

Karlskrona, 15 November 2005

## Half-year report for Vodafone Sweden 1 April - 30 September 2005

- Contract customers increased by 6% year-on-year
- Continued strong pressure on prices in the Swedish market
- Launch of new business services: Vodafone Passport and Vodafone Business FastPris
- On 31 October Vodafone Group announced its intentions to sell Vodafone Sweden to Telenor

### Revenue

The Swedish market in the first half-year saw a continuation in strong price pressure and fierce competition. Vodafone's net sales declined slightly in the first half-year to SEK 3,219 million. Despite intense competition, Vodafone Sweden's customer base increased to 1,545,000 of which 999,000 are contract customers.

Although call minutes per customer per month increased 3 per cent, average revenue declined as a result of price pressure. The average monthly revenue per contract customer in the six months was SEK 448.9, which puts us among the top-ranking telecoms operators in the European market. The average monthly revenue per customer including prepaid customers was SEK 315.9.

### Operating Expenses and Liquidity

In the first half-year EBITDA declined to SEK 579 million as a result of the costs associated with the ongoing 3G investments, increasing costs from attracting new customers and price pressure in the Swedish market.

To strengthen its competitive edge, Vodafone Sweden has decided to lower its operating costs by SEK 500 million over a two-year period. A project aimed at making both the organisation and work methods more efficient is in progress, and suppliers' agreements and range of products are being reviewed.

### Services and products launched in the first half-year

#### **Vodafone Passport**

Thanks to the Vodafone Group's global scale, the launch of Vodafone Passport made it much cheaper and simpler for Vodafone Sweden's customers to make and receive calls on their holidays abroad.

This means that Vodafone Sweden's mobile customers travelling abroad can phone home and pay Swedish minute prices when they use Vodafone's network. The only additional charge is a SEK 9.95 connection fee for 20-minute calls. For SEK 9.95 our customers can also take incoming calls from Sweden of up to 20 minutes. Vodafone has also waived the minute price on incoming calls taken abroad within countries included in the Vodafone Passport proposition. Vodafone Passport has been a huge success attracting more than 100,000 users in just a few months.

**Price assurance**

Price assurance means that all Vodafone Abonnement customers and buyers of Vodafone's new prepaid card (launched 12 September) will automatically benefit from future reductions in the minute price within these subscriptions, at no extra charge.

A new SIFO survey shows that a large proportion of Swedes are unacquainted with the terms and conditions in their subscriptions. Many mobile customers therefore continue to pay higher call prices despite them having fallen off sharply in recent years.

Vodafone customers therefore no longer need to worry about looking out for new subscription forms in order to benefit from lower minute prices from future reductions.

**Mobile telephony at a flat monthly rate**

In September, Vodafone Sweden launched a new subscription form: Vodafone Business FastPris – which offers domestic voice-calls at the flat monthly rate of SEK 599 (including start-up fee, SMS and MMS).

With this new subscription, Vodafone's business customers can use their mobile phones at a flat rate instead of pay-by-minute or pay-by-message, which is the traditional model for voice telephony and messaging services in Sweden. It will thus become simpler to compare prices with other telephony subscriptions and customers no longer have to think about start-up fees or tariffs that change according to the time of day or operator called.

**Key events**

On 31 October Vodafone Group announced its intentions to sell Vodafone Sweden to Telenor. Telenor and Vodafone have concluded a partnership deal which extends to Telenor and Vodafone Sweden's customers continued use of Vodafone's global brand name for their products and services in Sweden. The transaction will, provided that the EU's competition authority approves the acquisition, close by the end of calendar year 2005.

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Key Performance Indicators		04/05			05/06		
Vodafone Sweden		Q1	Q2	H1	Q1	Q2	H1
Total Revenue	M SEK	1 714	1 750	3 464	1 592	1 627	3 219
Service Revenue	M SEK	1 480	1 517	2 997	1 459	1 440	2 899
EBITDA	M SEK	392	494	886	305	274	579
EBITDA Margin	M SEK	22,9%	28,2%	25,6%	19,2%	16,8%	18,0%
EBIT	M SEK	116	94	210	-133	-173	-306
Fixed Additions Cost	M SEK	607	390	997	284	161	445
Operating Cash Flow	M SEK	500	450	950	351	383	734
Closing Customer Base	000	1 479	1 530	1 530	1 524	1 545	1 545
Average monthly revenue per user in the period							
- Total	SEK	338.6	335.3	337.0	317.9	313.8	315.9
- Contract	SEK	477.7	484.5	481.1	458.6	439.5	448.9
- Prepaid	SEK	68.8	75.0	72.1	61.7	69.3	65.4
Volume of Minutes	M	647	640	1 287	688	681	1 369
Annualised Churn		23,9%	22,0%	22,9%	36,0%	30,7%	33,4%