

Europolitan Holdings AB reports nine months results* with pre-tax income of SEK 1 439 million

- **Net income of SEK 1 034 million**
- **96 000 net customer additions**
- **Net sales of SEK 4 409 million**
- **EBITDA of SEK 1 899 million**
- **Pre-tax income for third quarter of SEK 471 million**
- **Launch of GPRS e-mail service**
- **First licence condition met – 3G network operational**

* Accounting year to 31 March

Nine months results 2001/2002

Customer Growth

Europolitan Vodafone's customer base increased to 1 109 000 as of 31 December 2001, including 294 000 (209 000) Europolitan Vodafone prepaid customers. A total of 96 000 new customers were added in the nine months (109 000), of which 39 000 were contract customers (52 000) and 57 000 (57 000) were prepaid customers. During the third quarter 37 000 (31 000) customers were added, including 31 000 prepaid customers (19 000).

Net Sales

Europolitan Vodafone's consolidated nine months net sales increased 11% to SEK 4 409 million compared with the same period last year (SEK 3 971 million).

Average monthly revenue per customer, excluding prepaid customers, was SEK 565 (SEK 551). The 3% increase compared to the same period last year reflects continuing stability in market conditions, in terms of both price and steady growth in minutes of use per customer.

Average monthly revenue per customer, including prepaid customers was SEK 448 (SEK 449).

Cost of Sales, Operating Expenses and Income

Cost of sales and operating expenses in the nine months ended 31 December 2001 increased 14% to SEK 3 028 million (SEK 2 649 million) compared to the same period last year. The increase was due to:

- Increases in costs which are directly related to the increased number of customers and their usage.
- Depreciation on increased capital investments.
- Continuing investment in new business areas and the 3G rollout.

After net financial income of SEK 30 million (SEK 4 million), income before taxes was SEK 1 439 million (SEK 1 345 million). After tax expense of SEK 412 million (SEK 378 million) and minority interest of SEK 7 million (nil), net income was SEK 1 034 million (SEK 967 million).

Capital Expenditures

Capital expenditures in the nine months amounted to SEK 925 million (SEK 687 million). This included the company's increasing investment in its 3G rollout, as well as ongoing investment in its GSM / GPRS network and in service development.

Liquidity and Financing

EBITDA amounted to SEK 1 899 million (SEK 1 738 million) during the nine months ended 31 December 2001, an increase of 9%. Cash flow after investments (free cash flow) decreased by 9%, due to increased investment in capital expenditures and higher working capital at the calendar year end. Europolitan AB has made a short-term loan to Vodafone Group Plc of SEK 1 255 million (SEK 500 million) on market terms.

Option Programs

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 was 1 June to 1 December 2001. Subscriptions for new shares with exercise of the warrants connected to issue No. 2 have been made.

During December 2001, the company undertook a program to repurchase 1.3m of its own shares, in accordance with the decision taken at the shareholders' meeting on 26 June 2001, in order to give the company increased possibilities to handle the share option program approved at the same meeting. This repurchase program, previously announced was finalised during December 2001. As a result of the above events the share capital at 31 December 2001 was SEK 102 426 103 and the number of shares was 408 384 410.

Market Overview

3G

Europolitan Vodafone announced on 15 January 2002 that Orange Sverige AB (Orange) had joined 3G Infrastructure Services AB (3GIS), the established 3G-infrastructure joint venture between Europolitan Vodafone and Hi3G. 3GIS's objective is to build and operate 3G-infrastructure covering up to 70 per cent of the total population in Sweden. 3GIS is a co-operation between three equal partners, which is fully in line with the regulations and licence conditions set out by The Swedish National Post and Telecom Agency. The cooperation is subject to approval from the Competition Authority.

The participation of Orange in the joint venture will decrease Europolitan Vodafone's network rollout investment costs for the 3G initiative outside the three major cities of Stockholm, Malmö and Göteborg by one third. It will also reduce the total number of masts required, in turn minimising the impact on the environment.

On 20 December 2001, Europolitan Vodafone opened its 3G network in Karlskrona, thereby meeting the deadline set by PTS as regards public access to 3G networks from 1 January 2002.

Brand name

During the nine-month period, campaigns were successfully launched to increase awareness of the dual brand, Europolitan Vodafone. In April 2002, the brand name will change to Vodafone. This step is intended to underline the fact that the company is part of the world's largest mobile telecoms group. New Year's Day 2002 saw the start of a comprehensive brand campaign. The aim of the campaign is to increase awareness of the Vodafone brand and demonstrate how Vodafone can bring together people from all over the world – from football fans to business people.

Customers

Growth in the customer base in the third quarter of the financial period was higher than the growth experienced in the same period last year. The number of prepaid connections was higher than contract additions principally due to seasonal factors and the market trend towards prepay connections during the final quarter of 2001. Subscriber acquisition costs have been stable at the same level as the previous quarter.

Of Europolitan Vodafone's total customer base at 31 December 2001, 89% were active. The proportion of active contract customers amounted to 91% and the proportion of active prepaid customers amounted to 84%. Active customers are defined as those who have made a chargeable outgoing call in the last three months.

Customer satisfaction

In January 2002, Svenskt Kvalitetsindex published the results of its annual 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.

Services

In November 2001 Europolitan Vodafone launched an e-mail service for GPRS customers enabling them to download new e-mail messages automatically at intervals set by the customer. In addition to this e-mail functionality, Europolitan Vodafone also adapted its GPRS price structure to suit all its customers.

Europolitan Vodafone launched InfoManager in November 2001 as part of the Wireless Office concept that enables the staff of Europolitan Vodafone's corporate customers to get quick access to important internal information while they are out of the office. InfoManager can also help businesses to improve relationships with their customers by enabling them to offer services such as booking, balance information or product offers. This information is accessed via text messages or WAP directly from a mobile phone.

Vodafone Group Plc announced in January 2002 that it had signed a global agreement with Ericsson to supply multimedia-messaging software (MMS). MMS is an evolution of today's successful SMS service, which will allow customers to compose, send and receive messages using all forms of media including text, pictures, audio and video clips. Europolitan Vodafone will adopt Ericsson's platform and is planning to launch MMS services during 2002.

Service Provider Agreements

Service provider agreements were signed with Campuz Mobile and Universal Telecom (Unitelco) during the third quarter. Campuz Mobile is a virtual mobile operator selling mobile phone services and subscriptions to students at Swedish universities and Unitelco will offer mobile services principally to its existing fixed line customers across a number of specific market segments.

Third Quarter Highlights

- In October Europolitan Vodafone announced that the construction company Peab had signed an agreement for the provision of mobile services. The agreement covers around 3 500 employees. (Press Release 2001-10-23).
- Europolitan Vodafone announced a new pricing structure for GPRS and an e-mail service whereby e-mails are automatically sent to the customer's GPRS-enabled mobile phone. (Press Release 2001-10-24).
- On 6 November Europolitan Vodafone launched InfoManager, a service part of the Wireless Office concept that enables the staff of its corporate customers to get quick access to important internal information while they are out of the office. (Press Release 2001-11-06).
- Europolitan Vodafone and TietoEnator announced that they will develop a virtual payment card together. (Press Release 2001-11-28).
- Europolitan Holdings AB announced that it had undertaken a program to repurchase its own shares. (Press Release 2001-11-29).
- Europolitan Vodafone will change its brand name to Vodafone in April 2002. (Press Release 2001-12-19).
- Europolitan Vodafone offered mobile services in connection with the launch of the film "The Lord of the Rings, the Fellowship of the Ring". (Press Release 2001-12-10).
- On 20 December Europolitan Vodafone met PTS (Swedish Post and Telecom Agency) first licence condition and opened its 3G network in Karlskrona ahead of 1 January 2002. (Press Release 2001-12-20).

Significant events after the quarter end

Regulatory

The Swedish National Post and Telecom Agency (PTS) is investigating whether Europolitan Vodafone and Tele2 have significant market power on the mobile and/or interconnect markets. Europolitan Vodafone does not consider itself to have significant market power on either market and particularly not in the interconnect market. If an operator does have significant market power on the mobile market, it can be obliged by PTS to offer interconnect tariffs on equal market terms and conditions to all operators. If an operator has significant market power on the interconnect market, it can be obliged to offer cost-based interconnect tariffs. Significant market power on either the mobile or the interconnect market will only affect interconnect tariffs, as highlighted above.

Quarterly Report

Europolitan Vodafone's Final Report will be published on 30 April 2002.

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Previous financial reports and additional information regarding Europolitan Vodafone can also be obtained on the Internet at 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 for the financial year ended 31 March 2001.

Europolitan Holdings AB is the holding company of the mobile operator Europolitan AB, which trades as 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. Vodafone Group Plc is represented on 5 continents and has over 100 million customers (proportionate customers). For more information, please visit www.europolitan.se and www.vodafone.com.

Key Figures

NINE MONTHS

	Nine Months Ended		Change	Percent
	31 Dec 2001	31 Dec 2000		
Number of customers end of period	1 109 000	994 000	115 000	12%
Net customer additions	96 000	109 000	-13 000	-12%
Average monthly revenue per customer * (SEK)	448	449	-1	0%
Average monthly revenue per subscriber * (SEK) (excluding prepaid customers)	565	551	14	3%
Net sales (SEK mil)	4 409	3 971	438	11%
EBITDA** (SEK mil)	1 899	1 738	161	9%
EBITDA margin (%)	43%	44%	-1%	-2%
Income before taxes (SEK mil)	1 439	1 345	94	7%
Capital expenditures (SEK mil)	925	687	238	35%
Free cash flow*** (SEK mil)	671	739	-68	-9%
Return on shareholders' equity (%)	39%	53%	-14%	-26%
Return on capital employed (%)	53%	70%	-17%	-24%
Equity/assets ratio (%)	65%	60%	5%	8%
Shareholders' equity per share (SEK)	9,84	6,77	3,07	45%
Share price (end of period) (SEK)	70	83,50	-13,50	-16%

THREE MONTHS

	Three Months Ended		Change	Percent
	31 Dec 2001	31 Dec 2000		
Number of customers end of period	1 109 000	994 000	115 000	12%
Net customer additions	37 000	31 000	6 000	19%
Average monthly revenue per customer * (SEK)	437	448	-11	-2%
Average monthly revenue per subscriber * (SEK) (excluding prepaid customers)	557	554	3	1%
Net sales (SEK mil)	1 486	1 344	142	11%
EBITDA** (SEK mil)	630	593	37	6%
EBITDA margin (%)	42%	44%	-2%	-5%
Income before taxes (SEK mil)	471	458	13	3%
Capital expenditures (SEK mil)	451	296	155	52%
Free cash flow*** (SEK mil)	143	275	-132	-48%

Of its total customer base at 31 December 2001, Europolitan Vodafone had an active customer base of 89 %.

The proportion of active contract customers amounted to 91 % and prepaid customers 84 %. Active customers are defined as those who have made a chargeable outgoing call in the last three months.

* Europolitan AB Revenue (net sales)

*** Cash flow after investing activities

** Earnings before interest, tax and depreciation.

Consolidated Income Statements

(Amounts in SEK millions)	2001-10-01- 2001-12-31 (3 months)	2000-10-01- 2000-12-31 (3 months)	2001-04-01 2001-12-31 (9 months)	2000-04-01 2000-12-31 (9 months)
Net sales	1 486	1 344	4 409	3 971
Cost of sales	-766	-686	-2 260	-2 084
Gross profit	720	658	2 149	1 887
Selling expenses	-148	-116	-424	-310
Administrative expenses	-116	-91	-333	-248
Other operating income	8	5	28	19
Other operating expenses	-5	-1	-11	-7
Operating income before financial items	459	455	1 409	1 341
Financial income	14	5	36	10
Financial expenses	-2	-2	-6	-6
Income before taxes	471	458	1 439	1 345
Taxes	-135	-128	-412	-378
Minority interests	3	0	7	0
Net income	339	330	1 034	967
Weighted average undiluted net income per share (SEK)	0,83	0,81	2,53	2,36
Weighted average diluted net income per share (SEK)	0,83	0,80	2,53	2,36
Number of shares outstanding - undiluted			408 384 410	409 182 180
Number of shares outstanding - diluted			408 712 381	409 919 001
Number of shares outstanding (weighted average) - undiluted			409 224 035	408 847 398
Number of shares outstanding (weighted average) - diluted			409 552 006	409 584 219

Consolidated Balance Sheets

(Amounts in SEK millions)

	31-dec <u>2001</u>	31-mar <u>2001</u>	31-dec <u>2000</u>
ASSETS			
Intangible fixed assets	47	58	62
Tangible fixed assets	3 159	2 918	2 832
Construction-in-progress	500	303	237
Financial fixed assets	3	3	1
Total fixed assets	3 709	3 282	3 132
Inventories	66	32	42
Accounts receivable	584	440	520
Other current assets	490	465	399
Short-term loan to majority owner	1 255	760	500
Cash and bank deposits	92	58	69
Total current assets	2 487	1 755	1 530
Total assets	6 196	5 037	4 662
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Restricted equity	2 093	1 759	1 604
Unrestricted equity	1 931	1 310	1 171
Total shareholders' equity	4 024	3 069	2 775
Minority interests	-3	4	5
Allocation to pension fund reserve (FPG/PRI)	30	21	19
Deferred taxes	763	636	576
Other provisions	6	9	0
Total provisions	799	666	595
Long term liabilities to financial institutions	0	57	88
Total long term liabilities	0	57	88
Short term liabilities to financial institutions	3	9	9
Accounts payable	333	258	325
Tax liabilities	344	283	303
Other liabilities	696	691	562
Total current liabilities	1 376	1 241	1 199
Total shareholders' equity, provisions and liabilities	6 196	5 037	4 662

Consolidated Statements Of Cash Flows

(Amounts in SEK millions)	2001-10-01- 2001-12-31 (3 months)	2000-10-01- 2000-12-31 (3 months)	2001-04-01 2001-12-31 (9 months)	2000-04-01 2000-12-31 (9 months)
Income before taxes	471	458	1 439	1 345
Depreciation and amortisation	171	138	490	397
Other items	12	4	26	14
Taxes paid	-175	-83	-225	-240
Cash provided by operations before changes in working capital	479	517	1 730	1 516
Changes in working capital	115	50	-134	-94
Cash flows from operating activities	594	567	1 596	1 422
Formation of associated companies and majority owned subsidiaries	0	4	0	4
Investing activities	-451	-296	-925	-687
Cash flows after investing activities	143	275	671	739
Advances from majority shareholder	0	0	0	210
Changes in borrowings of operating line of credit	-16	43	-55	71
Repayment of loans	-2	-7	-8	-230
Exercise of options	9	7	14	13
Repurchase of own shares	-93	0	-93	0
Dividends paid	0	0	0	-450
Cash flows from financing activities	-102	43	-142	-386
Increase in cash and cash equivalents	41	318	529	353
Cash and cash equivalents - opening balance	1 306	251	818	216
Cash and cash equivalents - closing balance	1 347	569	1 347	569

Cash and cash equivalents at 31 December 2001 includes a short-term loan to the majority shareholder of SEK 1 255 million (SEK 500 million).

Statements of Changes in Shareholders' Equity

(Amounts in SEK millions)	Share capital	Restricted reserves	Total restricted reserves	Unrestricted equity	Total shareholders' equity
Balance at 31 March 2000	102	1 220	1 322	923	2 245
Exercise of options	0	13	13	0	13
Reclassification between restricted and unrestricted reserves	0	269	269	-269	0
Dividends paid	0	0	0	-449	-449
Net income nine months	0	0	0	967	967
Balance at 31 December 2000	102	1 502	1 604	1 172	2 776
Reclassification between restricted and unrestricted reserves	0	155	155	-155	0
Net income three months	0	0	0	293	293
Balance at 31 March 2001	102	1 657	1 759	1 310	3 069
Exercise of options	0	14	14	0	14
Reclassification between restricted and unrestricted reserves	0	320	320	-320	0
Repurchase of own shares	0	0	0	-93	-93
Net income nine months	0	0	0	1034	1034
Balance at 31 December 2001	102	1 991	2 093	1 931	4 024