

## **Europolitan Holdings AB reports Half Year\* results with pre-tax income of SEK 968 million**

- **Net income of SEK 695 million**
- **59 000 net customer additions**
- **Net Sales of SEK 2 923 million**
- **EBITDA of SEK 1 269 million**
- **Launch of Wireless Office for smaller companies**

\* Accounting year to 31 March

### **Half Year\* Results 2001/2002**

#### **Customer Growth**

Europolitan Vodafone's customer base increased to 1 072 000 as of 30 September 2001, including 263 000 (209 000) active Europolitan Vodafone prepaid cards. A total of 59 000 (78 000) customers was added in the first half, being 33 000 contract customers (40 000) and 26 000 prepaid cards (38 000). During the second quarter 32 000 (22 000) customers were added, including 17 000 (12 000) contract customers and 15 000 prepaid cards (10 000).

#### **Revenue**

Europolitan Vodafone's consolidated first half net sales increased 11% to SEK 2 923 million compared with the same period last year (SEK 2 627 million).

Average monthly revenue per customer, excluding prepaid cards, was SEK 569 (SEK 550). The 3% increase reflects continuing stable market conditions, in terms of both price and steady growth in minutes of use per customer.

Average monthly revenue per customer, including prepaid cards increased 1% to SEK 453 (SEK 449).

#### **Cost of Sales, Operating Expenses and Profit**

Cost of sales and operating expenses, increased 14% to SEK 1 993 million (SEK 1 755 million) in the first half. The increase was due to:

- Customer related costs – increased level of marketing activities, partly offset by reduced commission levels
- Depreciation on increased capital investments
- Continuing investment in new business areas (Mobile Internet, Service Provision and Telematics) and the 3G rollout.

After net financial income of SEK 18 million (SEK 1 million), profit after financial items was SEK 968 million (SEK 887 million). After tax expense of SEK 277 million (SEK 250 million) and minority interest of SEK 4 million (nil), net profit was SEK 695 million (SEK 637 million).

## **Capital Expenditure**

Capital expenditure in the first half amounted to SEK 474 million (SEK 391 million). Europolitan Vodafone continues to ensure that its customers have access to a network of the highest quality and with the most advanced technical features. In addition, the company's investment in 3G continued during the second quarter, although this did not represent a significant part of the total investment for the half-year.

## **Liquidity and Financing**

EBITDA amounted to SEK 1 269 million (SEK 1 145 million) during the half year, an increase of 11%. Cash flow after investments (free cash flow) increased by 14%, despite increased investment in capital expenditures and higher working capital. The company has made a short-term loan to Vodafone Group Plc of SEK 1 266 million (SEK 205 million) with market rate terms and interest.

## **Parent Company Results**

The Group's parent company, Europolitan Holdings AB, had revenue in the first half of SEK 17.7 million (SEK 12.3 million) and posted a profit after financial items of SEK 1.6 million (loss SEK 81 000). There was no change in the parent company's cash (nil).

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. 2 is 1 June to 1 December 2001. Subscriptions for new shares with exercise of a part of the warrants connected to issue No. 2 have been made which increased share capital by SEK 20,835 to SEK 102,342,770 and increased the number of shares by 83,340 to 409,371,080 since 30 June 2001.

## **3G**

At the end of August Europolitan Vodafone announced that Nokia and the company had signed an agreement regarding the delivery of UMTS network equipment. Nokia was chosen as the systems supplier for both the core network and radio access, and will also deliver implementation and technical maintenance services. Deliveries started in August 2001 and the launch of commercial service is scheduled for 2002. The agreement covers equipment for the infrastructure that Europolitan Vodafone is building in Stockholm, Gothenburg, Malmö and Karlskrona (providing at least 30 per cent of the population coverage).

Europolitan Vodafone estimates that costs for the company's UMTS initiative will total around SEK 10 billion. This total includes costs for infrastructure, systems, marketing and product management. These include the company's own UMTS network, which is being built in Stockholm, Gothenburg, Malmö and Karlskrona and Europolitan Vodafone's 50% share of the infrastructure being built by 3G Infrastructure Services AB for the remaining UMTS coverage.

## **Collaboration agreement with the Vodafone Group**

Europolitan Vodafone has signed an agreement with the Vodafone Group designed to increase their joint economies of scale in a number of different areas. The agreement covers collaboration in the areas of product management and innovation, IT and technology management, supply chain management, brand management and multinational account management.

Product management and innovation relates to the joint development of new services, such as mobile payment services and multimedia services. As part of an international group, Europolitan Vodafone will be able to offer its customers advanced services that will work across the entire Vodafone Group. Europolitan Vodafone participates actively in the ongoing UMTS product development within the Vodafone Group.

## **Market Overview**

### **Customers**

The growth in the customer base in the second quarter of the financial period was higher than the growth experienced in the same period last year due the company's successful strategy of offering its customers high quality network and services combined with high customer service levels. Subscriber acquisition costs have been stable and at the same level as the previous quarter.

Of its total customer base at 30 September 2001, Europolitan Vodafone had an active customer base of 89%. The proportion of active contract customers amounted to 91% and prepaid customers 82%. Active customers are defined as those who have made a chargeable outgoing call in the last three months.

During the first half, campaigns to increase awareness of the dual brand were successfully launched, together with activities supporting the first Pan-European products available in Sweden.

Mobile Number Portability was launched in Sweden on 1 September. Europolitan Vodafone offered other network operators' mobile customers the opportunity to port their numbers to Europolitan Vodafone from that date, in line with regulatory requirements. To date, volumes of customers choosing to port in the Swedish market have been modest, but follow the expected trend.

### **Services**

During the second quarter Europolitan Vodafone continued to extend its mobile service offerings with over 100 new WAP and SMS services. Its customers now have access to among other things, sports results directly to their mobile phone in addition to news, weather and share prices. Europolitan Vodafone's WAP portal has also been extended with new WAP services including entertainment, music, and a variety of other information. The company's voice portal was enhanced with further services during the quarter.

The Wireless Office is now available to everyone, opening up tremendous opportunities to all companies that currently have to carry substantial maintenance costs for switches and double telephones for their employees. The new Wireless Office allows small companies to construct their own office switch functionality without requiring switch equipment. The service is a wireless all-in-one solution that is designed to replace all fixed corporate telephony.

The new Wireless Office for small companies targets firms with up to 75 employees and is the latest subscription form in Europolitan Vodafone's Wireless Office for All corporate concept. The concept includes other services, such as the Wireless Office for large companies with or without in-house switches.

During the summer Europolitan Vodafone has performed tests on the new Multimedia Messaging Service (MMS) investigating the possibility of sending and receiving multimedia message combining text and pictures. The purpose of the test is to identify popular MMS services, study user behaviour and evaluate various payment models.

During the half-year new telematics services were developed in the area of mobile alarm services. Tests have been performed during the summer and the first products will be launched later in the autumn.

## Second Quarter Highlights

- Europolitan Vodafone announced that Sweden's most popular Internet meeting place for young people, LunarStorm, with over 800,000 members, has launched its own prepaid card. LunarMobil's prepaid card injects mobility into the youth portal, making its mobile services constantly available to members. Press Release 2001-07-02.
- Europolitan Vodafone announced that Nokia and the company have signed an agreement regarding the delivery of UMTS (Universal Mobile Telecommunications System) networks for Europolitan Vodafone. Nokia will be the systems suppliers for both the core network and radio access, and will also deliver implementation and technical maintenance services. Press Release 2001-08-30.
- In August, Europolitan Vodafone announced that it had chosen Ericsson to supply transmission equipment for its 3G network. The agreement entails the supply of transmission nodes for Europolitan Vodafone's 3G network in Stockholm, Gothenburg, Malmö and Karlskrona. Press Release 2001-08-30.
- Europolitan Vodafone and Comverse, a company developing network based multimedia systems, have performed tests on the new Multimedia Messaging Service (MMS). The purpose of the test is to identify popular MMS services, study user behaviour and evaluate various payment models. Press Release 2001-09-04.
- On 10 September, GPRS was made available to users of all Europolitan Vodafone fixed subscription forms. Customers can use mobile data services to check their e-mails or retrieve information from the Internet and databases in a more convenient and cost-efficient manner. Press Release 2001-09-10.
- Europolitan Vodafone announced in September that costs for the company's UMTS initiative is estimated to around SEK 10 billion. This total includes costs for infrastructure, systems, marketing and product management. Europolitan Vodafone has also signed a collaboration agreement with the Vodafone Group that will lead, amongst other things, to substantial cost savings in product management and innovation and supply chain management. Press Release 2001-09-11.
- Europolitan Vodafone announced that a new version of its Wireless Office is now available to small companies, enabling them to get rid of their fixed telephones. The new Wireless Office will be simpler and more cost effective, since companies avoid the cost of purchasing and operating switch equipment. Press Release 2001-09-18.
- In September, Europolitan Vodafone announced that SOS Alarm AB and the company together have developed a new mobile alarm service. It will initially only be offered to companies and organisations whose staff work alone in exposed conditions, such as professional drivers, social workers or forestry workers, people who need a simple and efficient mobile alarm service. Press Release 2001-09-24.
- Europolitan Vodafone announced in September that the company had signed an agreement with Nordic Alarm AB whereby the companies will jointly develop wireless alarm communication solutions. Press Release 2001-09-26.
- On 26 September, Europolitan Vodafone launched mobile football games. The games are called ManagerZone and Hattrick. ManagerZone is a new and specially developed game with a clear focus on mobility, while Hattrick is an established game with a steadily growing user base that has now added mobile functionality to its features. Press Release 2001-09-26.

- On 28 September, Europolitan Vodafone announced that customers now can use their own voices to listen to and download the most popular ring signals directly from Europolitan Vodafone's Voice Portal. Press Release 2001-09-28.
- Europolitan Vodafone announced that the company's customer care had been selected as the winner in the prestigious annual international competition "Grand Prix Customer Service Awards" for telecom companies. Press Release 2001-09-28.

## Quarterly Report

Europolitan Vodafone's Third Quarter Report will be published by 25 January 2002.

Stockholm, 25 October 2001

The Board of Directors - Europolitan Holdings AB (publ)

For further information, please contact:

Jon Risfelt, President and CEO, tel: +46 708 33 10 01

Mark Carey, CFO, tel: +46 708 33 18 03

Monica Enderstein, Investor Relations, tel: +46 708 33 18 02

Tel: +46 (0)8 678 09 50

Previous financial reports and additional information regarding Europolitan Vodafone can also be obtained on the internet at [www.europolitan.se](http://www.europolitan.se)

This report has not been audited. The same accounting principles and calculation methods have been applied in this report as in the full year report to 31 March 2001.

**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 1 500 people. Europolitan Holdings AB is listed on the O-list of the Stockholm Stock Exchange's Attract 40. The company's principal owner is Vodafone, with 71 per cent of Europolitan Holdings AB. The remaining 29 per cent is owned by approximately 30,000 private shareholders, unit trust funds and insurance companies. The Vodafone group is represented on 5 continents and has around 95 million customers (proportionate customers). For more information, please visit **[www.europolitan.se](http://www.europolitan.se)** and **[www.vodafone.com](http://www.vodafone.com)**.

# Key Figures

SIX MONTHS	Six Months Ended		Change	Percent
	Sept 30, 2001	Sept 30, 2000		
Number of customers end of period	1 072 000	963 000	109 000	11%
Net customer additions	59 000	78 000	-19 000	-24%
Average monthly revenue per customer * (SEK)	453	449	4	1%
Average monthly revenue per subscriber * (SEK) (excluding prepaid EASY cards)	569	550	19	3%
Net sales (SEK mil)	2 923	2 627	296	11%
EBITDA** (SEK mil)	1 269	1 145	124	11%
EBITDA margin (%)	43%	44%	-1%	-2%
Income before taxes (SEK mil)	968	887	81	9%
Capital expenditures (SEK mil)	474	391	83	21%
Free cash flow*** (SEK mil)	528	464	64	14%
Return on shareholders' equity **** (%)	42%	60%	-18%	-30%
Return on capital employed **** (%)	58%	75%	-17%	-23%
Equity/Assets ratio (%)	64%	58%	6%	10%
Shareholders' equity per share (SEK)	9,20	5,95	3,25	55%
Share price (end of period) (SEK)	61	91	-30	-33%
THREE MONTHS	Three Months Ended		Change	Percent
	Sept 30, 2001	Sept 30, 2000		
Number of customers end of period	1 072 000	963 000	109 000	11%
Net customer additions	32 000	22 000	10 000	45%
Average monthly revenue per customer * (SEK)	452	449	3	1%
Average monthly revenue per subscriber * (SEK) (excluding prepaid EASY cards)	568	549	19	3%
Net sales (SEK mil)	1 464	1 325	139	10%
EBITDA** (SEK mil)	653	603	50	8%
EBITDA margin (%)	45%	46%	-1%	-2%
Income before taxes (SEK mil)	500	470	30	6%
Capital expenditures (SEK mil)	226	175	51	29%
Free cash flow*** (SEK mil)	417	360	57	16%

Of its total customer base at 30 September 2001, Europolitan Vodafone had an active customer base of 89%.

The proportion of active contract customers amounted to 91% and prepaid customers 82%. 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, tax, depreciation and amortization

\*\*\* Cash flow after investing activities

\*\*\*\* Calculated on a 12-month rolling basis

# Consolidated Income Statements

(Amounts in SEK millions) Unaudited	2001-07-01- 2001-09-30 (3 months)	2000-07-01- 2000-09-30 (3 months)	2001-04-01- 2001-09-30 (6 months)	2000-04-01- 2000-09-30 (6 months)
Net sales	1 464	1 325	2 923	2 627
Cost of sales	-753	-678	-1 494	-1 398
<b>Gross profit</b>	<b>711</b>	<b>647</b>	<b>1 429</b>	<b>1 229</b>
Selling expenses	-123	-97	-276	-194
Administrative expenses	-109	-84	-217	-157
Other operating income	14	6	20	14
Other operating expenses	-4	-2	-6	-6
<b>Operating income before financial items</b>	<b>489</b>	<b>470</b>	<b>950</b>	<b>886</b>
Financial income	13	2	22	5
Financial expenses	-2	-2	-4	-4
<b>Income before taxes</b>	<b>500</b>	<b>470</b>	<b>968</b>	<b>887</b>
Taxes	-145	-133	-277	-250
Minority interests	3	0	4	0
<b>Net income</b>	<b>358</b>	<b>337</b>	<b>695</b>	<b>637</b>
Weighted average undiluted net income per share (SEK)	0,87	0,83	1,70	1,56
Weighted average diluted net income per share (SEK)	0,87	0,82	1,70	1,56
Number of shares outstanding - undiluted			409 371 080	408 907 310
Number of shares outstanding - diluted			409 866 423	409 875 277
Number of shares outstanding (weighted average) - undiluted			409 261 054	408 769 383
Number of shares outstanding (weighted average) - diluted			409 756 397	409 737 350

# Consolidated Balance Sheets

(Amounts in SEK millions)

Unaudited

	30-sept 2001	31-mar 2001	30-sept 2 000
<b>ASSETS</b>			
Intangible fixed assets	51	58	66
Tangible fixed assets	3 109	2 918	2 681
Construction-in-progress	272	303	226
Financial fixed assets	3	3	0
<b>Total fixed assets</b>	<b>3 435</b>	<b>3 282</b>	<b>2 973</b>
Inventories	49	32	51
Accounts receivable	558	440	455
Other current assets	520	465	452
Short-term loan to majority owner	1 266	760	205
Cash and bank deposits	40	58	46
<b>Total current assets</b>	<b>2 433</b>	<b>1 755</b>	<b>1 209</b>
<b>Total assets</b>	<b>5 868</b>	<b>5 037</b>	<b>4 182</b>
<b>SHAREHOLDERS' EQUITY PROVISIONS AND LIABILITIES</b>			
Restricted Equity	1 980	1 759	1 509
Unrestricted Equity	1 789	1 310	930
<b>Total shareholders' equity</b>	<b>3 769</b>	<b>3 069</b>	<b>2 439</b>
<b>Minority interests</b>	<b>0</b>	<b>4</b>	<b>0</b>
Pension fund reserve (FPG/PRI)	27	21	17
Deferred taxes	721	636	541
Other provisions	7	9	0
<b>Total provisions</b>	<b>755</b>	<b>666</b>	<b>558</b>
Long-term liabilities to financial institutions	18	57	47
<b>Total long-term liabilities</b>	<b>18</b>	<b>57</b>	<b>47</b>
Short-term liabilities to financial institutions	3	9	14
Accounts payable	262	258	182
Tax liabilities	425	283	293
Other liabilities	636	691	649
<b>Total current liabilities</b>	<b>1 326</b>	<b>1 241</b>	<b>1 138</b>
<b>Total shareholders' equity and liabilities</b>	<b>5 868</b>	<b>5 037</b>	<b>4 182</b>



# Consolidated Statements of Cash Flows

<b>(Amount in SEK millions) Unaudited</b>	<b>2001-07-01- 2001-09-30 (3 months)</b>	<b>2000-07-01- 2000-09-30 (3 months)</b>	<b>2001-04-01- 2001-09-30 (6 months)</b>	<b>2000-04-01- 2000-09-30 (6 months)</b>
Income before taxes	500	470	968	887
Depreciation and amortization	164	133	319	259
Other items	5	5	14	10
Taxes paid	22	-82	-50	-157
<b>Cash provided by operations before changes in working capital</b>	<b>691</b>	<b>526</b>	<b>1 251</b>	<b>999</b>
Changes in working capital	-48	9	-249	-144
<b>Cash flows from operating activities</b>	<b>643</b>	<b>535</b>	<b>1 002</b>	<b>855</b>
Investing activities	-226	-175	-474	-391
<b>Cash flows after investing activities</b>	<b>417</b>	<b>360</b>	<b>528</b>	<b>464</b>
Advances from majority shareholder	0	0	0	210
Changes in borrowings of operating line of credit	-75	41	-39	28
Repayment of loan	-1	-217	-6	-223
Exercise of options	2	6	5	6
Dividends paid	0	0	0	-450
<b>Cash flow from financing activities</b>	<b>-74</b>	<b>-170</b>	<b>-40</b>	<b>-429</b>
<b>Change in cash and cash equivalents</b>	<b>343</b>	<b>190</b>	<b>488</b>	<b>35</b>
<b>Cash and cash equivalents - opening balance</b>	<b>963</b>	<b>61</b>	<b>818</b>	<b>216</b>
<b>Cash and cash equivalents - closing balance</b>	<b>1 306</b>	<b>251</b>	<b>1 306</b>	<b>251</b>

Cash and cash equivalents includes a short-term loan to the majority shareholder of SEK 1 266 million (SEK 205 million).

# 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 31 March 2000</b>	<b>102</b>	<b>1220</b>	<b>1322</b>	<b>923</b>	<b>2245</b>
Exercise of options	0	6	6	0	6
Reclassification between restricted and unrestricted reserves	0	181	181	-181	0
Dividends paid	0	0	0	-449	-449
Net income 6 months	0	0	0	637	637
<b>Balance at 30 September 2000</b>	<b>102</b>	<b>1407</b>	<b>1509</b>	<b>930</b>	<b>2439</b>
Exercise of options	0	7	7	0	7
Reclassification between restricted and unrestricted reserves	0	243	243	-243	0
Net income 6 months	0	0	0	623	623
<b>Balance at 31 March 2001</b>	<b>102</b>	<b>1657</b>	<b>1759</b>	<b>1310</b>	<b>3069</b>
Exercise of options	0	5	5	0	5
Reclassification between restricted and unrestricted reserves	0	216	216	-216	0
Net income 6 months	0	0	0	695	695
<b>Balance at 30 September 2001</b>	<b>102</b>	<b>1878</b>	<b>1980</b>	<b>1789</b>	<b>3769</b>