

# SECOND QUARTER 2009

22 July 2009

**TELE2**

# AGENDA

**CEO review**

**Harri Koponen**

Financial review

Lars Nilsson

Concluding remarks

Harri Koponen

# HIGHLIGHTS Q2

- **Record result with all regions performing**
- **Nordic**
  - Good EBITDA contribution
- **Russia**
  - Strong operational momentum
  - Tomsk launched with good initial market traction
- **Central Europe**
  - Focus on maintaining our customer base and profitability
- **Western Europe**
  - All countries delivering healthy EBITDA contribution
  - Strong performance in The Netherlands and Austria

# MOBILE HIGHLIGHTS Q2

- **Sweden**
  - Good customer intake driven by mobile internet service
- **Russia**
  - Strong EBITDA margin
  - Strong net intake
- **The Baltic Region**
  - Create a platform for future growth

# MARKET TRENDS

- Develop distribution strategies
- Stimulate customer activity
- Introduce diversified pre-paid services

# CORPORATE SEGMENT

- **Sweden**
  - New contract wins in price sensitive market
- **The Netherlands**
  - Gold standard for the group
- **Austria**
  - New strategy is paying off

# HOW DO WE CREATE THE BEST DEAL

**BEST DEAL**

Price leadership through best in class cost control

Rewarded quality network

Standardized product portfolio

"Snabbast Turbo-3G nät"



Aftonbladet 8/7 -09



# ECONOMIC DEVELOPMENT

- The effects of the global recession can still be observed in some parts of Tele2's operations
- The Company has acted and can see positive effects on OpEx and CapEx
  - The contingency plan will continue



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# Q2 2009 GROUP RESULTS

SEK million	Q2 09	Q2 08	Change %
<b>Continuing operations, Net Sales</b>	<b>10,130</b>	<b>9,832</b>	<b>3%</b>
<b>EBITDA</b>	<b>2,450</b>	<b>2,101</b>	<b>17%</b>
- EBITDA margin (%)	24,2%	21,4%	
Depreciation and joint venture	-944	-934	
- Depreciation of net sales (%)	9,2%	8,7%	
One-off items	-59	-737	
<b>EBIT</b>	<b>1,447</b>	<b>430</b>	
Normalized EBIT	1,506	1,167	
- Normalized EBIT margin (%)	14,9%	11,9%	
Financial items	17	-102	
Taxes	-324	-167	
Net result, continuing operations	1,140	161	
Net result, discontinued operations	12	-220	
<b>Net result</b>	<b>1,152</b>	<b>-59</b>	

# H1 2009 GROUP RESULTS

SEK million	H1 09	H1 08	Change %
<b>Continuing operations, Net Sales</b>	<b>20,250</b>	<b>19,359</b>	<b>5%</b>
<b>EBITDA</b>	<b>4,677</b>	<b>3,761</b>	<b>24%</b>
- EBITDA margin (%)	23,1%	19,4%	
Depreciation and joint venture	-1,838	-1,864	
- Depreciation of net sales (%)	8,9%	8,9%	
One-off items	-63	-654	
<b>EBIT</b>	<b>2,776</b>	<b>1,243</b>	
Normalized EBIT	2,839	1,897	
- Normalized EBIT margin (%)	14,0%	9,8%	
Financial items	-575	-130	
Taxes	-597	-251	
Net result, continuing operations	1,604	862	
Net result, discontinued operations	196	-171	
<b>Net result</b>	<b>1,800</b>	<b>691</b>	

# FINANCIAL ITEMS Q2

SEK million	Q2 09	Q2 08	Change
<b>External</b>			
Net interest expenses	-99	-94	-5
Exchange rate differences, external	92	14	78
Other financial items	-11	-47	36
	<b>-18</b>	<b>-127</b>	<b>109</b>
Exchange rate differences, intragroup	35	25	10
<b>Financial items</b>	<b>17</b>	<b>-102</b>	<b>129</b>

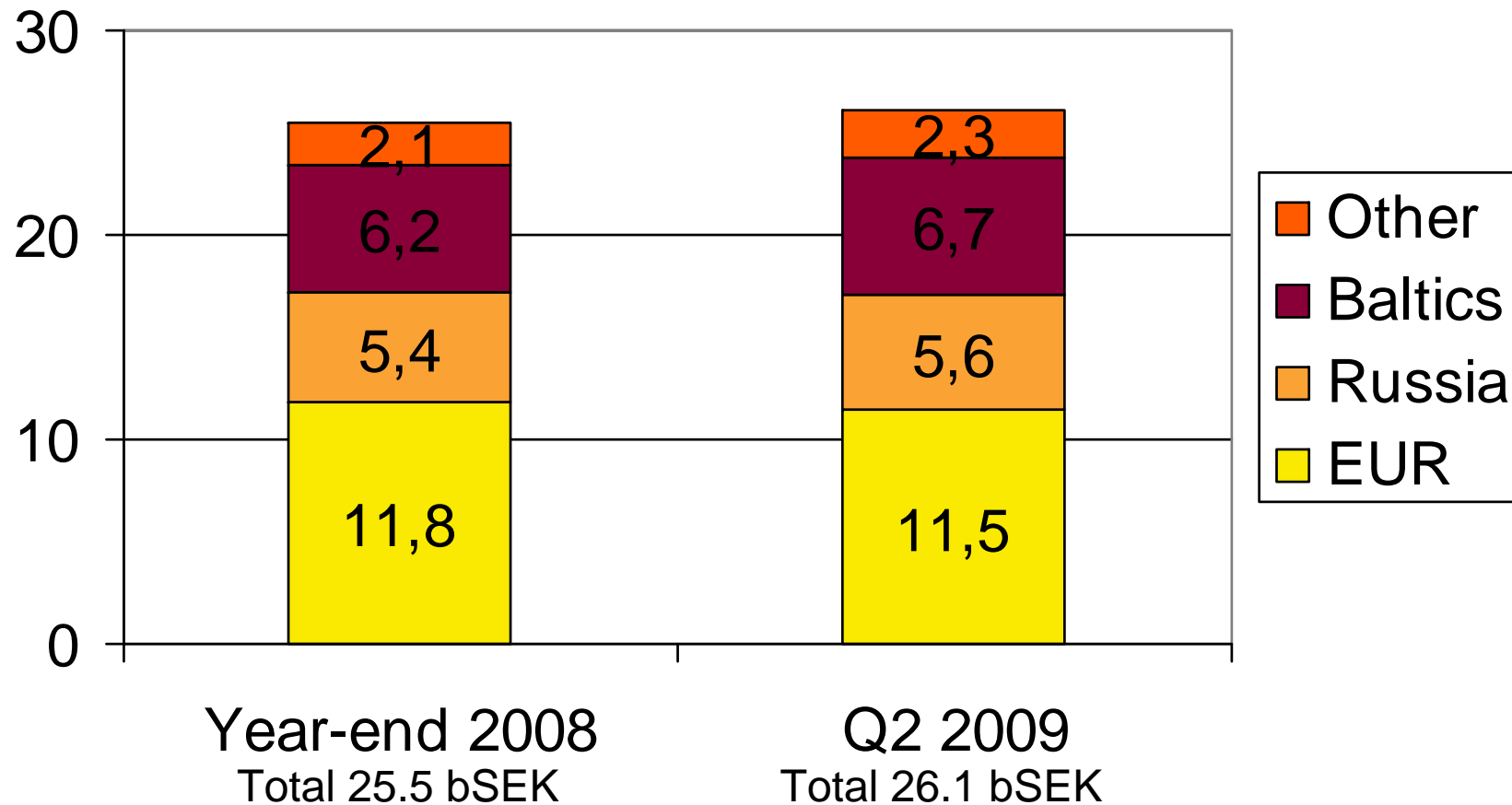
# FINANCIAL ITEMS H1

SEK million	H1 09	H1 08	Change
<b>External</b>			
Net interest expenses	-238	-182	-56
Exchange rate differences, external	-74	116	-190
Other financial items	-31	-55	24
	<b>-343</b>	<b>-121</b>	<b>-222</b>
Exchange rate differences, intragroup	-232	-9	-223
<b>Financial items</b>	<b>-575</b>	<b>-130</b>	<b>-445</b>

# “OUR” CURRENCIES

Currency	YTD Average 09 vs. 08	Fixing rate June 09 vs Dec 08
EUR	+ 16 %	-
RUB	- 4 %	- 5 %
”BALTICS”	+ 15 %	-
USD	+ 33 %	+ 1 %

# NET ASSETS IN FOREIGN CURRENCIES



# CASH FLOW FOR Q2 2009

SEK million	Q2 09	Q2 08
<b>OPERATING ACTIVITIES</b>		
Taxes paid	-124	153
Cash flow from operations, other	2,060	2,086
Changes in working capital	63	-381
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1,999</b>	<b>1,858</b>
 <b>INVESTING ACTIVITIES</b>		
CAPEX	-1,078	-1,446
<b>Cash Flow after CAPEX</b>	<b>921</b>	<b>412</b>
Acquisition and sale of shares and participations, net	-36	-168
	<hr/> <b>885</b>	<hr/> <b>244</b>



# CASH FLOW FOR H1 2009

SEK million	H1 09	H1 08
<b>OPERATING ACTIVITIES</b>		
Taxes paid	-580	-167
Cash flow from operations, other	3,952	3,831
Changes in working capital	458	-299
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>3,830</b>	<b>3,365</b>
<b>INVESTING ACTIVITIES</b>		
CAPEX	-2,227	-2,445
<b>Cash Flow after CAPEX</b>	<b>1,603</b>	<b>920</b>
Acquisition and sale of shares and participations, net	-133	-634
	<hr/>	<hr/>
	<b>1,470</b>	<b>286</b>

# NEW DEFINITION OF A PRE-PAID CUSTOMER

## OUR GOAL

Definition alignment; apply the same definition to all our countries

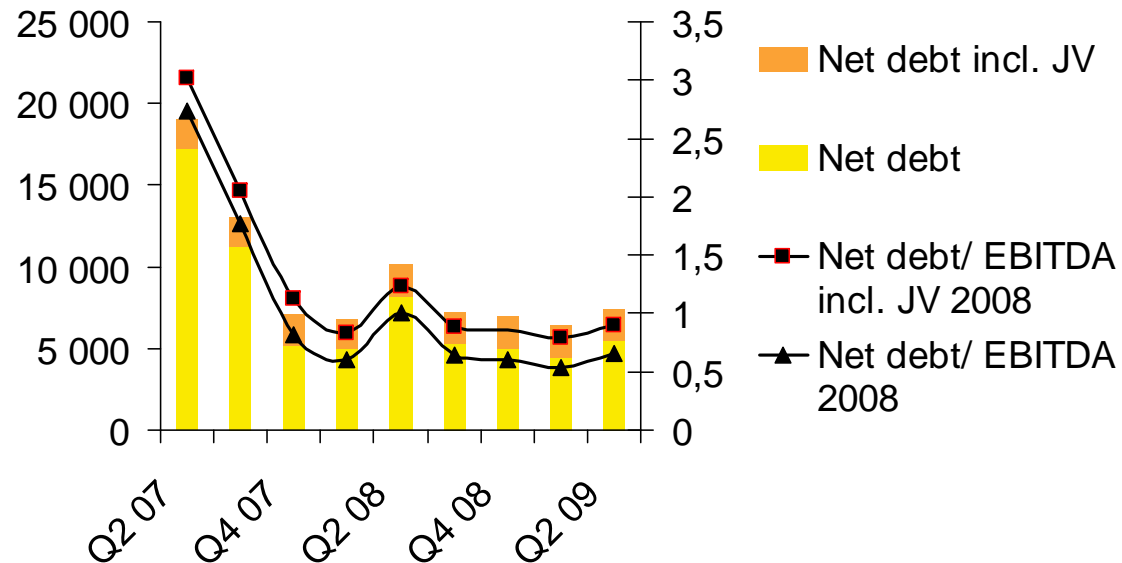
## NEW DEFINITION

”An active pre-paid customer is a customer that has a refillable active account; and has either refilled or done an active transaction during the last 90 days”

# CUSTOMER DEFINITION – NEW RULE

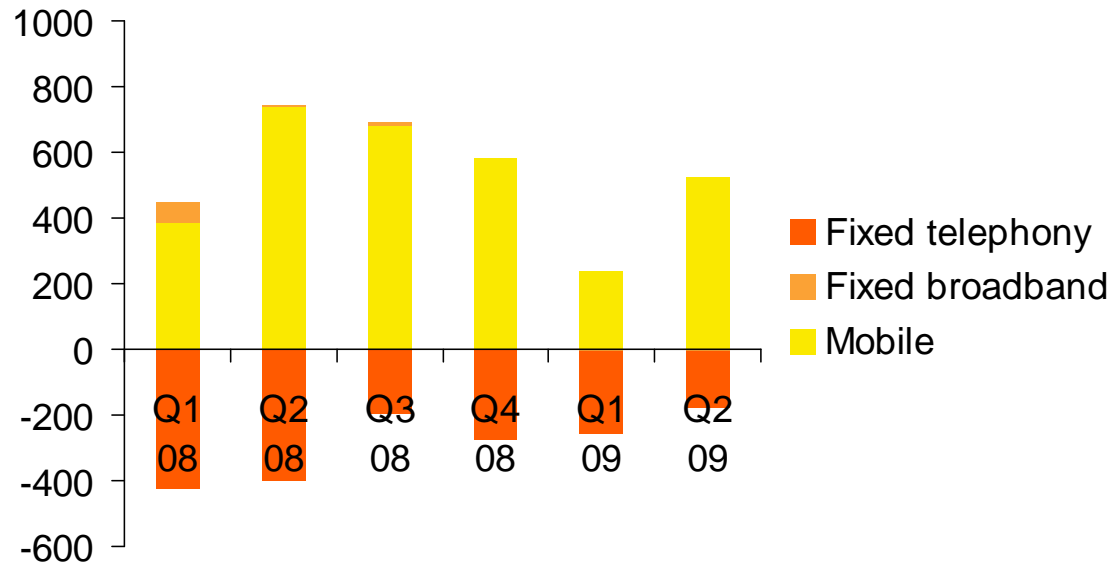
Country	Old definition	Relative impact (%)	Absolute impact (in thousands)
Sweden	6 months from last refill or usage	-5,8	-200
Norway	6 months from last refill or usage	-0,4	-2
Russia	3 months from last refill	11,3	1,261
Estonia	7 months from last refill	-6,6	-32
Lithuania	10 months from last refill	-9,5	-181
Latvia	Average of 4 months from last refill	-1,1	-12
Croatia	Average of 12 months from last refill	-29,4	-227
France	12 months from last refill	-3,2	-14
Netherlands	12 months from last refill	-8,6	-40
<b>Total</b>		<b>2,7</b>	<b>553</b>

# GROUP FINANCIAL PROFILE



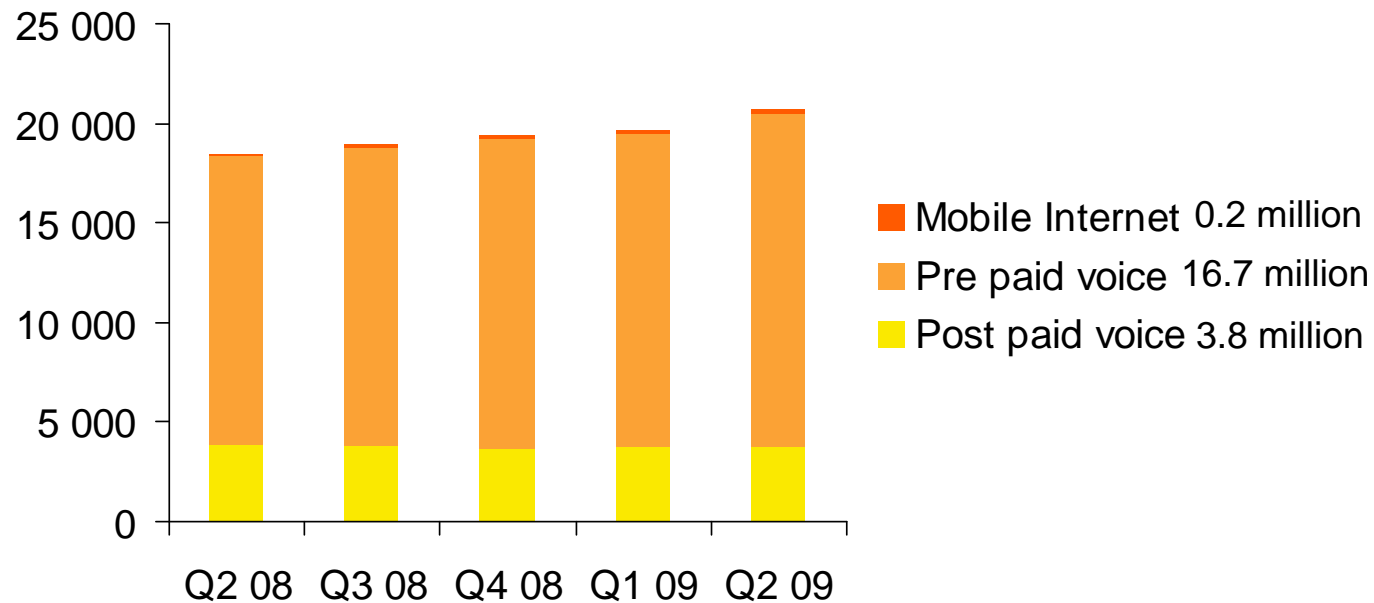
- Net debt amounted to SEK 5,441 million in Q2 2009
  - 0.6 times FY 2008 EBITDA
  - 0.9 times FY 2008 EBITDA including guarantees to JV

# NET INTAKE PER SEGMENT



- Russia is the growth driver in net intake adding 478,000 new customers
- Mobile customer base increasing by 524,000 new users

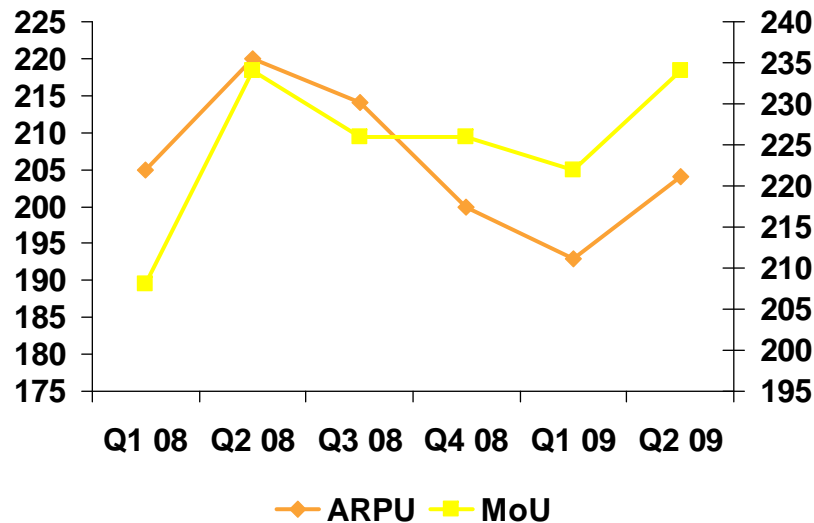
# GROUP Q2 2009 MOBILE



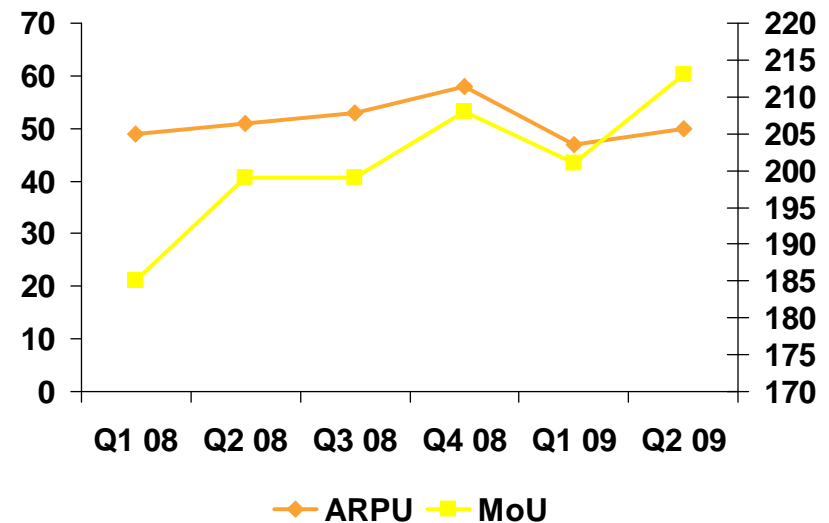
- Total number of mobile customers 20.7 million Q2 2009
  - New pre-paid definition adding 553 000 customers in the reporting

# MoU AND ARPU DEVELOPMENT

## SWEDEN

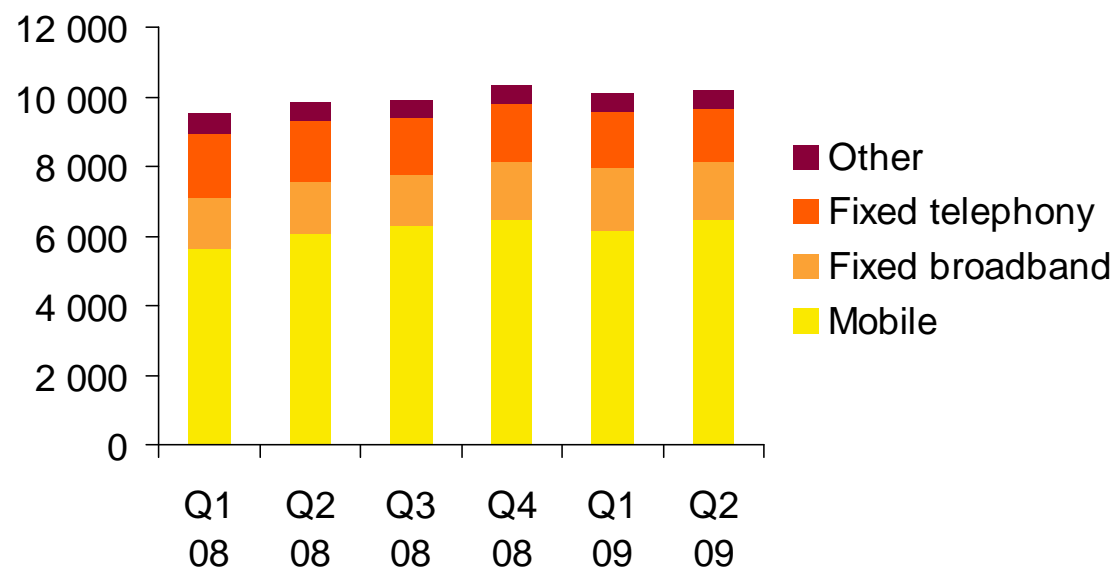


## RUSSIA



- Relatively strong development despite challenging economical times
  - Swedish ARPU being driven down by an increasing customer base in Mobile Internet

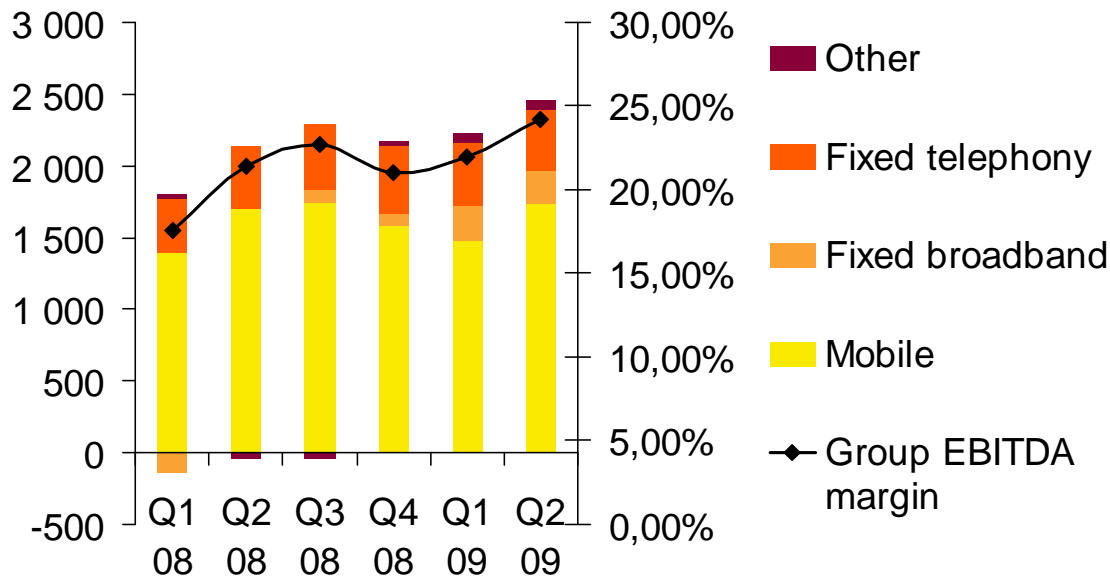
# GROUP Q2 2009 NET SALES



- Mobile net sales SEK 6,457 million, up 5 percent

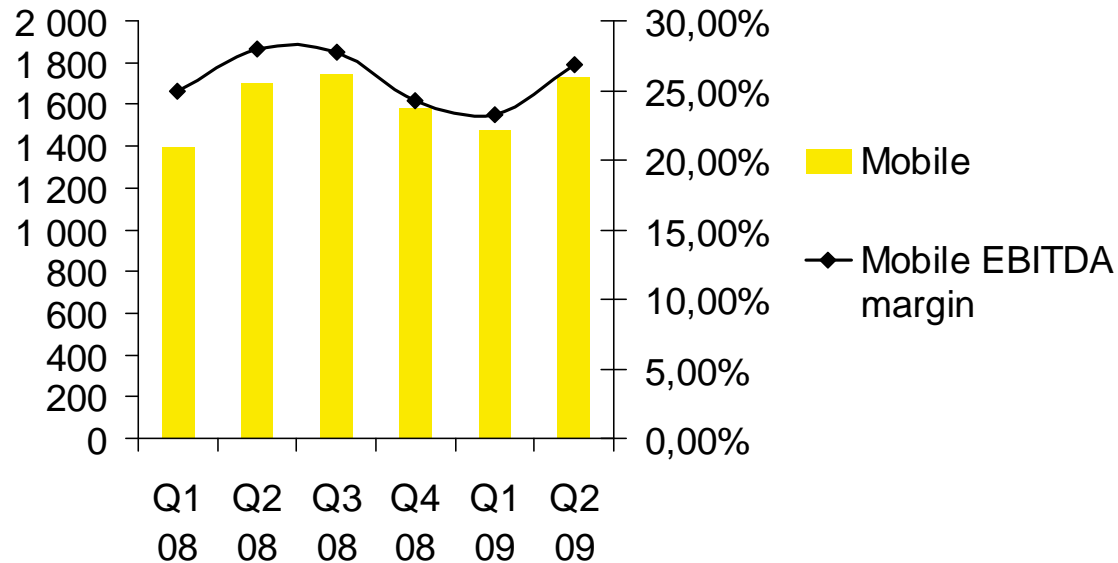


# GROUP Q2 2009 EBITDA



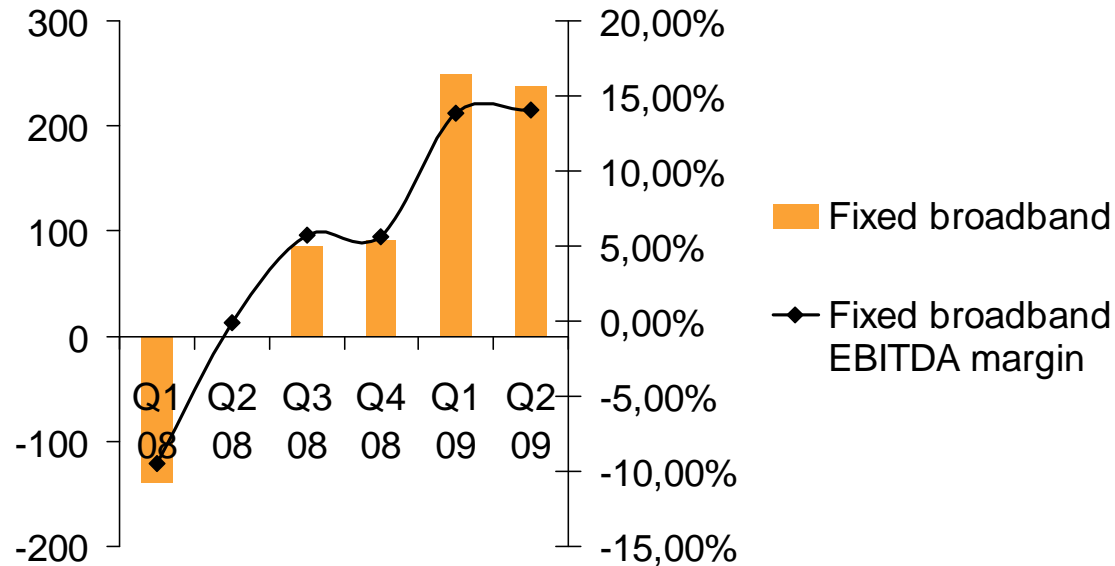
- Group EBITDA margin 24 percent
  - Lithuania delivering new record EBITDA margin of 39 percent
  - Further improved performance in the Dutch and Austrian fixed broadband operations

# MOBILE Q2 2009 EBITDA



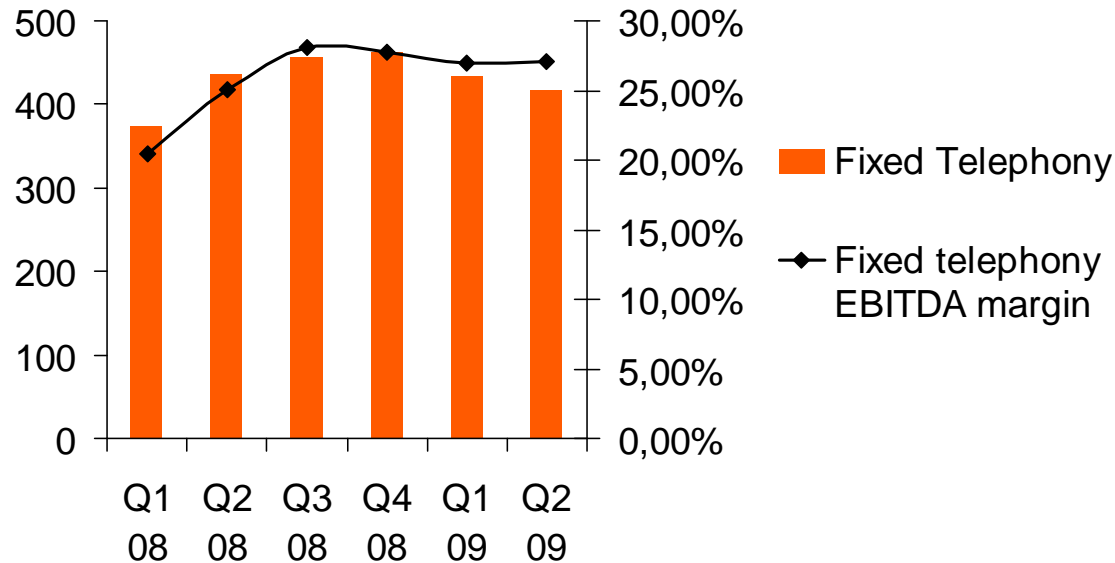
- Mobile EBITDA margin 27 percent
  - Russia EBITDA margin 40 percent in mature regions and 35 percent in all regions

# FIXED BROADBAND Q2 2009 EBITDA



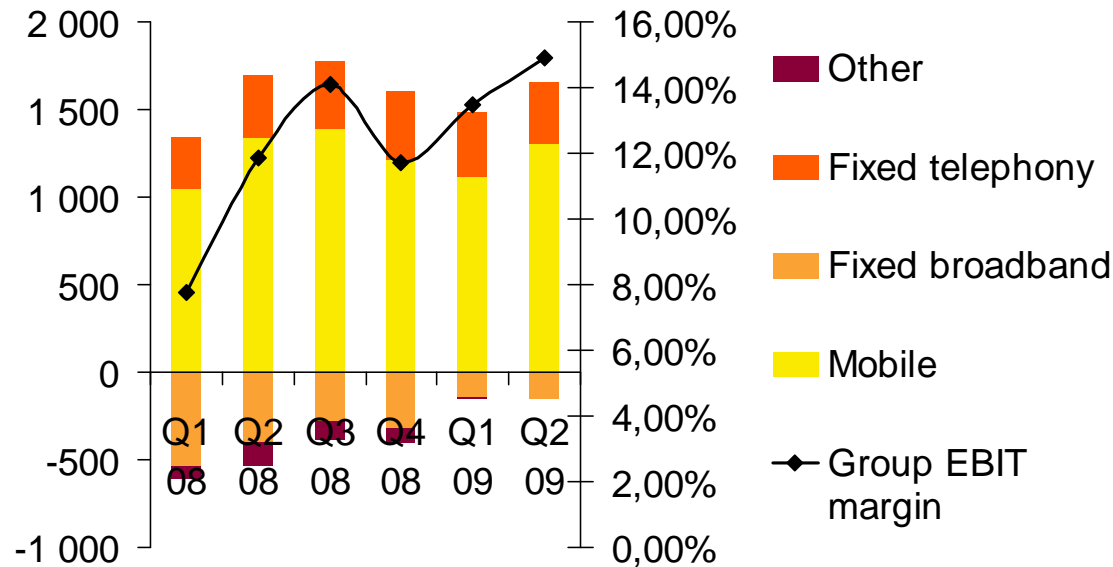
- Fixed broadband EBITDA margin 14 percent
  - Excellent performance in Tele2 Netherlands driven by continued success in the B2B and consumer segment
  - The Austrian operations benefiting from the restructuring process

# FIXED TELEPHONY Q2 2009 EBITDA



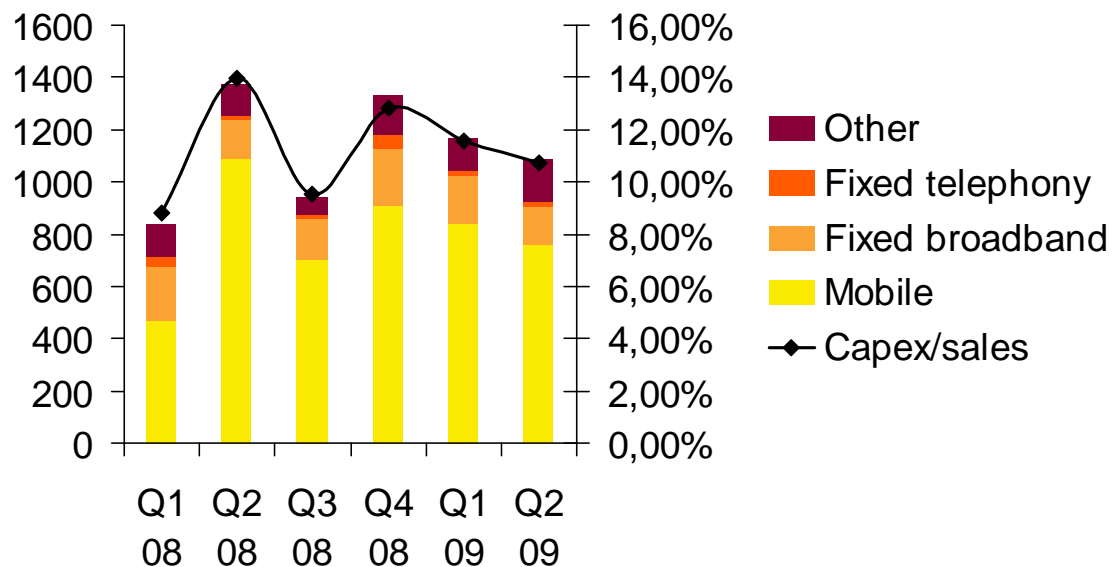
- Fixed telephony EBITDA margin 27 percent
  - Focus on maintaining relative performance

# GROUP Q2 2009 EBIT



- Group EBIT margin 15 percent excluding one-off items
- Improved operational performance in mobile lifting EBIT performance

# GROUP Q2 2009 CAPEX



- Group Capex SEK 1,085 million or 11 percent of net sales
  - FY 2009 expectation in the range of SEK 4,700-4,900 million, affected by FX movement
- Expansion in Russia the main driver
  - FY 2009 expectation in the range of SEK 1,300-1,500 million related to roll-out of new licenses

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# CONCLUDING REMARKS

- **Record result with strong performance in all markets**
- **Top priorities 2H 2009**
  - Tele2 will continue to focus on cost discipline in all parts of the organization
  - Roll-out of new regions in Russia
    - Launch of up to six new regions during Q3 2009
  - Develop our mobile operations
    - Compose a product portfolio that goes in line with the needs of our customers
  - Tele2 will work harder in the corporate segment, both in the Nordic and Western European regions



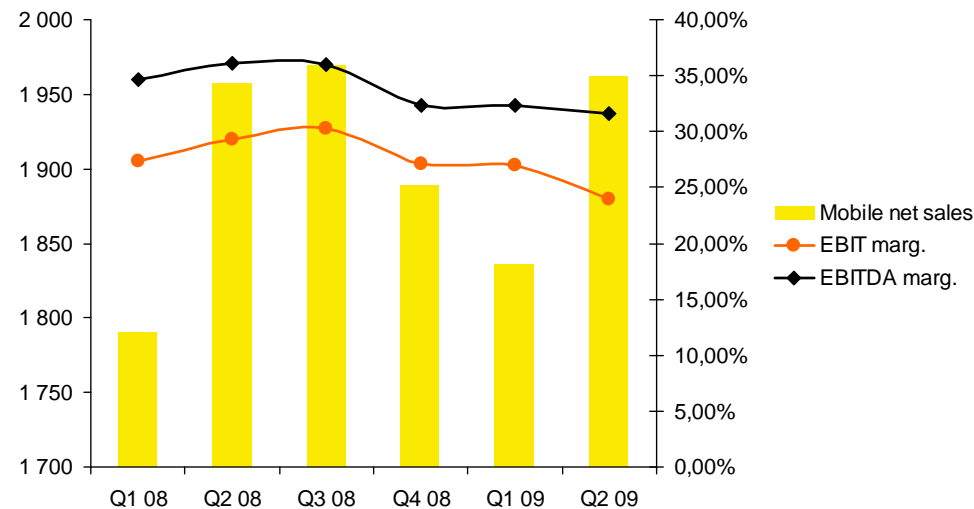
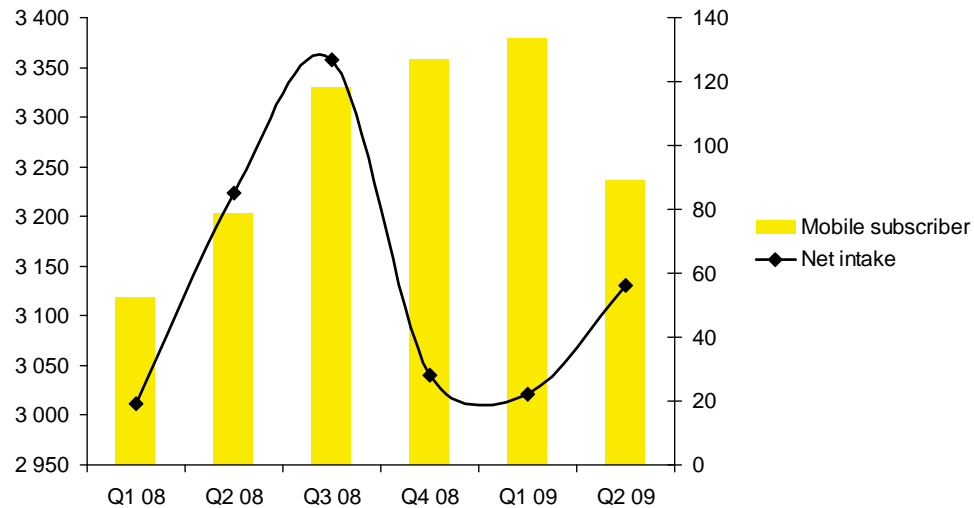
# Q&A

# Appendix

# GENERAL MARKET TRENDS IN MOBILE

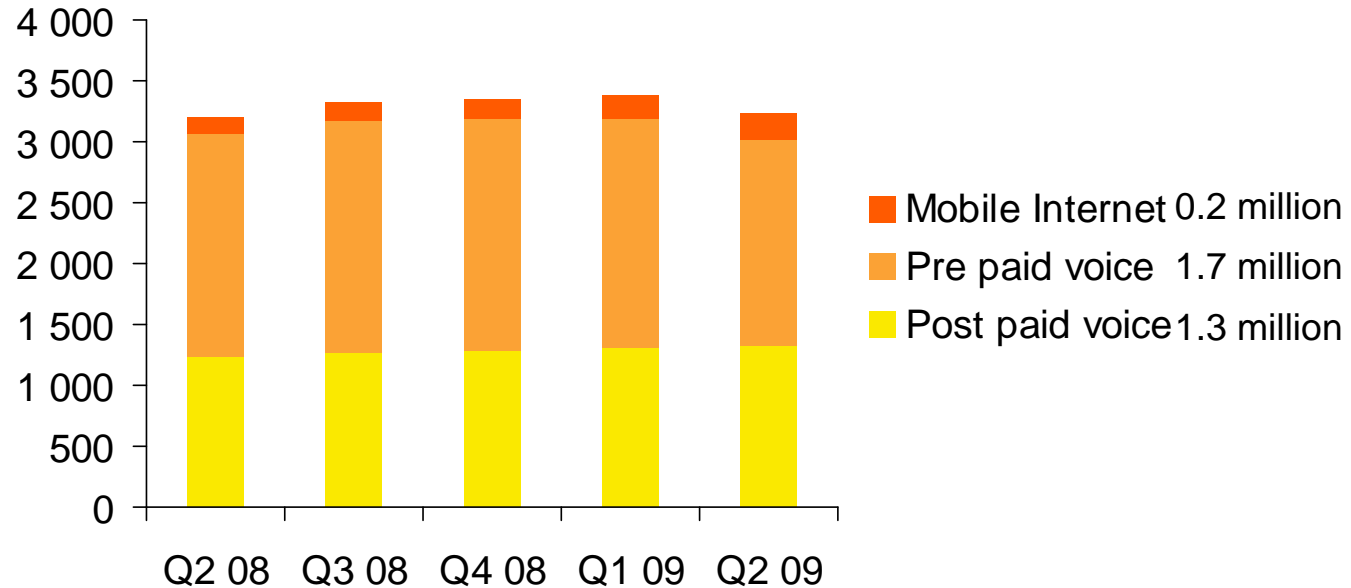
- Strong customer intake
- MoU growth is offsetting price competition
- Pricing environment for basic voice fairly stable
- Good interest in Mobile Internet services

# TELE2 SWEDEN MOBILE



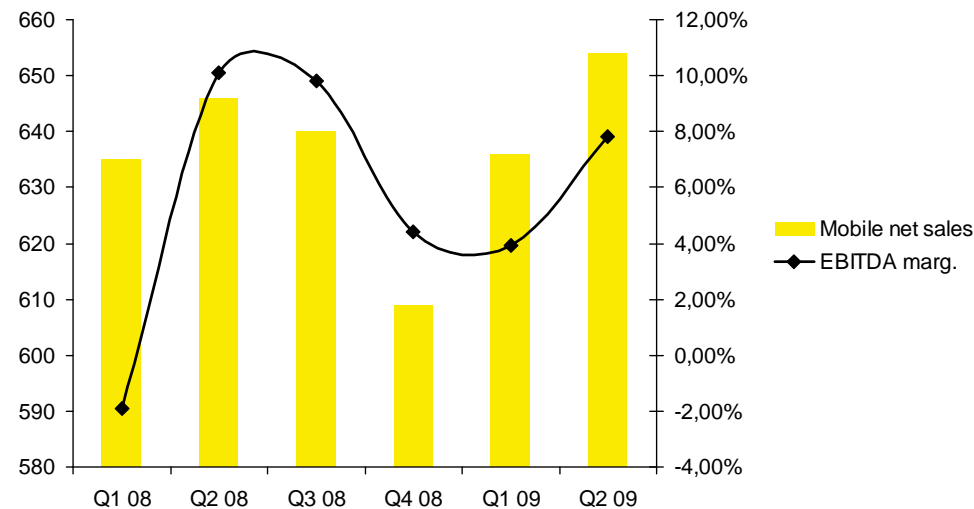
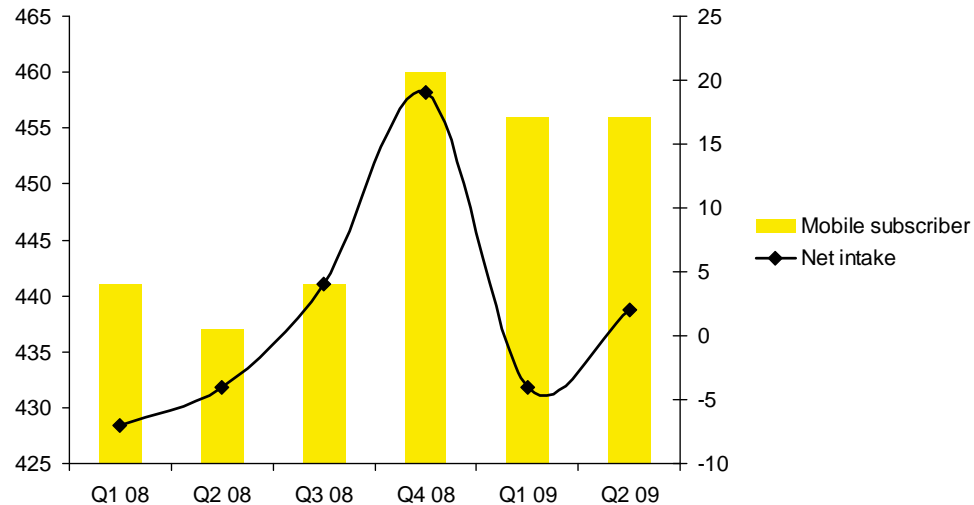
- Flat revenue development
- Good customer intake
  - Driven by Mobile Internet and post-paid voice
- 33,000 new Mobile Internet users
  - Total base 218,000
- MoU continue to grow, both voice and VAS
- New partnership regarding future LTE network deployment
- EBITDA 32 percent
  - More traffic carried over the 3G network/SUNAB JV
  - Higher intake of post-paid customers leading to increased marketing costs
- Capex
  - Benefiting from the JV structure

# TELE2 SWEDEN MOBILE (contd)



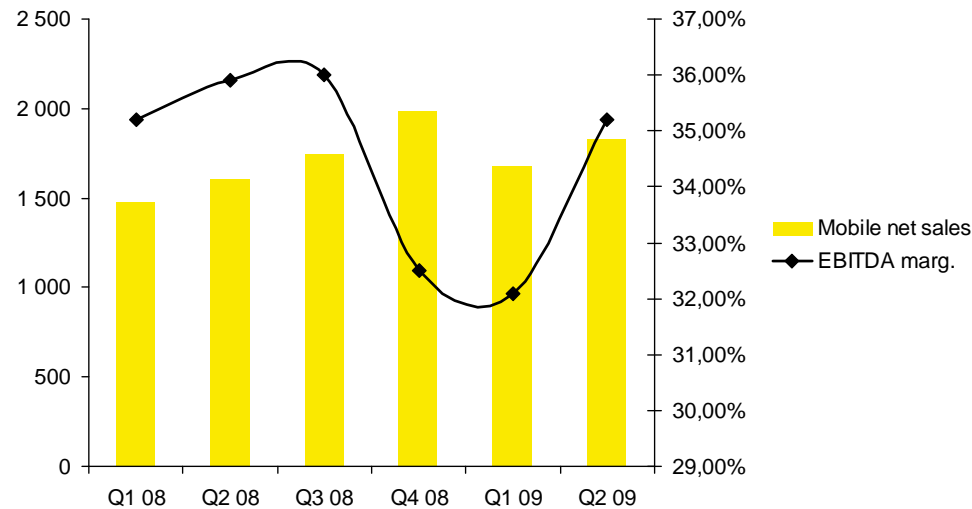
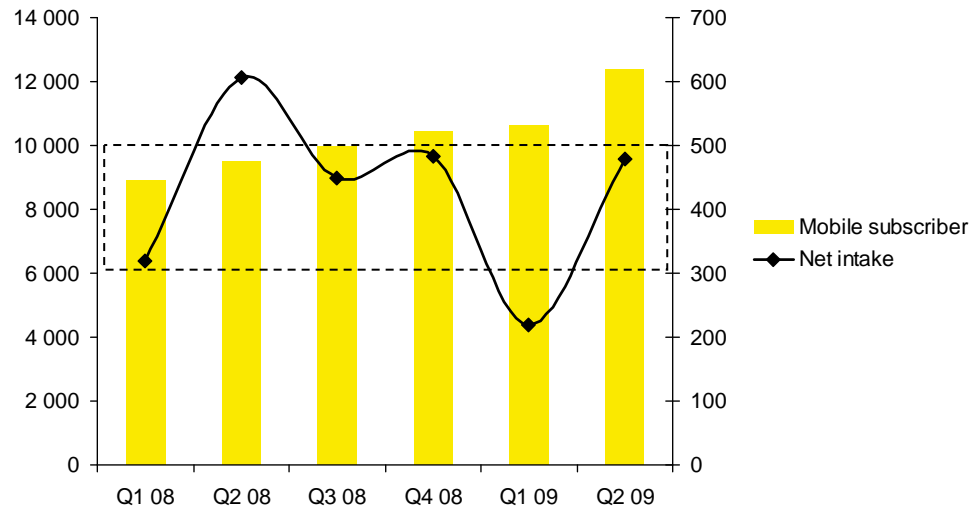
- Total number of mobile customers 3.2 million Q2 2009
  - New pre-paid definition affecting the reported number of the customer base with -200 000

# TELE2 NORWAY MOBILE



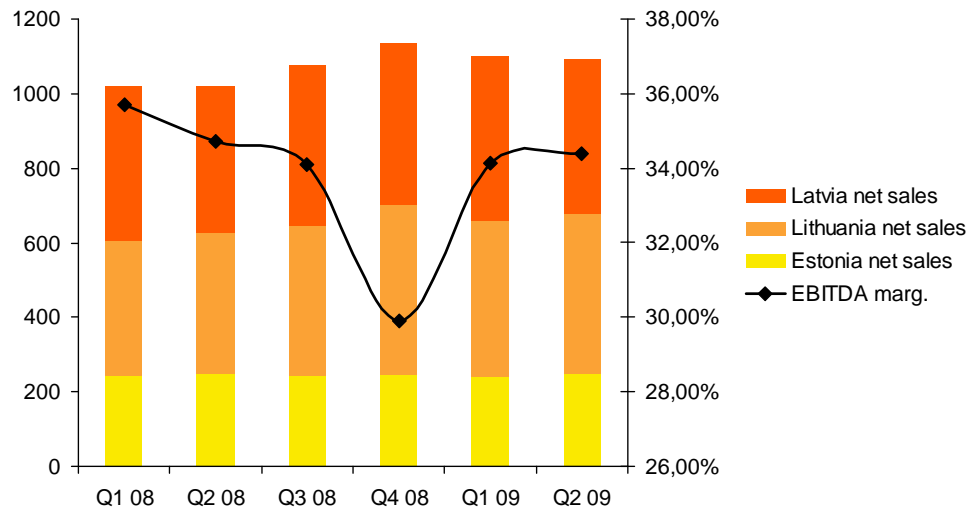
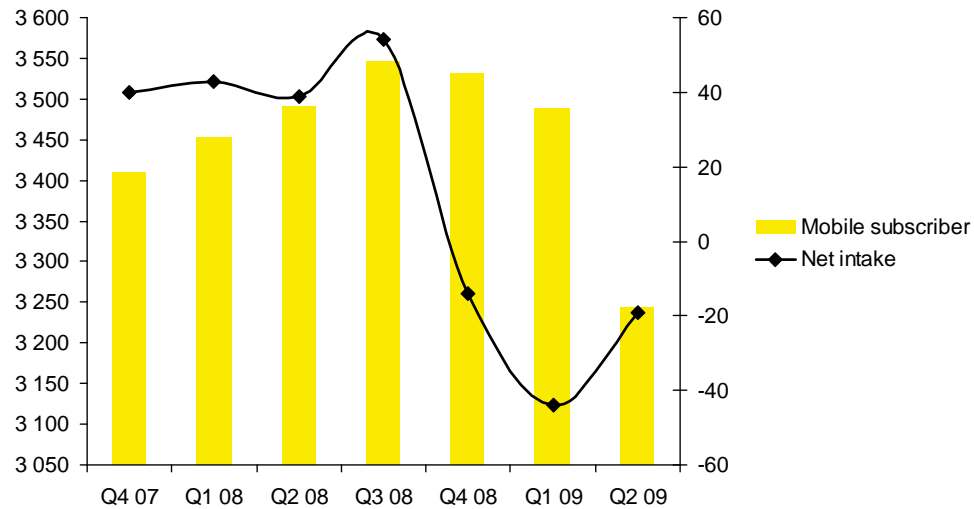
- Tele2 staying the price leader despite tough market conditions
- Customer intake 2,000 in Q2 2009
- Improvement EBITDA development:
  - Efforts to bring costs down together with;
  - a continued focus on improving the quality of the overall customer stock
- Network Norway JV affecting EBIT by SEK 16 million

# TELE2 RUSSIA MOBILE



- Revenue growth 14 percent in SEK
- More than 12 million customers
  - Net intake in the quarter 478,000
- Stable ARPU development despite economic weakness
- Roll-out of new GSM licenses will accelerate in 2H 2009
- Improved network quality and data usage through the introduction of EDGE technology

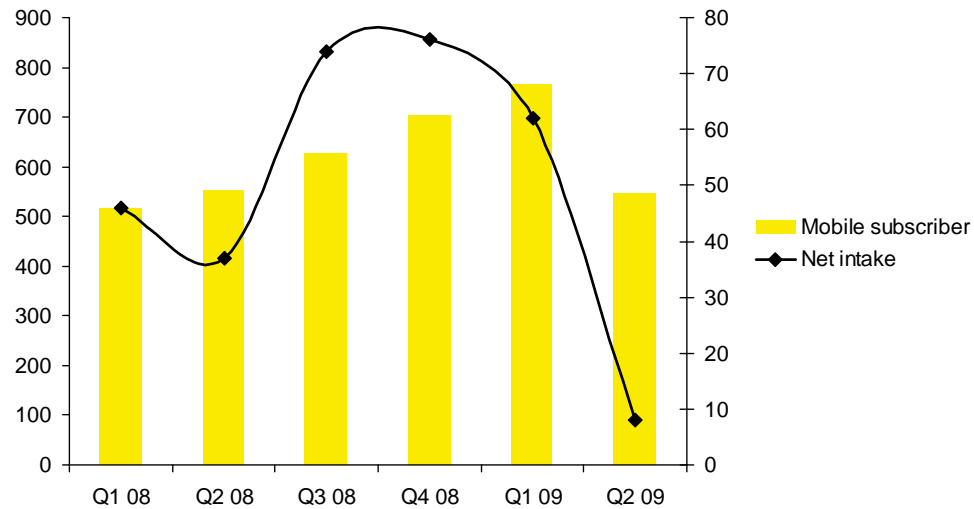
# TELE2 BALTIC MOBILE



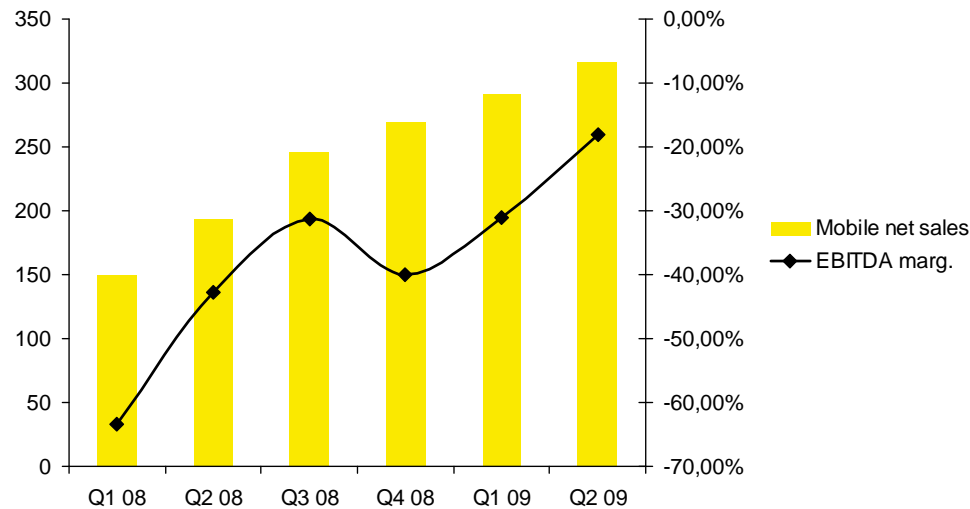
- Challenging economic environment
  - Lithuania and Estonia relatively stable development
  - Fierce price competition in Latvia
- Robust EBITDA development despite current economic climate
  - Lithuania 39 percent EBITDA margin
- Price leadership creating opportunities
  - Focus on higher ARPU segments and enterprise customers



# TELE2 CROATIA MOBILE



- The Croatian operations developing according to plan
- Good EBITDA improvement in the quarter
- Opex affected by higher marketing spending and acquisition costs



**TELE2**