



EUROPOLITAN

Europolitan reports Half Year result with pre-tax income of SEK 887 million

- **Net income of SEK 637 million**
- **78 000 net customer additions**
- **Revenue of SEK 2 627 million**
- **EBITDA of SEK 1 145 million**
- **Pre-tax income for second quarter of SEK 470 million**
- **Europolitan applies for a licence to operate a UMTS network**

Half Year Results 2000

In this report the first and the second quarters of the reporting period are compared to the equivalent calendar periods of the previous financial period.

Customer Growth

Europolitan's customer base increased to 963 000 as of September 30, 2000, including 209 000 active Europolitan EASY prepaid cards. A total of 78 000 new customers (124 000) were added in the first half, including 40 000 contract customers (103 000). During the second quarter 22 000 (62 000) customers were added, including 12 000 subscribers (50 000).

Revenue

Europolitan's consolidated first half net sales increased 17% to SEK 2 627 million compared with the same period last year (SEK 2 246 million).

Average monthly revenue per customer, excluding prepaid cards, was SEK 550 (SEK 590). The 7% decrease was due to reductions 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 503), reflecting the factors above and the higher proportionate share of



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

Cost of Sales, Operating Expenses and Profit

Cost of sales and operating expenses, increased 20% to SEK 1 741 million (SEK 1 456 million) in the first half. The increase was due to :

- Increased interconnect and customer management costs arising from the higher number of customers and higher depreciation expense resulting from the continued enhancement of the GSM network.
- High commission costs associated with upgrading the equipment of existing customers.
- Costs for the current period include those incurred by Doberman AB and Ocom AB which were acquired during December 1999 and March 2000.

After net financial income of SEK 1 million (expense SEK 11 million), profit after financial items was SEK 887 million (SEK 779 million). After tax expense of SEK 250 million (SEK 219 million), net profit was SEK 637 million (SEK 560 million).

Capital Expenditures

Capital expenditure in the first half amounted to SEK 391 million (SEK 326 million). The company continues to ensure that its customers have access to a network of the highest quality and with the most advanced technical features. During the second financial quarter, the company continued the roll-out of General Packet Radio Service ("GPRS") technology in its GSM network.

Liquidity and Financing

Cash flow after investing activities (free cash flow) amounted to SEK 464 million (SEK 600 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 September 30, 2000, there was no outstanding balance on the SEK 1.4 billion long-term debt facility from the majority shareholder Vodafone Group Plc (SEK 366 million). However, the company had made a short term loan to Vodafone Group Plc of SEK 205 million (SEK Nil) on normal commercial terms and at prevailing market rates.

Parent Company Results

The Group's parent company, Europolitan Holdings AB, had revenue in the first half of SEK 12.3 million (SEK 10.4 million) and posted a loss after financial items of SEK 81 000 (SEK 394 000). There was no change in the parent company's cash (outflow SEK 10 000). There was no change in net financing in the parent company in the first half (increase SEK 124 million) as the loan with Vodafone Group Plc is held in the books of Europolitan AB.

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 1 is June 1 to December 1, 2000. Subscriptions for new shares with exercise of a part of the warrants connected to issue No 1 have been made



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whereby the share capital has increased to SEK 102 226 827.50 and the number of shares increased to 408 907 310.

Market Overview

UMTS

On September 1, 2000 an application for a license to operate a UMTS network was submitted to the Swedish National Post and Telecom Agency (PTS). The main features of the application are as follows:

- Europolitan will build a UMTS network to cover the whole of Sweden which will be in operation as early as the first half of 2001.
- Europolitan will open its network to other content and service providers.
- Europolitan commits to invest approximately SEK 20 million to establish and fund research centres at regional universities and colleges.
- The UMTS network expansion is being prioritised in six municipalities.
- A service portfolio with international coverage is under development.

According to PTS's evaluation criteria, Europolitan's application achieves the maximum possible points in terms of coverage and rate of expansion.

Customers

The stiffening of competition in the subscriber segment reported during the first quarter continued in the second quarter. Commissions paid to the company's distributors to connect private subscribers were reduced in the second financial quarter. This meant that Europolitan paid commissions below those offered by its competitors and this resulted in lower subscriber growth. Europolitan remains committed to growing its customer base but only in so far as it is profitable to do so.

Branding

The Board has decided that dual branding will be adopted in early 2001. This will mean that the logo of Vodafone Group Plc will appear alongside Europolitan's, showing that the company is backed by a strong international partner. This will emphasise Europolitan's ability as a mobile operator to offer a strong international portfolio of services to its present and future customers.

Services

During the first half of the year, a number of new services were introduced. A new function in the EuroVoice Pro voice mailbox enables Europolitan's customers to listen to their e-mails instead of reading them. The e-mails are translated into speech and the customer can use any telephone in any location to retrieve e-mail messages just like regular voice messages.

It also became possible for all customers, including EASY prepaid customers, to access WAP (Wireless Application Protocol) services as a standard part of all product offerings.



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Technical development

Two new agreements for the development and provision of telematic services were entered into in the second quarter supporting the earlier decision by the company to create a unit to focus on this developing segment of cellular communications. One agreement was for a long-term collaboration for the development of mobile telematic solutions for the transport market. This agreement with WirelessCar, could result in up to 50 000 new telematic subscriptions. The other agreement, with WM-Data, utilises cellular telephony's ability to facilitate remote reading and collection of meter data, for instance water meters. The agreement is expected to result in approximately 75 000 new telematic subscriptions over the next few years.

Second Quarter Highlights

- On September 1, the company applied for a license to operate a UMTS network. (Press Release 2000-09-01).
- On September 8, a new service was introduced whereby text is translated into speech. Europolitan's customers can now listen to their e-mails instead of reading them. (Press Release 2000-09-08).
- On September 20, a new subscription form was launched called FriTid. The new subscription form has no minimum subscription period and includes services such as WAP, SMS and number display. The subscription will not be sold in combination with subsidised mobile telephones. (Press Release 2000-09-20).
- Also on September 20, together with Warner Music, Europolitan offered Madonna's latest hit, "Music", as a ringing tone for mobile phones. (Press Release 2000-09-20).
- On September 21, Europolitan signed a long-term agreement with WM-Data for the provision of telematic services. The system "Inligo" jointly developed by Europolitan and WM-Data uses combined radio and GSM technology. (Press Release 2000-09-21).
- On September 29, Europolitan and WirelessCar signed a long-term agreement for the development of mobile telematic solutions for the transport market. (Press Release 2000-09-29).
- On October 3, Europolitan and Nocom formed a joint venture company to market corporate mobile Internet services. The company, MR MobileRelations AB, will provide the WAP Direct service in Sweden and abroad. (Press Release 2000-10-03).

Regulatory Update

Access to Mobile Networks

In June, 2000 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.



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UMTS

In May, 2000 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. On September 1, ten applications for a licence to operate a UMTS network were submitted to the Swedish National Post and Telecom Agency. The licences are expected to be issued during late November 2000.

Interconnection

On May 31, 2000 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, 2000. Telia Mobil has appealed and the implementation of the decision is pending the outcome in the administrative courts.

Quarterly Report

Europolitan's Third Quarter Report will be published by January 26, 2001.

Stockholm, November 14, 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 RATIOS	Six Months		Change	Percent
	September 30, 2000	September 30, 1999		
SIX MONTHS				
Number of customers end of period	963 000	790 000	173 000	22%
Net customer additions	78 000	124 000	-46 000	-37%
Average monthly revenue per customer * (SEK)	449	503	-54	-11%
Average monthly revenue per subscriber * (excluding prepaid EASY cards) (SEK)	550	590	-40	-7%
Net sales (SEK mil)	2 627	2 246	381	17%
EBITDA** (SEK mil)	1 145	997	148	15%
EBITDA margin (%)	44%	44%	0%	
Income before taxes (SEK mil)	887	779	108	14%
Capital expenditures (SEK mil)	391	326	65	20%
Free cash flow*** (SEK mil)	464	600	-136	-23%
Net income per share (SEK) Net income after tax fully diluted	1,55	1,36	0,19	14%
Share price (end of period) (SEK)	91	88	3	3%
Number of shares (end of period)	408 907 310	408 660 000	247 310	0,06%
	Three Months		Change	Percent
	September 30, 2000	September 30, 1999		
THREE MONTHS				
Number of customers end of period	963 000	790 000	173 000	22%
Net customer additions	22 000	62 000	-40 000	-65%
Average monthly revenue per customer * (SEK)	449	502	-53	-11%
Average monthly revenue per subscriber * (excluding prepaid EASY cards) (SEK)	549	587	-38	-6%
Net sales (SEK mil)	1 325	1 169	156	13%
EBITDA ** (SEK mil)	603	551	52	9%
EBITDA margin (%)	46%	47%	-1%	
Income before taxes (SEK mil)	470	440	30	7%
Capital expenditures (SEK mil)	175	175	0	0%
Free cash flow*** (SEK mil)	360	375	-15	-4%
Net income per share (SEK) Net income after tax fully diluted	0,82	0,77	0,05	6%

* Europolitan AB Revenue (net sales)

** Earnings before interest, tax, depreciation and amortisation

*** Cash flow after investing activities



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Consolidated Income Statement

Amount in SEK millions Unaudited	2000-07-01- 2000-09-30 (3 months)	1999-07-01- 1999-09-30 (3 months)	2000-04-01-- 2000-09-30 (6 months)	1999-04-01-- 1999-09-30 (6 months)
Net sales	1 325	1 169	2 627	2 246
Cost of sales	-678	-591	-1 398	-1 187
Gross profit	647	578	1 229	1 059
Selling expenses	-97	-75	-194	-154
Administrative expenses	-84	-60	-157	-118
Other operating income	6	5	14	8
Other operating expenses	-2	-3	-6	-5
Operating income before financial items	470	445	886	790
Financial income	2	1	5	2
Financial expense	-2	-6	-4	-13
Income before taxes	470	440	887	779
Taxes	-133	-123	-250	-219
Net income	337	317	637	560

The above statement is presented with costs classified on a “functional basis”. In previous reports costs have been presented on a “cost type basis”. Comparative figures have also been reclassified. The change is to provide a more meaningful analysis.



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Consolidated Balance Sheet

Amount in SEK millions	2000-09-30	1999-09-30
ASSETS		
Intangible fixed assets	66	3
Tangible fixed assets	2 681	2 342
Construction-in-progress	226	149
Total fixed assets	2 973	2 494
Inventories	51	34
Accounts receivable	455	304
Short term loan to majority owner	205	0
Other current assets	452	322
Cash and bank deposits	46	22
Total current assets	1 209	682
Total assets	4 182	3 176
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		
Total shareholders' equity	2 439	1 649
Allocation to pension fund reserve (FPG/PRI)	17	10
Deferred taxes	541	394
Total provisions	558	404
Long term liabilities to group companies	0	366
Long term liabilities to financial institutions	47	58
Total long term liabilities	47	424
Short term liabilities to financial institutions	14	24
Accounts payable	182	188
Tax liabilities	293	135
Other liabilities	649	352
Total current liabilities	1 138	699
Total shareholders' equity, provisions and liabilities	4 182	3 176



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Consolidated Statement of Cash Flows

Amount in SEK millions	2000-07-01 2000-09-30 (3 months)	1999-07-01- 1999-09-30 (3 months)	2000-04-01-- 2000-09-30 (6 months)	1999-04-01- 1999-09-30 (6 months)
Unaudited				
Income before taxes	470	440	887	779
Depreciation and amortisation	133	106	259	207
Other items	5	5	10	4
Tax paid	-82	0	-157	0
Cash supplied from operations before changes in working capital	526	551	999	990
Changes in working capital	9	-1	-144	-64
Cash flow from operating activities	535	550	855	926
Investing activities	-175	-175	-391	-326
Cash flow after investing activities	360	375	464	600
Proceeds from long-term borrowings	0	0	210	300
Amortisation of loan	-176	-379	-195	-529
Redemption of options	6	0	6	0
Cash dividend paid	0	0	-450	-368
Cash flow from financing activities	-170	-379	-429	-597
Change in cash	190	-4	35	3