

# **Q4 and Full Year 2004 Financial Report**

Lars-Johan Jarnheimer  
President and CEO



## Overview

	2004	Difference to 2003	
Revenues (MSEK)	43,033	+5,843	+16%
EBITDA (MSEK)	6,618	+629	+11%
Customer Net Additions (thousands)	5,050	-492	-9%

- Dividend proposal of SEK 5 per share and a mandatory redemption program equivalent to SEK 10 per share
  - total SEK 15 per share or MSEK 2,213

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## Mission & Values

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**OUR MISSION** Cheap and simple  
telecom for all Europeans

**THIS CHARACTERIZES OUR WORK...**

- Flexibility
- Openness
- Cost consciousness

**...AND WE ACHIEVE IT BY**

- Copying with pride
- Challenging
- Acting

## Our strategies remain the same



Tele2's vision is to **challenge** and **break the monopolies** of European Telecoms by:

- Concentrating on building a **residential** customer base
- Being perceived as **the low cost** provider of telecom services
- Keeping things **simple** for our customers
- **Avoiding infrastructure** investments until cost justifiable
- Doing things **differently**
- **Adapting rapidly** to changes in market dynamics
- Focusing on **growth, profitability** and **cash flow**

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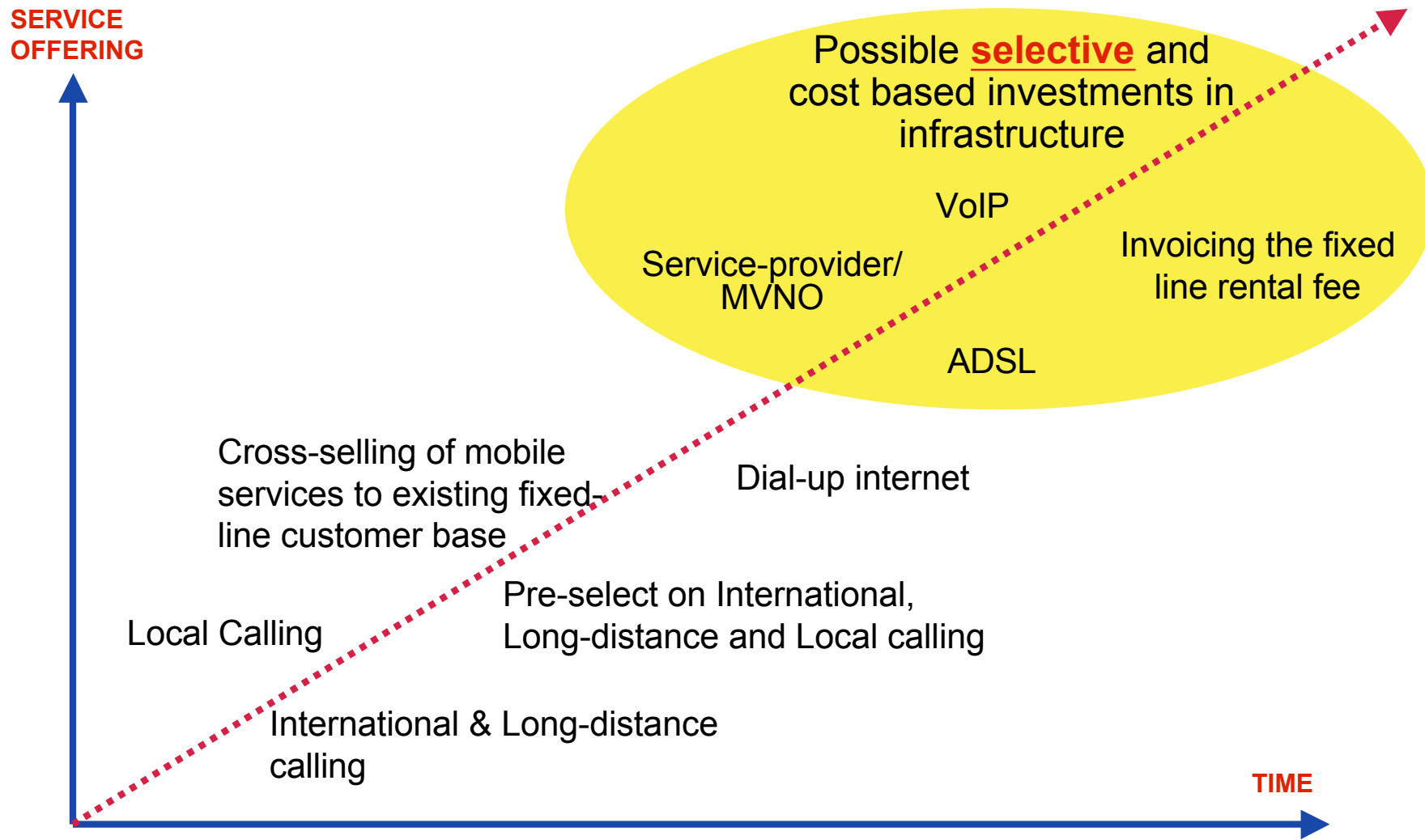
## Invest in customers first...

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### LONG IN CUSTOMERS – SHORT IN INFRASTRUCTURE

- Clear strategy in each European country where we enter as a reseller, is to:
  - build customer base and brand awareness
  - avoid infrastructure investments unless it lowers costs
  - get short-term leases on backbone or buy wholesale DSL
- Achieve scale and profitability
- Expand products
- Then consider backward integration
- We have called it the **Salami Principle**

## Resale service offering development



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## **...then perhaps go for infrastructure**

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- Decisions on a country-by-country basis determined by:
  - Size of customer base
  - Profitability
  - Product mix
  - Cost savings
  - Expected price reduction
- If investment justified then organic or acquired infrastructure or mix
- Acquired infrastructure – depends on price and opportunity

## ADSL – we are active now



- Tele2 is already very active in the ADSL and VoIP market
- We offer ADSL in 8 countries – more than any other operator in Europe and the number will grow
- The cost for growing our ADSL customer base will increase
- The ADSL business model is complex – different solutions for each country
- Wholesale or build? Risk of ADSL build boom
- Tele2 is not a static inflexible organisation – we evolve and adapt



## Nordic

- Tele2 started reselling the fixed rental fee in Sweden in November
- Promising development with the new Swedish mobile subscriptions
- Mobile telephony in Norway continues to show strong growth

### MA NORDIC Denmark, Finland, Norway & Sweden

MSEK	Q4 2004	Q4 2003		2004	2003	
<b>Operating revenue</b>	3,420	3,352*	+2 %	13,775	13,316*	+3 %
<b>EBITDA</b>	909	1,028*	-12 %	3,854	4,235*	-9 %
<b>Net intake ('000)</b>	81	46		67	468	

\*Adjusted for one-off items

## Baltic & Russia

- Once again a record customer intake
- EBITDA growth of 27%
- Acquisition of Votec Mobile

### MA BALTIC & RUSSIA Estonia, Latvia, Lithuania & Russia

MSEK	Q4 2004	Q4 2003		2004	2003	
<b>Operating revenue</b>	885	745	+19 %	3,297	2,724	+21 %
<b>EBITDA</b>	185	146	+27 %	944	800	+18 %
<b>Net intake ('000)</b>	516	379		1,427	836	

## Central Europe

- Tele2's customer base increased by over 50% in 2004
- Local calling finally deregulated in Poland
- Tele2's success in Hungary continues

**MA CENTRAL EUROPE** Austria, Czech Republic, Germany, Hungary & Poland

MSEK	Q4 2004	Q4 2003		2004	2003	
<b>Operating revenue</b>	1,404	1,071	+31 %	5,058	3,441	+47 %
<b>EBITDA</b>	83	-6	-	246	-303	-
<b>Net intake ('000)</b>	351	597		1,940	1,652	

## Southern Europe

- Strong fixed line customer intake
- Tele2 Italy confirmed its position as the largest alternative operator
- ADSL services launched in Spain

**MA SOUTHERN EUROPE** France, Italy, Ireland, Spain, Portugal, Switzerland & UK

MSEK	Q4 2004	Q4 2003		2004	2003	
<b>Operating revenue</b>	4,382	3,792	+16 %	16,440	13,943	+18 %
<b>EBITDA</b>	533	167	+219%	1,150	1,104	+4 %
<b>Net intake ('000)</b>	391	750		1,310	1,893	

## Benelux

- Record customer intake in mobile telephony in the Netherlands in Q4 2004
- Belgium continues to show strong growth and improved results
- Anti-churn measures in the Netherlands in place

**MA BENELUX** Belgium, The Netherlands, Luxemburg (incl. Tango), Liechtenstein, Transac & Calling Card Company (C<sup>3</sup>)

MSEK	Q4 2004	Q4 2003		2004	2003	
<b>Operating revenue</b>	1,077	1,028	+5 %	4,245	3,704	+15 %
<b>EBITDA</b>	37	91	-59 %	342	223	+53 %
<b>Net intake ('000)</b>	45	160		306	693	

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## Many growth opportunities

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- We will not sit back – we are proactive

### Announced launches:

- Croatia – GSM/UMTS launch planned for 2005
- Turkey – fixed license and launch planned Summer 2005 (population 70 million inhabitants)
- ADSL in the Netherlands

### Opportunities:

- ADSL
- Wholesale Line Rental
- New possible countries – 11 countries left in Europe
- MVNOs in Europe still high on agenda
- Russia – Further mobile licences

# Financial Highlights

Håkan Zadler  
CFO



## Financial overview for Q4 2004

- Continued growth in all markets and strong financial position
- Organic growth of 12% in Q4 and 16% in full year 2004
- Gross intake higher than in both Q4 2003 and Q3 2004, churn stable vs Q3 2004
  - Net intake 1.4 million, total 27.3 million (excl. UTA)
- EBITDA improved in all markets with the exceptions of mobile Sweden and Benelux

	Q4 2004	Difference to Q4 2003	
Revenues (MSEK)	11,230	+1,200	+12%
EBITDA (MSEK)	1,770	+339	+24%
EBITA (MSEK)	1,244	+444	+56%
EBT (MSEK)	550	+652	-
EBITDA less CAPEX (MSEK)	1,297	+349	+37%
Customer Net Additions (thousands)	1,384	-548	-28%



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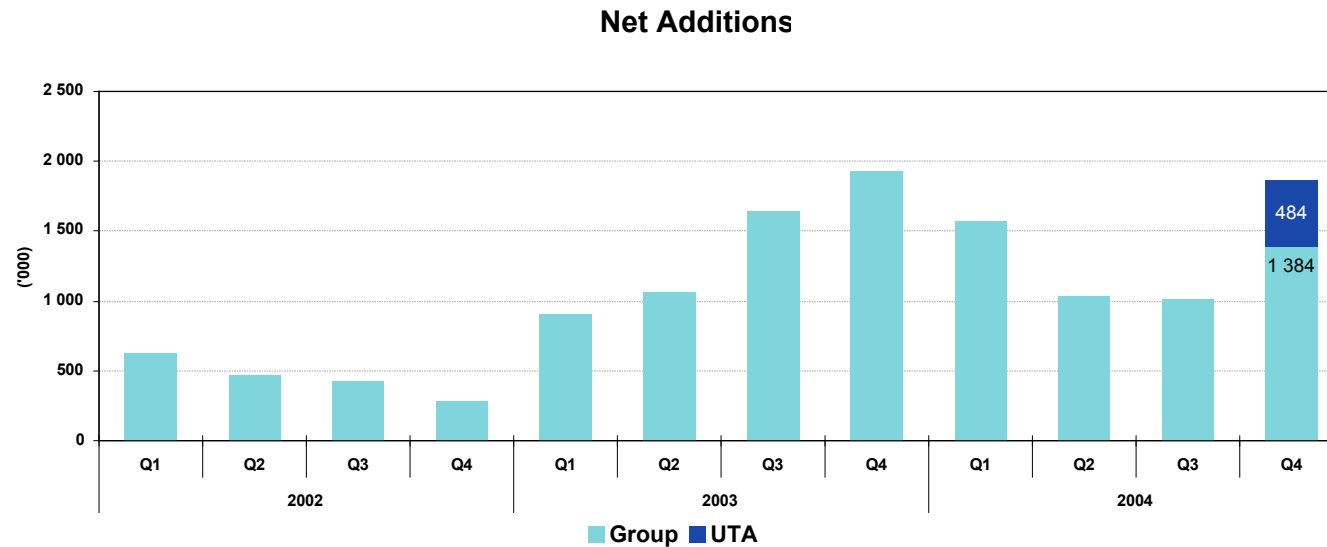
## EBITDA less CAPEX

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<i>(MSEK)</i>	Q4 2004	Q4 2003	Change
Nordic	816	942	-126
Baltic & Russia	-88	-75	
Central	62	-59	
Southern	497	153	
Benelux	6	37	
Services	4	-50	
Rest (excl Nordic)	481	6	+475

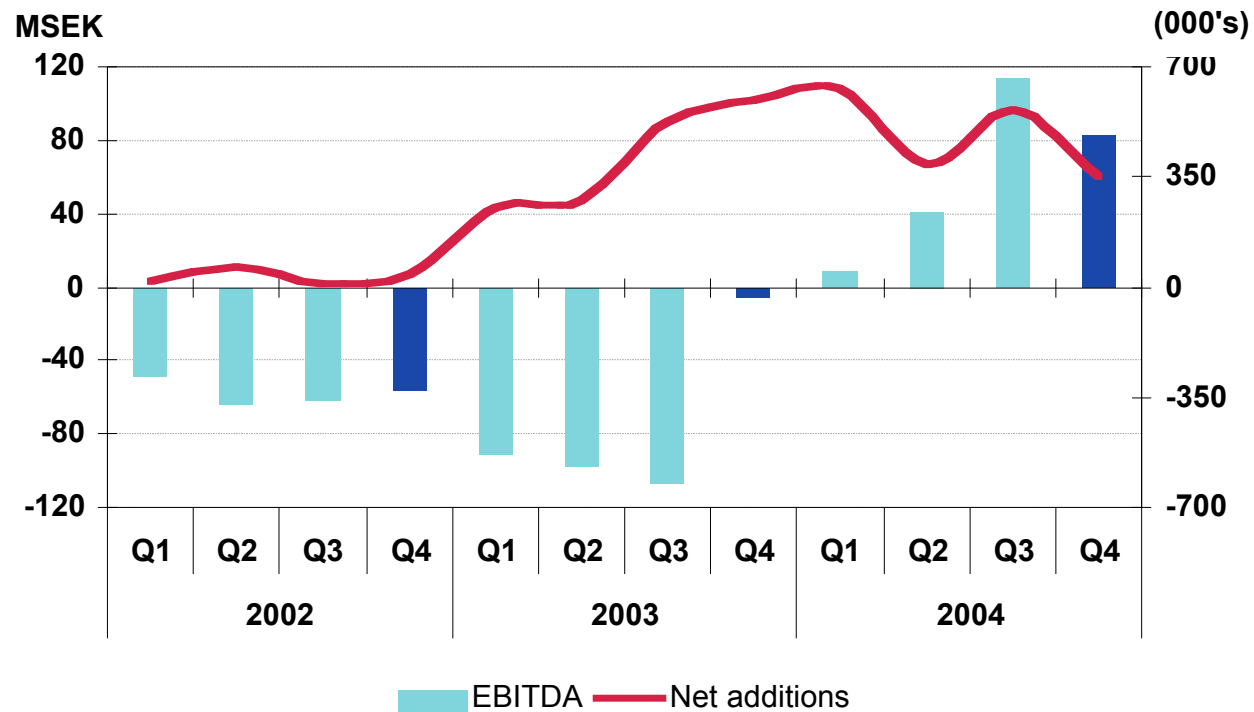
## Customer intake & Churn

- Strong customer intake but not as high as in 2003
- Tele2's market share is higher now and competition has increased
- Gross intake in Q4 2004 higher than in both Q3 2004 and Q4 2003
- Churn increased vs last year but stable vs last quarter
- Anti-churn examples: retention, cross-selling, win-back



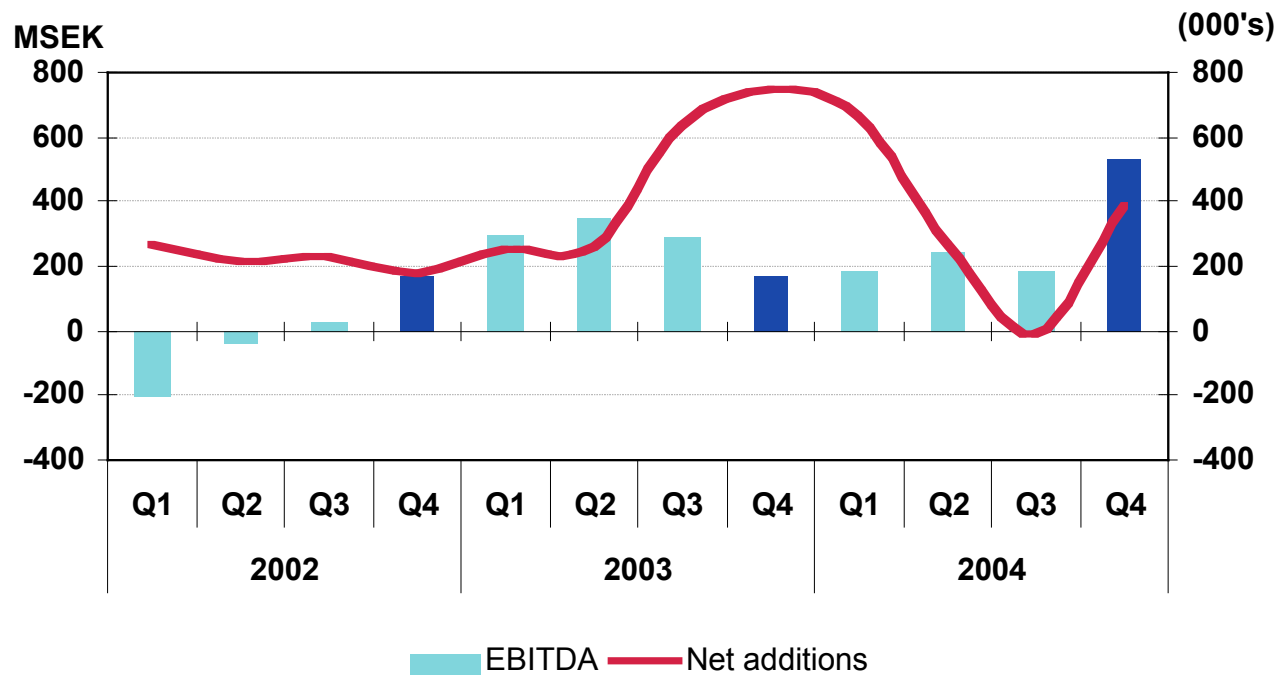
**Central Europe**

**CENTRAL EUROPE  
EBITDA and Net additions**



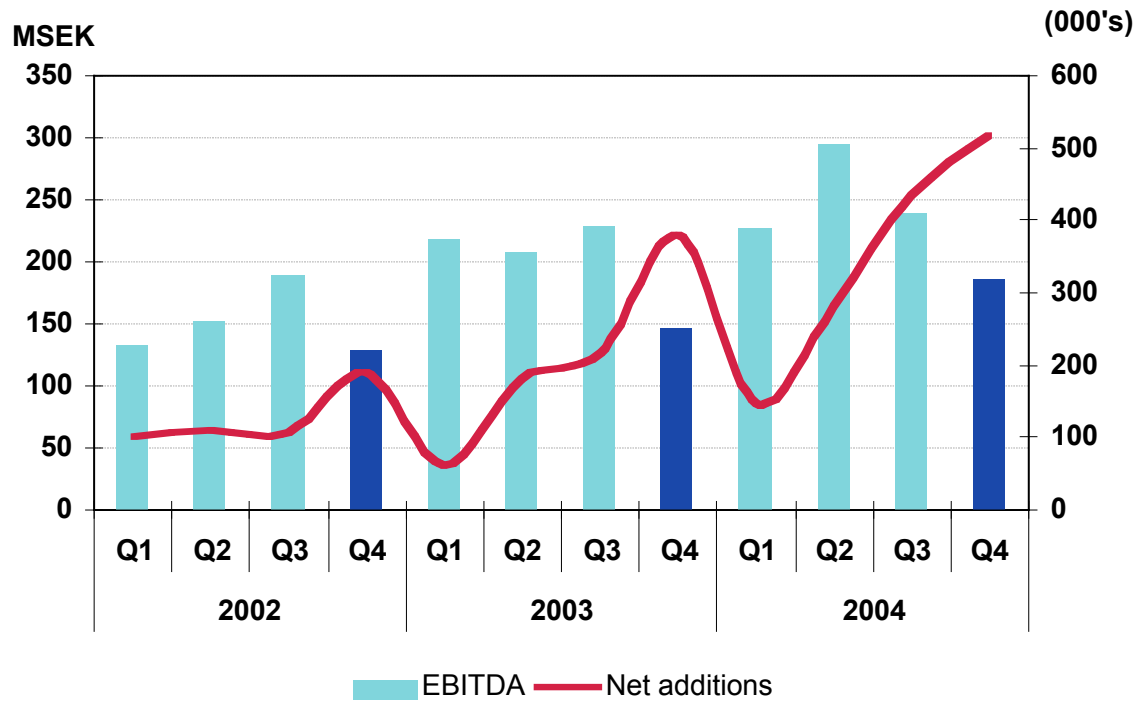
## Southern Europe

**SOUTHERN EUROPE  
EBITDA and Net additions**



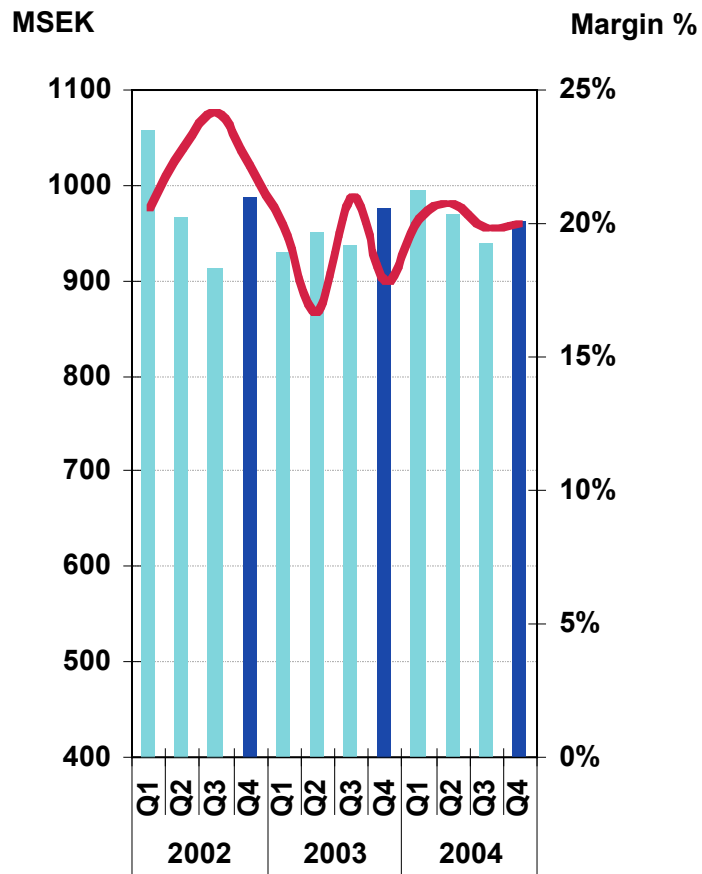
**Baltic & Russia**

**Eastern Europe & Russia  
EBITDA and Net additions**



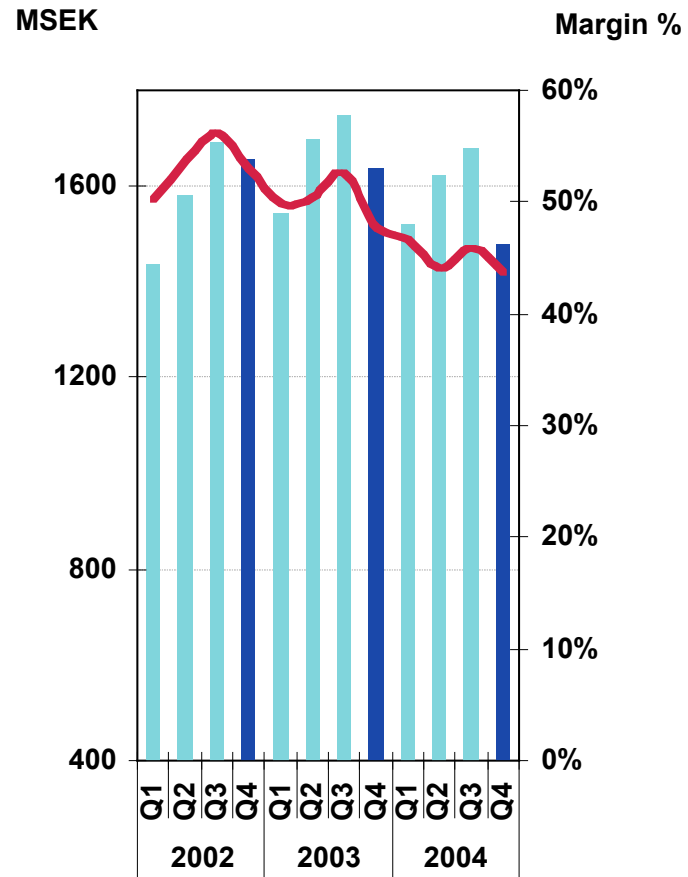
**Sweden**

**Sweden Fixed line**



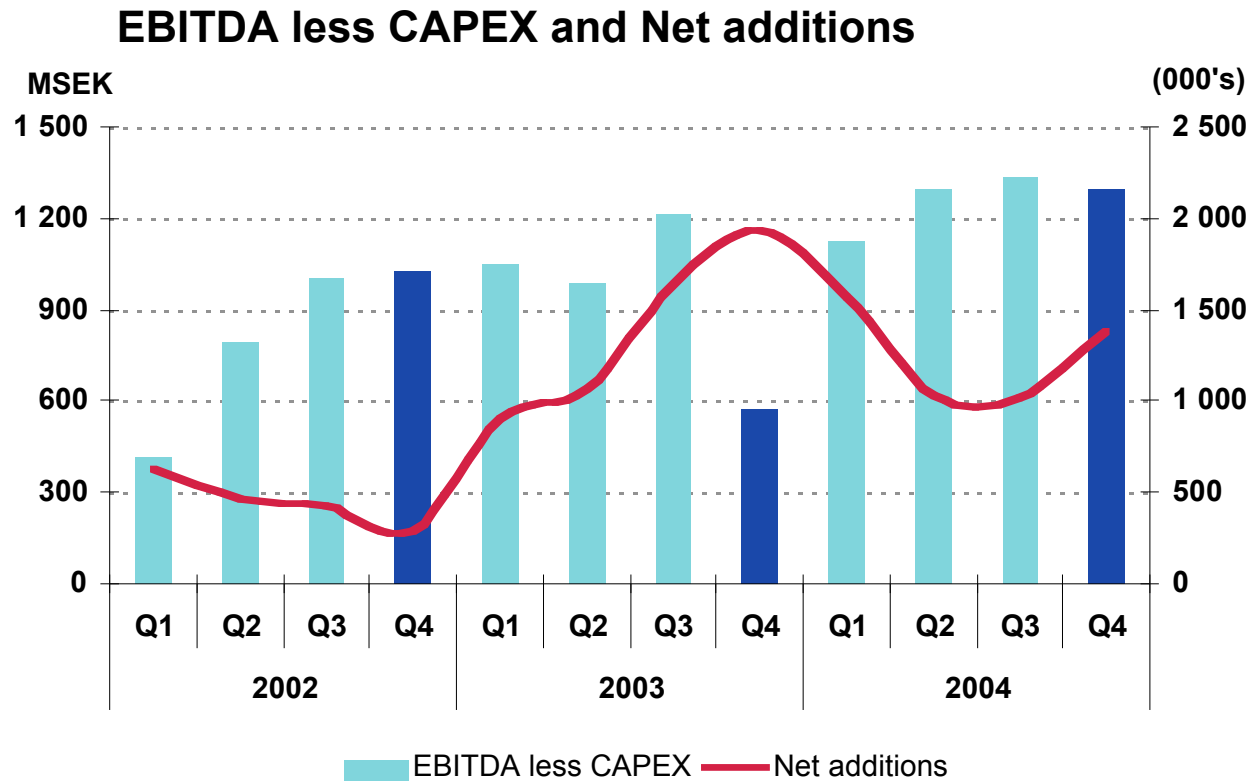
Sales Fixed EBITDA % fixed

**Sweden Mobile**



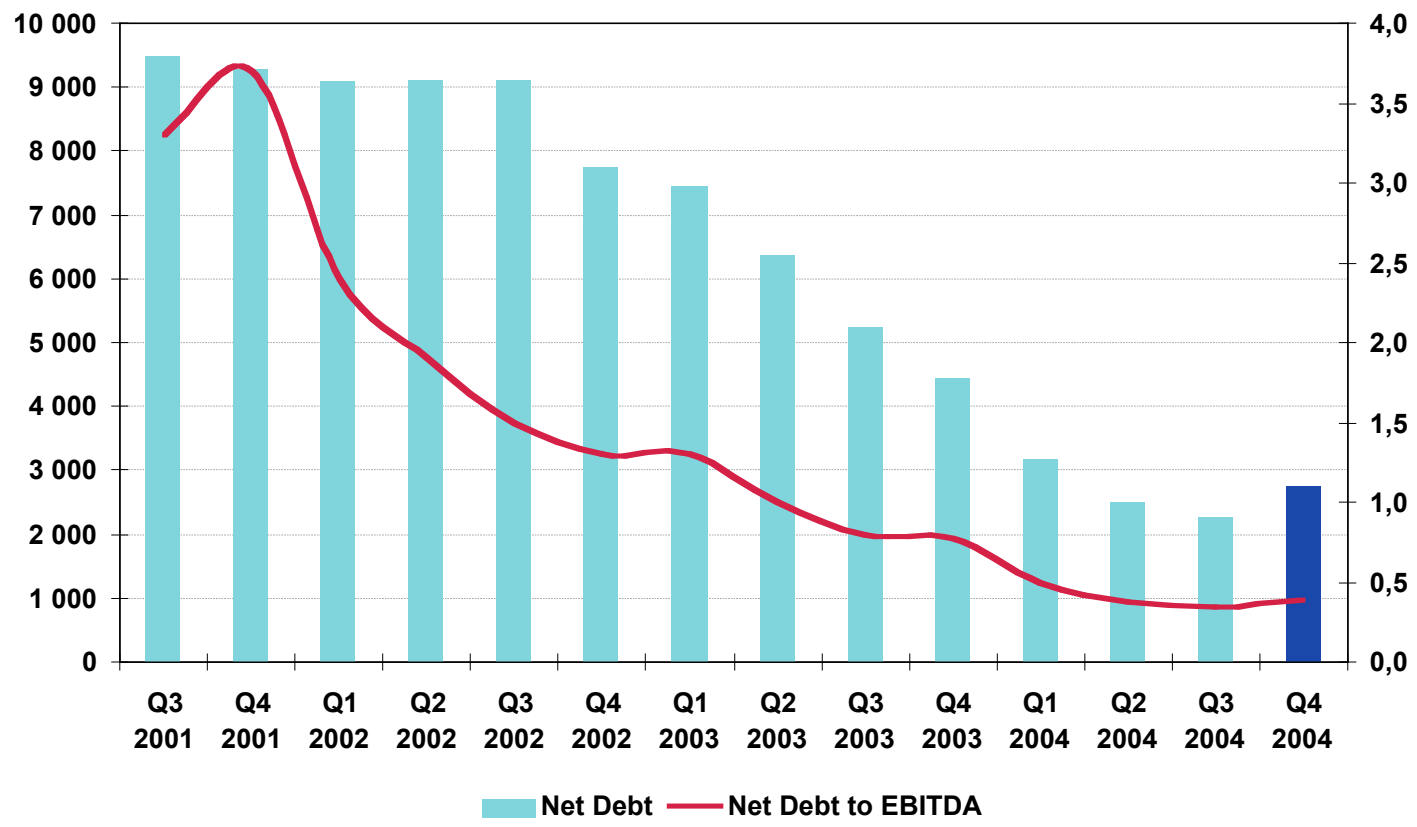
Sales Mobile EBITDA % mobile

## Tele2 Group – EBITDA less CAPEX



# Net Debt

**NET DEBT TO EBITDA**





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## Dividend and redemption of shares

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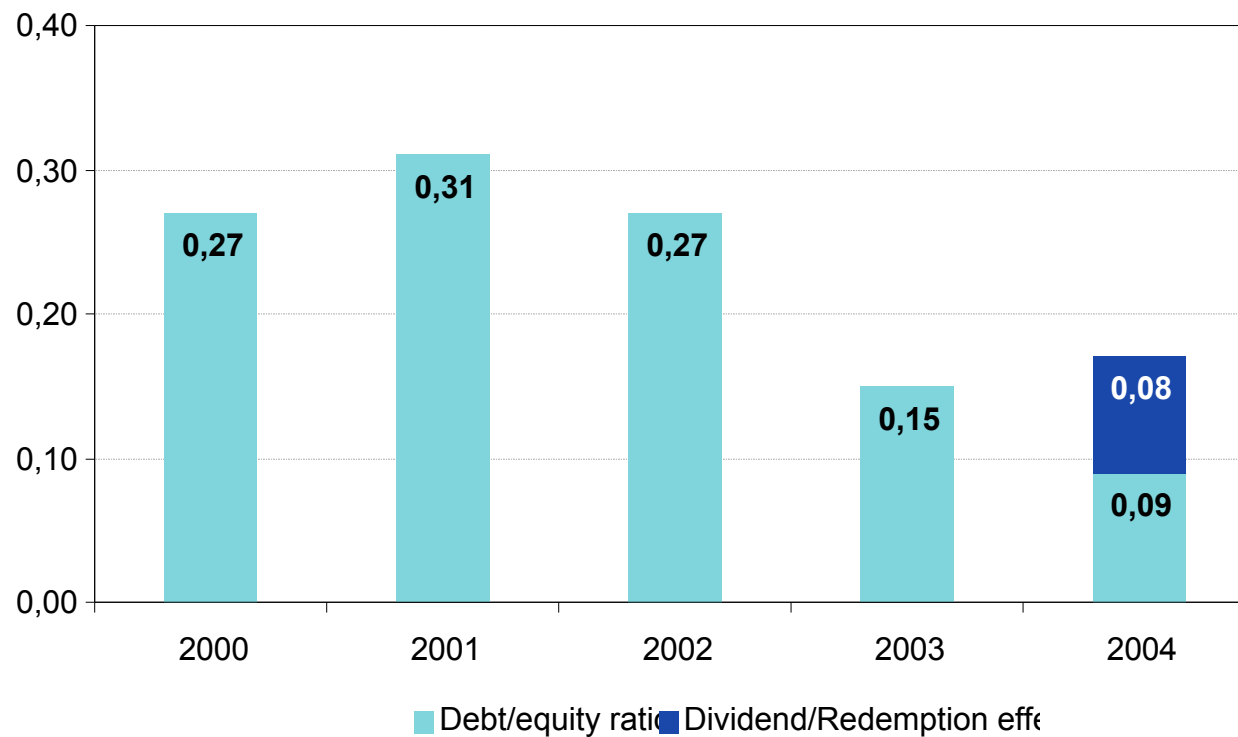
- Tele2's financial position has strengthened significantly the past years
- The current balance sheet is more than adequate to secure the development of the business in the medium-term

Proposal for shareholder distribution:

- ▶ Total of SEK 15 per share (total MSEK 2,213)
- Ordinary dividend of SEK 5 per share (total MSEK 738)
- Redemption equivalent of SEK 10 per share (total MSEK 1,476)
- Split 4:1
  - 3 ordinary shares
  - 1 redemption share

## Debt/Equity ratio

- Cash flow after investing activities 2004: MSEK 2,459
  - Total shareholder distribution MSEK 2,213 equals 90% of Cash flow after investing activities



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## Impact of IFRS

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- From Jan 1 2005 Tele2 reports its accounts according to IFRS
- In general, IFRS has a limited impact on Tele2 on all other items except change in goodwill amortization
  - Now based on impairment assessment
  - No impairment for transition period Jan 1 – Dec 31 2004
- Retailers' commissions in Tele2 Sweden are now included on gross level in marketing costs – this will negatively impact Swedish mobile EBITDA margins by a few percentage points
- Following these IFRS adjustments EPS for 2004 increases from SEK 12.86 to SEK 25.72

## Earnings per share using normalized taxes

(MSEK)	<b>REPORTED</b>				<b>PRO FORMA (NORMALIZED TAX)</b>	
	Current principles		IFRS		IFRS	
	<b>2003</b>	<b>2004</b>	<b>2003*</b>	<b>2004</b>	<b>2003*</b>	<b>2004</b>
EBT	1,267	2,681	3,173	4,584	3,173	4,583
Taxes	1,092	-779	1,092	-779	-920	-1,329
Profit	2,396	1,902	4,302	3,805	2,290	3,255
<b>EPS (SEK)</b>	<b>16.20</b>	<b>12.86</b>	<b>29.09</b>	<b>25.73</b>	<b>15.49</b>	<b>22.01</b>

\* EBT adjusted only for goodwill

**Don't forget**

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- Conference call today at 16.00 CET  
**WEBCAST AT WWW.TELE2.COM**
- Q1 2005: April 25
- AGM: May 11