CONFIDENTIAL BUSINESS PLAN
May 2003

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I. Executive Summary

During the last decade, mobile communications industry leaped up on centre stage to become one of the biggest and fastest growing technology sectors of all times. Yet, with over 1,3 billion active users worldwide and over 405 million mobile phones sold in 2002[1], the mobile industry is still considered by many to be in its early stages of development.

From an industry perspective, the key driving forces behind this exceptional growth has been *rapid technological innovation* and *proprietary solutions*. Equipment manufacturers, such as Ericsson, Nokia and Motorola, have been able to seize leadership positions by investing heavily in high-margin, proprietary solutions and integrating the whole value chain by supplying infrastructure, handsets and key applications.

But the mobile communications industry's exclusive focus on developing proprietary technology and the lack of a dominant design is currently slowing down the growth and development of new applications and services. In the battle for new customers and market leadership, new technology is being developed to give mobile phones access to information, applications and services already available on the World Wide Web. This has captured the attention of thousands of hardware and software companies active in the PC industry that see a tremendous opportunity for growth in supplying hardware, software, services and content to their customers' mobile handsets.

From a customer perspective, there is a whole new generation of tech-savvy end-users that have grown up during the 1980's and 1990's with the evolution of the PC and the World Wide Web (and is currently driving the market growth in the mobile communications industry). These end-users, aged 13 – 25, see the mobile phone as something more than an advanced "cordless phone" – it is a multi-purpose information and communication device that can be used to play games, listen to music, surf the web and communicate with others – just like they do on their PC at home.

This opens up a whole new world of opportunities to current and future leaders in the mobile communications industry. To satisfy the demands of a young and tech-savvy generation of mobile users, the future market leaders in the mobile communications industry must:

a) be able to deliver mobile communications devices that give its owner unprecedented freedom in the customization and personalization of their mobile handset to fit and reflect their individual lifestyles

b) develop new mobile communications devices that support the tremendous variety of features and applications that can be found in the PC and on the World Wide Web.

To effectively seize this market opportunity, Magnus Goertz and Thomas Eriksson sat down to analyze and identify the technology, market focus, core competencies and competitive advantages needed to seize a leadership position in this rapidly emerging industry. Their research and analysis led to the founding of Neonode AB in June of 2000, a limited-liability corporation based in Kista, a few miles north of Stockholm, Sweden.

[1] Cellular News 2003-03-28 (www.cellular-news.com/story/8178.html)

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