

Europolitan Vodafone AB reports first quarter results with pre-tax income of SEK 529 million

- **Net income of SEK 380 million**
- **59 000 net customer additions**
- **Net sales of SEK 1 560 million**
- **EBITDA of SEK 692 million**
- **Launch of new Vodafone PRE-PAID card**

First Quarter Report 2002/2003

Customer Growth

Vodafone's customer base increased to 1 222 000 at 30 June 2002, of which 359 000 were prepaid customers. A total of 59 000 new customers were added in the quarter (27 000), of which 22 000 (16 000) were contract customers. Of the closing base, 98 000 were connected through Service Providers, of which 54 000 were contract customers.

Net Sales

Vodafone's consolidated net sales for the quarter increased 7% to SEK 1 560 million compared with the prior year (SEK 1 459 million).

Excluding Service Provider customers in the base, average monthly revenue per contract customer was flat versus last year and, including prepaid customers was 4% lower than last year. Compared to the previous quarter, average monthly revenue per contract customer grew by 5% and, including prepaid customers grew by 4%.

Average monthly revenue per customer for all contract customers decreased by 3% to SEK 555 (SEK 570). Average monthly revenue per customer including prepaid customers declined 8% to SEK 420 (455).

The number of prepaid customers in the customer base increased during the quarter to 29% (24%). Their lower average usage, compared to contract customers, contributed to the decline in blended ARPU.

Cost of Sales, Operating Expenses and Net Income

Cost of sales and operating expenses increased by 5% to SEK 1 058 million (SEK 1 004 million) in the first quarter. The lower level of marketing activity compared with the same quarter last year and the changing customer mix contributed to the modest increase in costs during the first quarter.

* In this report, unless otherwise stated "Vodafone" refers to the activities of Europolitan Vodafone AB and its subsidiaries in Sweden.

After net financial income of SEK 17 million (SEK 7 million), income before taxes was SEK 529 million (SEK 468 million). After tax expense of SEK 150 million (SEK 132 million) and minority interests of SEK 1 million (SEK 1 million), net income was SEK 380 million (SEK 337 million).

Capital Expenditures

Capital expenditures for the first quarter amounted to SEK 421 million (SEK 248 million). The majority of this related to the company's investment in its 3G rollout, whilst a smaller part related to the ongoing upgrade and service development of its GSM / GPRS network. Capital expenditures above include Vodafone's one third share of the 3G infrastructure investments made by its joint venture 3GIS AB during the first quarter, which is accounted for using the proportionate consolidation method.

Liquidity and Financing

EBITDA amounted to SEK 692 million (SEK 616 million) during the quarter, an increase of 12%. EBITDA margin increased by 2% to 44% for the quarter. Free cash flow (cash flow after investments) increased to SEK 254 million (SEK 111 million), due mainly to increased creditors and accruals, offset by increased capital expenditures. Vodafone Sverige AB continued to lend surplus cash to Vodafone Group Plc at a market rate with a loan balance at 30 June 2002 of SEK 1 895 million (SEK 910 million).

Collaboration Agreement with the Vodafone Group

As previously announced, Vodafone has a number of agreements with other companies within the Vodafone Group designed to increase their joint economies of scale and competitiveness in a number of different areas. In addition to the agreements in place during the last financial year, parts of the agreement relating to brand became effective during April 2002 after the successful launch of the Vodafone brand. Approximately SEK 28 million has been charged by Vodafone Group companies during the quarter.

Parent Company Results

The parent company, Europolitan Vodafone AB, had revenues during the first quarter of SEK 10 million (SEK 9 million) and income after financial items of SEK 2 million (SEK 2 million). The increase in parent company's cash was SEK 5 thousand (nil). Net financing was unchanged (unchanged).

Market Overview

Branding

During the first quarter, Vodafone launched a new product, Vodafone PRE-PAID supported by a further television advertising campaign based on the original "How Are You" advertisements run during the final quarter of the last financial year.

Customers

The number of customers added during the quarter increased compared with both the previous quarter and the same quarter in the previous year. A number of factors contributed to this, including good sales of the new Vodafone PRE-PAID card, further customer gains in the corporate area as well as continuing growth from Service Providers using Vodafone's network.

During the first quarter, Vodafone announced that it had concluded agreements with Skanska, Orkla and the Skåne municipalities which will bring up to 20 000 new customers to Vodafone in the coming months.

Services

During the first quarter of the 2002/2003 financial year, Vodafone announced a number of new services, including the launch of the new Vodafone PRE-PAID card. Customers buying a Vodafone PRE-PAID card have been able to make calls from a number of European countries from 15 July this year without having to sign a special agreement before they travel.

During April 2002, Vodafone announced the launch of "Notera", the world's first service enabling hand-written messages to be sent by mobile terminals. Together with a SonyEricsson Chatpen, digital paper and a GPRS-enabled handset, customers are able to send text and graphics digitally as an e-mail, SMS or fax. In June 2002, Vodafone and Anoto were awarded first prize for the service at the Annual Bluetooth Congress in Amsterdam.

In June 2002, Vodafone announced that it is working with Microsoft and WM-Data to provide Outlook and access to company intranets direct to mobile terminals. The three companies will work jointly to develop and market services in Sweden.

Service Provider and Partner Agreements

In June, Vodafone announced a sales cooperation agreement with Radiolinja in Finland, following on from the Partner Agreement signed between the Vodafone Group and Radiolinja in February. Together with Radiolinja, Vodafone will be able to offer mobile solutions in a more co-ordinated way for its customers with operations in both Finland and Sweden.

First Quarter Highlights

- In April 2002, Europolitan Vodafone was rebranded as Vodafone. (Press release 2002-04-17).
- Vodafone announced it had signed an agreement with Telenor Business Solutions to provide telecommunications services for Orkla and Carlsberg Breweries (Press Release 2002-04-18).
- Vodafone and Anoto launched the world's first enabling service hand-written text and graphics messages to be sent by mobile terminals (Press release 2002-04-18).
- Vodafone signed an agreement with four of Sweden's newspaper distributors allowing them to monitor delivery staff using an SMS service (Press release 2002-05-24).
- In May 2002, Vodafone signed a three-year agreement with 28 municipalities in Skåne, concerning the provision of mobile services (Press release 2002-05-27).
- In early June, Vodafone announced it was working with Microsoft and WM-Data to provide Outlook and access to company intranets direct to mobile terminals (Press release 2002-06-06).
- Vodafone launched its new PRE-PAID product, allowing prepaid customers to roam overseas without signing a special agreement (Press Release 2002-06-06).
- Together with Radiolinja in Finland, Vodafone signed a cooperation agreement to provide its customers with operations in Finland and Sweden coordinated mobile services (Press release 2002-06-13).
- At its Annual General Meeting on 25 June 2002, it was decided to rename the parent company to Europolitan Vodafone AB (Press release 2002-06-25).
- Vodafone announced an agreement with Skanska to provide mobile services to its 8,500 employees, with possible Wireless Office installations to be developed (Press release 2002-06-26).

Regulatory Update

Interconnection Tariffs

In February 2002, the Regulator (PTS) determined that Vodafone has significant market power in both the mobile and the interconnect markets in Sweden. Vodafone appealed the decision and the administrative court agreed to defer any application of PTS's decision until the outcome of the appeal is known. PTS has applied for an extension to the period usually permitted to comment in full on Vodafone's appeal and was granted a deferral by the administrative court until the end of August.

Annual General Meeting

At the Annual General Meeting held on Tuesday 25 June it was decided to change the name of the parent company to Europolitan Vodafone AB. The stock market listing will remain under the "ticker", EURO.

Quarterly and Half Year Report

The Second Quarter and Half Year Report for 2002/2003 will be published on 22 October 2002.

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The Board of Directors – Europolitan Vodafone AB (publ)

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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 2002. These are in accordance with the Annual Accounts Act, Swedish Generally Accepted Accounting Principles and Recommendations issued by the Swedish Financial Accounting Standards Council.

Europolitan Vodafone AB is listed on Attract 40 on the Stockholm Stock Exchange's O list. The operations are carried out by Europolitan Vodafone AB and its subsidiaries, Vodafone Sverige AB and Vodafone Stores AB. The majority shareholder is Vodafone Group Plc, which owns 71 per cent of the shares, while private shareholders, investment companies and pension funds own the remaining 29 per cent. **The Vodafone Group** is the world's largest mobile network and is represented in 28 countries on 5 continents. It has more than 229 million mobile telecom users. Our services enhance the efficiency of companies' operations and make it simpler and more fun for people to communicate. Read more at www.vodafone.se and www.vodafone.com.

Key Figures

FIRST QUARTER

	Three Months Ended		Change	Percent
	30 June 2002	30 June 2001		
Number of customers end of period	1 222 000	1 040 000	182 000	18%
Net customer additions	59 000	27 000	32 000	119%
Average monthly revenue per customer * (SEK)	420	455	-35	-8%
Average monthly revenue per subscriber * (SEK) (excluding prepaid cards)	555	570	-15	-3%
Net sales (SEK mil)	1 560	1 459	101	7%
EBITDA** (SEK mil)	692	616	76	12%
EBITDA margin (%)	44%	42%	2%	5%
Income before taxes (SEK mil)	529	468	61	13%
Capital expenditures (SEK mil)	421	248	173	70%
Free cash flow*** (SEK mil)	254	111	143	129%
Weighted average undiluted net income per share (SEK)	0,93	0.82	0.11	13%
Weighted average diluted net income per share (SEK)	0,93	0,82	0,11	13%
Return on shareholders' equity (%)	34%	47%	-13%	-28%
Return on capital employed (%)	47%	64%	-17%	-26%
Equity/assets ratio (%)	64%	63%	1%	-
Shareholders' equity per share (SEK)	11,55	8,32	3,23	39%
Share price (end of period) (SEK)	36,80	67,00	-30,20	-45%

Of its total customer base at 30 June 2002, Vodafone had an active customer base of 90 %.

The proportion of active contract customers amounted to 91 % and active prepaid customers 89 %. Active customers are defined as those who have made a chargeable outgoing call in the last three months.

* Vodafone Sverige AB Revenue (net sales)

** Earnings before interest, taxes, depreciation and amortisation

*** Cash flow after investing activities

Consolidated Income Statements

(Amounts in SEK millions)	2002-04-01- 2002-06-30 (3 months)	2001-04-01- 2001-06-30 (3 months)
Net sales	1 560	1 459
Cost of sales	-772	-741
Gross profit	788	718
Selling expenses	-144	-153
Administrative expenses	-138	-108
Other operating income	10	6
Other operating expenses	-4	-2
Operating income before financial items	512	461
Financial income	20	9
Financial expenses	-3	-2
Income before taxes	529	468
Taxes	-150	-132
Minority interests	1	1
Net income	380	337
Weighted average undiluted net income per share (SEK)	0,93	0,82
Weighted average diluted net income per share (SEK)	0,93	0,82
Number of shares outstanding – undiluted	408 384 410	409 287 740
Number of shares outstanding - diluted	408 526 302	409 871 935
Number of shares outstanding (weighted average) – undiluted	408 384 410	409 205 685
Number of shares outstanding (weighted average) - diluted	408 526 302	409 789 881

Consolidated Balance Sheets

(Amounts in SEK millions)	June 30 2002	Mar 31 2002	June 30 2001
ASSETS			
Intangible fixed assets	39	43	54
Tangible fixed assets	3 088	3 132	3 027
Construction-in-progress	1 185	899	289
Financial fixed assets	3	3	3
Total fixed assets	4 315	4 077	3 373
Inventories	45	38	46
Accounts receivable	574	541	520
Other current assets	513	529	516
Short-term loan to majority shareholder	1 895	1 535	910
Cash and bank deposits	63	118	53
Total current assets	3 090	2 761	2 045
Total assets	7 405	6 838	5 418
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Restricted equity	2 372	2 243	1 881
Unrestricted equity	2 348	2 097	1 528
Total shareholders' equity	4 720	4 340	3 409
Minority interests	1	1	4
Allocation to pension fund reserve (FPG/PRI)	38	34	25
Deferred taxes	869	821	683
Other provisions	4	4	8
Total provisions	911	859	716
Long term liabilities to financial institutions	92	41	93
Total long term liabilities	92	41	93
Short term liabilities to financial institutions	2	2	4
Accounts payable	374	426	277
Tax liabilities	305	280	296
Other liabilities	1 000	889	619
Total current liabilities	1 681	1 597	1 196
Total shareholders' equity, provisions and liabilities	7 405	6 838	5 418

Consolidated Statements of Cash Flows

(Amount in SEK millions)	2002-04-01- 2002-06-30 (3 months)	2001-04-01- 2001-06-30 (3 months)
Income before taxes	529	468
Depreciation and amortization	180	155
Other items	5	9
Taxes paid	-75	-72
Cash provided by operations before changes in working capital	639	560
Changes in working capital	194	-201
Cash flows from operating activities	833	359
Investing activities	-579	-248
Cash flows after investing activities	254	111
Changes in borrowings of operating line of credit	51	36
Repayment of loan	-	-5
Exercise of options	-	3
Cash flows from financing activities	51	34
Increase in cash and cash equivalents	305	145
Cash and cash equivalents - opening balance	1 653	818
Cash and cash equivalents - closing balance	1 958	963

Cash and cash equivalents includes a short-term loan to the majority shareholder of SEK 1 895 million (SEK 910 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 2001	102	1 657	1 759	1 310	3 069
Exercise of options	-	3	3	-	3
Reclassification between restricted and unrestricted reserves	-	119	119	-119	-
Net income for the quarter	-	-	-	337	337
Balance at 30 June 2001	102	1 779	1 881	1 528	3 409
Exercise of options	-	11	11	-	11
Reclassification between restricted and unrestricted reserves	-	351	351	-351	-
Repurchase of own shares	-	-	-	-93	-93
Net income for the period	-	-	-	1 013	1 013
Balance at 31 March 2002	102	2 141	2 243	2 097	4 340
Reclassification between restricted and unrestricted reserves	-	129	129	-129	-
Net income for the quarter	-	-	-	380	380
Balance at 30 June 2002	102	2 270	2 372	2 348	4 720
		30 June 2002	31 March 2002	30 June 2001	31 March 2001
Number of own shares		1 320 000	1 320 000	-	-