Lars Torstensson: Good morning, everyone, and a warm welcome to Tele2’s Second Quarter 2009 Conference Call. My name is Lars Torstensson and together with me today I have our CEO Harri Koponen and CFO Lars Nilsson and also our Information Manager Pernilla Oldmark. I would also like to welcome everyone that has joined us via Web. Please remember that you can send your questions online.

Without any further delay, I would like to hand over with some opening remarks from our CEO Mr. Harri Koponen.

Harri Koponen: I would like to welcome you, everybody, and let’s go directly to the topic so that we can have - - save time for question and answers. First, we’ll start highlights and Tele2 delivered record results in the quarter with the region performing, all the regions performing very well. This is a result of our commitment to our core businesses and the execution of contingency plans. In the Nordic, Tele2 showed good EBITDA contribution, and I’m proud of the strong EBITDA development in Norway. They have done good work. The Swedish operation has also been working hard to create the service portfolio as a platform for future growth. At the same time, we have been making sure that the cash flow is being maintained in that region. Tele2 Russia has a good operational momentum in the second quarter, and we added 478,000 new customers to our portfolio. The mature as well as the new regions performed well both. We launched Tomsk region in June with a good interest from the markets. The environment for mobile service is robust with good customer activity and ARPU developments despite a tough economic situations and conditions in the market. A solid sign is that people still want to communicate and use mobile services, and they are showing a great interest to new services as well. Our focus in Central Europe has been maintain our customer base and profitability. This is a solid platform that we can leverage on when the region once again enjoys economic growth. We have been able to deliver stable EBITDA contribution from the Baltic region with Lithuania once again performing with a margin of 39%. Western European operations showed strong performance, and I’m very pleased with the restructuring of our Austrian operation, which delivered healthy EBITDA contribution in the quarter. There are many reasons behind the turnaround, but improved customer relationship and simplified portfolio and perhaps new management has been a key and great job done from the market area as well.

Now to some mobile highlights in the quarter. Our latest services in Sweden, mobile internet showed good progress and added 33,000 new customers. During the quarter, we launched a prepaid mobile internet offering and early signs are positive. I will talk a bit more about the offering later in the presentation. Our Swedish operations has also focused on improving the quality of the customer base, at risk and higher value customers. This is associated with higher acquisitions cost, but we take all market expenses upfront and the customer base to subsidy back through the higher monthly fee. We are evaluating our
belief that the higher value customers is higher ARPU and also lower tendency to churn and this trend we are still in a spotty phase and we will come back next quarter how this is doing. A positive happening in the quarter is that our joint venture, SUNAB, for the first time made a breakeven results. This should be taking into consideration when evaluating the performance of our Swedish mobile assets as we have earlier said that you're supposed to focus on EBIT instead of EBITDA in Sweden. When we talk about our Russian operations on the Capital Market Day in Riga two years back, we guided for 40% EBITDA margin and over 11 million customers in 2009. I'm therefore proud to be able to present an EBITDA margin of 40% in the mature regions and 35% in all regions. In addition, we have also passed 11 million customers in Russia. As I mentioned earlier, Tele2 Russia had a strong net intake in the quarter adding 478,000 users - - new customers. In the second half of the year, we will accelerate our launch of new regions adding up to six new regions during Q3. In the Baltic region, we focused on keeping the customer base and move towards higher ARPU customers. We also see the opportunity to increase our market share in the corporate segment. The economics in the region is challenging, but we are working even harder on developing our existing businesses. The performance in the Lithuania is an example of this hard work and Estonia has once again found some stability in a turbulent market. This is a platform from which we can expand when the region enjoys economic recovery I hope sooner later.

I would like to emphasise a few trends that we will focus on going forward. We have to develop distribution strategies that meet our customers' needs and behaviours. The Russian market has seen a consolidation amongst the federal retail chains, but Tele2 has stayed with our winning strategy of reaching customers through shops, strong relationship with the local and federal dealers, and alternative channels such as food retailers and post offices. The customer, their intake in Q2 2009 proves that our strategy is working well. It is my strong belief that diversified distribution strategy is important and will make a difference in a mature as well as the emerging markets. When it comes to the customer activity, we have to listen to our customers and meet their demands. Customers are moving constantly pursuing the best deal, and Tele2 should always be able to provide just that. We see that amongst the services, a customer has correlated with the likelihood of staying with the Tele2, so we need to understand what they really want and provide that. In Sweden, which is our test bed for the new services, we are creating attractive service portfolio as a platform for the future growth. Tough times cause for innovative offerings and pre-paid is perfect in a time when the consumers are even more cost conscious. In Sweden, we have introduced the pre-paid mobile internet with very good initial response. As a customer, you can choose to top up either for a day, week, or month. The service is simple, flexible, and affordable and meets our customer demands currently.

When it comes to the corporate segment, Tele2 Sweden has stable growth and successfully managed to win several major contracts in the quarter. A few examples are Deloitte, Swedish Railway System. Tele2 direct virtual switchboard was launched and we have received positive response from the market. However, the segment has not been unaffected by the economic situation. The Dutch operations have successfully prolonged several large business contracts. It's also worth mentioning that it's not only in the corporate segment as Tele2
Netherlands is also doing very well in the consumer segment. In Austria, we have had a new management in place, including a new CEO, and the results is starting to come through. Competition is still tough in the Austria market and especially in the SME segment, but we continue to improve the overall cost structure and concentrate on the more focused service portfolio which has generated results.

When we have said it, we have said it before, our strategy is very simple. We should always offer the best deal. And how we will then do this? Firstly by offering price leadership through best in class cost control. Secondly, we offer quality services to our customers and our quality network services has been acknowledged with several awards in the quarter. Thirdly, we simplify our offerings by providing off-the-shelf and easy to use services. Our attractive product offering is combination with award for high quality and price leadership that we offer the best deal.

A few words about the economic environment more. The economic environment continues to be tough during the quarter in the many of the Tele2 markets. The measures taken to offset the impact from the economic weaknesses have started to have a positive impact on the operational performance. We will continue our efforts to bring the cost down, make the organisation even more effective, and keep the cash generation intact while waiting a more permanent pickup in economic activity.

And now I would like to hand over to our CFO Lars Nilsson, who will go through the number part of the presentation. Lars.

Lars Nilsson: Thank you. Good morning, everyone. I'm happy to really present the solid number for this second quarter. If you look at the P&L statement, you can see that we have improved EBITDA numbers in absolute terms by 17% and also gone from 21% to 24%. The depreciations are at the same level as the same quarter last year, and you can see that we'll have only one small one-off item this quarter and that's some correction we made for accrued revenues in - - for the Swedish operations back in - - related to year 2000 and 2001, and that was related also to carrier business and to fixed voice. The EBITDA margin strong, 15% for the quarter, up 3%; and the financial items, I will come back to later on. So all in all, a net result of 1.2 billion, which I consider to be strong and solid.

So if we just look for next slide, we look for the first half. You can see the same trend when it comes to improvements and we are for this year we have a margin of 23% and a normalised EBIT margin of 14%.

I will on the continuous slides focus a little bit more about the financial items, so we can go to next slide and we actually skip that and go to next because I think it's better to - - you get a better view if you look for what happened for the first half of the year.

There you can see that we have an exchange rate differences now external of 74 million. A lot of that is then related to our U.S. dollar private placement, and I will later on show you what happened with our currencies. The exchange rate difference intragroup now is fully explained by the recent weakening we have
seen in the rubble. But as you can see, the financial items were much stronger for the last quarter compared with what we saw in the first quarter. But all in all for the first half, it’s 575 million kronor.

So we go to next. There you can see what’s happened with our currencies. If you then first look at the P&L statement, you can see that the euro has strengthened by 16% compared with last year and more or less the same for then the Baltic currencies 15%. The rubble has weakened by some 4% and the dollar, as you know, have strengthened a lot. When we look at the balance sheet, you can compare the fixing rates for December 2008 with June numbers, so there you see that the rubble has weakened by 5%.

Next slide. We got a lot of questions regarding our FX exposure and so therefore we show this information every quarter. You can see that total we have investments of 26 billion in foreign currencies where it’s a basket between euro 12 billion, Russia almost 6, and Baltics 7, and the other currencies, that’s a mix between Norwegian kroner and the currency they have in Croatia.

Next slide. The cash flow, we continue to not only improve in EBITDA but also generate cash. The cash flow from operating activities was almost 2 billion for this quarter, and we invested 1.1 billion in capex, so all in all there we generate, as you can see, 900 million kronor for the quarter.

And we can now look at the next slide where we see what we have made so far this year, 3.8 from the operations and capex, yeah, in line with last year or even a little bit lower and so all in all we have generated even more than what we give out as an ordinary dividend. I think we can keep that in mind.

So next slide. We have also in order to keep you awake so you have to change — make some corrections in your calculations, we have made a new definition on — for our pre-paid customers mobile, and the reason for that is that we will like to align and really have same definition in all countries. Before we sort of tried to adapt the way we counted our customers with local definitions, but now we actually do it in our way, the Tele2 way, and that means that in order to be an active customers either you have to refill your account or you have made an outgoing calls for the last — within the last three months.

So there you can see one-time. On the next slide, we can see one-time effect of course and there you can see that the net result is that we add almost 600,000 customers. The biggest impact is then on Russia. But as Harri mentioned before, he said that now we have reached 11 million customers in Russia. That is by using the old definition, so we have reached our target. If we use the new definition, we are now up to 12.3, I think it is, 12.3 million customers, yeah, 12.3 million customers in Russia.

The balance sheet continues to be very strong. We have now a net debt to EBITDA of 0.6 times. If we go for what you see on the balance sheet, if you also add guarantees to joint ventures, it’s 0.9 times the result, so still a strong balance sheet. We focus on to be really prudent in the present financial environments.
Now we should take you through some of what happened on the operations. There we start with net intake per segment. Now you can see that we have their intake on mobile has improved compared with the first quarter and we have a strong intake. In Russia, they’re sort of back on track adding almost 500,000 new customers and also the mobile customers base improved by some 500,000 customers. And we still lose customer on the fixed telephony. That's in a way according to plan, but we can see that the trend is the right one; we'll lose less and less customers.

And when we go next page where we’ll look at what happened in our mobile portfolio and there you can see that now with the new definition, we have almost 21 million customers and so we - - as you can see in this slide, some 600,000 new customers is actually derived from that changed definition. And we continue to grow mobile internet. Now we have almost 200,000 customers and more to come I would say going forward.

Next slide. This here is we give you some insight in what's barely happened on the minute of use and ARPU development in our core mobile markets, Sweden. You can see that actually compared with the first quarter this year, the ARPU in Sweden as well as in Russia is as we see slightly increased; and in Sweden, we see an increase despite the fact that the intake on mobile internet will take down the ARPU in the beginning. You also see that the minutes of use is increasing, and that gives us confidence that despite the fact that this is more tougher economic environment that people continue to use their mobile phones, and we also definitely believe that we going forward also can continue - - we can continue to trend of increasing the ARPU in our - - for both Sweden and Russia.

Net sales, yeah, the mobile is gradually being more and more important in our portfolio. So net sales from mobile is up 5% for the quarter.

EBITDA 24%, very good, and we are very proud to say that, for example, Lithuania is now delivering record EBITDA margin of 39% despite the tough, tough economical environment. And we also see further improved performance in Holland Netherlands, but also in Austria in the fixed broadband operation.

When it comes to the mobile EBITDA, margin of 27%. Russia, the old regions in Russia are now reaching 40% target, and that is a very good achievement I would say and in line with previous forecast and expectations and overall a solid mobile result.

And we take next slide and then we go to fixed broadband. There we also continue to show improved number, margin of 14%. We actually said that we’re making excellent performance in (inaudible) and with a continued success in business-to-business and also in the consumer segment. And what you can see in our numbers is also that we now definitely have turned around the Austrian business and so that is the effect of the restructuring process, which we did last year.
Fixed telephony continues to be very, very important in profit generating and cash flow generation, 27% margin this quarter, and we actually are quite optimistic also about the future for fixed telephony.

Next. EBIT. Now, ladies and gentlemen, we are actually showing a positive EBIT result in all our countries except for Croatia. Now we really see a breakthrough also in Austria; and we also if you look at our different products, the trend for fixed broadband is good. They're still showing negative numbers, but the trend is good and overall 15% margin is considered to be very good for this quarter.

Capex. Capex, where do we invest? As you can see that we invest, we have for the quarter invested 1.1 billion, 11% of net sales. You know when you look at our P&L that our depreciation is around 9% of the result, and we invest, continue to invest in mobile. As you can see, we also invested a lot in Russia. That's in line with our strategy and our forecast, and we give you the same guidance as before for the full year investments in range between 4.7 and 4.9 million. And as we said here, the expansion in Russia is the main driver.

So now I'll leave the floor to... Is it Harri?

Harri Koponen: Thank you, Lars. You can hear from the CFO's voice the pleasing tone, I think. He's in a good mood today.

Before we go to the Q&A, I would like to just to make some concluding remarks. Our record results in the second quarter is a award for the commitment to our core businesses and the execution of our contingency plans. So what our top priorities in the second half of 2009? Tele2 will continue to focus on cost discipline in all parts of the organisation and we should use our cost advantage to carefully move our position forward. And somebody has asked me already today that how this is possible and I said that this is the duty of the all managers to make sure that the costs are saved and maximise the profits, so that's no specific order to our organisation but that's the key how Tele2 is operating that we are cost conscious and we always try to kind of maximise the profits, the owners. For the roll-outs of the new regions in Russia, the operational expenditures are estimated at 500-to-700 million, capital expenditures are estimated at 1.3-to-1.5 million, and we plan to launch up to six new regions during the Q3 2009. We will develop our mobile operations and we will hark to compose a product portfolio that will lead to the higher (inaudible) and lower churn amongst our customers. In the corporate segment, we have to make sure that our best practices is spread across the Group and here we are working very hard to kind of gain and maintain this knowledge what we have in some parts of our organisation that others are learning from there not making a new type of investment but reusing the investments already done and spreading to the rest of the organisation. And we will use our success story in the Netherlands as a benchmark for the rest of the group so that we can move our position forward in this segment.

And concluding remarks will be done by then Lars Torstensson.
Lars Torstensson: That concludes our formal presentation regarding the result for the second quarter 2009. Now we will be happy to take any questions you may have. So, operator, let's start with the first question.

Operator: Thank you. If you have a question, please press star and one on your touchtone phone.

Our Nick Delfas from Morgan Stanley is online with a question a question.

Nick Delfas: Yeah, thanks very much indeed. Very good results. I just wanted to ask a couple of minor points. I mean on the change in costs within Sweden, I mean it seems that without the shift of cost to other, the margin at (inaudible) would actually have fallen very slightly versus Q1 and despite the fall in margin that you recorded this year, the revenues not really responding. What's your prospective on the rest of the year? Are you likely to somewhat pull back on the marketing costs and let the margin rise again, or would you continue with this kind of level of marketing intensity? And then my second question is: Have you got any comments on the management change in Russia? I mean obviously you've got some excellent results, but the chief executive has just left, Donna Cordner. How do you see the management succession playing out in Russia?

Harri Koponen: Thank you. This is CEO; I will answer. In Sweden, we are currently evaluating exactly this topic what you mentioned about is this expenditures in the marketing and retention and customer care because they're the three areas where we have been spending money, but will it yield the results? And we are now middle of that analysing. We see some signs of that we are getting the better ARPU customers, but it's still too really to say is it working or not working, but definitely we will react if the results are not coming, and that's how we will do this. We want to first know that activities what we're putting in place they are really yielding and after we get the right type of customers; and if not, you can look to style how we swiftly then do the corrections. So that's my answer to the Swedish part.

When it come to Russia, yes, Dimitry Strashnov has stated now officially as the CEO in the first of July, but you have to remember that he has already worked with the Group for some time and he has been quite instrumental putting these new regions up and running. And as we said, we were looking... When I came to the Company early part of last year, the later part of the last year, I said - - one year ago actually, I said that in Russia we're supposed to have a native local person in the helm of the Company and we found very good person who has the western background, excellent retail, and consumer knowledge, and he has already shown a great understanding in the Russian operations and has already giving us the yield. So we are happy currently how things are happening and he had a smooth landing in the Company because he started as COO first in Russian operations and now he moved to the CEO position.

Nick Delfas: Okay, thanks very much.

Lars Torstensson: Thank you. Operator, we can now take the next question.
Operator: Peter Nielson from Cheuvreux is online with a question.

Peter-Kurt Nielsen: Thank you. Peter-Kurt Nielsen from Cheuvreux. A couple of questions please. First one relates to Harri’s comments, initial comments about the Dutch business being a gold standard for the Group and something which you leverage in other parts of the business. Should we take this as an indication that your views on the Dutch business longer-term position within the Group has changed, or is that still sort of the same as before? And secondly, related to the Russian operations, I would be interested in firstly the margin expansion you’re seeing here in your old businesses, what is driving that healthy expansion? And secondly, the press comments and speculation involving Tele2, supposedly Tele2 people, regarding a joint venture with the state-owned (inaudible) invest in Russia, is that something you'll care to comment on, Harri? And thirdly, I just like to ask on what has been the implications or the effect on ARPU in Russia, if any, if there is any (inaudible) on - - of the change in customer definition, so the customer base has increased? I'm surprised there isn't more of an impact on ARPU, on reported ARPU. Thank you.

Harri Koponen: Yeah, this is Harri. The first question was about had my view changed in Holland. My view has not changed in Holland. The Holland has been a good performer and now they’re performing even better and they have been rewarded by the consumer awards in the country and we are using them as a benchmark when it comes to B-to-B services and actually the Holland team has been helping, for example, in Russia. We launched the Web sales and all those kind of things. We are using them internally to get the best in the class things going on. So our view in Holland is we are happy that we have a performer in the Group and they continue to perform and we focus on the operational excellence, so we're happy that performance in Holland.

When it comes to Russia, first comment, first of all, we don’t comment any rumours what press is generating about any kind of talks. Yes, we have noticed that some people are talking in the press, something about and we have noticed comments, but we don’t have any intention. We have our own business to run. We are focusing our own business, not the talks and commenting rumours. We are having 100% owned business now in Russia and we are performing well, so we don’t have any intention now to deviate our focus on our operational activities and commenting other people’s rumours.

ARPU and MoU, I think that they are stable. Lars is commenting those.

Lars Torstensson: Yes, Peter-Kurt, I think that I understand that there’s a need in the financial community among the analysts to get some historical numbers on old minutes of use or new minutes of use and new ARPU depending on the new customer definition. My suggestion to you is that I will come back to all the analysts with some history of the old definition and history of the new definition. I will send that out as soon as possible to you.

Peter-Kurt Nielsen: Thank you.
Andrew Lee: Good morning, guys. Three questions. One firstly on your non-core businesses. What's your view on the sustainability of cash generation in the key non-core businesses, Dutch broadband and German fixed? Maybe if you can speak on one-year and three-year type basis, I mean what do you think of the key threats to those businesses? And also on Russian mobile, what is the key driver of the significant improvement of existing region net adds, is it macroeconomic or company specific? And on that, you've mentioned improved distribution, could you give us more colour on exactly how distribution has improved? And thirdly, Swedish mobile saw revenue decline this quarter, what exactly has driven this decline? Is it just corporate? And am I wrong in thinking that the residential problems is ARPU dilution rather than a natural sales decline given that minutes of use is rising? Thank you.

Harri Koponen: Thank you. The first question was about sustainability of our business. We see actually quite good sustainability right now, and you mentioned the noncore, we are saying that it's a western market area so we are not kind of using the noncore or core.

Andrew Lee: Sorry.

Harri Koponen: We just say it's a western market area and they are now performing quite well and we see that there is a sustainability beyond that time what you mentioned in your comment. I don't want to say how far is my visibility, but I said that it's further than what you mentioned was suggesting.

Russian mobile net adds and the distribution in all the regions, we would like to say like this that the Tele2 is real competitor in those regions where we are operating and we have a very, very own way of distributing the things we have at our own shops. We are using the federal and independent dealers. We are now extended to the post offices and the - - there's kind of one-man kiosk type of operations and we are investigating the new type of measures that what other places we could kind of distribute our products and here again the new guy who joined us has been helping us a great deal because he is coming from this industry, consumer side. So we see that it's combination of (inaudible). People are looking to better choices. They have a multiple SIMs and it seems that the Tele2 SIM gets used more in your pocket, so we are getting so to say more stronger local brand because we are not federal brand but we are the local brand in the regionals - - regions and then that's the one thing people feel quite strongly. We are investing. We are hiring people, so we have a good local traction. It could be combination of these things.

When it comes to Sweden mobile, this decline in revenue, it's basically combination of those things what you mentioned and Lars can elaborate more, Torstensson, I mean.

Lars Torstensson: When it comes to Russian distribution?
Harri Koponen: No, the decline, Sweden.

Lars Torstensson: Yeah, when it comes to the Swedish mobile operations, I think it is important. We start with ARPU side. When you look at the blended ARPU, you should remember that mobile internet customers are included in that ARPU calculation, hence you are seeing some dilution from that side. The average ARPU is on mobile internet customers, it's a little bit above SEK 130 currently. Then when it comes to the corporate side, we do see some softness, yes, but it's today isolated to the corporate side. We have not seen that on the consumer side. And one should remember that we are consumer-oriented company, so it has not had that much affect yet.

Harri Koponen: One thing what just came to my mind in the Sweden is that Tele2 takes all the costs upfront when people are looking these margin and all that stuff that Tele2 is taking the cost upfront and that also gives a little different results if you compare our style to the other competitors in the market.

Lars Torstensson: Yes, and the thesis we are evaluating, yes, of course that we believe that the higher quality customer would generate a higher usage level and also over time a lower churn, which would have hopefully a positive impact on our operation development the margin. And as Harri said, and we would like to emphasise that of course is that we are evaluating the current strategy and it's important for us that this thesis is being confirmed; otherwise, we need to re-evaluate.

Andrew Lee: Thank you. Can I just ask a very short follow-up question? Just when you mention the current strategy and the customer care retention, et cetera, how long has that been the current strategy? I mean has this been a strategy you've been using over the last 18 months or is it a recent, the last six months?

Harri Koponen: During this year actually.

Andrew Lee: Okay, thank you.

Harri Koponen: It's just been during this year, we have... That's noticed that early part of the year we started to increase the certain costs and it has been actually during this year. We have been trying to kind of push the higher users - - higher ARPU customers. Basically what Lars is also telling us that we are looking the lifetime earnings from the customer. We are looking at better customers who has more value over the time.

Lars Torstensson: Just another just brief comment is that is of course a very active decision from our side and we will not - - I mean we have no difficulties with the current mobile climate in Sweden, so it's something that we believe is something that will generate or yield a better return. If not, we need to evaluate.

Andrew Lee: Thank you very much.

Lars Torstensson: Operator, we can have the next question please.
Stefan Pettersson from Nordea is now online with a question.

Stefan Pettersson: Yes, hello. I have a few questions. First of all, I'm sorry to focus on slight negative development with such a good numbers. But looking at the Baltics, it seems that the weakness in top line mainly comes from last year versus Estonia and Lithuania is holding up quite well. What is your view on... What is the difference between the (inaudible) and what you believe about the development going forward in Latvia?

Harri Koponen: You don't have to apologise anything. Perhaps you as investors you're supposed to ask one guys who's active in Latvia, the one competitor who is giving the lifelong free calls to the customers what is causing main problems, and I don't understand how that business model can be sustained and that is causing Latvia perhaps the main part of the problems is one competitor who is offering free calls for everybody as long as you live. I don't understand how that customer can be profitable.

Stefan Pettersson: Thank you. Then I noticed very good progress in the Russian margin and I don't think that we got an answer on what is causing the margin expansion in the old regions. Then secondly I noticed that you are interested in expanding further in Russia and giving the conflict which Telenor has in Russia where there's a legal dispute where Telenor is losing their shares, what is your view on the legal situation in Russia? And sort of how do you view the legal risk for Tele2?

Harri Koponen: I will start on the last answer and then Lars can comment on the margin development. First of all, we are 100% owning our assets in Russia and we are now... We have a concept and we have proven teams and as we earlier said last quarter that we have reorganised the whole Russia in certain way that we have a competence in every region that they have existing customers or existing old incumbents, attacker greenfield, and we have blended teams what actually know and they have been delivering and competencies how to be in a mature market, how to be in a challenger, and how to beat the greenfield and that seems to be a good combination of the competencies that all the regions have that knowledge and then they can share the knowledge also very quickly.

When it comes to legal system, we have no problems with anybody and we will not comment any other operators' problems in Russia. We don't have such a situation what you commented and some legal cases actually we are together with the government going against everybody else so that we don't see issue in that area for us.

And Lars.

Lars Torstensson: Yes, when it comes to the margin development, maybe I can share some data points with you. We have 16 operational regions up and running. All of them are today EBITDA breakeven. You should remember that the last three or four of these regions were launched in the second quarter 2007 and they have reached EBITDA breakeven within two years. The other thing is of course that it's a sign of
just operational scale. We do have a very good position in all of the 16 regions currently and that is generating or yielding a good result.

Then on the smaller side, I would say that our multipronged approach towards distribution is also helping out when it comes to commission levels, which is also something that could be on the margin a positive sign for us.

Harri Koponen: Yeah, we refuse to kind of go in a blackmailing and when people are trying to increase commissions and in all the contracts, we simply said no and we found alternative channels and that’s yielding now positive results, but we still keep our eyes open and we will be friendly to everybody who can increase our business in Russia.

Stefan Pettersson: Okay, thank you. A final question, if I may. That’s related to the mobile margin in Norway, which made a step up this quarter. Would you’ve say that you reached a new profitability level in Norway?

Harri Koponen: Let’s say that we are now doing according to our plan what we have been talking internally and we hope to see that this positive trend will continue because as you know Norway has been very, very tough marketing, the competition environment, especially with kind of a heavy price war and let’s hope that this trend will continue what we have managed now to do.

Stefan Pettersson: Okay, thank you.

Harri Koponen: Thank you.

Lars Torstensson: Thank you. Operator, could we have the next question please?

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

Jakob Bluestone: Hi there. I’ve got three fairly brief questions. Firstly, just on Russian mobile margins, in the old part of the business, do you see them potentially going above 40%? Secondly, could you just give us an update on the timeframe on when we might get some news or resolution regarding the challenge for the award of the new licenses in Russia? And then finally, you had quite a big swing year-on-year in terms of networking capital which moved by just under 450 million. I was just wondering if you could maybe give us a little bit of guidance for the full year on working capital. Thanks.

Harri Koponen: When it comes to the margins and the guidance, we will not change any guidance during this call. We have this bandwidth 35-to-40 and that’s all regions blended and we have not said anything new and then we have said that we should any quarter up to 500,000 customers, 350-to-500,000, so those are the guidance what we have been giving to Russia, so we are not giving any new guidance here. But it’s not the bad thought what you said.

And then when it comes to licenses and this dispute in the license process, so far we have got the positive results all of them and it’s not against Tele2, it’s basically one operator was challenging the process and the government how
they awarded the licenses. And we actually are together government asked us to help to defend this decision and so so far so good. We don't know how long it's going to take, but it has not stopped us to kind of delivering because we have a license and then we have approval to go and continue and do the business.

And when it comes to the net working capital, I think that Lars Nilsson wants to talk.

Lars Nilsson: Yes, I want to talk.
Harri Koponen: You have been silent.
Lars Nilsson: Yeah, for the first half year, we have 500 - - at least 500 million kronor. I think I would be happy if I can see the same number in the year-end figures.
Stefan Pettersson: Great.
Lars Nilsson: So don't expect anything more.
Stefan Pettersson: That's very clear. Thank you very much.
Lars Torstensson: Operator, can we have the next question?
Operator: Lena Österberg from SEB is now online with a question. Lena Österberg from SEB.
Lena Österberg: Yes, Lena Österberg here from SEB Enskilda. I have a few questions here on Russia but also on the Swedish mobile (inaudible). If we start with Russia, can I just clarify, Harri, what you said? You now say that guidance, the margin guidance for Russia is 35-to-45 - - sorry, 35-to-40% blended for the old and new regions. I thought that was just for the old region.
Lars Torstensson: Then I would like to correct you immediately. I mean the 35-to-40 is the old guidance for the 16 regions. We have not given you guidance. But as you know, we have an opportunity the 17th of September to talk about this, so we shouldn't mix those up.
Lena Österberg: Yep. And then also if you could say something maybe on the split of intake between old and new regions in the quarter.
Harri Koponen: We have... But we have not commented actually.
Lars Torstensson: What kind of split were you looking for, Lena,...
Lena Österberg: In subscriber intake.
Lars Torstensson: Subscriber intake, yeah, I don't have exact figures. We do have an interactive or not interactive but we have a movie on the Web page which you can look at where do we share these split.
Lena Österberg: I'll have a look at the movie then.
Lars Torstensson: It will be nice if a few people have a look at that movie.

Harri Koponen: Lars is a very good sales person.

Lars Torstensson: I can share it with you now.

Harri Koponen: Say what it is.

Lars Torstensson: We have around 350,000 new customers in old and around 130 in...

Male Speaker: Yeah, 128,000.

Harri Koponen: 128.

Male Speaker: In the new region.

Harri Koponen: In the new regions versus the old.

Lena Österberg: Okay.

Male Speaker: And for the full year 200,000 for new regions.

Lars Torstensson: But still watch the movie, Lena. I think it’s...

Lena Österberg: I'll do that. And then also looking at the launch costs for Russia, the first half of the year I add them up to about 140 million the first two quarters and you still guide for 500-to-700 million of total launch costs for the year. I guess either your launch costs guidance is quite aggressive or there will be a significant ramp of launch costs in the second half of the year. Could you sort of give some light on how you view this?

Harri Koponen: Absolutely. We have said that now we are putting more regions up in as we speak.

Lars Torstensson: If I may. It's as we said, I mean I think that we have not changed the guidance. The guidance is intact, and we have said that we now are around the 40% margin old regions and that is a level we'd like to keep. And then as you said, you have done your own calculation on the operational expenditures, so I think that once you do some own modelling here and expect old regions to keep a very good profitability level and the guidance to be intact, I think that we probably not share any more information on that now. Once again, 17th of September and that's where we will do some more one-to-one work with your regarding the Russian operation.

Lena Österberg: Okay and then also, I think that the margin is going to get it sequentially continue to decline quarter-on-quarter from Q1 if you try to sort of strip out the accounting changes and you talked about keeping -- you continue the strategy that you had in Q1 of pursuing higher value added -- higher value customers and focusing on retention. Can you just maybe say that I guess
you've been running this campaign for six months now, what is your evaluation of it? Have you seen a significant reduction of churn and has it generated sort of the desired metrics that you wanted or will you keep the campaign or will you change strategy?

Harri Koponen: First of all, the campaign has not been running six months for this (inaudible). We started Frank six months ago, but it's not directly related to this topic. But there have been some other activities that started later, what is coming higher better telephones and these kind of things we are now analysing the results very thoroughly. We want to see that actually these higher ARPU customers are coming in and we have seen some positive things in churn. There is sort of correlation but we are - - it's too early to kind of call that it's this yielding and that's why we said that we will now thoroughly investigate and study and don't too quick turns on this matter because the customers are just accepting some new things than we might do it too quickly the turnaround and move again with lower acquisition and then retention.

Lars Torstensson: And, Lena, as you know, we take the costs always upfront. So if you compare some of our numbers with the competitors, they take it in their balance sheet, but we take it up front.

Lena Österberg: That's why it's (inaudible) your margins so that's why I wondering given that you're taking this investment, if it's yielding the results that you want or if you're considering changing strategy. But my understanding is that you will continue with this strategy for some more time because you need more time to evaluate, is that correct?

Harri Koponen: You are right. As I said, you know we have already some results. Of course we don't share them right now, but we want to see that the trends what we are seeing early stage, are they really trends or they are just accidents or stuff like this and then we can make kind of more judgment of what to do.

Lena Österberg: And then one final question, if I return to the question that was asked earlier, actually it was your own CEO was Juri Dmbrosky* was saying that you're considering setting up a joint venture with (Inaudible)... Harri Koponen: I called Juri Drumbrosky. He's actually not our CEO, first of all, and I called Juri and said that no more those kind of comments because I have not been in any of those kind of discussions. We are not. So just to kind of say that some people sometimes might have their private opinions but it didn't reflect the Company opinion.

Lena Österberg: Okay, thank you very much.

Lars Torstensson: Thank you. Operator, do we have any more questions?

Operator: Yes, next question comes from Arvind Venugopal from Screen Digest.

Arvind Venugopal: Hello. Good morning. Thanks for taking my question. I just have one quick question about the cable TV operations in Sweden. I noticed that you haven't
been giving the figures out for that or actually putting out any comments as to the performance of you cable TV operations in Sweden. Would you be able to give some colour as to how these operations are performing? Thanks.

Harri Koponen: Cable TV, no, we have not specifically separated it, but cable TV operation’s quite small and we would say that area of business needs to be kind of further studied and investigated and of course we are doing that kind of investigation together with our sister company, Modern Time Groups because they are in this media business and content business. They are doing decently. But am I happy? No, not yet, but we have to kind of evaluate the cable TV business going forward.

Lars Torstensson: And overall it’s a very, very limited financial impact presently.

Arvind Venugopal: Right. And just a follow-up on that. Have you seen the performance dropping over the last couple of quarters or would you say it’s been stagnant?

Harri Koponen: It has been stable.

Arvind Venugopal: It has been stable, right. And finally, sorry about this, just one last quick question. You mentioned that there’s quite a bit of capex flowing into your - - being made over the next couple of quarters. Would this include cable TV as well or is it primarily for mobile telecommunications?

Harri Koponen: Investing currently in the mobile future and less in our fixed and other assets.

Arvind Venugopal: All right, fine. Thank you so much.

Lars Torstensson: Okay, operator, I know you have further questions.

Operator: The next question comes from Jan Dworsky from Handelsbanken.

Jan Dworsky: Thank you. I’d like to ask about the big improvement that we saw in Austria in profitability terms. Is the sort of level we reach now is there anything we should know that sort of boosted the second quarter or is this kind of margin level sustainable going forward or do you think that there is prospects for improving it further from these levels?

Harri Koponen: I would say that I’m not happy. We are now. At this level and we can do more. I’m pretty sure about that. I just have to give a little bit more time because we started these activities really before the CEO was hired and so now those activities are resulted results and Alfred needs to have a little bit more time to kind of when he’s real things starts to kick in, but I’m sure they can do even better.

Jan Dworsky: So so far there hasn’t been major measures on costs driving profitability?
Harri Koponen: There are both costs and then also in - - we are now focusing also the top line because there are opportunities and there are some things would also help us a little bit is that when the termination rates are moving - - in some countries the terminations are also helping us.

Lars Nilsson: But there are no positive one-offs in the result you can say, so it's operational result. We definitely would like to keep it on at least this level.

Jan Dworsky: Then in Croatia you showed progress in the second quarter. Is that... Is the timeline for EBITDA breakeven still the same?

Harri Koponen: Yes, it is and the only thing what we did in this last quarter is that we didn't respond completely with competitive actions when they started to distribute free SIM cards to people we backed out on that and that's why the customer intake was a little bit lower in this period. But we (inaudible) the team that don't respond in this kind of desperate measures.

Jan Dworsky: Then finally a question on Sweden. The changes in the connect that has now took place from first of July, what kind of impact do you see on the mobile business and the fixed line business from that?

Harri Koponen: 60-to-70 million annually.

Male Speaker: Around.

Jan Dworsky: Net.

Lars Torstensson: Sorry, sorry, it's going to be the six month effect is going to be around 60 million.

Harri Koponen: This year.

Jan Dworsky: So and the negative mobile and the positive fixed.

Lars Torstensson: Exactly. That's the net effect.

Jan Dworsky: Okay, thank you.

Lars Torstensson: Thank you. I thought we should end with a question online as well and it's from Will Draper*. He wants to get the clarification on the progressive dividend policy, if that means that the dividend per share will increase in 2009. Maybe to you, Lars.

Lars Nilsson: I mean in the word progressive, it's an assumption that we should have sort of graduating increase of the dividend, something I think that answered the question.

Lars Torstensson: Very good. That concludes today's presentation, and we will release our results for the third quarter 2009 on October 21st. And I've tried several times already, but I would also like to take once again the opportunity to inform about our Investor Day or Capital Markets Day, the 17th of September in Stockholm where
we will share with you a more detailed view of our Company and also take you on
a nice tour of our beautiful (inaudible). So we hope to see as many of you there as
possible. It's possible to register already now on our tele2.com page. So thank
you for participating in today's press and analyst conference call, and we see you
the 17th of September then. Thank you and good-bye.

Harri Koponen: Thank you.

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