

Tele2 Q1 Report Conference Call
Tele2
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Moderator: Good morning, everyone, and a very warm welcome to the Tele2 First Quarter 2009 presentation. As always in these instances, I would like to take the opportunity to present everyone joining us via the telephone conference or hopefully also via the Web if everything's working correctly. Today we have an exciting line-up. We're going to start off with our CEO and follow through with our CFO. We also have a few representatives from the top management team. We have Niclas Palmstierna, a Market Director of the Nordic, and we also have Niklas Sonkin, which is a new top manager of ours, which is Market Director of Central Europe.

But with no further delay, I would like introduce our CEO Harri Koponen.

Harri Koponen: Thank you from behalf and it's kind of interesting to be here in almost sunny Stockholm. We are still waiting summer arriving as I sit here. It was over a couple weeks ago, now somehow the Russian winter is flowing down here. But as I said, Tele2 is now here to present quite robust results from the first quarter.

Without further delay, we cover the topics what I would like to lift up. I will do the review; Lars will go through the detailed financial review, then I will touch a little bit about the mobile operations one-by-one, and then I will have some concluding remarks at the end of the presentation.

What are the highlights of this Q1 results is that basically one exciting news for Sweden, that's that we are now creating this joint venture with (inaudible) mobile for LTE. Actually I have to first say thank you for Swedish BTS with the very smart and long 60th [sic] decision where they actually allowed the re-farming of the frequencies, net check independence. That will be one of the cornerstones, the future strategy of the Sweden to move forward that was can actually build this new generation mobile Internet network for 99% of the people in the Swedish market. So that's quite an exciting thing to happen. Again, we called that a smart investment that we don't do it alone; we do it with a partner, save quite a bit money and the same time I think that it will give something exciting for the Swedish audience. So keep looking at us; we are aiming to deliver. So that's kind of one good thing. Then we also the good contribution from our (inaudible) joint venture in 3G, so it's actually delivering quite stable EBIT contribution to the Group. Then this time the EBITDA contribution from our fixed business was also positive. We are happy with that. We are also pleased to say that we have now four months consecutive positive trend in Norway so that people have been very positive about Norway but now the Norway is also turning around and we are very much focusing on making it even better, so I'm happy with what's in the Nordic market sector, market area. Then we go to our exciting market, the Russia. Everybody has opinion about our one Eastern neighbour. Some people are thinking this is a fear or some other people see this opportunity. I've said to all

the people about the Russia that if you think that five or ten years from now Russia will be weaker or stronger and if you said that they're weaker, then we're supposed to withdraw. If you think it's stronger, we're supposed to stay. I have as a Finnish citizen but living in Stockholm I think that I have some insights of the Russian. I actually believe that that market will be and the whole nation will be stronger, so we still believe in the market, but we cautiously moving forward. I understood that we have also the Russian news media here, so I would like to welcome you, 'Dobroye Utro'. So I'm happy that also we get some direct feedback from also the Russian audience here directly.

So we are building the new regions. We have a good EBITDA margin in old regions. When we move to the Central Europe, our Baltic operations are doing quite okay. They are stable. They're not diving as many people. We're fearing that we have major diving here. No, that's not happening. Actually when we look to Lithuania, record high EBITDA contribution and same time the country is experiencing perhaps the worst ever economical downturn, almost in the 15 minus GDP level. We have momentum in Croatia. The market is now delivering the growth and we are waiting to finally that market is also coming to the positive side. Just a general remark, we have all the other markets are now making an EBIT contribution and positive except Austria... sorry, Croatia. Even though Austria was the last market what we managed to kind of a turnaround, so we have a good momentum going on when you're looking at profitability.

Western Europe, as we said, this is fantastic operations right now. They are during results and delivering fairly good numbers, perhaps France is not that what I could call fantastic, but it's actually delivering results; but otherwise as in Holland, I'm very pleased with 88% EBITDA, increased so everything is going fine, and the Austria turnaround. I think that that's also remarkable here to mention.

What about the economical impact. We see that we can some parts of the economical impact now in our business, but the feeling is like it's there. But how hard it's going to be hitting us, not yet so hard, but we have to be cautious. We can't be too optimistic, but at least it's better to be safe than sorry, and that's why we take this kind of a cautious outlook on this economical situation. We have the plan in place to make sure that we can act if we see further impacts on the thing. We are going to focusing on cash flow and profitability. Those are the main things. It's also the directors and managers that it's a privilege to be saving money. It's the everyday work. It's not the special function of the managers to start the savings. We started already the savings in Q3 last year. We are continuing that same process. We just increased the intense in the fourth quarter last year, now we are following through those activities. But the same time we see that there's also opportunities. This situation is creating a fantastic opportunities for somebody who has money but don't have to use their money. This is also a good thing that we are not in any stopping mode so we are waiting cautiously what's happening. If good opportunities comes and they need (inaudible), we might be interested. This is the message. We might be interested. It sends the clear signal from the management that: Yes, we have a strong balance sheet, but our aim is not to use it and came back said, "Now we have found this kind of non interesting thing for the shareholder's perspective." So we

are looking very careful that the investments we are doing is creating actually the shareholder return and good impact of results.

What are the highlights of the quarter is that sales were up by 6% reaching the SEK 10 billion and 120 million. EBITDA was increased by 34% resulting SEK 2.227 billion. Cash flow after the capex was 682 million, good increase after the previous quarter where we compare to the last Q1. Low financial gearing, 0.7 level with the (inaudible) so - - and without the (inaudible), I think something like 0.5ish. Again progressive dividend here in the Company that we see that we - - our aim is to have an increase progressive dividend if the Company financial situation allows. That's the guidance what we have been giving and that SEK 3.5 is the ordinary dividend, 1.5 is the extraordinary what is the proposal AGM what will be held next month. New credit facility was in place and I think that we went to the market in right time. We got SEK 12 billion and it was oversubscribed and we get - - we pay a little bit higher rate but we get the better terms for the management. It's we have less governance in the loan facility.

Then we go to our financial numbers. Lars, you take over.

Lars Nilsson:

Yes, good morning. Now there will be some number crunching. I go directly into our profit and loss statement that I know that there has been some issues raised regarding especially taxes and financial items. But overall, I mean it's a strong first quarter with an EBITDA margin of 22% compared with 17% Q1 '08 and then it in line with what you saw the year before. The year before we had costs from our joint ventures of 64 million. This quarter it was 18 million, and that's Mobile Norway are still making a loss but soon it'll be at breakeven level. It goes down to quite clean and normalised EBIT of 13% compared with 8%, so I think that's a major improvement.

Then we come down to the financial items as well as taxes, which I will explain in the coming slide. But you can also see that the net result from we had also result from discontinued operation of almost 200 million and that relates to Switzerland. We had some settlements now for our phone company in Switzerland and that will have a cash flow impact in next quarter. Financial items, all in all 592 million compared with just minus 28 the year before and that is also in a way complicated to describe. But first if you talk where there about interest expenses, we have now accounted to 139 million kronor, 35 million of that is related to the SEK dispute, which I will come back to. So that was more or less in line with what we saw last year. Exchange rate difference external, that namely driven by our U.S. dollar funding. We have... The U.S. dollar has gone up with 7% compared with 1st of January, so that is what you... I said when we had Q4 presentation, I said that this should be around 200 million and that's of course depending on the best of what will happen with the currency rate Swedish krona against U.S. dollar, but it's not complicated to understand I will say. Then we have also exchange rate differences intragroup, a loss reported here of 207 million, which I will come back to and try to explain, but this is then how you see the breakdown of the financial items. But when you down to look at the intragroup items for foreign exchange, you have to count with exchange rate differences too on the P&L statement but also the reported number in this other

comprehensive income, which you can see in your report, and this is directly booked to equity. So all in all, we have an impact of intragroup foreign exchange of, yeah, roughly 400 million and that's more or less the same amount that we have Q1 '08. So total capex intragroup is 400 million reported in the P&L and direct into equity. That's due to just weaker rouble. That's our rouble investment. So you can see our currency basket. It's euro, rouble, and then the Baltic currencies. In the income statement compared with Q1 '08, you see that the euro and the Baltics, I mean the Baltic currencies are pegged to Europe, they have been strengthened against the Swedish krona, and the rouble has gone the other way and the U.S. dollar you see it's 34%; and compared with year-end, rouble is down 7% and U.S. dollar is up 12%. I think you can use this going forward when we should try to make some kind of forecast about the forex, FX, effect in our results.

This is our currency box. It's our net asset in foreign currencies. Year round it was 25.4 booked in Swedish krona. Now it's the same amount, but here you can see that 48% is euro-based - - was euro-based and now it's 47% and there you can see the Russia, the (inaudible) for Russia and the Baltics and other, that's Norway and Croatia. So you can use this going forward when you make your estimation for what will happen with the currencies and then bear in mind that FX changes on internal assets, it's reported in the P&L as well as in this directly to equity.

So first when you saw the number, maybe it was (inaudible) FX numbers are too high; but I mean if you compare that with what happened the year before, we are almost in the same level.

Taxes, we have reported tax cut of 273 million for the quarter, where 186 is sort of extraordinary. As you know, we have had the this tax dispute for a long time and we have talked about that before and now we will (inaudible) the whole case. But when we have reviewed all the whole case, we have taken a more conservative view on it like part of this tax dispute, so that's where we actually booked a cost of 186 million kronor and also booked a interest penalty of roughly 13 million kronor linked to that. It's still (inaudible), but we take conservative view and that has also affected the cash flow for quarter taxes. So there you see that our forecast now going forward is that (inaudible) we should book 20% of the tax rate going forward and the tax payment for this year, the tax lien tax will be somewhat from around 800 million. I think we have 700 million in the last forecast, but now we (inaudible) 200 million being too thick. So for the greater part of the tax dispute, we have not still taken our provisions because we are sort of convinced that we will win in the next instant and we have now a deal of course; but for slight portion, we have taken more conservative view.

Cash flow. Strong cash flow I would say from operations in line with the EBITDA numbers. You can see that we also have a positive change in working cash flow. I think for the full year we should be sort of more or less breakeven. I don't expect any big change on that. We have invested 1.1 billion compared with 1 billion the year before. So I think everything what you see in the P&L, that goes directly down to our accounts to cash balances, so we're not building up any kind of big

balance sheet dividend proposal, Harry talked about that. I don't think we have to repeat that.

The balance sheet, just to give you the... I mean the feeling is that we have a very strong balance sheet. Share of equity has gone up and actually the turnover is a little bit down, so I think we have stronger balance sheet compared with a year ago.

Group financial profile, the net debt position is now, I don't know if I'd say only, but it's 4.4 billion. As Harry said before, we have a net debt of 0.5 and including guarantees on the joint venture, it's 0.7, and actually we have now credit - - unused credit facilities of SEK 9 billion. So we are very strong, but we will also be prudent by using them, but we have a high capacity.

Just talking a little about the numbers, you saw the net intake per segment, as mentioned before, and the customer intake was overall flat, but we have continued to grow in mobile and also according to plan you can say continue to lose customers in the mobile - - in the fixed telephony segment. Fixed broadband, we have (inaudible) profit, as you know, and that you also seen in the results the customer intake there is (inaudible).

This is just a breakdown of our mobile customer profile. I don't know if we have shown this before. Here you can see that on total mobile customers of roughly 20 million customers, 80% is prepaid voice and post paid is some 3.7 million customers, and of course we expect that we will continue to grow in the mobile Internet segment. We presently have roughly 200,000 customers, the majority is in Sweden.

Net sales, yeah, mobile sales up and also fixed broadband is up, partly driven of course by strong Europe.

EBITDA, 22%, which I think is very, very strong achievement and we continue to see the trend that we now we are making money. We have a positive EBITDA in all our segments and all our business areas. We're really happy to see that a country like Lithuania can deliver such a strong result, and the turnaround in Holland and also in the fixed broadband is also something which I think you should really look into that we are in a much better application now compared with one year ago. Of course, we have to take some cost in the building out phase in Russia, which also is reported which you can see in the report. But the underlying margin in the old regions is 36%, which is in line with what our expectations and what we have communicated before.

Mobile EBITDA, there I think it's important to emphasise when it comes to Sweden, the EBIT number is more important now since we have this more and more cost coming through the tune of (inaudible). So if you compare the EBIT numbers, it's more or less the same number as Q1 '08. So going forward focus on the EBIT margin. That we know that we have communicated that. Of course we had taken some extra costs in the Swiss mobile operations of this quarter when it

comes to sales acquisitions for post paid. I will say still we're stable performance in the Baltic region.

Fixed broadband, this is a success story. I heard yes, yes. So we have a very strong margin here now. We have come from a lot negative situation and now we are showing a decent margin and of course excellent turn around in that and also of course you see the improvement in Austria. But you should bear in mind that especially for Austria, we had some really one-off costs in Q1 '08, but nevertheless the underlying is doing better.

Fixed telephony continues to generate high profit margin of 27%, and that is set to really maintain a really high profit level. We know that we will lose customers; but as you can see, we have really been in a position to make decent margin out of this.

EBIT 13%. Improved operation and performance all over the place and you can see that we benefit here. We benefit from the (inaudible) contribution.

Capex 1.2 billion for the quarter. We changed the forecast a little bit for the year. We now think it will come up to somewhere between 4.7/4.9. The reason for the change is just the FX effect because when we look at our investment in Russia, of course a lot of investments are euro-based so therefore we (inaudible) from that. As you see therefore now it's between 1.3 and 1.5 billion invested in the new regions.

Summary, I think overall a very solid performance. EBIT positive in all markets now except for Croatia, and I think that's an achievement and in line with our ambition and I think with our forecast. Overall all segments showing strong results. We have a strong balance sheet. We have sort of liquidity reserves and we also have a strong cash flow and we expect to see a strong cash flow also for the rest of the year. But of course there's a recession out there and we have seen a slowdown in some areas of our operations of course. But overall, I would say it's solid performance for the financial continuence.

Thank you.

Harri Koponen:

Thank you, Lars. As I said, you know we try to be also open and transparent with the financial items, and I think that it is thanks to Lars, he has been keeping our financial people in a good order. It's a good combination to have experienced people and sometimes perhaps driving CEO we are complimentary each other and we have good teamwork and we are very happy with the new people who have joined the Group to kind of make sure that we are focusing on the right things and delivering what we are talking, and I hope that I see many of you in the road shows and I hope that is not deviating too much what we have been talking to you earlier. So that's also something that's predictability in this business also important and I said better be safe than sorry is a good management principle nowadays.

Now I'm going a little bit more deeper about the mobile business because that's something where we are really focusing in the future is that we have seen some effects now macro. I said to the people that the monster is out there and we have not yet seen how it's going to hit us but we feel that the economical monster is going around. We have not yet felt so badly, but we have to be prepared if it hits, how to effect. We see that the people are asking more price sensitive offers like the (inaudible) only. We see that the corporate customers are asking to renew their negotiations and we ask the customers actually to come and test the prices because you might save a lot money by changing from existing operators to Tele2. So that's something where we try to be in out there in the marketplace to say that people can save if using Tele2.

We don't have a very clear (inaudible) of MoU, minutes of use. That's something we feel actually some markets the MoU is going up, some markets the MoU is flattish, but we don't see major downturn. So that's a positive thing. So flattish MoU some places, increased MoU so. But then you're asking: Why then you are talking about this financial monster? Because I don't know. It might hit next month or whenever, but right now we feel that mobility is more prudent against the financial and economical downturn than previous recessions. That's how it feels. But it's holding better than previously.

Voice pricing is fairly stable. We see attempts that people to increase the prices, but we will not be the leaders of the price increases. We will be there in a follower, so we want to keep our price position that we will be the best price offer, so we don't want to move the first but we want to be... If other people are moving, yes, we will most probably follow. That's what we have been saying earlier. There's a good interest right now in the mobile Internet. People are asking about the mobile Internet and you know perhaps notice that it was yesterday we announced in Sweden that we increased the speed. Now Swedish mobile Internet, the maximum 14.4. Of course we are now working very hard to get the (inaudible), the units to kind of get them working because that seems some bottleneck to get hardware on the people's hand, but we are continuing to working on that with our colleagues from different supplier industry. Today operators has a better pricing power in their hands, so we don't have to use the money. We rather renegotiate and we delay and then we renegotiate and then specifically we get the better results, although some other people feel that this is little bit improper but I think a good way that we are not too hasty on making decisions in some very expensive item, that we'd rather than renegotiate and then look how the situation is developing. But right now those are the trends.

When we're looking at Sweden mobile, we can say here that, yes, we are increasing the customers. There's a net intake and then mobile subscriptions are going up, so again no clear trend, but there's a stiffness in the Swedish mobile market what we see, especially in the retail market side. The people are closest with the retail part of the business. Higher... There's a higher churn, but better intake in the prospect side and especially we have seen positive news in the corporate segment. We have really won big orders from the corporate lines. 15,000 new mobile Internet users. Here we are now talking almost 200,000 subscribers in mobile Internet. But it's not of course we are not completely

happy, but this is now the right direction and we need to accelerate this part of the business. MoU continue to grow, but in voice and in VAS area. Here partnerships in this connect for mobile, I think that this is one of the prides thing in the future when we are looking at how we prepare ourselves in the future. Smart investment, do it together with number three operator so that number two and number three goes together and we think that with 99% penetration of population coverage is keeping something new to the marketplace, that people really can feel that mobile Internet is everywhere, but you can really start to think fixed replacement. When there's... Current system by the way is 34 megabytes, is what is out there, 34 megabytes per user in sector and practical speeds what we have been talking with the offering is mostly 4 to 8 meg active speed to the single user. How many of you have a 8 megabyte line in the home today? Yeah. So suddenly it's not any one home but it's the whole Sweden where you can use this kind of a speed. That's the essence of the change what is happening. What is the dynamics in the same (inaudible) world? If you're happy in with one meter or two meter or however long is your cable and you're happy with that, that's okay. But if you want to roam all over the Sweden, that's really the value proposition what we are saying this new LTE will be bring to people, Internet everywhere. I like mobility because I don't want to be stuck with the cable. Like PCs, your coverage area is as long as your electricity cable can hold (inaudible) running.

Then EBITDA margin of 32%, it's good. So Company is delivering good results in Sweden. We have some challenges, but we are addressing those things. As I said, mobile Internet is really the area where we want to increase the focus going forward and (inaudible) is now delivering more traffic to general.

If we look how the distribution is then, yeah, we have a mobile Internet that's 200,000 customers, prepaid voice 1.9 million, and post paid increasing all the time. So this is I'm actually pleased that our focus now on the post paid is yielding results and we are getting these B2B customers joining Tele2 lately. That's a good thing.

Norway, actually here we did one time clearing. But actually if you're looking, the net intake is supposed to be right there about 7,000, but we cleared up the database with inactive customers and that was about 11,000 customers so we are growing; and as I said, four consecutive months when we are improved EBITDA, so that's a good thing. Again there we are working with this JV and we tried to make the JV operational, but right now we are still working with the family on how we can get the right concept. When we get the right concept and right financing, then we put the (inaudible) and we go for the rollout. Right now we have not put the full throttle on in the Norway, but we are focusing on making the operations more solid and robust. So we are seeing a positive trend in Norway.

Russia, net intake a little bit below our line, but here you can see that we didn't launch any new regions during that period and we will... I still feel comfortable the whole year this trend what is shown here can be reachable and EBITDA margin is still stable. We have a more than 10.6 million customers in Russia, a little bit lower than our expectation is the impact. This is perhaps what I can say it is said where

the economical environment is hitting. This is perhaps the area where you can see that some softness, but it's not all the regions; it's some regions. Stable ARPU despite of this economical situation and we roll out, we actually now that rollout of the region so that during this quarter and next quarter we are starting to rollout the new regions, the (inaudible) and then we start to see the impact in the customer intake. Input network quality, we actually launched now the EDGE service in Russia so that we can start to sell the mobile Internet services in S speed, but it's about 115 about kilobyte, not megabyte. We better be careful here.

And Tele2 Baltic, I'm extremely happy with how Baltic is holding. You know it's like when you're looking the whole economical situation in the Baltic, it's quite something. If you haven't not visited in Baltic countries, I would recommend you to go there, then you can feel that what is the recession. But we have not felt it so much in Tele2. Lithuania more stable than Estonia and Latvia. Price competition very fierce in Latvia. There's a few players who wants to challenge us, but robust EBITDA results. Lithuania 37% EBITDA margin - very, very nice, so we are doing well and we have been holding the price leadership position in all these markets, so we think that that's the essence of customers I think are feeling that we are giving the best value for money and actually our quality is now comparable for all the players in the network, and so I feel we did the major step up in fourth quarter we actually did the swap. We swapped the network and created a completely new network in all of those Baltic countries and now we can see the result of the investment, the quality, so the customers are also feeling it. As I said, so far stable. We are very cautious with the Baltic countries.

Croatia, this is one of the good stories now that they are clearly showing the good net intake. Also the EBITDA is increasing and we manage to do this national roaming (inaudible) with T-Mobile, so we have now the right ingredient in place. We didn't want to accelerate the thing by wrong makeups so we rather took the long route, went through the (inaudible) book, didn't want to lubricate the participate any wrong doings in the country and that's why we were a little bit delayed in Croatia market, but now it's actually yielding results. A little bit one year too late, but now when everything is right, it's actually going in the right direction and very exciting to see what happens in summertime when the tourists are coming to the country, because one of the European tourist resorts is the Croatia.

Regulation. We can say Europe is the home for many, many successful mobile operators. The only thing what the mobile operators want is the predictable regulation environment and so I would say that I'm very pleased about the Swedish PTS how programmatic approach they have taken this last reforming for this 900. I will hope that other regulators will follow the same pattern as Swedish regulators has been selective because reforming keeps up the opportunity to kind of invest and keep after the kind of leverage what we needed to make this business even more attractive for us and same time also we hope that the customers can feel the impact not right now but next year when we are starting the rollout this next generation network. This is the clear change in the Tele2 strategy that sometimes when we know that this technology will be the winning,

we will not invest a lot, so sometimes we might also drive some development when we know what we are not paying any extra because our organisation is not participating R&D, we are sales organisation and we want to make results, we let the other people to do this R&D and then we just implement and go for it. But when we know that the R&D is done and the system is there, then we are calling it a smart investment that we don't want to be the last to move when we know that this is the winning technology. As I said, let's hope that this is other countries following a little about the PTS and the reforming, but interconnect side of course the regulators would be a little bit more less active than they are today.

Then when we look to concluding remarks is that, as we said, we have a very good solid EBITDA contribution came from the markets. We have been acting and we are acting when we see the slowdown in the market so we are ready; and as I said, we are not acting but acting mode, we have been reactive. That's very important in this kind of situation. We saw this coming; we started activities early on, and we are continuing those activities to make sure that we are facing this situation, because I think that this is not over. Some people are telling that, yes, this is now everything is turn out. The share prices are going up. That's not the sign for me that the real economic has turned around. So we want to say that people feel that their pocket is getting fuller, that there's money to be shared, so we don't have to be too optimistic in this matter. We have a very solid financial foundation in the Company to go forward and then we think that we can build more better and solid Company based on these results. Our top priorities will be discipline, cost discipline, be prudent, as I said, don't do too innovative spending. Be innovative in getting customer and keeping the money in our pocket. Focus on cash flow and profitability. Rollout the new regions in Russia, make sure that that's done in a prudent way and that we don't do any exciting new stuff there, but we do at as we know how it will be successful. Develop our mobile operations so that we can comprise - - compromise - - have a product portfolio together. There's one example actually here, can take this one box. Like we are now finally moving to the... This is the latest example will be launched a few weeks ago that these four companies, this is a switchboard in a box. Sorry, it go right here that the people can also see. We launched this kind of idea that this is the style of Tele2. Corporate customer wants to have a service; they come and buy this kind of box from the store and here's your switchboard, your DABA switch. Everything works. It's in the network. No more complicated stuff. You can get mobile instantaneously, and this is for B2B customers. Then we have other boxes also there for the consumer customers, but this is the style of the Company - make it simple, easy to buy, easy to sell, and easy to use and also make money out of it I think.

So the style of the Company, be prudent in marketing, get in relative way how people can approach us and we also focusing now more on work sales to serve the people through the Web and those are the things. Partnership in Sweden, stable business in Baltic. Russia rollout continues. We are well prepared for the tougher times, and I think that's basically my concluding remarks and now we are ready for the Q&A.

Moderator: Thank you very much. I think we should start with some questions from the floor. We'll start with the lady.

Lena Österberg: Some advantage is good. Lena Österberg from Enskilda. **The question on your guidance on Russia because you keep your cash flow guidance despite the fact that margins came down quite a lot and that you once again raise capex.**

Harri Koponen: We didn't raise the capex.

Lena Österberg: You did.

Harri Koponen: We didn't raise the capex.

Lena Österberg: Yes, but that's another question I have is because you previously told me that you buy capex in roubles, that you manage to negotiate that.

Harri Koponen: I have never said that we are buying the roubles in capex. I said that hardware we buy in hard currency. Locally.. Concrete land we buy in roubles.

Lena Österberg: I have been told that you were buying also from Erikson* in Roubles so that's why I'm bit a surprised.

Harri Koponen: Somebody's lying to you. Not me. I never said that we're buying stuff from Erikson in roubles.

Lena Österberg: But even if there is...

Harri Koponen: I would be happy.

Lena Österberg: Yes that's what I was assuming that you would have hedge cash flows, but obviously they're not. **But given that you are raising capex due to FX because you're raising your guidance and the margins this quarter in the QL and you - - I think your peak opex will be next quarter. Do you still believe that you will maintain cash in currency?**

Harri Koponen: That's our aim.

Lena Österberg: **How will you do that?**

Harri Koponen: That's the thing that we are working every day. Being paid as a manager that we try to, but cannot keep it, that's our target.

Lars Nilsson: I can add to that. It's only... It's not only capex when we are talking about cash flow. I mean we have also actually, as you've seen, one effect of this FX changes, it's also actually that we will end up in paying a little bit less on taxes, so of course it's mix of mix things that we can do and still if you see our changed guidance on capex, it's not significant number, so our aim is definitely manage this.

Lena Österberg: **Maybe also if I can ask a question on convex margin, what's going on a little bit because you had quite a low intake and it seems you're losing market share and still margins are coming down. So what are you doing...**

Harri Koponen: Why you came to the conclusion we are losing market share? Have you (inaudible)...

Lena Österberg: **No but that started already last quarter, so looking at last quarter numbers, your margins this quarter and net intake, I assume that you still lose market share.**

Harri Koponen: Yeah, but where you make the conclusion that we are losing market share?

Lena Österberg: **Based on Q4 numbers.**

Harri Koponen: Yeah, but that's still... Let (inaudible) answer.

Male Speaker: I can just comment that on...

Harri Koponen: (Inaudible)...

Male Speaker: (Inaudible)...

Harri Koponen: Because otherwise the people in...

Male Speaker: We like boxes. On the margin on (inaudible) and Tele2 in Sweden, so we can see that as well that we are taking - - we are maintaining our market share on the post paid. On prepaid we had a lot in this quarter as well and it will affect the intake number. The intake number that you're talking about has been affected by higher churn on prepaid. So on post paid and mobile Internet, we are growing and therefore we're maintaining our market share. That's how we mentioned before it's a balance regarding mobile Internet, how much should we take as an intake and how much shall you... It's costly as mentioned in the quarterly report. You can see how much the cost - - the loss for the mobile Internet is. So that's a balance that we are all the time balancing and what you indicated here as well is that we are monitoring this very closely and in order to expand us further on the mobile Internet and now we have greater opportunity with this network, so we are really controlling our cost for the future and setting up a standard.

Harri Koponen: As I said, it's a balance. Post paid, we have been gaining, prepaid we lost some customers, but then it's guess then how much we want to gain new customers and how much you want to pay.

Male Speaker: Then it's quite difficult to track the market share because what's important there is to look at what are the other ones reporting. Of course you have figures such as Telematics as well in that. You have figures about when is a customer active and not active. So it's a bit difficult, Lena. I would then recommend looking more at the PKS report and pushing us lagging back six months. But I would recommend looking at that because more general what everyone is reporting in.

Harri Koponen: There you can't be negative?

Male Speaker: You can still but...

Harri Koponen: Not as much.

Male Speaker: Hopefully not. Thank you.

Lena Österberg: Good. **One more question to you, Lars, on the taxes just so we understand the whole thing because you paid in the quarter 395 million.**

Lars Nilsson: Yeah, that was the number.

Lena Österberg: **Yes, then 186 is related to SEC, 10 was the other tax dispute...**

Lars Nilsson: Oh yeah.

Lena Österberg: **...that you took on the taxes line. Then you had already made 163 in provisions in 2005.**

Lars Nilsson: No provisions. Sorry, I didn't understand the question there.

Lena Österberg: **I'm just trying to make up the difference between the paid and what you booked in the P&L. So 186 is related to SEC, 10 to other tax disputes.**

Lars Nilsson: Yes.

Lena Österberg: **163... Oh that was already taken as a provision in 2005.**

Lars Nilsson: Yeah, correct, correct.

Lena Österberg: **That leaves 36 or 35 million and that you took as net interest expense. Is that correct?**

Lars Nilsson: No, no, no. First we should talk about the tax payment is one thing and there you know we have for this year now a focus of a cash flow 800 million, there of roughly 200 million is related to tax disputes where we have booked a cost (inaudible) as well. Okay? And then when we talk about the tax costs, we have reported 273 million for the quarter where of 106 was related to the SEC. Then if you look at the financial items on interest expenses, we also booked a tentative charge for this interest rate linked to the SEC tax dispute.

Lena Österberg: **That's the (inaudible) and interest?**

Lars Nilsson: Yes, so there you can also see that actually our continued liability for the tax dispute has gone down due to the fact that we are taking another view here.

The next one.

Stefan Pettersson: Yes, Stefan Pettersson, Nordea. **I have two questions. One again related to the (inaudible) margin. I agree with Lena that the margin looks quite weak given the subscriber intake and so forth, but you have stated that we should focus on the EBIT margin (inaudible)...**

Harri Koponen: (Inaudible). The whole Company actually.

Stefan Pettersson: **Especially (inaudible) since the (inaudible) costs push down the EBITDA margin. Now earlier it has been at least my understanding was that you should be able to deliver some 26/27% EBIT margin or similar to what you had in 2008. But now we do see pressure on the EBIT margin. I think the reported margin was 24.5% this quarter. What kind of margin can we expect going forward? Should we expect the margin to return to the 26/27% level?**

Lars Nilsson: Maybe I can start. What we said last quarter regarding mobile, trading mobile we talked about absolute contribution, so we talked about EBITDA as an absolute contributor and that EBIT should contribute similar or slightly better than in 2008, not margin.

Let me over to Niclas.

Niclas Palmstierna: You're quite correct that it's more interesting to look at the EBIT or EBITD in the future because what we are looking at is that we have interest and depreciation which of course we're having more and more traffic in 3G network and that is then hitting the EBITDA margin, so that is a little bit inaccuracy just to compare that. If you look at the EBIT margin, which is stated in the report, that is rather steady in actual contribution. Of course we are affected by the mobile Internet as mentioned before to you Lena there. It is affecting our margin. As well, we've had increased cost for acquiring customers. But we push a little bit further in the business segment where we've taken market shares in that segment and then as well in taking post paid. On the prepaid side, we've had churn during this quarter, which was negatively affecting the total customer intake.

Stefan Pettersson: **One more question related to this and that is that the (inaudible) margin is quite low whereas you reported very solid performance in both fixed telephony and broadband in Sweden and are those levels sustainable? If I could just follow-up also on Holland, it's the same there that you reported a fantastic improvement in Holland and should we expect that level to be sustained going forward?**

Lars Nilsson: Looking at we've had quarter-after-quarter improving margin both on the broadband side in Sweden and on the fixed side and we've had reported on the 27%, which was high, and of course that is a result of working with cost conscious and all the time trying to harvest as much as the market. I think it was looking forward the trend there (inaudible) which we are of course affected as we are doing a wholesale business on fixed (inaudible), an increase in their cost so of course that will impact for the coming quarters, but we can expect to see quite sufficient good margin from the contribution from product area.

Harri Koponen: We have not given any guidance but our aim is to maintain and improve.

Stefan Pettersson: **What has come to Holland?**

Harri Koponen: Holland, now you start to see the full effect of the whole restructuring efforts, what we have been doing. Where actually Austria is also going in and the Germany was already in, so Holland we now start to see the full effect of the work that has been done across the board in all the costs and we are still working with regulatory people that some improvements on the access and all that stuff so that we see that Holland is continuing to develop in a positive direction.

Moderator: More questions from the floor?

Male Speaker: First hi. **We all saw that you announced this corporation with Telenor for fourth generation mobile telephony. You have your own 2G network. You have a network together with Telenor for 3G and now you're going run with 4G together with (inaudible) by creating multiple (inaudible) network and extra cost not running with the same partner.**

Harri Koponen: Actually not quite opposite but I don't tell you exactly what we are going to do because it's not very smart to tell the competitors how we're going to use in a 4G. But the answer for your question is that there will be more simplicity in the future, but I'm not going to tell now exactly how we're going to do it. I'm just going to tell you that there will be a more simplified structure going forward.

Male Speaker: Just to add onto that. You see now the 4G and the 2G network, which we are then jointly we'll use with Telenor...

Harri Koponen: I was just going to...

Male Speaker: That's no secret that it's 3G than with Telenor, it is... I mean one of the major reasons for doing this, which is very innovative and had a quite high interest from internationally as well, is that we are reducing our cost and it's on the capital expenditure, we are nearly making half of the price of building this network, so we would have greater result in the same coverage ourselves. So it's really.... Then we're having significant savings as well on the opex side, so in 2012 or about that, we will close down the 2G networks of Telenor and Tele2 and that will result in we will only have one; and of course, you would be savings on electricity and site construction, et cetera..

Harri Koponen: I want to take the microphone away from you.

Male Speaker: (Inaudible)...

Harri Koponen: Yeah, that's what happens when I got too much elaborated.

Male Speaker: Then a couple of questions to Lars. I might be a little bit slow understanding here but...

Male Speaker: Probably.

Male Speaker: **Sort of why do you need a dollar loan since you don't have any dollar business really? I mean you have Russia but (inaudible)...**

Lars Nilsson: That's a very, very, very good question.

Harri Koponen: That's the same question (inaudible) was asking.

Lars Nilsson: I mean this is an old loan which we've had for many, many years. It will... When will it expire?

Female Speaker: (Inaudible)...

Lars Nilsson: 2011 and 2013, and we have taken the decision that we shouldn't do any kind of hedging or do anything else, and we will (inaudible) this; but time will tell how we should treat that but after we speak, we keep it.

Male Speaker: **And the internal currency effects have been negative, I guess related to rouble devaluation but the jewel* has gone up a lot but not compensating or...**

Lars Nilsson: No.

Male Speaker: **And why cannot this be booked against equity?**

Harri Koponen: I think it was the other way.

Lars Nilsson: Was the other way around?

Harri Koponen: Yeah, go forward.

Lars Nilsson: No, I don't think so. I think it's (inaudible)... If you compare with the first of January, the euro has been rather flat, and you see there are obviously changes in compared to Swedish kronor in rouble and in dollar.

Male Speaker: **Then finally on the tax SEC dispute, did you book a loss for 186 million?**

Lars Nilsson: Yes.

Male Speaker: **I didn't quite get why you needed to do that since you have a (inaudible).**

Lars Nilsson: No, I mean, well it's sort of twofold. I mean we are now in the process of really analysing the whole dispute, and I have different aspects in that and we have come to the conclusion that actually one part of it, of the dispute that we see that can be a slight risk that we lose; and that we are taking the standpoint that, "Hey, let's book that part and also pay the amount of taxes for it in order to avoid

any kind of interest expenses, if we lose, but we have a team* for the whole thing, of course, but this is a more cautious (inaudible).

Harri Koponen: We tested the prudent look.

Male Speaker: **So this dispute is actually several small disputes on top of each other and...**

Male Speaker: (Inaudible).

Male Speaker: **...beside that one element you are probably going to lose but the rest you're going to win, is that the...**

Lars Nilsson: The samples is not that we probably will lose, but we see that in certain areas there can be a high risk that we will not win, let's put it that way. It's more of a prudent way of handling it.

Moderator: Okay, I would like to take a question from the telephone conference as well so, operator, do you have any questions?

Operator: Thank you. If you have a question, please press star one on your touchtone phone. Peter Nielson from Cheuvreux is online with a question.

Peter Nielson: Thank you very much. Peter Nielson from Cheuvreux, a couple of questions please. **Firstly, could you give us sort of status on your build-out situation in Norway. There's been sort of various comments that that has been temporarily stopped. What is the situation here; and secondly, on the LTE investments, how much do you expect to spend in capex on there and when will that start sort of in earnest? Finally, I'd just be interested comments about better pricing power for the operators. Does that also apply versus your customers?** Thank you.

Harri Koponen: Well, Norway, I can just say that we have not started the build-outs. It's now in the hold until the whole thing is solved between the families. So basically we are now looking the whole funding, the structure, how we will do it; and then - - so then when we have found answers to all those questions, then the build-out will start in Norway.

Peter Nielson: Okay.

Harri Koponen: LTE, when it comes to LTE, we have not given any capex guidance because the process of selecting the vendors is right now ongoing.

Peter Nielson: Right.

Harri Koponen: So when we have done that process, then we will come back to you. But you know it's I guess this is in a good moment to be buying this type of equipment, so I believe that's in the way so we expect to get good deals.

When it comes to pricing power of the operator, we are saying that right now, we seem to have a good momentum in a cost reduction towards the media, towards the hardware vendors, towards the software deliverers, the database basically name the area, we can - - we see that people are interested of winning the contract from us, and we actually don't give any contracts out without very, very prudent and thorough purchasing process. We have seen a significant reduction every single time when we go the route.

Peter Nielson: Okay, thank you.

Harri Koponen: Is there anything else that you add?

Male Speaker: I can just add on one thing on Norway, Harri, that we are on our MVN* for another year so, and we are... There is a company setup of course and that has a build-out and it has already got the 2G network up and running.

Harri Koponen: The 3G is not.

Male Speaker: But the 3G is not, and that's what we were talking about just to characterise.

Harri Koponen: Our 2G Network is running. It's a joint... But 3G, it's now in a hold until the whole thing is solved.

Moderator: Okay, Peter do you have any follow-up question? Okay, operator, can I have the next question from the telephone conference please?

Operator: Andrew Hogley from Execution is online with a question.

Andrew Hogley: Hi. Good morning, gentlemen. **I was wondering if you could make any comments about the regulated proposal to cut the glide path on the termination rates in Sweden later this year, whether you're now baking in a sort of 40% cut (inaudible) into your forecast?** Thank you.

Harri Koponen: Well, there's an ever-lasting discussion about this interconnect rate. We don't have right now the clear picture of what's going to happen. There's a process ongoing, and we don't want to interfere this process basically right now. We just wait what PTS in Sweden is going to do. We know that Holland is now ready and, sorry, Norway is reviewing currently the situation. We know that the European Union, one particular person is interested to drive certain view from Luxembourg and it's what other people don't share here but, as I said, we will take a view in the Company that we will wait what the regulators are doing and then we will make our move. We don't want to interfere the process in forehand, let's put it this way.

Moderator: Okay good. Andrew, anymore questions?

Operator: Jacob Bluestone from Merrill Lynch is online with a question.

Jacob Bluestone: Oh hi, there, Jacob Bluestone from Merrill. **Two questions: firstly, you will kindly provide a breakdown of the net assets and fine currencies, and I was just wondering, would it be possible to get a similar split for capex just for modelling that going forward, given some of the currency movements? Then just secondly, I mean you talk about how MoUs has been under pressure as a result of the economic difficulties. You also had low net ads in many markets, obviously seasonality is a big part of this, but do you see that also as a sign of macro pressure?** Thanks.

Harri Koponen: I didn't really understand the last question. You talked so long. What is your questions in short? The last one?

Jacob Bluestone: Okay, so my second question is.

Harri Koponen: Yeah.

Jacob Bluestone: **Okay, my second question was: Are the low net ads a result of macro?**

Harri Koponen: Partly, yes, yes. The answer is partly, yes, but not completely. Also, we have decided not to be too aggressive in some places. We wanted to save money and focus on profitability.

The first question was that we want to get the freight [sic] down on the capex level in a similar way we assets, the answer is no.

Lars Nilsson: It's for sure no but of course you have the capex per country that we can see in the report, but we...

Harri Koponen: Not the breakdown in that. But then we are coming to this very sensitive area because we had some contracts when we are signing this, deals with the vendors, that what we are saying that we want to protect the vendor interest. As I said, the market conditions is today faster. We might get one-off - - some one time purchases, and they don't want to share that with the rest of the world, so that's why we have to also protect our vendors, that the prices are not leaking out how we are buying it.

Jacob Bluestone: Okay, thanks.

Moderator: We will take another question from the floor, Jan Dworsky.

Jan Dworsky: Jan Dworsky from Handelsbanken. **Come back to Russia, in terms of build-out flexibility, it is macro that remains comfortable or becomes even more challenging in that wind, the low end of that range or even at the Q1 level. Will you then adjust your stance for 2009 or would you still...**

Harri Koponen: Absolutely. That's exactly what we have been telling. If the macro suddenly goes completely wrong and some regions are really diving, there's no point of accelerating then; but right now, we don't see it and we have here a couple local persons who can kind of say that mostly what's happening there is yes,

economical situation is difficult in some regions and we see real impact where the people have been laid off in high industrial zones and I've heard like a 30% reduction in the workforce and big kind of cut-offs. Of course, those places there's an impact; but when we are talking the whole Russia together, it looks like it's now stabilising. The rouble is stable. People are holding their rouble. They are not chasing after the dollar like the last... The last recession, everybody wanted to change their rouble to the dollar but I think today it's not the case; am I right? People trust the rouble today, and that's the one good sign that people locally believe that the rouble is strong and they are not driving this further. So we have to see those effects too before we make any decisions, accelerate or break.

Jon Dworsky: **Okay and then you asked a detailed question. You - - Krasnodar and Kaliningrad is included in new regions. Were there any revenues from those two regions in....**

Harri Koponen: Krasnodar, yes. Krasnodar is up and running. Kaliningrad is not.

Jan Dworsky: **So are we talking a few million kronor or...**

Harri Koponen: I'd rather not saying anything. We have not guided, but we have seen a positive intake and then positive happenings in Krasnodar and I'm actually quite happy to see what happened there. That was one of the things that we launched it in a - - that's the most deepest moment of the whole crisis and despite of that we saw the positive response from the market, so that's why we decided that let's continue the rollouts.

Lars Nilsson: But I can add, I mean in the reports you can see that we are talking about the EBIT margins for the old regions that we are now at 36%.

Harri Koponen: That's excluding Kaliningrad?

Lars Nilsson: That's excluding Kaliningrad, exactly.

Jan Dworsky: **Then also in the text, you talk about that FX losses in Russia at the EBITDA level.**

Lars Nilsson: That FX, that's more if you compare with a year ago, you can see - - as you can see here, I mean, the rouble is weaker just when compare the numbers in Swedish kroner.

Male Speaker: We also have some joint central costs that are being distributed between the market areas and if the billing and IT system, of course our billing IT department in Sweden, for example, is billing services to the Russian operations. It is still, if I remember correctly, in local currency...

Harri Koponen: That's correct.

Male Speaker: ...but it will be.

Jan Dworsky: **When?**

Lars Nilsson: Soon.

Harri Koponen: Soon. Yeah, so we have this kind of an intragroup thing that we are also lining with. We said that local markets that you will be measured in local currencies, not that they have the currency problem. The headquarter will take jointly with that risk, not the currency.

Male Speaker: (Inaudible.68.40)... please?

Male Speaker: Yes, they're HQ Bank. **Maybe a question for you, Niclas*, on back to (inaudible), I was just thinking you mentioned higher marketing costs is one reason for EBITDA decline and I was wondering how is the... I mean it's between margin and subscriber acquisition costs in this quarter compared to, for instance, Q4 and do you expect those levels that you had during Q1 to continue throughout this year?**

Niclas Palmstierna: First of all, we don't give any guidance on our acquisition costs on marketing because that wouldn't be very good for the competitors to know about. I think that's to say during the quarter, we had on the acquisition costs, we had some increase there because we were kicking [sic] in more post-paid customers.

Male Speaker: **Now pull up on the Sweden and regarding marketing costs for all your campaigns with Frank. Do you have any... Have you changed the distribution of those costs in some way between mobile and fixed in Sweden?**

Niclas Palmstierna: No, we will follow you there. I mean we are, of course, the distribution will control where they should be allocated.

Harri Koponen: They are in Sweden.

Niclas Palmstierna: They are - - I mean they are in Sweden...

Male Speaker: Sure, I understand. But I just thinking you have on the fixed side, the margins went up and on the mobile side went down, if there was something.

Niclas Palmstierna: Those are allocated, I mean, according to the principles that there should be allocated to. There's nothing there we could really go after.

Male Speaker: Thank you.

Moderator: Operator, do we have anymore questions from the telephone conference?

Operator: David Aubert from DNB Nor is online with a question.

David Aubert: Yes, hello. **I do have two questions. The one first regarding the capex guidance in Russia, which you claim is driven by the currency situation; however, from the beginning of the period and from February when you gave**

your guidance, Europe has appreciated well from 1-to-4%, while you have increased your guidance 15-to-18%. Are there any other factors contributing to this increase in the capex guidance?

Harri Koponen:

No.

David Aubert:

Sorry?

Harri Koponen:

No. The answer is no.

David Aubert:

Okay. **And for the second question: Given your significant investment in Russia, how is the (inaudible.72.23) troubles of Telenor affecting your view on investment protection there?**

Harri Koponen:

Telenor doesn't have anything to do with us in Russia. We are not partners. They are not owner. They have their own business. We don't have anything to do with them in Russia. We have sole ownership of our own assets in Russia, and we don't have any issues with the government. We actually, together with government in the courts, to protecting the government in this dispute, so that the government has asked our help. So Telenor has to answer their own issues for what they have created in Russia and that's their issue. Personally, I have said that I would've treated the case a little bit differently if I would be running that case.

Moderator:

Are there any further questions from the telephone conference please?

Operator:

Justine Dimovic from Exane Bnp Paribas is online with a question.

Justine Dimovic:

Thank you very much. **I've got two questions, if I may. Mostly I understand you don't want to say much about the potential cut on mobile termination rates in Sweden and its consequences for Tele2, but could you share with us please any estimated impact from the line rental hike in fixed line and broadband telephony? What do you intend to do, pass onto subscribers the price increase from Telia or maybe accept a lower margin? If you can quantify that, that would be very helpful. My second question is about the contingency plan you talk about in the release. If you can please expand a bit on where you see some room for improvement should you need to put that contingency plan in place, opex or capex because it seems to me like your structure in cost and capex is already very lean and efficient.** Thank you.

Lars Nilsson:

If I - - I will start by answering the...

Harri Koponen:

Termination.

Lars Nilsson:

...termination rates. We are looking at the net effect on a 12-month rolling basis if - - and I would like to answer that, if the mobile termination rate happens or a little bit more than a hundred million Swedish kronor on an annual basis.

Then when it comes to the price hikes from Scanovia*, when it comes to both fixed line services, as well as broadband services, as Nic has referred to before, we do still believe that we can maintain the profit margins that we are performing both in the fixed telephony and the fixed broadband side.

Harri Koponen: And perhaps this is the area where I have some insights, of course, with this thing. This is exactly what happens when the fixed incumbents can play the game and they set the prices in the market and we have to be able to react. But the regulation seems to be less interested about this, but they are rather interested to attack the mobile assets rather than attacking the fixed assets. That's my general comment.

Then the last question which was contingency plan, actually we have already from Q3 last year started this kind of a contingency plan where we are looking all the costs effectively against all the cost guidance and then we increased the level of intense in the fourth quarter, and I think that we don't have to now make anymore effects. We have already the program in place; and if we see further deterioration, we have some extra stuff in our sleeve what we will do, but we will not instigate those things before we really see that there's some physical signs of further reduction of activity.

Moderator: Okay, Operator, any further questions from the telephone conference?

Operator: James Britton from Nomura is online with a question.

James Britton: Thanks very much. **A question on the (inaudible.76.39) cost recharge: Is this now calculated according to usage or is there some sort of fixed formula you have with (inaudible), and should we expect the (inaudible) charge to increase over the summer period?**

Harri Koponen: It's both. There's usage and fixed elements.

James Britton: **Okay, would you be willing to give any guidance for the rest of the year...**

Harri Koponen: No.

James Britton: **...on how that's going to trend?**

Harri Koponen: Next question.

James Britton: Sorry, I didn't hear you.

Harri Koponen: The answer is no; no, you don't get the guidance for there.

James Britton: Okay.

Harri Koponen: I want to be in this kind of a frank way to kind of communicate with the people if there's no misunderstanding that I don't have to five times or six times answer

the same question. It's better to say "no" and perhaps I can say "yes" to your next question.

James Britton: **Okay, well let's try the next question. Secondly, the guidance that Mr. Torstensson just gave on the potential impact of the MTR* proposal, is that an impact on EBITDA or revenues and does it include any, I guess, estimate for the impact on retail mobile prices in Sweden?**

Harri Koponen: It's EBITDA - - It's EBITDA level impact, and it's a... When it comes to the prices in Swedish mobile, first of all my general comment in the pricing is that mobile Internet is somehow ridiculously priced. Everybody's talking that, yes, we are increasing the prices but at the same time they're offering it free. Well, now I'm thinking that's what to do next. I will have some chats with Niclas quite soon, and I'm not happy with this situation quite frankly. Yes, we have to do something to get the message through to the markets, so I'm not generally happy about what happens in that because it seems that the industry is ready to play a stupid game; it's a lose/lose game, and it seems a bit... It would have to be lessons learned before it's supposedly stopped, and I learned that, no, you can't sell free the latest service in the market. That's one thing.

When it comes to the mobile prices, we have to be competitive and then so we have a very competitive market in Sweden. Because of the termination rates are, I think, the lowest in the whole world; and at the same time, there's a heavy competition. There's three, four operators who are fiercely competing with the customer. So this is the combination that we have to be following the market situation, but there's... Right now, I don't see the room for price increases in the market.

James Britton: **Can I just clarify, if termination rates do come down sharply, will there be further acceleration for pricing pressure in mobile voice?**

Harri Koponen: What was the first part?

James Britton: **It's just if termination rates do come down sharply in the middle of this year, would you in fact...**

Harri Koponen: We don't expect any new business... As Lars said, this is what we know and we are preparing for this move, no other further moves. So I would be very surprised if the regulator will instigate some new activities on top of this.

James Britton: Okay, thank you.

Harri Koponen: I hope that then I will start to ask that can they actually increase something from the fixed side of this business? Why don't they have a fixed license fee to operate the fixed networks and all that stuff?

Male Speaker: I think that's what you are asking about the price level in Sweden, and we haven't seen that the price level will go much further down from the market and all of this on the mobile; and coming back to the termination rates, that is still under

appeal when the termination rates will end up. And of course that has an impact on EBITDA and as well on revenue as this stuff (inaudible).

James Britton: Thank you.

Moderator: Well, thank you. Anymore questions from the telephone conference?

Operator: Nick Delfas from Morgan Stanley is online with a question.

Nick Delfas: Thanks very much. **Just a follow up so that I understand why you increased the capex budget when the FX hasn't really moved since early February. Could you just clarify that? Are you actually... Is it just that you hadn't updated in February or are you increasing the amount that you are buying?**

Harri Koponen: I think that we didn't report anything in February. We are reporting first time now. Now we are doing the update because this is the first report what we are releasing from the Company.

Nick Delfas: **No, no, in February, you gave a number for capex in Russia and now you've increased it.**

Harri Koponen: But we didn't do the update that time because we are so close to that reporting session that we didn't...

Nick Delfas: **Okay, so it's just you hadn't updated it at that stage, okay.**

Male Speaker: Yes, I just repeat what Harri said, it was based on the plan which was made also in 2008 and of course I think it's changed since then. Of course we will definitely do our best to sort of not sell all the money but this is sort of the best guidance we have as we see it; and as we said before, we will definitely... We have a tight control over the cash flow unless there are some potential upsides as well, so that's why we don't change our focus when it comes to the total investment in Russia and the financial impact.

Nick Delfas: **Okay and just a question on Russia. I mean you've been talking about in many of your releases that there continues to be a partial challenge of the licenses and obviously we're also having the rather suspicious confiscation of the Telenor stake in (inaudible) ongoing. I mean what can you say about the legal process in Russia that's going on with in relation to your licenses?**

Harri Koponen: First of all, we have been very clear in this. It's not about the licenses itself. It's about the process, how the licenses are granted. So let's (inaudible) our word to everybody that there's nothing in the license itself. It's the process of how the licenses are granted. So one operator who didn't cut the licenses has been challenged the process. The government has been telling us that this is the case, and we have all instances, we have one so far, together with the government's case. So it's not against Tele2; it's against government process how they granted the licenses. Let's be clear in this and whatever happens to this other guy's, that's their own suit what they have to make together; and we don't have

anything to do with that, so we are separate case and we don't... Our licenses don't have anything to do with that.

Nick Delfas: **Is there any timing on the process, honestly the processing finishing and termination of whether the process for the license (inaudible)?**

Harri Koponen: The process is all the time continuing and there have been one-by-one lost and we have no... It has not affected us. We have a license. It has been granted from the government, and we are building according to the license.

Nick Delfas: Okay, thanks very much.

Moderator: Okay, thank you and I think that concludes the Q & A session also, our formal Q1 2009 presentation. We will stay here for a few more minutes to answer some questions and answers from you on a one-to-one basis. I would also like to remind you that we will release our second quarter result the 22nd of July as well. Thank you very much.

Harri Koponen: Thank you.

Please Note: * Proper names/organisations spelling not verified.
[sic] Verbatim, might need confirmation.
- - Indicates hesitation, faltering speech, or stammering.