91	-73	-248	-191
Other operating income	5	6	19	14
Other operating expenses	-1	-3	-7	-8
Operating income before financial items	455	436	1 341	1 226
Financial income	5	1	10	3
Financial expense	-2	-2	-6	-15
Income before taxes	458	435	1 345	1 214
Taxes	-128	-122	-378	-341
Net income	330	313	967	873

The above statements are presented with costs classified on a “functional basis”. In the prior year third quarter report costs had been presented on a “cost type basis”. The 1999 amounts have been restated to conform with the 2000 presentation. The change in financial statement presentation is to provide a more meaningful analysis to the readers of our financial statements.



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Consolidated Balance Sheets

Amounts in SEK millions	2000-12-31	1999-12-31	2000-03-31
ASSETS			
Intangible fixed assets	63	11	73
Tangible fixed assets	2 832	2 403	2 534
Construction-in-progress	237	198	237
Total fixed assets	3 132	2 612	2 844
Inventories	42	53	56
Accounts receivable	520	248	350
Short term loan to majority owner	500	0	180
Other current assets	399	333	385
Cash and bank deposits	69	81	36
Total current assets	1 530	715	1 007
Total assets	4 662	3 327	3 851
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Restricted equity	1 604	1 220	1 322
Unrestricted equity	1 171	742	923
Total shareholders' equity	2 775	1 962	2 245
Minority interests	5	0	0
Allocation to pension fund reserve (FPG/PRI)	19	12	13
Deferred taxes	576	429	469
Total provisions	600	441	482
Long term liabilities to group companies	0	65	0
Long term liabilities to financial institutions	88	20	25
Total long term liabilities	88	85	25
Short term liabilities to financial institutions	9	22	20
Accounts payable	325	159	232
Tax liabilities	303	221	272
Other liabilities	562	437	575
Total current liabilities	1 199	839	1 099
Total shareholders' equity, provisions and liabilities	4 662	3 327	3 851



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Consolidated Statements of Cash Flows

Amounts in SEK millions	2000-10-01 2000-12-31 (3 months)	1999-10-01- 1999-12-31 (3 months)	2000-04-01-- 2000-12-31 (9 months)	1999-04-01- 1999-12-31 (9 months)
Income before taxes	458	435	1 345	1 214
Depreciation and amortisation	138	110	397	317
Other items	4	2	14	6
Taxes paid	-83	0	-240	0
Cash supplied from operations before changes in working capital	517	547	1 516	1 537
Changes in working capital	50	83	-94	19
Cash flow from operating activities	567	630	1 422	1 556
Acquisition of subsidiary	4	-8	4	-8
Investing activities	-296	-223	-687	-549
Cash flow after investing activities	275	399	739	999
Proceeds from long-term borrowings	0	3	210	303
Amortisation of loan	36	-343	-159	-872
Redemption of options	7	0	13	0
Cash dividend paid	0	0	-450	-368
Cash flow from financing activities	43	-340	-386	-937
Change in cash	318	59	353	62