

Investor Capital Markets Day

December 10, 2004

Shlomo Liran
CEO



2004-12-10



Presentation Outline

- 1. Background**
- 2. 3 Today**
- 3. Learnings, Challenges and Conclusions**
- 4. Conclusions**

2004-12-10



3G Around the World

- ~8M 3G-subscribers in Japan, ~2 M joining per Qtr
- ~9M 3G subscribers in Korea, ~3M joining per Qtr
- >2M  subscribers in Italy
- 28 operators in 18 countries have launched, 40 more will launch this year
- 11 top handset manufacturers, repr. 90% of the global 2G market have launched 3G handsets
- 440M EU-citizens are covered by UMTS licenses
350M have access to phones and services

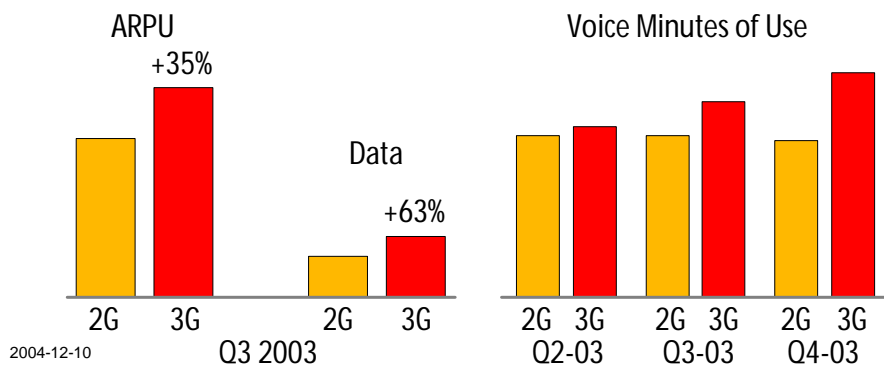
2004-12-10



3G Around the World

... and customers use it a lot...

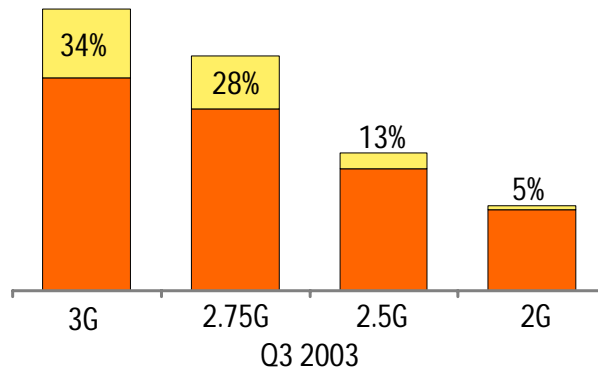
- NTT DoCoMo's 3G ARPUs are above average
- Voice MoU increased by 35% last year





3G Around the World

3G ARPU at SK Telecom much higher than average



2004-12-10



Hutchison Global 3G Venture on Track

- Hi3G continues to benefit from being part of the Hutchison global 3G venture
- Q2 report convinced the market that the venture is on track
- Added 22,500 subscribers per day in July
- ARPU healthy
- Financial market generally surprised by high growth, high ARPU and low SAC

** the street will have to revise up estimates* (Merrill Lynch, on H3G globally)*

** the company seems to be on track* (Carnegie, on HI3G Scandinavia)*

2004-12-10



3G in Sweden – A Success

- The Swedish government took the most ambitious 3G strategy in the world
- Sweden is the world leader in 3G coverage
- All 4 Swedish operators have launched 3G
- Market attitude changing – and sales levels reflect it
- Usage – Much higher than national average

2004-12-10



Why 3G – Because it is so Rich



2004-12-10



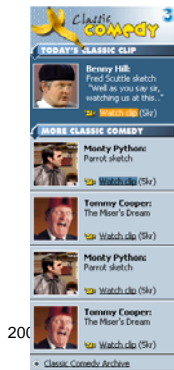
Why 3G – Because it is Rich

Video Telephony



Se varandra.
Ettanvändare avsett för videokall.
Var noga med att vara synbar.

Entertainment



High-speed Data

Mobilt höghastighetsmodem.



upp till 384 kbps

Assistenten
Kontoret i mobilen.
Håll koll på din e-post,
kalender och kontakter.



Guru



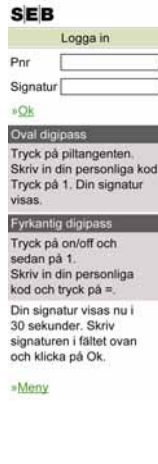
News



2004-1



Why 3G – Packaging of Content



2004-1



Why 3G – Because it is Efficient

- 8 times more capacity per €, and it is just the beginning
- Fast – x10 than GPRS today, x100 in 1 year
- Voice traffic load becomes negligible
- Video capabilities create opportunities
- Mobile Internet everywhere – A reality
- Picture, video and data file transmission become practical

The basic gets cheaper
The productivity improves



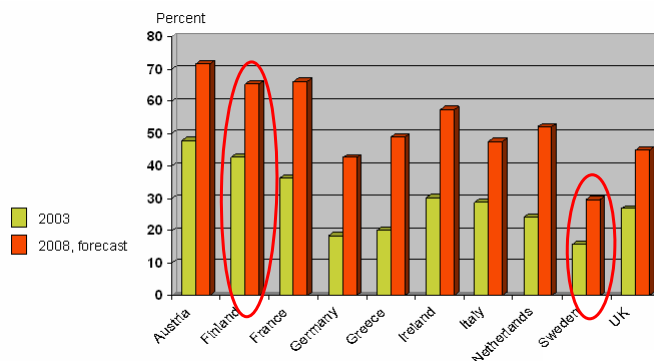
Great value for money

2004-12-10



3G – Opportunity to be Freed from Wires

Mobile share of total outgoing voice will grow
- Western Europe



2004-12-10

Source: Ericsson Strategy Analytics 2003



Conclusion – 3G

- 3G is today an undisputed, accelerating reality, progressing at a high speed
- Most initial issues are solved – Potential is evident
- 3G succeeds because it offers:

Richness
Speed
Lower costs



Superior value for money

2004-12-10

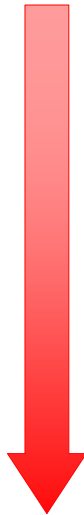
3 Today



2004-12-10



From Project Launch to Market Leadership



- Dec 2000** - Awarded 3G-license
- Infrastructure roll-out started
- April 2001** - 3GIS jointly formed with Europolitan and Orange
- June 2001** - Agreement with Ericsson signed
- Sept 2001** - Awarded Danish 3G-license
- Dec 2001** - The first 3G call is made in 3s own net
- Summer 2003** - Educated the public on 3G
- May 2004** - Broad commercial launch
- Dec 2004** - Strong subscriber base in Scandinavia

2004-12-10



What have we achieved so far?

- ✓ Introduced **simple, attractive, fair** mobile pricing to Sweden
- ✓ Shown **cheaper voice stimulates demand** – price elasticity proven
- ✓ Introduced and created demand for **video**
- ✓ Launched a **rich** variety of **content** services
- ✓ **Voice traffic is today less than 50% of the traffic volume! (in TB)**
- ✓ Undisputed Scandinavian **leader for 3G** services, based on consumer research
- ✓ **88% 3G** population coverage, **95%** voice+SMS population coverage

2004-12-10



The Company - Our Vision

"Pioneers For A Better Mobile Life"

Simple & Creative

+

Quality & Speed

=

Value for Money & Innovation

Friendly

Customer Focus & Fun

2004-12-10



Investments to Date

- ✓ As of Q3 2004, the company has received a total funding of 12bn
 - 35 percent as equity. The rest as shareholder loans
- ✓ More than half of total funding used to build network
- ✓ Peak funding forecast unchanged

2004-12-10



Excellent Network

Yesterday

- ✓ Initial quality was inferior to 2G networks / handsets
- ✓ Some customers had a bad first experience

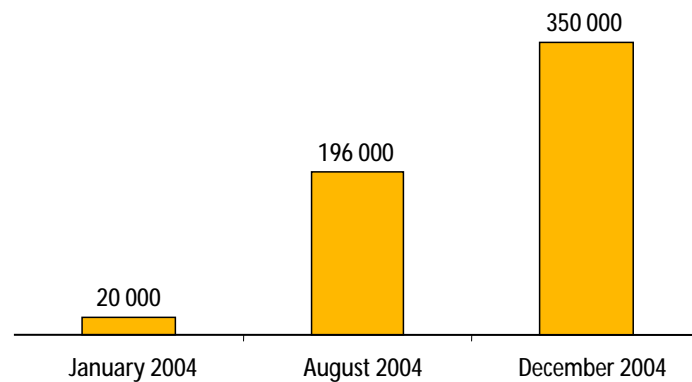
Today

- ✓ 88 percent population 3G-coverage in Sweden
- ✓ We are #1 in coverage among all operators
- ✓ We are # 1 in quality in
 - **Stockholm, Malmö and Gothenburg**
 - Eastern Sweden, Southern Sweden, and the most northern part of Sweden
- ✓ Future-proof technology
 - Planning for HSDPA next year => 2Mbps data speed

2004-12-10 *Magazine "Mobil", December 2004



Growing Subscriber Base Scandinavia



2004-12-10





Our Current Offerings

- ✓ Attractive range of handsets - constantly adding new models
- ✓ Free calls on the net, to create viral marketing effect
- ✓ Buckets of voice used to create customer traction and drive usage
 - Low per-minute-price
 - High ARPU
 - Fixed line substitution
- ✓ 3G prepaid
 - Same pricing structure as postpaid
 - Frequent refilling => attracting the heavy user segment
- ✓ Content
 - By far the best
 - Several success stories
 - Both walled garden and open Internet access

2004-12-10



Our Competitive Advantages

1. Efficient Scandinavian setup
2. 3G single-minded focus
3. Being part of Hutchison's global 3G venture:
 - Handset supply
 - Content
 - Experience sharing
4. An entrepreneurial spirit

2004-12-10

Learnings, Challenges and Conclusions



2004-12-10




Key Learnings

- ✓ 3G is not GSM!
- ✓ Handsets are key to create customer traction
- ✓ Simplicity in packaging and pricing is a success factor
- ✓ Uptake of new services is gradual, but steady
- ✓ Mobile 3G is not television, not Internet
- ✓ Build on Scandinavian synergies
- ✓ Distribution is key
- ✓ The business market needs special care, high reliability
- ✓ Customer care now on track

2004-12-10



Challenges and Future Plans

- ✓ Be a customer focused, friendly company
 - ✓ Take our fair share of the market
 - ✓ Drive ARPU by attracting heavy users, fixed line substitution
 - ✓ Be the leader in mobile content and video services
 - ✓ Continuously roll out and upgrade the network. Be the best!
- 
- ✓ Grow fast, nurture loyal customers
 - ✓ Streamline and trim systems and platforms
 - ✓ Fully extract the synergies across Nordics

2004-12-10



Conclusions

- ✓ The risk of the business case substantially reduced
 1. 3G is today an undisputed, accelerating reality
 2. Technology works - Currently serving ~350' customers
 3. 3 has now really kickstarted
 4. 3 is perceived as a serious player on the mobile market
- ✓ Peak funding forecast unchanged
- ✓ The battle continues...

... execution is key

2004-12-10

Thank you!



2004-12-10