

**Q2 2005**  
**Financial Report**

Lars-Johan Jarnheimer  
President and CEO



## Overview

|                                    | Q2 2005 | Difference to Q2 2004 |      |
|------------------------------------|---------|-----------------------|------|
| Revenues (MSEK)                    | 12,043  | +1,332                | +12% |
| EBITDA (MSEK)                      | 1,689   | +18                   | +1%  |
| Customer Net Additions (thousands) | 722     | -360                  | -33% |

- Strong results
  - Sweden in particular with EBITDA margin over 45%
  
- We continue to position our business for the future – in line with our strategies
  - France – launch of mobile operations together with ADSL push
  - Major acquisition and bid announcement in July – Comunitel and Versatel

## Understanding Tele2's Salami Principle

- To sell Salami:
  - Buy someone else's Salami
  - Brand it yourself
  - Market it and sell it
  - Build a customer base
  - Then you can justify investing in a factory
  
- To Tele2 telecoms is no different:
  - We follow this principle in our resale business
  - Now we are reaching the point where this investment decision needs to be made in a number of our markets
  - So what are our options and how do we decide...?



## What are our infrastructure options?

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- **To buy wholesale** capacity for both backbone and ADSL
  - Norway – Wholesale with Telenor
  
- **To buy infrastructure** assets
  - Austria, Denmark, Spain, the Netherlands & Belgium
  - **Semi joint-venture** - Deal with Neuf Telecom in France
  
- **To build** (ADSL) infrastructure organically
  - Starting to do this in Italy, Sweden & Norway
  
- **To exit** a market

## How we decide what to do in a particular country?

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- What is Tele2's position in that country?
  - Customers, Products, Profitability, Brand
- What is the competitive and regulatory environment for wholesale and ULL?
- How many infrastructure players are there?
- What are the economics for us?
  - We will weigh up different scenarios – payback, IRR, NPV

Management and Board decide on actions

## Key Attractions of Versatel for Tele2

Transaction transforms Tele2's Benelux operations



- Enterprise value MEUR 565
- Almost double size of revenues in Benelux (ex UK & Ireland) to MEUR 800 and an EBITDA of MEUR 112 (pro-forma 2004)
- Annual synergies of MEUR 50:
  - Migration of Tele2's traffic onto Versatel's network
  - Marketing synergies by operating one brand and combining sales efforts
  - Efficiencies by greater scale of operations
- Entry into corporate segment
- Differentiated ADSL2+ based triple-play
- Ability to cross-sell to new and acquired customers

## Comunitel

Substantially boosts our Spanish business



- MEUR 257 on a debt free basis
- Expected synergies of MEUR 14 million per annum
- An extensive ULL infrastructure with 191 unbundled exchanges in 79 cities covering 50% of business and 30% of residential markets
  - Over 16,700 km of backbone fibre in Spain
- Spanish Broadband market growth set to accelerate
- Tele2 will aggressively attack the residential ADSL market
- We will also enter the Spanish corporate market

## Where are we with ADSL today?

**ADSL : BASIS**

**19,95€ / MAAND**

>>> 512/256 Kb/s

**ADSL : PLUS**

**24,95€ / MAAND**

>>> 1024/352 Kb/s

**ADSL : SUPER**

**29,95€ / MAAND**

>>> 2048/416 Kb/s

Módem USB y Alta Incluidos **SIN COMPROMISOS** Módem USB y Alta Incluidos

**PLAN ADSL : 1 Mb** ADSL 24h. por sólo **28,90€ / mes\*** Velocidad hasta 1024/300

**PLAN ADSL : 256 Kb** ADSL 24h. por sólo **18,90€ / mes\*** Velocidad hasta 256/128

**TODAS TUS LLAMADAS LOCALES POR 0 céntimos/minuto PARA SIEMPRE**

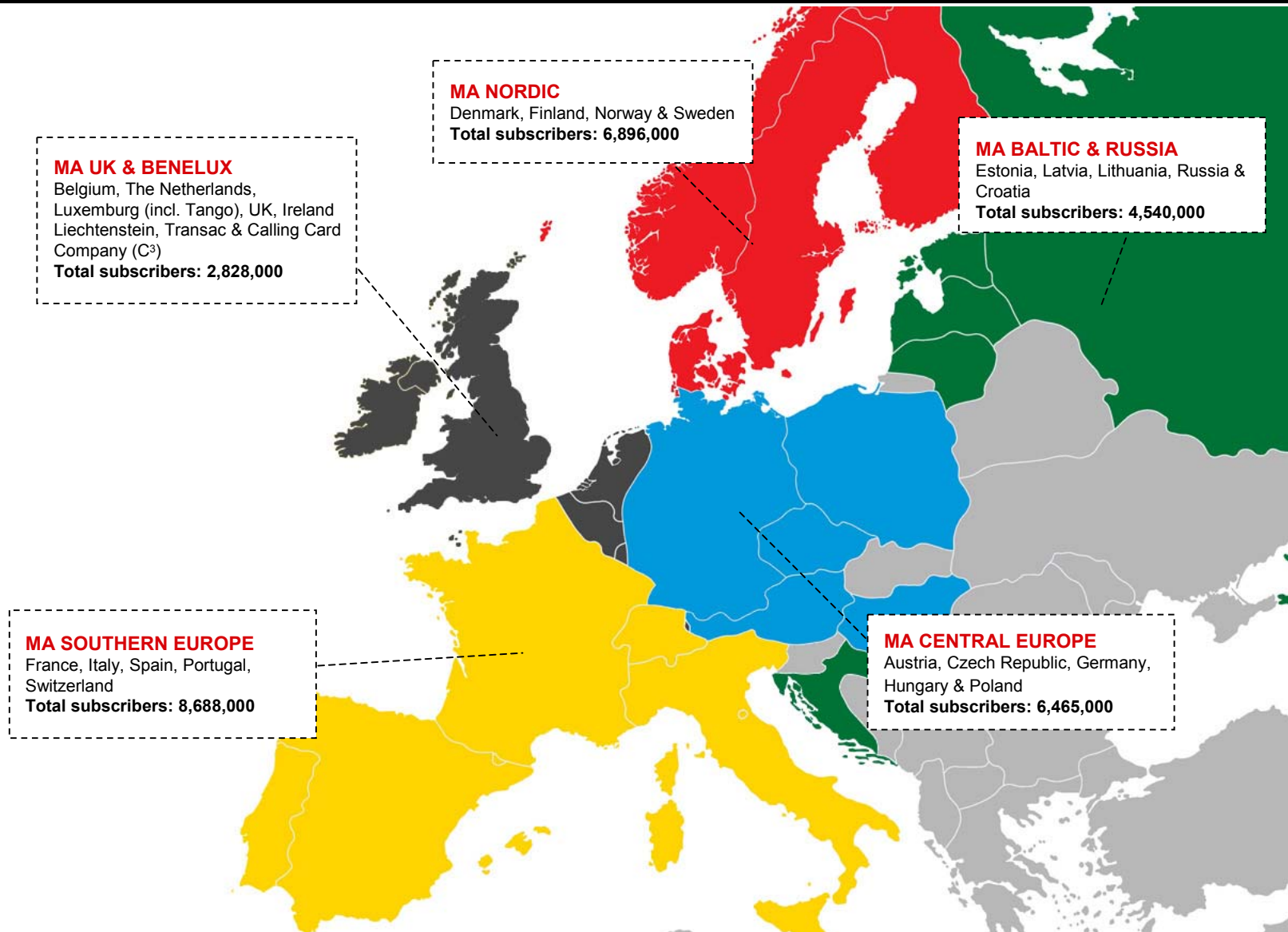
consultar condiciones de la oferta

- We have 668,000 ADSL customers
- We offer ADSL in 9 Countries
- **Acquired Networks\***
  - Austria, Denmark, Spain, Netherlands & Belgium
- **Own Network & Wholesale**
  - Sweden, Norway, Italy & France
- Our ADSL push will accelerate in H2 2005

\* Subject to Comunitel and Versatel deals completing



# 29.4 million customers in 25 countries



**MA UK & BENELUX**

Belgium, The Netherlands, Luxembourg (incl. Tango), UK, Ireland Liechtenstein, Transac & Calling Card Company (C<sup>3</sup>)  
**Total subscribers: 2,828,000**

**MA NORDIC**

Denmark, Finland, Norway & Sweden  
**Total subscribers: 6,896,000**

**MA BALTIC & RUSSIA**

Estonia, Latvia, Lithuania, Russia & Croatia  
**Total subscribers: 4,540,000**

**MA SOUTHERN EUROPE**

France, Italy, Spain, Portugal, Switzerland  
**Total subscribers: 8,688,000**

**MA CENTRAL EUROPE**

Austria, Czech Republic, Germany, Hungary & Poland  
**Total subscribers: 6,465,000**

## Nordic

- Swedish mobile showed strong growth and profitability
- 400,000 customers have chosen fixed subscription offering in Sweden
- Norway had strong growth, particularly in mobile

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

| MSEK                     | Q2 2005 | Q2 2004 |       |
|--------------------------|---------|---------|-------|
| <b>Operating revenue</b> | 3,875   | 3,472   | +12 % |
| <b>EBITDA</b>            | 953     | 972     | -2 %  |
| <b>Net intake ('000)</b> | 33      | -10     |       |

## Baltic & Russia

- Record intake of 521,000 driven by Russia
- National Roaming agreement in Croatia – service launch in August

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

| MSEK                     | Q2 2005 | Q2 2004 |       |
|--------------------------|---------|---------|-------|
| <b>Operating revenue</b> | 984     | 802     | +23 % |
| <b>EBITDA</b>            | 270     | 294     | -8 %  |
| <b>Net intake ('000)</b> | 521     | 328     |       |

## Central Europe

- Excellent overall performance
- Germany - strong growth and improved profitability
- Hungary drove customer intake



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

| MSEK                     | Q2 2005 | Q2 2004 |        |
|--------------------------|---------|---------|--------|
| <b>Operating revenue</b> | 1,990   | 1,197   | +66 %  |
| <b>EBITDA</b>            | 155     | 41      | +278 % |
| <b>Net intake ('000)</b> | 212     | 391     |        |

## Southern Europe

- Successful launch of mobile services in France
- Tele2 intensified ADSL market efforts in France and Italy
- Mobile city network launched in Zurich

### MA SOUTHERN EUROPE France, Italy, Spain, Portugal & Switzerland

| MSEK                     | Q2 2005 | Q2 2004 |       |
|--------------------------|---------|---------|-------|
| <b>Operating revenue</b> | 3,516   | 3,541   | -1 %  |
| <b>EBITDA</b>            | 272     | 359     | -24 % |
| <b>Net intake ('000)</b> | 11      | 200     |       |

## UK & Benelux

- Mobile telephony in the Netherlands shows strong growth in both customer intake and traffic
- Positive trend for Luxembourg mobile
- Initial impression from ADSL launch in the Netherlands is positive

**MA UK & BENELUX** Belgium, The Netherlands, Luxembourg, (incl. Tango), UK, Ireland, Liechtenstein, C<sup>3</sup> and 3C operations

| MSEK                     | Q2 2005 | Q2 2004 |      |
|--------------------------|---------|---------|------|
| <b>Operating revenue</b> | 1,641   | 1,663   | -1 % |
| <b>EBITDA</b>            | 27      | -4      |      |
| <b>Net intake ('000)</b> | -55     | 173     |      |

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## We still have many growth opportunities

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- ADSL
- Wholesale Line Rental
- MVNOs in Europe still high on agenda
- Russia – Further mobile licenses
- We will continue to be proactive in seizing opportunities

# Financial Highlights

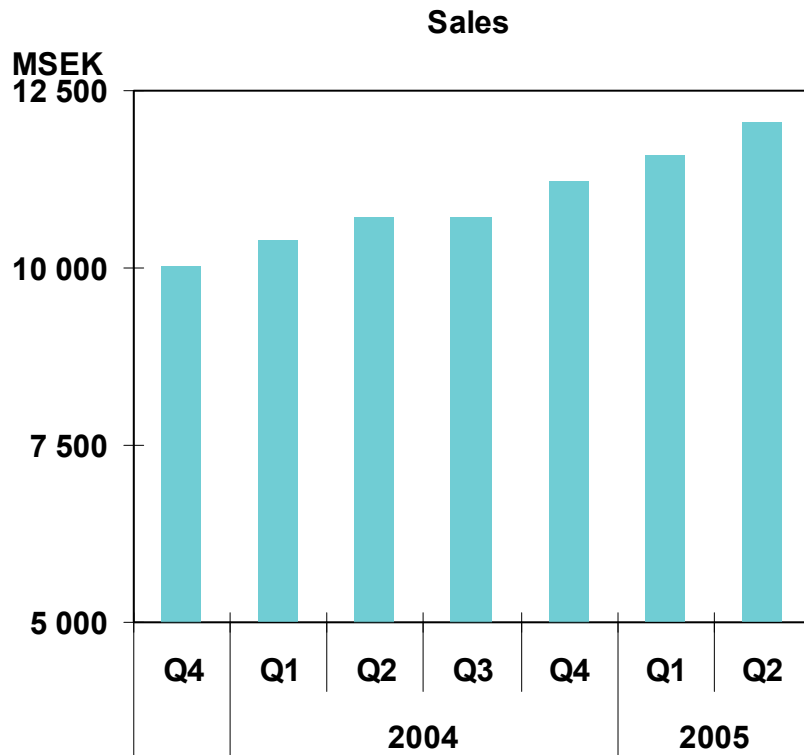
Håkan Zadler  
CFO



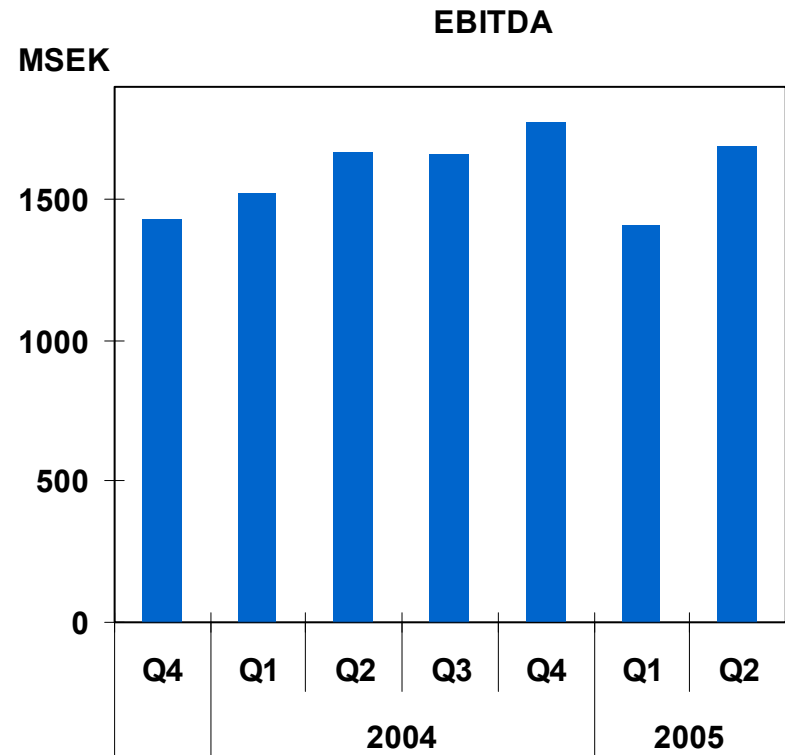


# Tele2 Group sales +12.4%

## Still a growth company



■ SALES

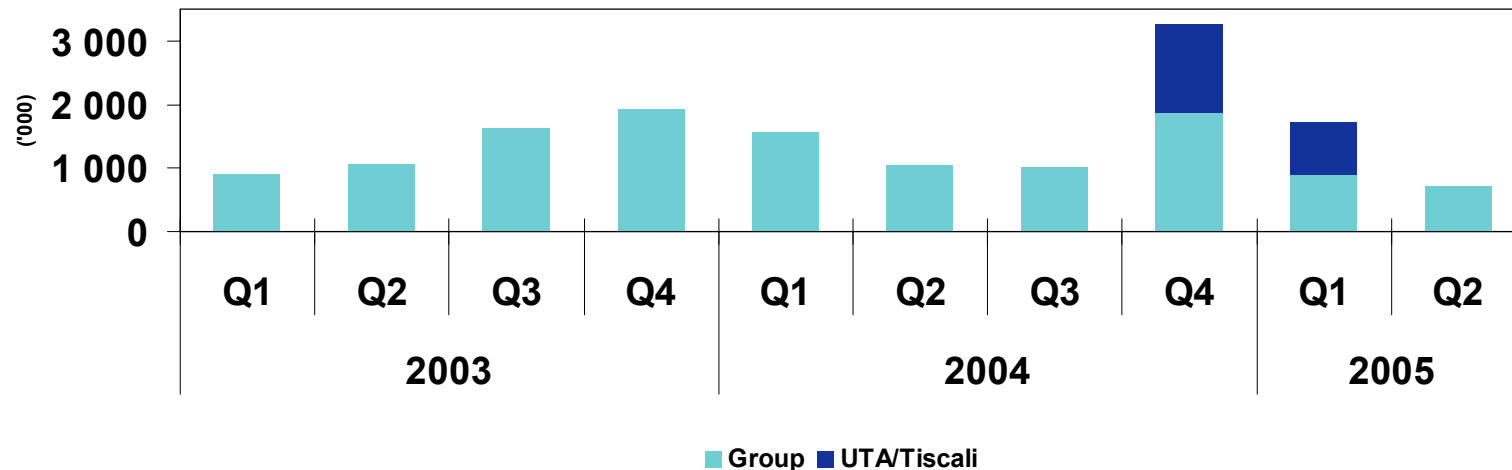


■ EBITDA

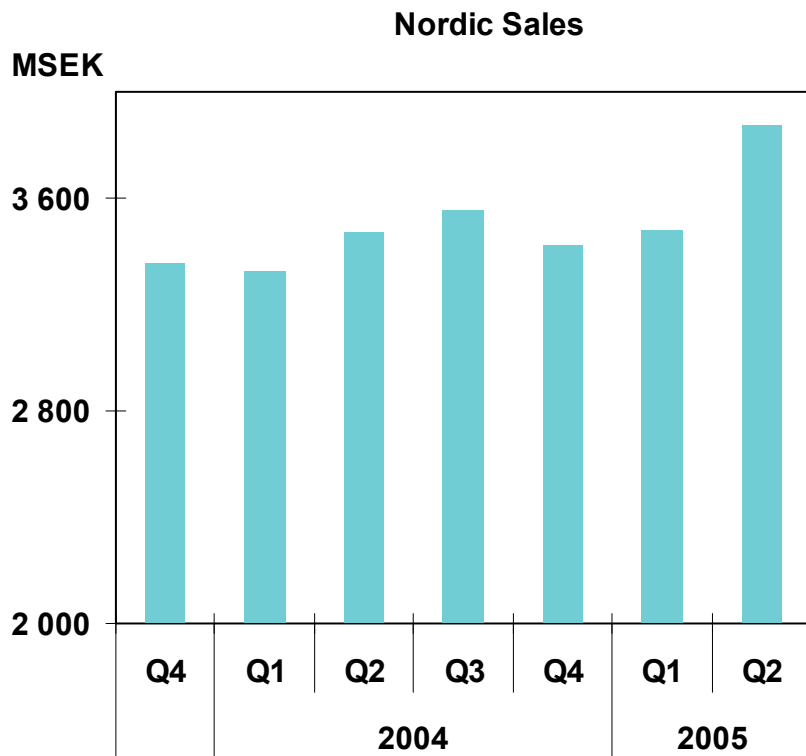
## Customer intake & Churn

- Net customer intake of 722,000 vs 1,036,000 in Q2 2004
  - Mobile intake increased from 427,000 to 666,000
- Gross customer intake somewhat lower compared to Q1 2005
- Absolute churn level was unchanged
- Record intake in Baltic & Russia with 521,000 customers
- Negative net customer intake in France, the Netherlands and the UK

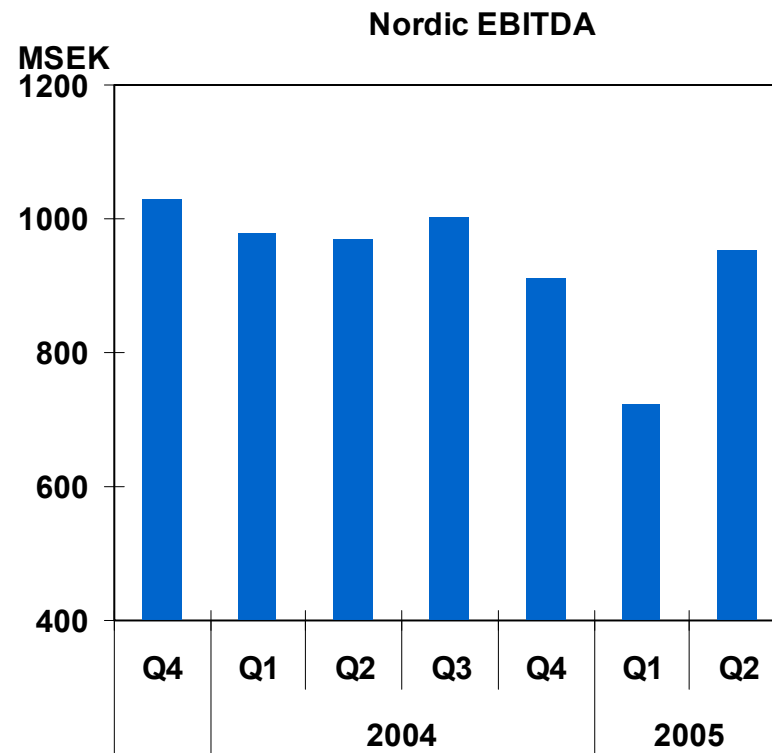
Net Additions



# Nordic sales +11.6%

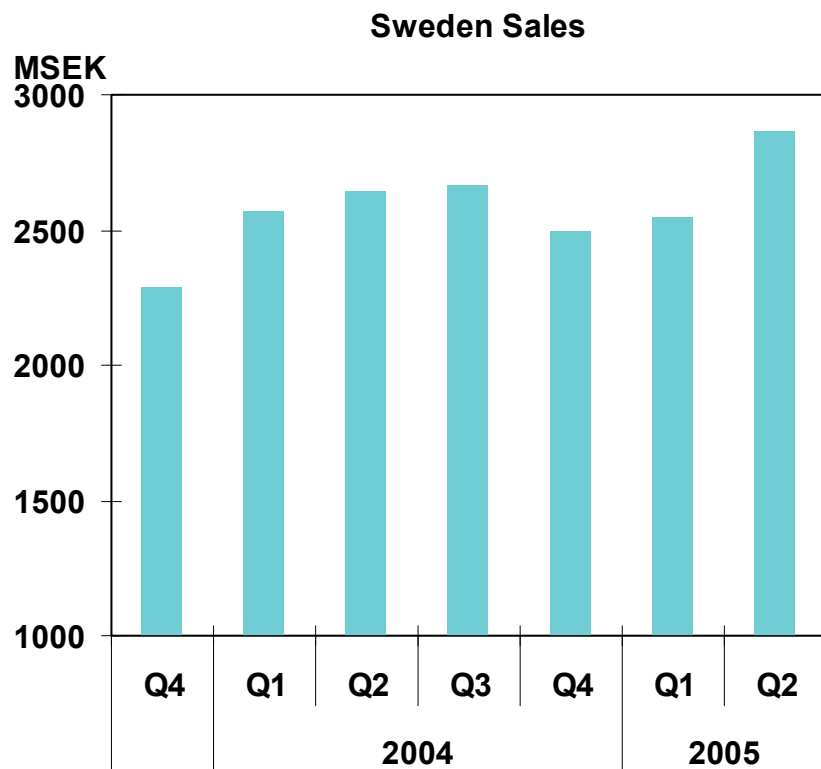


■ SALES

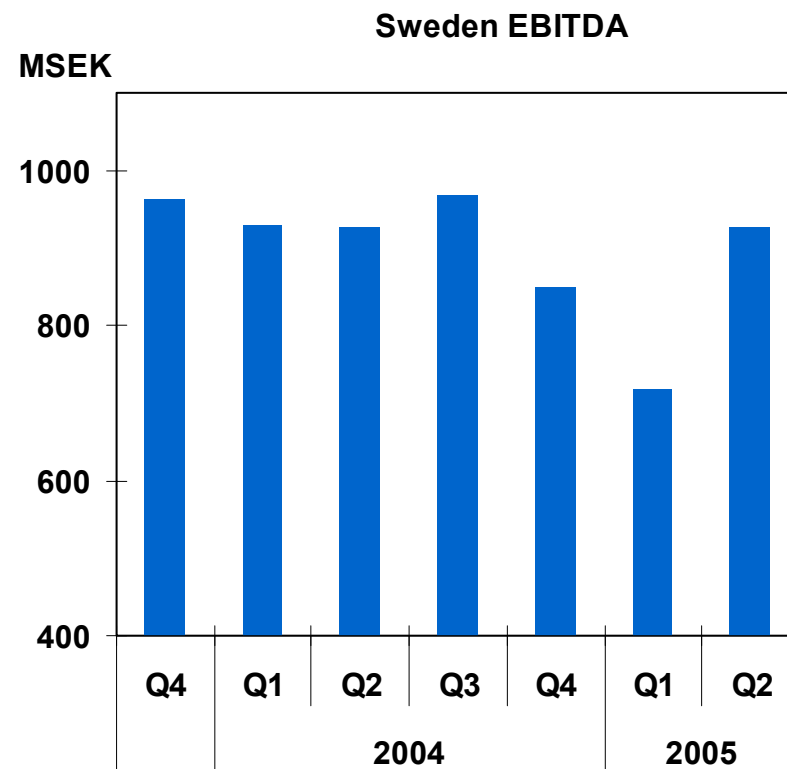


■ EBITDA

## Sweden sales +8.5%



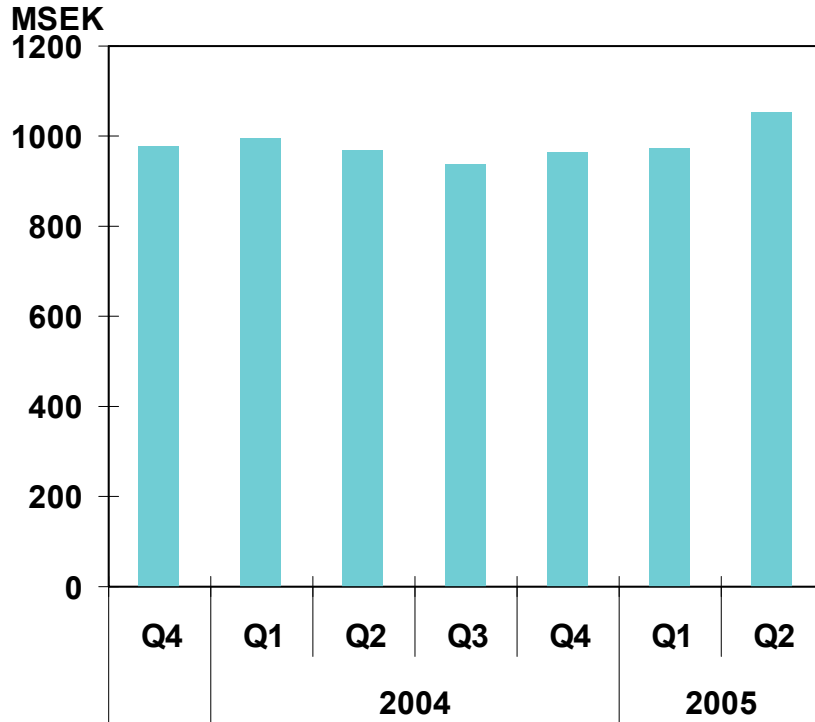
■ SALES



■ EBITDA

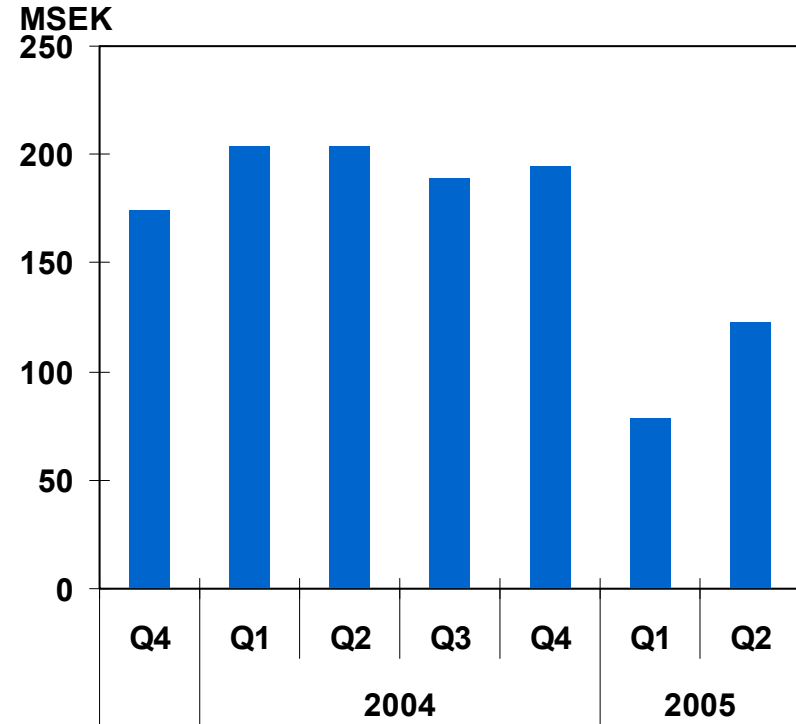
## Sweden Fixed & Internet sales +8.6%

Sweden Fixed & Internet Sales



■ SALES

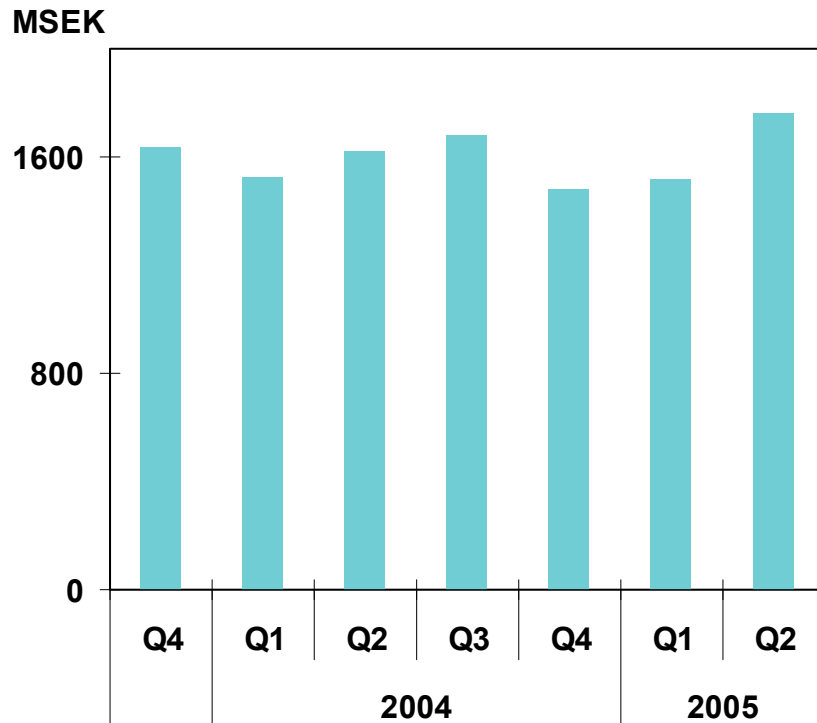
Sweden Fixed & Internet EBITDA



■ EBITDA

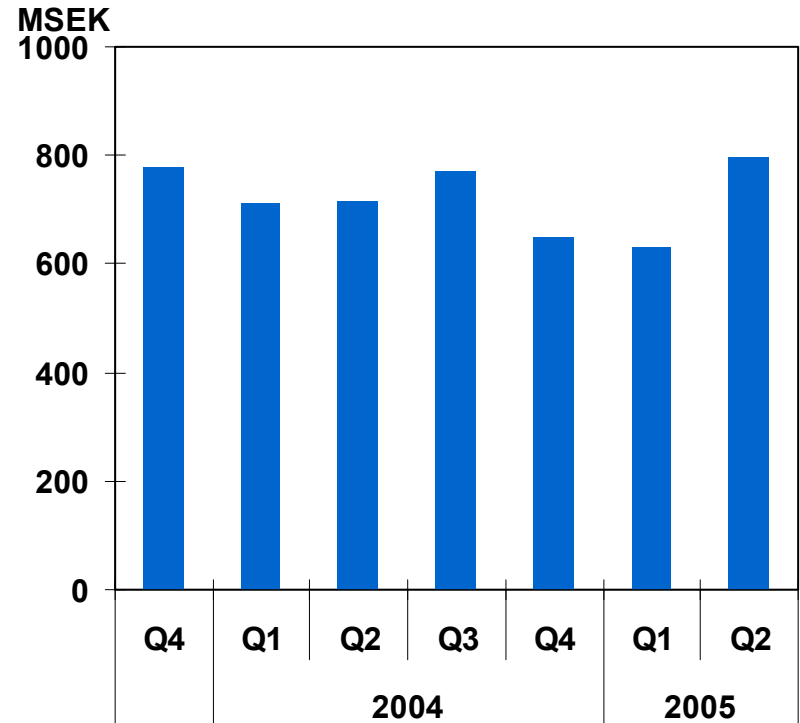
# Sweden Mobile sales +8.6%

Sweden Mobile Sales



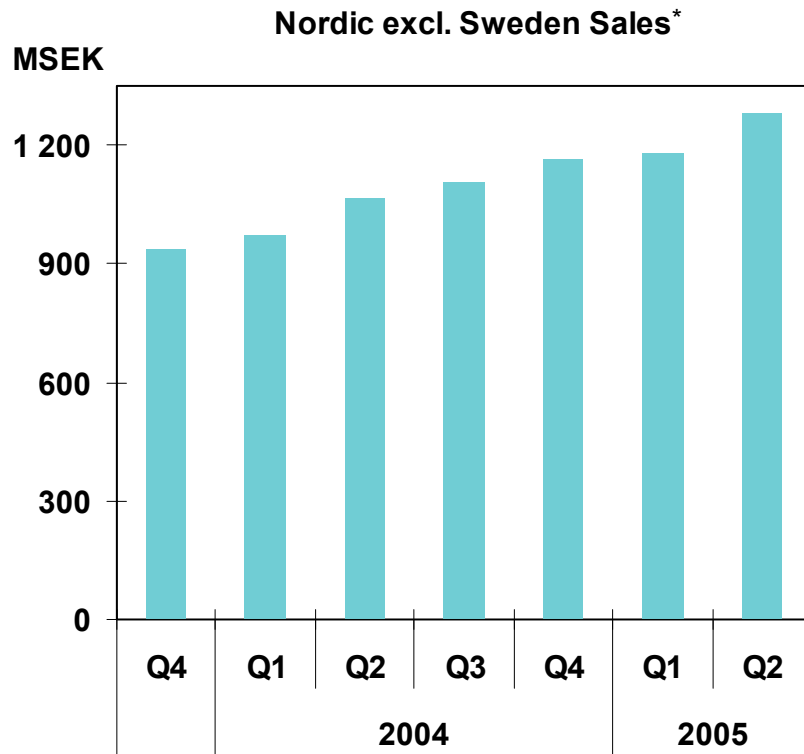
■ SALES

Sweden Mobile EBITDA

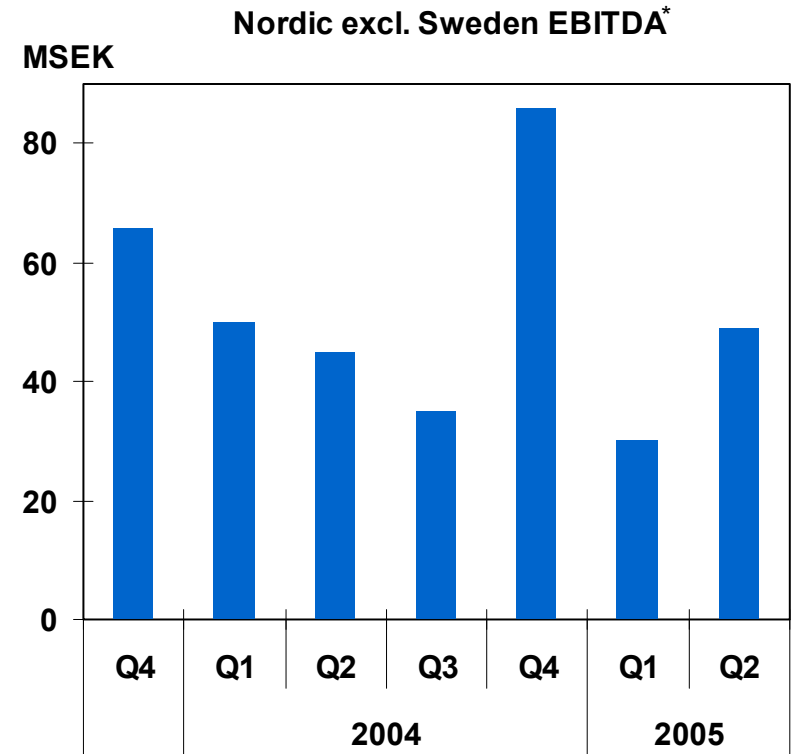


■ EBITDA

# Nordic excl. Sweden sales +20%



■ SALES

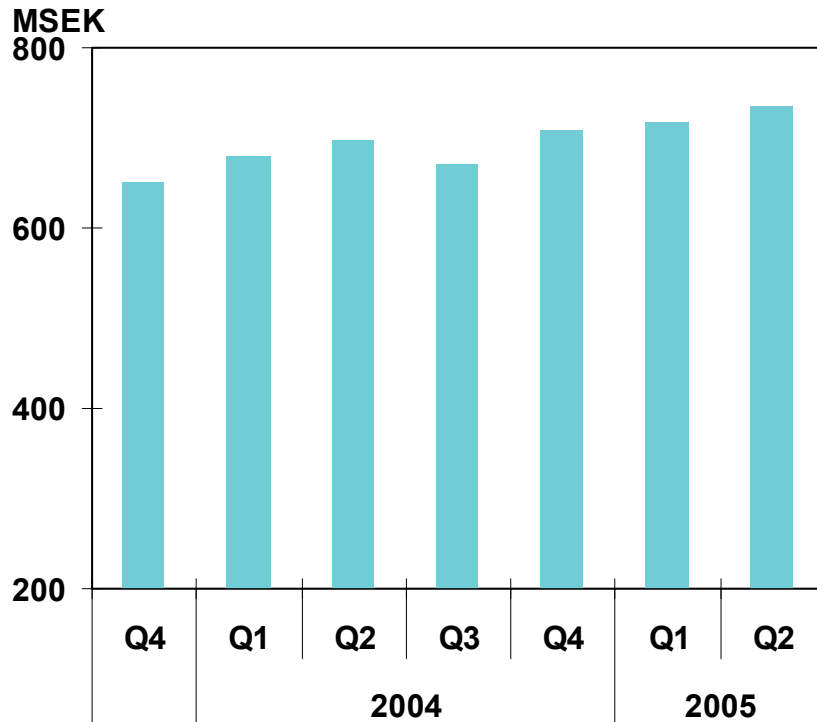


■ EBITDA

\* Adjusted for Tele2/Telenor MVNO accounting

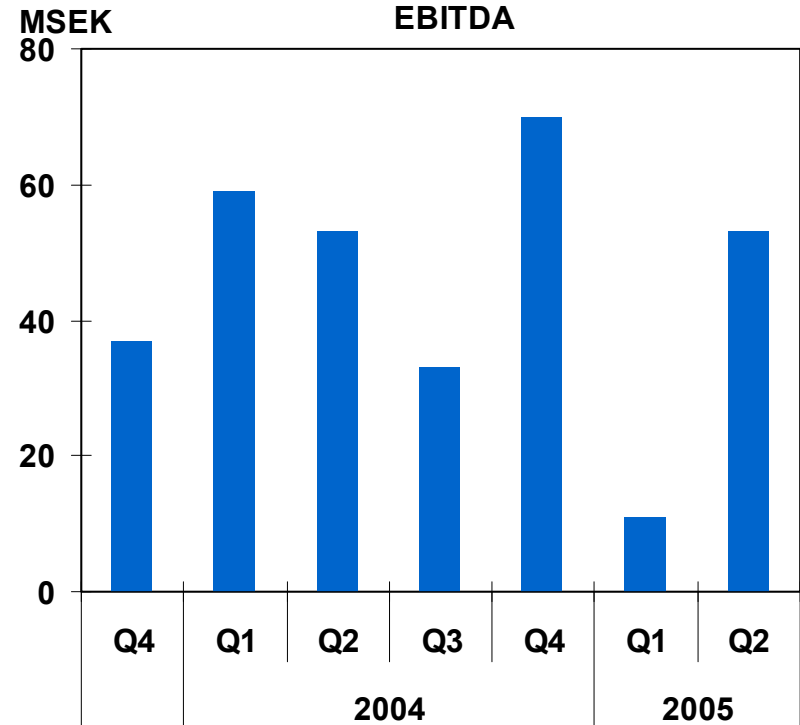
## Nordic excl. Sweden Fixed & Internet sales +5.5%

Nordic excl. Sweden Fixed & Internet Sales



■ SALES

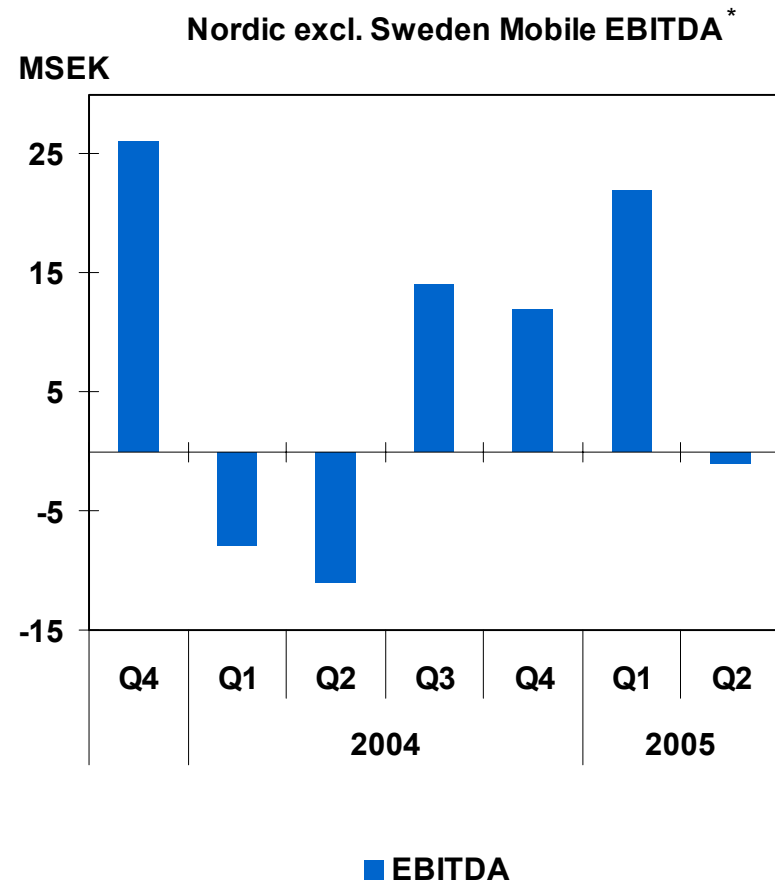
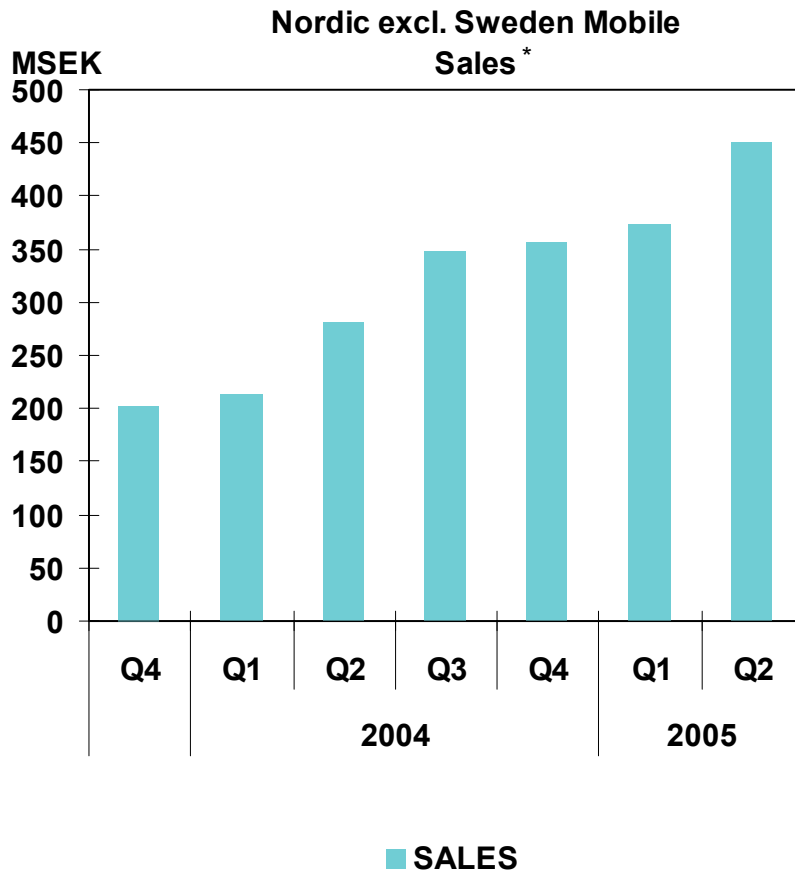
Nordic excl. Sweden Fixed & Internet EBITDA



■ EBITDA

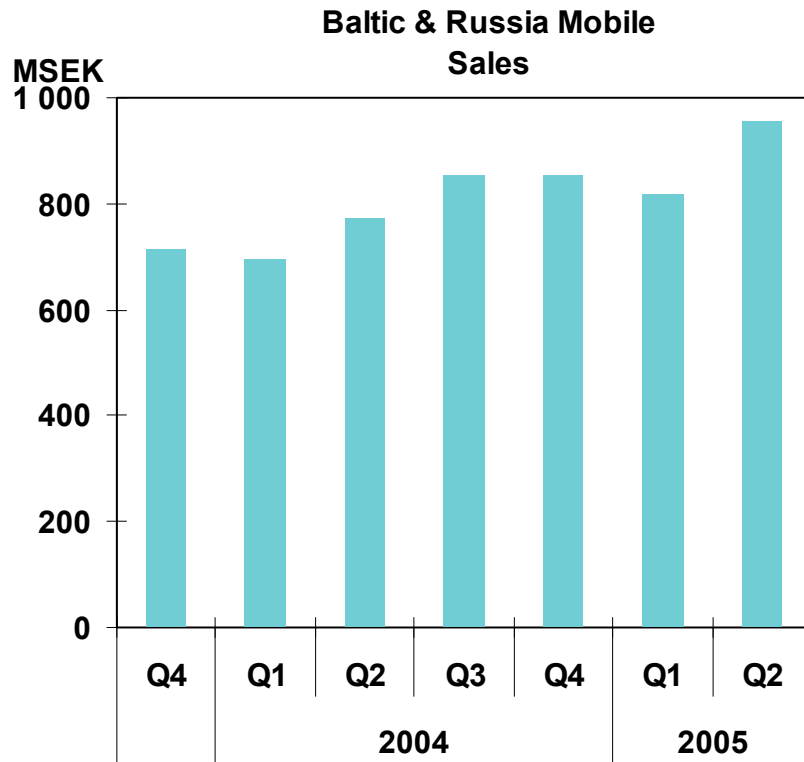


# Nordic excl. Sweden Mobile sales +60.5%

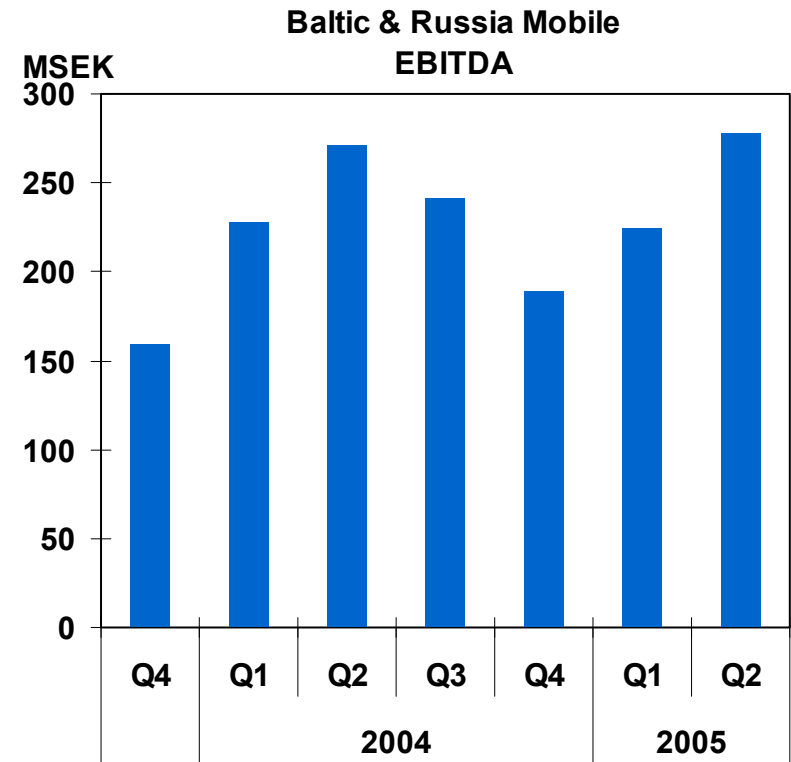


\* Adjusted for Tele2/Telenor MVNO accounting

# Baltic & Russia Mobile sales +23.7%



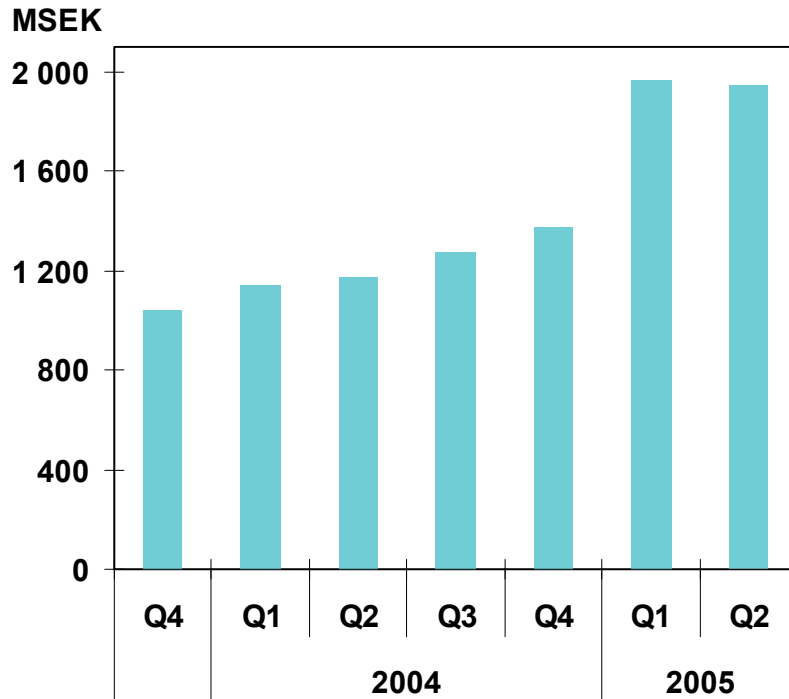
■ SALES



■ EBITDA

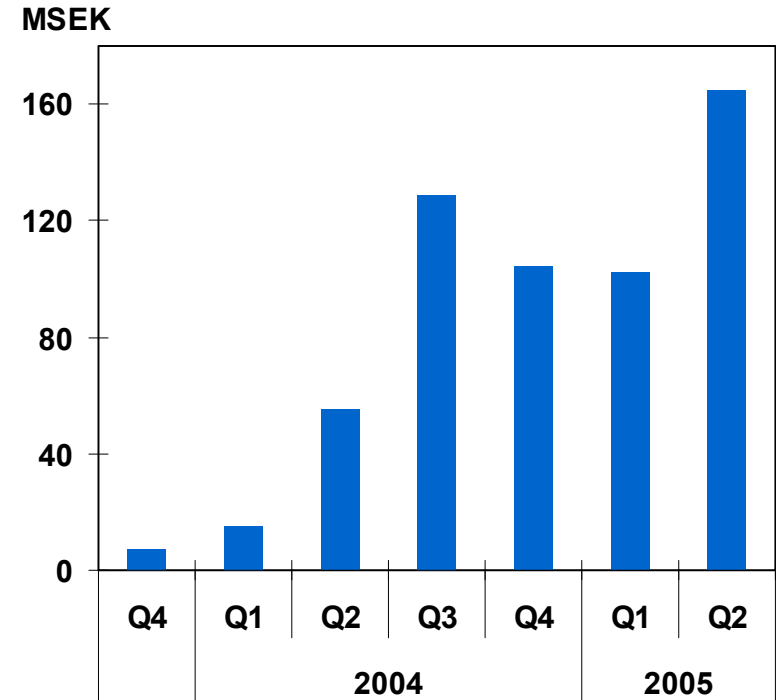
# Central Europe Fixed & Internet sales +65.4%

Central Europe Fixed & Internet Sales



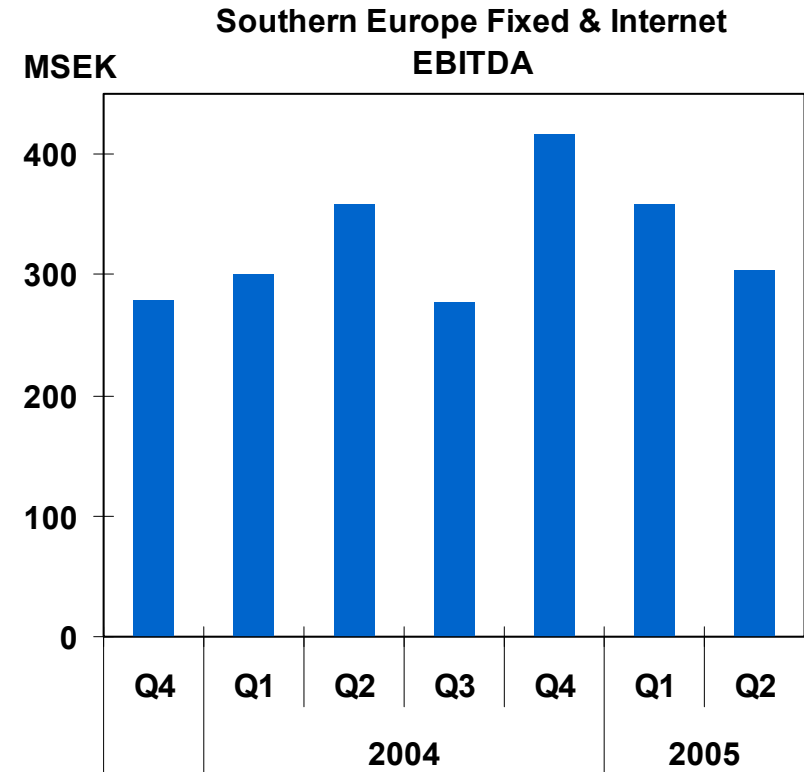
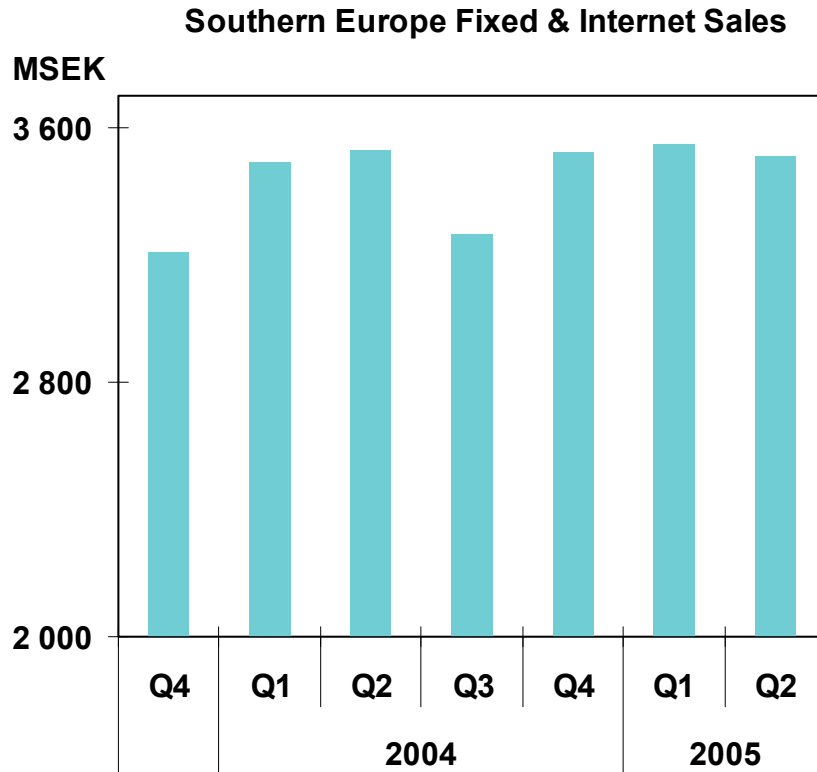
■ SALES

Central Europe Fixed & Internet EBITDA



■ EBITDA

# Southern Europe Fixed & Internet sales $-0.1\%$

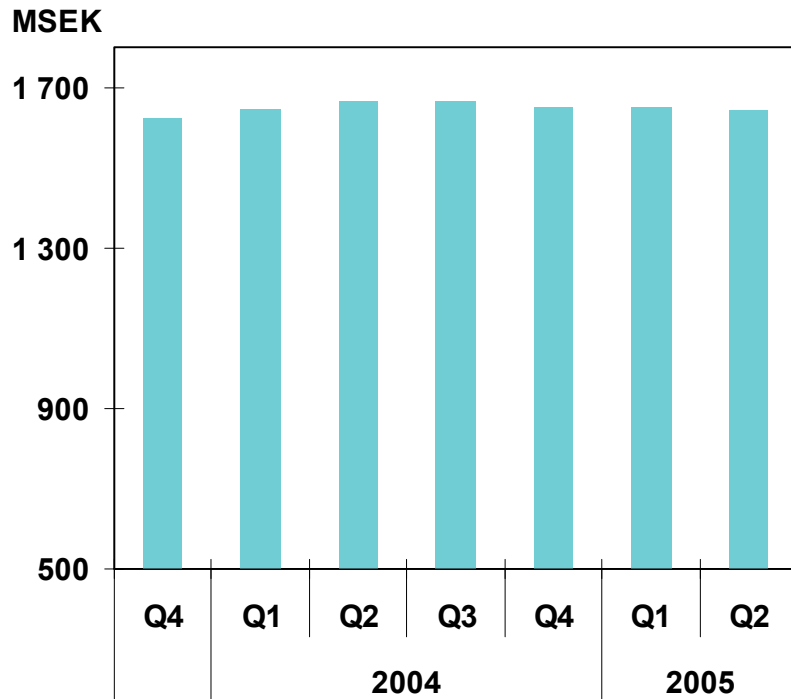


■ SALES

■ EBITDA

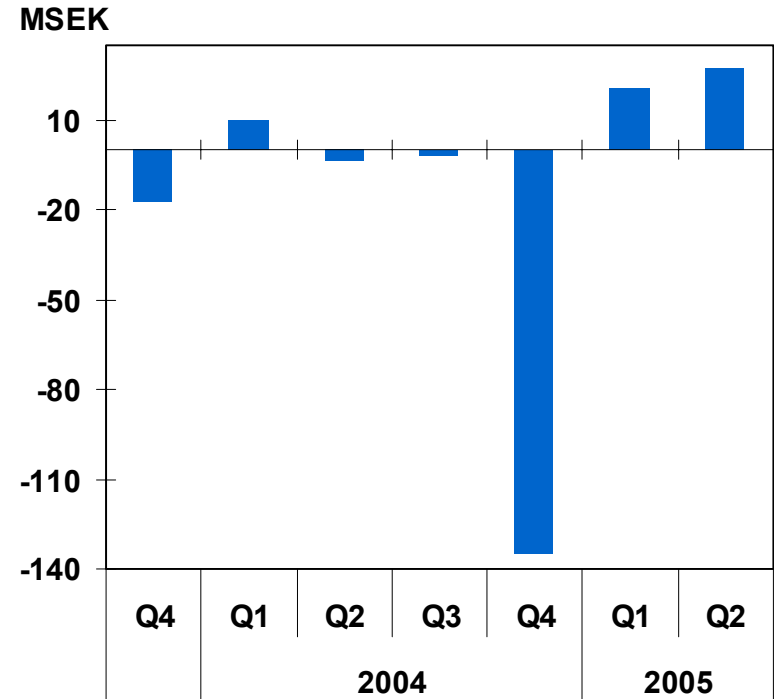
# UK & Benelux sales -1.3%

UK & Benelux Sales



■ SALES

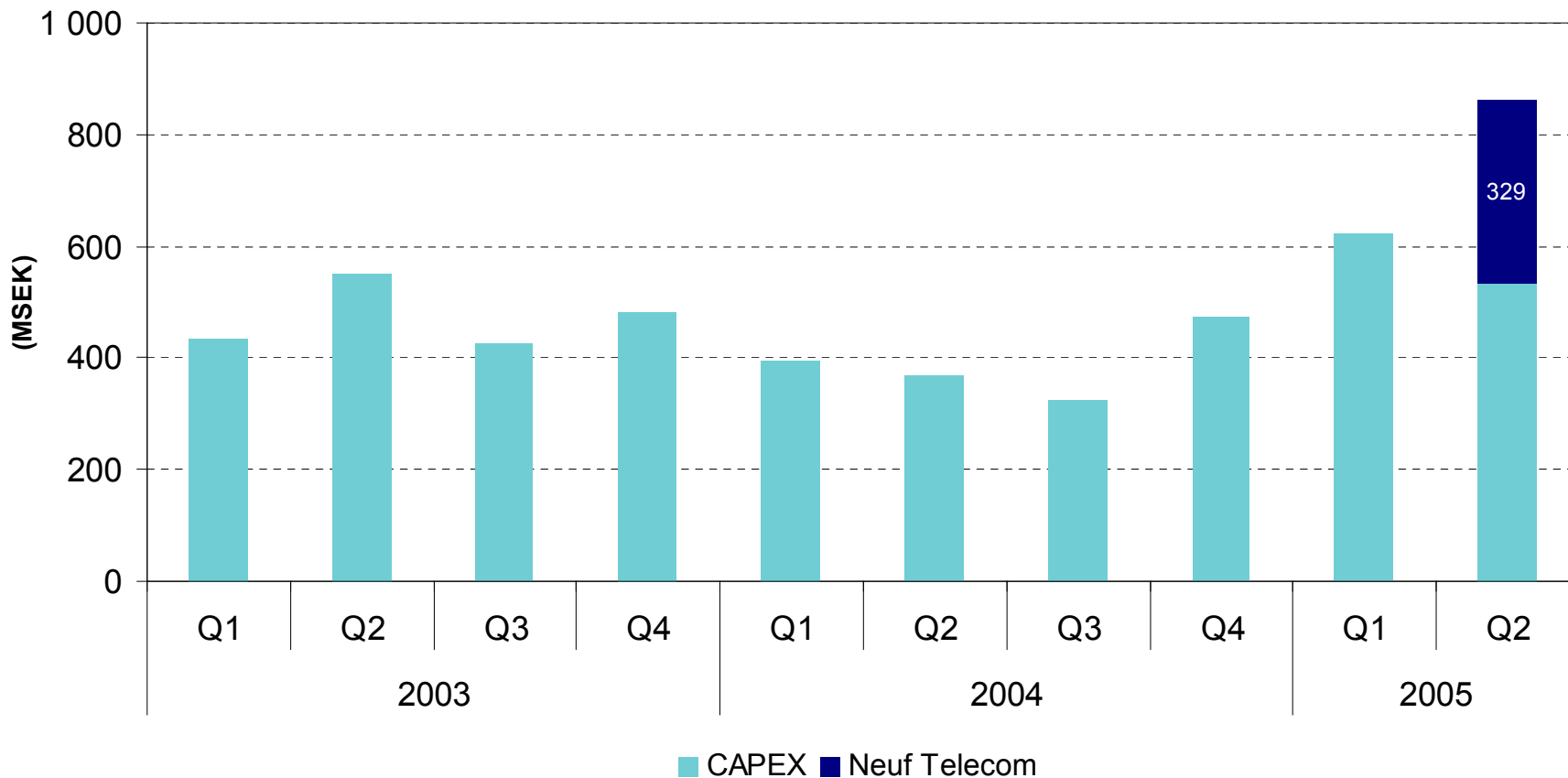
UK & Benelux EBITDA



■ EBITDA

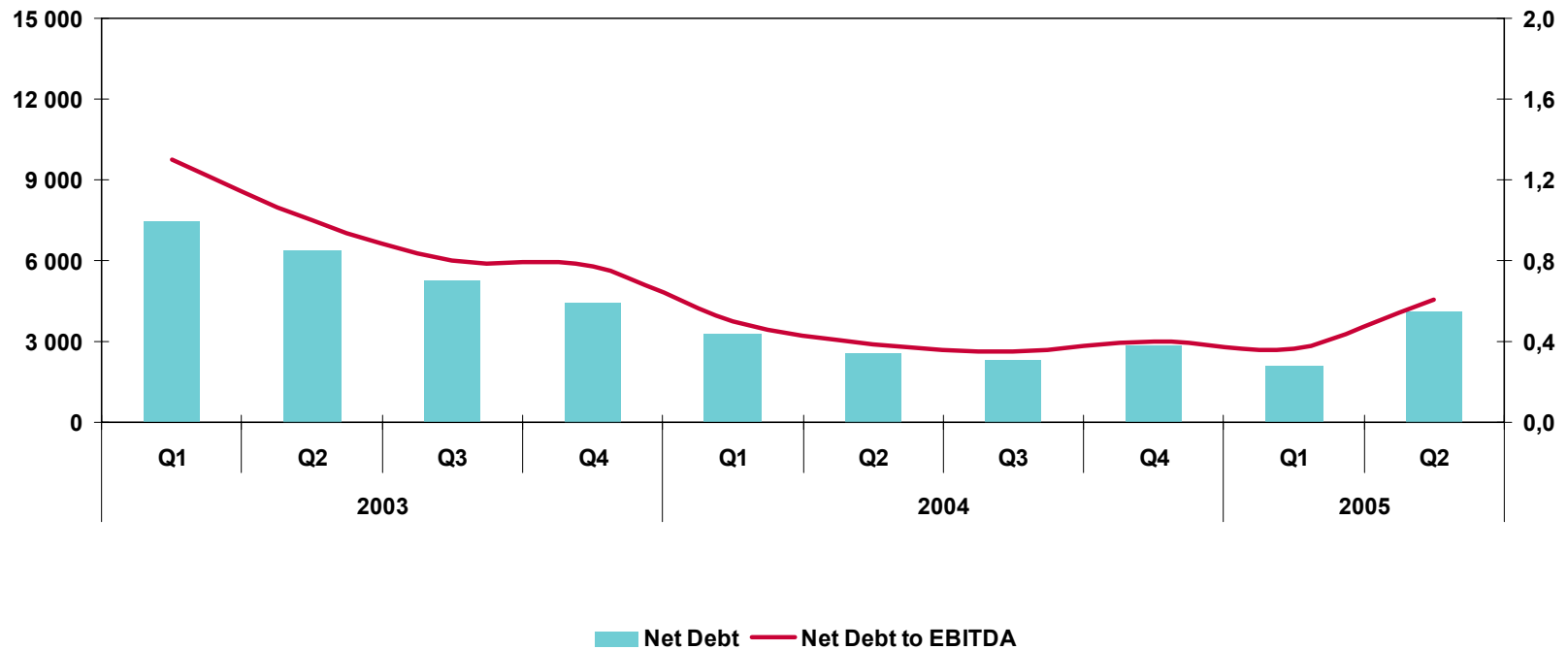
# CAPEX

## CAPEX Group



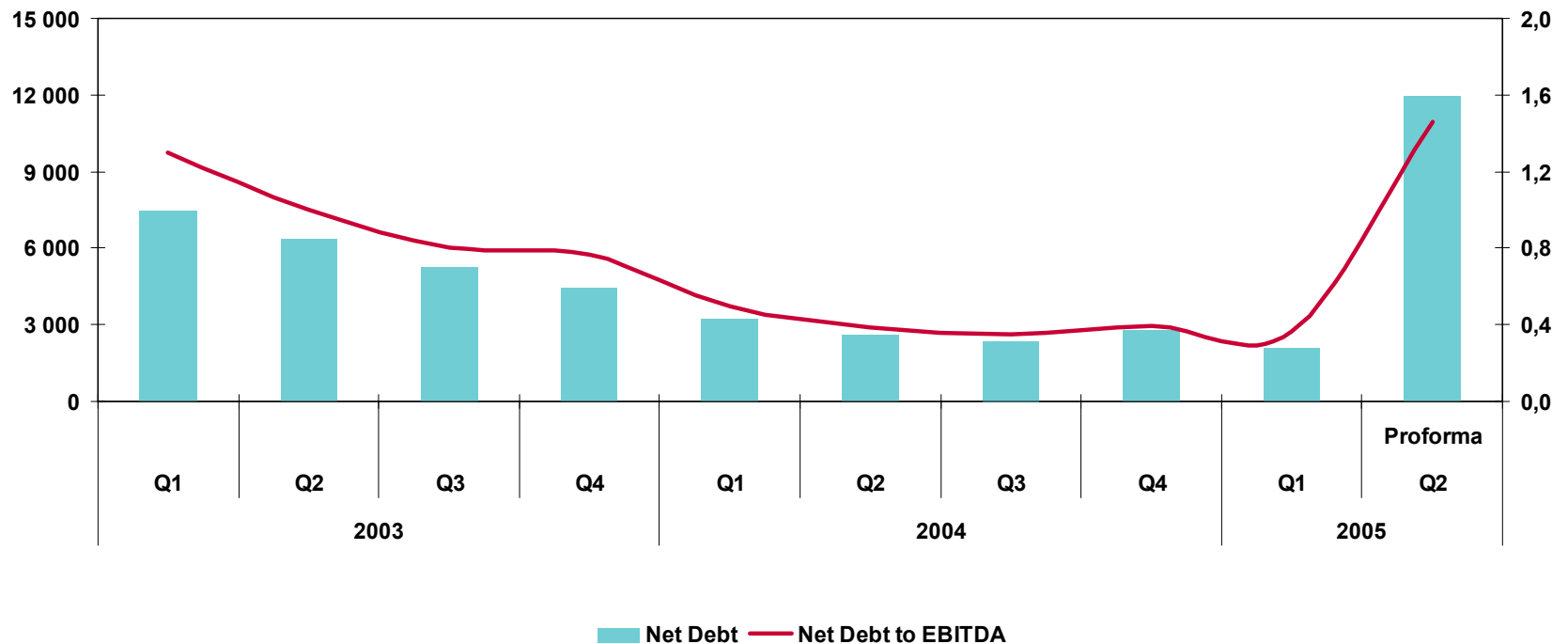
# Net Debt

**NET DEBT TO EBITDA**



# Net Debt proforma – Comunitel & Versatel

NET DEBT TO EBITDA





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## Financial comments on the coming quarters

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- Payments to 3G JV – circa MSEK 75 in Q3 – and circa MSEK 90-100 in Q4
- Intensified activities in France following agreements with Orange and Neuf Telecom
- Launch in Turkey is put on hold and equivalent amount is invested in ADSL in Italy
- Acquisition of Comunitel and intended bid for Versatel

**Don't forget**

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**VISIT [WWW.TELE2.COM](http://WWW.TELE2.COM)**



- Conference call today at 14.00 CET  
**WEBCAST AT [WWW.TELE2.COM](http://WWW.TELE2.COM)**
- Q3 2005:      October 25

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