

Tele2

Presenters: Harri Koponen, Lars Nilsson
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Operator: Please stand by, we're about to begin. Good day and welcome to the Fourth Quarter and Full Year Results 2008 Conference Call. For your information today's conference is being recorded. At this time I would like to turn the conference over to Lars Torstensson, Investor Relations Director. Please go ahead sir.

Lars Torstensson: Good morning everyone and a warm welcome to Tele2's Full Year 2008 Conference Call. My name is Lars Torstensson and together with me today I have our CEO Harri Koponen and our CFO Lars Nilsson and also our information manager. I would like to take the opportunity to also welcome everyone that has joined us via the web. Please remember that it will be possible to ask questions online via the web. We will try to answer them on a first come, first serve basis, but without any further delay I would like to introduce our CEO Harri Koponen with some opening remarks. Harri, please.

Harri Koponen: Hello and good morning to everybody and I'll go straight to the topics because most probably people would like to have questions here. First of all we made robust fourth quarter and full year results. In Russia we added 10.4 million customers so we passed that mark and we are rolling out new regions and rollouts are on track. In Central Europe we have seen stable operational development and in the Baltic regions also despite of the very challenging economic environment there, I mentioned that Croatia added more than 230,000 customers in 2008. Our Nordic region sees stable full year EBIT contribution from our Swedish mobile operations and Norway is regaining again our price leadership position and strong net adds at the end of the year. Western Europe is delivering on its new strategy, it's focusing on profitability. Robust performance in our Netherlands and Germany operations and we are starting the restructuring of our Tele2 Austria operation. The board is proposing a total dividend of SEK 5 consisting of SEK 3.5 under ordinary dividends and SEK 1.5 extra dividend. A solid liquidity profile after 2009, a refinance situation and that loan facility was oversubscribed so we were very happy on that situation and when I'm talking about the economic impact we see as we said earlier the robust Q4 and 2008 results with little or no impact from the economic downturn but when I'm talking about 2009 we take the humble approach and we said that it's very hard to predict how this year's going to do and we don't give guidance because of these reasons for 2009 but we humbly go after the customers and try to keep up the performance of what we've been doing so far.

Tele2 is well prepared both now financially and as well as operationally to deal with various scenarios that the market might bring in front of us and at the same time we see that this economical situation might bring us further opportunities to increase our presence and customer appeal so that that's something that we are looking now very carefully at, will our position give us this kind of

opportunity? We have a contingency plan in place to make sure that the cash flow generation is preserved and when we look to the highlights of Q4 2008 I think that when we are looking at the revenue, an accrual of 7%, we're ending up SEK 10.3 billion. EBITDA reached SEK 2.173 billion consisting of 47% improvement and cash flow after CapEx was SEK 704 million, a good improvement compared to the last quarter 2007.

Low financial gearing with net debt to EBITDA of 0.9 times progressively on dividends, as we said 3.5 was the ordinary dividend and our view is exactly related to this ordinary dividend. When we are saying progressively view based on the company's financial position we are aiming to progressively increase it. Net credit facilities, there's a new credit facility of SEK 12 billion and it's available for the company and as I said it was oversubscribed and this net debt to EBITDA clearing is including also our JV operations, so that's everything.

So without further going forward I will pass this now to our CFO Lars, he will go through the financial review of the company. Lars, please.

Lars Nilsson: Thank you. Good morning everyone, I will just jump into the presentation and just go through some of the numbers you see here. We'll start with the P&L and there you can see that we reached for the last quarter here an EBITDA margin of 21% compared with 15% the year before. I think we are very satisfied with the improvement and the depreciation is around 9% of sales which is also in line with our plans and expectations. So this quarter I'm actually happy to report that we don't have so many, just some small one-off items so it's a very, very clean P&L so you can see a normalised EBIT of 1,251 million or 12% EBITDA margin. The financial items are 5 and 193 million for the quarter. This of course we should explain and I will do that later in this presentation. The same goes for actually the positive tax number of 104 million for the quarter which I will also go through just in a few minutes.

Next slide please. There you just see the same P&L but now for the full year where we had solid growth compared with last year when it comes to profit. 21% EBITDA margin, 9% depreciation of net sales and an EBIT margin normalised on 12%. We reached a net result including a result from discontinued operations of SEK 2.4 billion for the year compared with full year last year. There I actually see an error in the presentation because actually it was -1 billion, 1.7 so an even better improvement.

Ok, we'll skip to the next page, cash flow which we should have here. If I then jump into the slide of other financial items, sorry for the confusion. What you see there is that we have reported on the other financial items a loss for the full year of SEK 630 million and for the quarter SEK 507 million and what you see there in the presentation is you see a breakdown of the comps there and as you can see if I take for the quarter we have external FX losses of 171 million mainly derived from our US dollar funding, but then you see an inter-group FX, an internal result of -345 million. This loss here will not have an impact on the cash flow, will not have an impact on shareholders' equity, this is sort of internal accounting so there you also see in the presentation the change in the shareholders' equity where we actually have for the full year we have a positive result of SEK 3.1 billion and for the quarter it's the same number, it's SEK 2.5 billion, so all in all this inter group FX result reported under other financial items will not actually have a cash flow effect, will not have an effect on the shareholders' equity.

We'll go to the next slide and that's taxes. What you saw here for the full year was that we reported a tax cost of only I would say SEK 120 million and a cash flow of taxes for the year of SEK 377 million. The reason for the low tax cost is that we had some one-time effects in Q4 which you can see in

the footnote, there's actually a deductible write-down of some internal assets in Luxembourg which actually helped us with some SEK 600 million and then we had some extra tax costs due to the fact that the tax rate has come down in Sweden, slightly come down in Sweden and in Russia. All in all actually we then reported a positive tax result for the quarter of SEK 104 million and for the full year a tax cost of SEK 120 million. Going forward in 2009 we forecast a corporate tax rate or a tax cost of approximately 20% then as always including one-offs and the tax payment will affect the cash flow, it should be around SEK 700 800 million for 2009. An important event, an important ruling we got in the fourth quarter was of course this tax dispute, the old tax dispute derived from 2001 and as you know we lost the case in the first instance. We will appeal and we are sort of confident that we will win, why are we confident? Just due to the fact that we have of course taken in new opinions and we have also the tax advice as well follow us the whole way here but we are quite confident that the ruling was not correct and hence we have not provided for anything in our books in connection with this dispute but what you can see in the contingent liabilities that we actually have an amount of SEK 4.6 billion, that's the underlying amount of SEK 3.1 billion plus interest. Ok, when will we then get the next ruling? A good guess is some 2½ or 3½ years from now.

Now we are coming into cash flow and what you see here is actually that we had a very stable cash flow situation for the last quarter and with cash flow from operating activities of 1.9 and then a CapEx of 1.2. If you go to the next slide we see that the full year cash flow also here was quite stable with cash flow from operating activities of 7.9 billion including taxes paid, including interest costs and CapEx in line with our forecast of SEK 4.6 billion. So cash flow of the CapEx from the operations is 3.3.

Dividend, as Harri mentioned before we have a new dividend policy. Tele2's intention is over the medium term to pay a progressive order dividend to its shareholders and hence the board has decided to recommend an increase of the older dividend by 11% to SEK 3.5 and then also a special dividend of SEK 1.5. All in all of the AGM follow the proposal the cash we will pay out somewhere around SEK 2.3 billion in dividend.

Group financial profile, as you can see we have a very strong balance sheet. The net debt on our own balance sheet was down close to SEK 5 billion at the end of December and that's 0.6 times EBITDA. If you then add which I think we shall and we'll do also in the future when we talk about our leverage, we add our guarantees in the joint ventures for SUNAB in Sweden, we will come up with a net debt to EBITDA around 0.9 times. New facility agreement, we were happy to sign the new credit facility, a three year revolving credit facility, SEK 12 billion which will replace the existing revolving credit facility. The deal was as mentioned before oversubscribed and that means that we now have facilities in the range of SEK 14 billion because we still have the old private placement which expires down the road I think in 2011 and 2013, so SEK 14 billion is now the capacity we have and as you saw on the previous slide we borrow as we speak some SEK 5 billion. We will use this facility to of course develop the business organically and then always keep an optimal capital structure but still this will mean that we'll continue to act in a very prudent way and really secure our balance sheet.

Just an overview of the performance for this last quarter here, when it comes to net sales, mobile net sales up 14% and of course the main driver for the growth is Russia up 40% but we also have a slightly growth in fixed broadband and you see that as I said the trends in fixed telephony continue. The customer base is coming down but what you will see in the coming slides is that it's still a very, very important segment for us when it comes to cash generation.

EBITDA, an overall margin of 21%. If you look at the last quarter we had some effects in the business of Norway and Estonia but I would say they were normal seasonality affected in Q4 and we have improved cost control on fixed broadband and fixed telephony and that you can see also with the improvement of the results in these segments.

Mobile EBITDA, 25% margin and the launch costs in Russia have of course affected the result for this quarter. For 2009 we expect an OpEx for the new regions in the range of between SEK 500 700 million related to the rollout of the new licences and we also saw, you saw as well a good customer increase in Croatia and that has of course a short term consequence on the EBITDA result.

Fixed broadband, a margin of 5% which is not good enough but you can really see an improvement if you compare it to...the starting point is Q3 '07 and the trend I would think is quite good. But we will continue to improve this business because long term 5% is not enough for us.

Fixed telephony, as I said before it's very important for us when it comes to cash generation, 27% margin and a stable growth when it comes to profit I would say. Then we go to the next slide through EBIT, 12% if we exclude the one-offs and include performance and fixed broadband and fixed telephony have really helped us lifting the EBIT performance. When you look at the Swedish result for mobile you should be aware of the fact that more and more of the cost base is coming through from this joint venture we have on 3G and therefore I think you should focus more on EBIT than on EBITDA when it comes to Mobile Sweden.

CapEx, exactly what we told you one year ago I would say. We had a good CapEx for the quarter with 1.3 billion. 13% on net sales and there you can compare with our depreciation, that's 9% on net sales and for this year, 2009 we expect CapEx in the range of between SEK 4.5 billion to SEK 4.7 billion. Of course a lot of the CapEx is related to Russia, there we expect to invest between 1.1 and 1.3 billion in our new regions and of course we will continue to invest also in our existing regions so of course Russia has quite a heavy part of our CapEx.

So a summary, I think we can say that overall a solid operational performance. We have just seem like we said little impact from the difficult economic environment. Of course we are very cautious and we are really working hard to improve our cash flow but so far we have not been really significantly impacted by the financial downturn. Mobile, as always mobile and fixed telephony are the main profit drivers. Russia, developing according to plan and we see improvements in fixed broadband. CapEx will stay fairly flat in 2009 and focus on investments in Russia and the dividend proposed by the board is SEK 5 per share where 3.5 is the ordinary dividend and I would say that we have a strong balance sheet and also we now have the funding capability after this refinancing which was signed last Friday and as I said before continues with plans in place to make sure that we should really secure our cash flow.

Thank you.

Harri Koponen: Thank you Lars. I will take over and talk a little bit more about an operating review of our mobile businesses. Customer intake is still robust and what we see is that actually there is a slight deviation now from the people who are looking to handsets versus to they are looking for best tariffs and we see that there is a demand for now SIM only offers and the top-ups. We see there's a deviation from the handset sales they're offering and SIM sales. What is of course good for the operator because we gained a little bit more if it's SIM only. Our minutes of use is still growing with mobile traffic taking the

larger share of the total minutes we are carrying, that's a positive thing. The right trend is happening, that the people are trusting more and more mobile devices in their communication. The pricing environment is fairly stable. There's a good interest at the moment towards the mobile internet services. People start to understand what is the service, it's actually the internet which is the service where they want to go and that's why we are talking all the time mobile internet instead of mobile broadband, because the private consumer, the business consumer, they understand what is the service and there's an increased interest towards these services and also the vendors are developing better services in this area. We have today also better bargaining power, let's put it this way than better pricing power. We have better bargaining power right now in this situation and we are looking at every cost quite cautiously and renegotiate when we can. When we go to Sweden Mobile we see that the revenue is still growing by 6.5%. We can see that in basic voice there's a slowing in customer activity, in the basic voice side lower prepaid intake but renewed interest in the SIM only offering. 15,000 new mobile internet users, our total base is now 170,000 customers and this is starting to now show the right direction in this business. Minutes of use continue to grow, both voice and value added services what is a positive thing. More traffic is now carried over our joint venture SUNAB and that's why Lars mentioned that you're supposed to focus on really the EBIT rather than EBITDA in the Swedish market. We said that today we are the most efficient 3G carrier in Sweden and our OpEx is approximately above SEK 450 million year to date. So that's a good development. Tele2 Norway Mobile, basically we regained our leadership in our price position, strong net intake adding 19,000 customers, tough competition is affecting negatively now our ARPU and EBITDA contribution negatively affected by increased sales and marketing as well as the currency has negatively affected there. Network Norway jointly affecting EBIT by above 60 million and this is the area which is a big concern of mine, how we can make this Norway business move better because we are not satisfied with this situation.

Then we go to Russia, as mentioned earlier a 40% growth in revenue, more than 10.4 million customers, robust ARPU development, a very successful launch of the new region Krasnodar where basically it's close where the OpEx is going to be held, then the rollout of the new GSM licences is on track. Our OpEx costs are affecting the total EBITDA in Q4 2008 and acquisitions, we did the latest acquisition in Kaliningrad. We're adding about 1 million subscribers or potential customers there to our portfolio and that's also brought some additional CapEx spending to the group. We estimate improved network quality throughout the introduction of the EDGE and we have hit quite nicely the bandwidth, we've communicated to you about our customer intake is that we have been still in the range of that actually in the higher end of the band. So Russia is doing according to plan.

Baltic Mobile, a very challenging economic environment, still robust revenue, development in spite of this challenging economic environment and a positive currency effect to us. We have a price leadership position in all of these countries and that creates this opportunity that we see that the customers are now very interested about getting their best deal and enterprise customers are particularly looking to alternative options how they can reduce their costs and in Estonia we have gained 21% market share in the business segment which is very encouraging. Generally what we can say in the Baltics is that Lithuania is doing the best, Latvia is now the second best and Estonia is the most affected in this economic environment so there's a little change in that order, but still doing quite ok.

Croatia Mobile's total customer base more than doubled in 2008 so we improved our marketing strategy and we are now using this La Familia marketing concept which is very effective there. We have a better quality of service there. Net adds in Q4 2008 was amounting to 76,000 customers, what is now the right direction and we hope that this development continues because we are then back on a kind of

track where we want to be. Positive minutes of use and ARPU trend and we are now becoming more and more the primary SIM to many of the customers, we used to be the secondary SIM and now we are becoming a primary SIM for the people and that's an encouraging sign for us that we are doing things right there. Of course the OpEx was affected by the higher marketing spend because we were going heavily after the customers to the acquisition and marketing was impacted the OpEx.

About the regulations, this is an important topic for Tele2 as a whole. We are very keen on working with the interconnect matters with the European Union and they have said that this is an important topic for the mobile operators who are actually privately funded companies and we want to make sure that the interconnect regime stays in place, that the business could be more predictable. Access to the fiber is also important to us that we can get access to the backbone capacity. When the capacity needs are increased we have easy access to the fiber in the backbone and of course the frequency of reforming particularly in a case where we are moving from 3G to LTE, that this reforming is an extremely important thing, we cannot deploy the LTE to a 900 megahertz band for example because then the CapEx savings will be quite huge for us going forward.

Now moving then to the closing remarks of this conference call. We had a very robust fourth quarter and full year results. We have improved total dividend that amounted to SEK 5, as we said focus is really in this ordinary dividend, now it's 3.5 and our aim is to progressively increase it based on our financial position and then the extra dividend was this 1.5. A solid liquidity profile after this refinancing package and as Lars mentioned 14 billion is now the total facility and within that we feel comfortable working with this facility and still we have a strong balance sheet.

What are the top priorities then? We will continue to focus on the cost discipline in all parts of the organisation, it goes from the headquarters to all the regions and we should use this cost benefit in moving us within striking distance to try to convince the customers that there is a better alternative available where you can actually save and still enjoy the fantastic, good quality of the mobile communication and also some cases the fixed and broadband services where we're offering to the customers and we think that some customers are now picking up this message, that's why we see no effect to us. The rollout of new regions in Russia, it's extremely important that we will be successful on those and we have good experiences now in the last month from Krasnodar so that's very positive. My feeling is that if this is the situation we should keep doing what we are doing. Further develop our mobile operations to create a product portfolio that goes in line with our customer needs. We don't have to do everything in this planet and we don't have to create top end BMWs or Audis to customers but if we can create a top end Toyota or a Lexus I think that that's enough, we don't have to bring every single belt and whistle to the customers but rather make it very complex, complete and a simple service that works like your mind, gives you all the benefits and a small bill on top of that. I think that that's what these people are looking for. I get all my communication with a reasonable price and reasonable quality I think I will be a happy customer and this goes both to private consumers and also the business to business customers, the same value proposition. With that we will work now even harder to get this corporate segment in Nordic and Western European regions as our focus area.

So those are my closing remarks, we've performed well, we have a strong financial structure and stable operational development and I talked where is our focus and I think that now we're ready for the Q&As.

Lars Torstensson: Thank you Harri and that concludes our formal presentation regarding the results for the fourth quarter and full year 2008. Now we will be happy to take any questions you may have both online as well as live. So please operator, could you help us with the first question please?

Operator: Thank you sir. Ladies and gentlemen, the question and answer session will be conducted electronically. If you would like to ask a question please press *1 on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. We'll take questions in the order received and we'll take as many as time permits. If you find that your question has been answered you may remove yourself from the queue by pressing *2. Again please press *1 to ask a question.

Our first question today comes from Andrew Lee with Citi. Please go ahead.

Andrew Lee: Good morning gentlemen, I've got a couple of questions on mobile for you. Firstly on Swedish mobile, the slowdown in net adds you saw this quarter was not accompanied by a change in ARPU trend and prices in usage remain pretty resilient. What is driving the slower prepaid net adds and do you see this trend continuing into 2009? Secondly on Russian mobile you're clearly taking share in this market. Could you give us a little more colour on the level of competition there? Is it that competition is getting weaker or are you just getting stronger and where does your long term ARPU target stand given economic concerns in the region?

Harri Koponen: In Sweden if I can say that seasonality is one thing, seasonality, that's why the intake was what it was. Then of course there have been some impacts in Sweden particularly in the retail chains. We actually were successful in the alternative channels where we increased a lot our sales. Retail sales are actually quite sluggish if I would say and luckily we had these alternative channels and they brought good intake to us in Sweden but there's a seasonality effect in Sweden when it comes to mobile. ARPU trends we have not guided and we don't want to give a guidance to the ARPU trends right now but we just humbly here looked at how the customers are affected on this situation and tried to offer the best price position to the customer that they can continue to use our service but we will not give a guidance on any trends now.

Presenter: If I just may add on the customer intake in Sweden and the prepaid as you referred to Andrew, as you know we have a six month in activity policy and we do have a tendency of fairly high net adds in the second quarter, late in the second quarter, beginning of the summer and there is always a tendency for some churning out of those customers in the fourth quarter, so we saw some tendency of that. When it comes to ARPU, it's a interesting trend as we consider it to be the best indicator of how the economy is affecting the consumer. We are not seeing any effect on usage trends when it comes to consumers if that could help you a little bit.

Andrew Lee: Thanks. Just on Russian mobile are you getting stronger there or is it that your competition is getting weaker?

Harri Koponen: At least so far we have felt that we have been quite successful without...I don't want to brag here, it's better to be humble. We have been satisfied with our intake.

Lars Nilsson: For the old existing regions in Russia we are spot on the plan we gave you two years ago, I would say spot on.

Lars Nilsson: Let me repeat that for you just to make sure, we said 10-11 million customers by the second quarter 2009. We should have an EBITDA margin of 35-40% in the upper end of that range and we should have an ARPU close to \$10, so everything seems to be tracking fine there.

Andrew Lee: Great, thank you very much.

Operator: Thank you. Our next question today comes from Maurice Patrick with JP Morgan. Please go ahead.

Maurice Patrick: Hi there, a couple of questions. In terms of the Swedish mobile market you said voice trends were stable, mobile broadband good and yet you still saw ARPU trends going negatively. Can you help us understand a bit what's happening in that dynamic and the last question is just to do with the Russian ARPU. What's the reason for backing away from the \$10? Is there a significant decision behind backing away from that and can you reiterate that 35-40% is a 2009 target in the regions? Thanks.

Lars Nilsson: Just to tell you the guidance again we feel very good about the guidance of the 35-40% EBITDA margin. It's the upper range of that as well as we have said before. When it comes to the US dollar guidance we haven't stepped away from that. The problem is that we invoice in rubles and we report in Swedish krona.

Harri Koponen: It's not a dollar based business.

Lars Nilsson: It's not dollar based, no. But we did SEK 65 in ARPU in the fourth quarter so we're not that far away from those \$10 that we're talking about, so we're feeling good about our current guidance.

Harri Koponen: Coming to the Swedish mobile I think that the dilution is coming from mobile internet intake, that's why the ARPU has been going down because there has been some kind of price competition in mobile internet but it now seems to be over and pricing levels are healing.

Maurice Patrick: Just to follow up on that last one, you're saying that mobile broadband is still good...

Harri Koponen: Mobile internet.

Maurice Patrick: Mobile internet is still good but you are seeing overall revenues trending down and I thought with the initial mobile broadband cards you were actually not invoicing for the first six months so you would expect to see revenues getting boosted as those started washing through?

Lars Nilsson: Of course. We still had promotional pricing in the Swedish market with the pre-usage plans still there or valid. They are running until April so we're still seeing some of that effect I'm sorry to say but as Harri said the early signs are that some of the...

Harri Koponen: The new ones, the new plans are much better, let's put it this way, that we don't anymore see this free of charge use as much as you like six month kind of thing. That seems to be over and the competition is in line with these new rate plans.

Maurice Patrick: Thanks guys.

Operator: We'll move now to Sven Skold with Swedbank. Please go ahead.

Sven Skold: Thank you. I was just wondering if you could mention something about minutes of use primarily in the Baltic region and also for the different countries if possible and if you have the...I know that you said you haven't seen any material signs of economic weakness but still how is it performing compared to the same quarter last year and also about Russia of course? Thanks.

Harri Koponen: We can only say like Lars mentioned it up but because of the price pressures the ARPU has kind of been pressured, but the MOU has been going up. So that's a positive thing that people are talking more. Overall it's up.

Sven Skold: If you look into 2009 do you expect them to be more stable?

Harri Koponen: We expect that this trend will continue, the people seem to be calling and as I said there seems to be a very high focus now on the SIM only offering. People are not looking at these handset bundle offers but they rather want to get the inexpensive voice lines that they can communicate. That seems to be the trend in all our markets. We have not separated them but I can just say at the moment in all the markets it seems to be that minutes are going up.

Sven Skold: Ok, thanks.

Operator: We'll move now to Lena Österberg with SEB. Please go ahead.

Lena Österberg: Yes, I have a few questions. First of all I was wondering a little bit on Russia on the increased CapEx and OpEx guidance, what's the reason for that? Previously you also talked about that the Russian operations will be managed on a cash flow neutral basis so the existing operations will fund the other ones. With an increase in CapEx and OpEx does that imply that you expect more solid operations from the underlying or should we expect that they will be cash flow negative in 2009? That's the first question. Then also I was wondering a bit, you said that Comviq that your distribution channels had changed in the fourth quarter a bit more as I understand it on line sales and less retail so I was wondering why that margin was so negative early in the quarter because I guess that should be positive from a margin point of view? Then also if you could give some more light on the intra-group borrowings because it's quite difficult for us to forecast the negative FX losses on your debt in foreign currency if we don't know roughly how large these borrowings are and in which currencies? I was wondering if you could just help us with that.

Presenter: I'll start with the online sales. You have to remember that we actually have invested now to make sure that people can get online so actually in the short term there has been pressure but in the long run this will help us because people can do more business online and they can do the topping up online so that's the kind of answer there, it's not an immediate effect, there's some investments we have to do to recover before it comes better. CapEx and OpEx, that was the Russian related question. We are now putting 18 regions up so one more than previously and we would say that the CapEx guidance is almost the same like before. We are pushing the plan ahead because we see the positive results from Krasnodar. It seems like we're sometimes supposed to speed up the process if that's the

result we have seen from the latest results from Krasnodar. CapEx a little bit up because of this one extra region, OpEx not significantly up because it's again one extra region but generally I think that we are in line and we try to maintain this cash flow neutral situation. I'm not sure if it's going to be exactly hit but we are close to that target.

Lars Nilsson: I think we can even say that we are more front end loaded this time than back end loaded meaning that the total scope of the rollout has not been increased but that we are pushing ahead...

Presenter: Pushing ahead faster. Then the last question Lars.

Lars Nilsson: That's a rather tricky one I would say but first of all you should be aware that this inter group FX result reported in the P&L will not have any kind of net effect when it comes to shareholders' equity. It's just that accounting rules and IFRS rules tells us when we have reached a certain step in our investments we have to report these inter-group results under P&L. If you tell me what will happen with currency I can tell you what will happen here but I would say as for Q1 I think you can have in your forecast say -200 million, something like that and for the full year it shouldn't be more than that I would say, that's our aim because we will try to change the currencies here and there in the inter-group borrowing just to avoid this. Once again this has no net effect for the group.

Lena Österberg: Ok, thank you.

Operator: Our next question today comes from Jakob Bluestone with Merrill Lynch. Please go ahead.

Jakob Bluestone: Hi there, Jakob Bluestone, Merrill Lynch, three questions please. Firstly can I just check, I think Lars mentioned that you would be bringing the 3G contingent liability onto your balance sheet. Can I just check that is right and if that is by 2 billion? Secondly in your presentation you talked about that you would cut back on CapEx in the event of a slowdown. I was just wondering if you could talk a little bit about where that would be or is that just in the markets where you would potentially see any slowdown? Then thirdly just on CapEx, am I correct saying that most of your CapEx is dollar denominated and if so can you just let us know how currency movements have affected your recent thinking about your investment plans? Thanks.

Lars Nilsson: The first question when it comes to our balance sheet and net debt position, no, that will actually not be changed. We have reported this SUNAB thing on the continued liabilities all the time but just to clarify, when you look at our balance sheet it's good that you have this net to EBITDA excluding and including these joint ventures, so it's not a change, we would have been more clear I would say having looked at our total financial position.

Harri Koponen: Then related to CapEx, now we are not dollar denominated, we are mainly SEK and euro based when it comes to CapEx. Actually now it's pretty much now ruble based. Then I think you asked something about the slowdown.

Lars Torstensson: Yes Jakob, could you repeat your slowdown question there?

Jakob Bluestone: Yes, when you talk about that you might potentially scale back some of your investments if you see a slowdown I was just trying to understand where that would be. Would that be just in the markets where you see a slowdown or might that be across the board?

Harri Koponen: As we said today we don't see the slowdown, that's why we are not scaling back but we have the plans in place that if something happens of significance we have plans in place that of course we react, but right now because we don't see is there a minor or no effect we continue according to our plan until we start to really see the clear signs that things have changed.

Jakob Bluestone: Ok.

Lars Torstensson: Next question please.

Operator: Our next question comes from Jan Dworsky with Handelsbanken. Please go ahead.

Jan Dworsky: Thank you. I just want to come back to Russia and if you look at the combined performance in Russia in old and new regions do you think that it's reasonable that you should be at about 30% EBITDA margin in 2009 old and new combined?

Harri Koponen: As Lars mentioned we don't want to change the guidance so we are believing that according to plan the old ones should carry the new ones.

Lars Nilsson: You know our operational guidance and we have said that we're going to be, for the older regions we're going to trend up to the 40% EBITDA margin. I guess that it's a fair assumption to believe that we're going to be above 30% in combined, sure. So that is not an issue.

Jan Dworsky: I had a question on Croatia, if you can elaborate how you see your way towards profitability or break even in Croatia, the timeline for that?

Harri Koponen: As we said that we expect Q2 latest next year, not this year. Not Q2 this year but 2010 the latest.

Jan Dworsky: Ok, thank you.

Lars Torstensson: Next question please.

Operator: The next question comes from Soomit Datta with New Street Research. Please go ahead.

Soomit Datta: Hi there, yes, Soomit Datta at New Street Research. Just a couple of questions on Russia please. Firstly is it possible to quantify or give some sort of guidance on the extent of the launch costs in Krasnodar? Secondly can you confirm that the start-up losses in '08 in Russia were broadly in line with what you were originally guiding to? Then finally in terms of your OpEx in Russia, can you give us a sense as to how much of that is denominated in local currency or how much might be in hard currency? Thanks.

Harri Koponen: It's easy to answer the first question, as you know we will never tell people how much our loan costs has been in Krasnodar but I can say it was successful. We have a good amount of customers and very happy ones there but we have not communicated the launch costs separately for any region and we will not do that either. Then there was this question concerning...

Lars Nilsson: Operational expenditures for 2008 was very much in line with SEK 50-75 million associated with the rollout of the new regions. The lion's share of that came in the fourth quarter but everything went according to plan. Then there was a question Soomit on how CapEx is divided?

Soomit Datta: It was actually OpEx. I think you talked about CapEx.

Harri Koponen: OpEx is actually pretty much in rubles. We have very tough measures on this matter that we don't accept any dollar or euro based kind of contracts in Russia, we try to do everything in rubles so that we don't have to do hedging.

Soomit Datta: Ok, thank you.

Lars Torstensson: Next question please.

Operator: We'll move now to Stefan Pettersson with Nordea. Please go ahead.

Stefan Pettersson: Yes, hello. I have two questions, the first one relates to Comviq. For 2008 you guided for 35-40% EBITDA margin. Given now increased 3G costs you ended up lower than this number. Can you give us an indication of what to expect for 2009? Then the second question is can you give some clarity on the statement around shareholder remuneration, for example you did not request a new share buyback mandate and what capital structure would you feel comfortable with both short term and long term?

Lars Nilsson: When it comes to Comviq we're going to start talking more and more about the EBIT contribution of Swedish mobile especially just because of the joint venture structure that you mentioned Stefan. Our view on EBIT contribution for next year is to be at least stable to growing absolute contribution on an EBIT level for the Swedish operations.

Harri Koponen: Coming to the capital structure and the dividend policy. The dividend policy is a progressive increase of the standard normal dividend based on our financial strength. That's the guidance there, then when it comes to the overall structure we try to be in line with at least the industry.

Lars Nilsson: Then I can add that it's most likely when the board calls for the AGM that they will ask for a share buyback mandate.

Stefan Pettersson: Thank you very much.

Lars Torstensson: Next question please.

Operator: Your next question comes from James Britton with Nomura. Please go ahead.

James Britton: Thanks very much, I've got three questions please. Firstly on SIM only can you just let us know what percentage of connections are now SIM only in your key markets and how much do you feel customers typically reduce their spend when they trade down to SIM only? Secondly just some detailed questions on the SUNAB costs. I think you said 450 million of OpEx this year. Can you just let us know what it was last year and do you expect these costs to increase quite sharply to support your strong mobile broadband growth? Then finally your balance sheet does seem to have plenty of headroom under your target credit ratios, so which CIS markets would you be most interested in over the medium term? Thanks.

Harri Koponen: SIM only, first of all we don't give any definite answers and guidance what that is but I think I didn't say that they are using less, or did I? I don't know how you get this feeling that they are using less. They don't want to buy the handset because they might have one or two in their locker and they want to have a good SIM offer because now when the customers are buying this bundled package a quite significant part of the price is actually part of the handset and what we want to do is that we try to tell the customer that actually the service is actually good value and if they already have the handset they should keep a very clear idea about how much the voice and the data side costs them without the handsets. That's why we see this trend that people are actually taking these SIM only offers and they are happy and they are using them a lot but I didn't say that they are using less.

Lars Nilsson: There is a fair likelihood that when people go for SIM only offers they also get this big shock effect that they usually get when having a higher monthly fee as also with a new phone, so when they get the bill seeing that they're not paying for the phone anymore there might even be a slight increase when it comes to usage patterns. The other thing is of course that if people trade down they usually trade down from another operator which is also an opportunity for us.

Harri Koponen: Then when it's coming to this headroom we don't guide...we are now happy with the financial structure of the company. We have a capability to move if there's opportunities and we have said that we are looking to the Russian regions and then the former Soviet and Central and Eastern European opportunities what can fit to the Tele2 strategy but we have not given any guidance which are those places and if we want to keep the strong situation cash is the king, customer is the king, basically that's going to be the mentality of the company.

Presenter: And focus on the rollout on the existing footprint in Russia, there's tremendous work.

Harri Koponen: I think we are not in a hurry to buy things so that waiting is now a good virtue. You have a question on SUNAB.

Lars Nilsson: We have just started to give full costs associated with both data as well as voice so we are not looking at any significant increase in costs because if we would do that we could not provide you with a statement to growing EBITDA contribution for next year so that is not the problem. But we're not going to guide on the exact number on SUNAB at this stage.

James Britton: Can you clarify what it was in 2007 so that we can understand whether that's increasing at the moment?

Lars Nilsson: James, I can take that as homework but I don't have it

James Britton: Sure. Just finally on SIM only if you don't mind, can you just compare for us the cost of SIM only relative to the cost of the tariff which includes obviously a free handset? Presumably there is an incentive for the customer to move to SIM only from a cost perspective, you yourself said that, so what is the lower monthly spend for that customer on SIM only.

Harri Koponen: I think the biggest incentive on this whole thing is that we don't have to provide the terminal. What is not produced by Tele2 is typically produced by somebody else and we have to cover that cost with interest. When we don't have to do that then of course the starting cost to us is minimum for those customers and then they can jump on immediately on our networks and start to use the service without getting this shock effect in the first month. There was this handset payment down. What typically is a nasty surprise to customers because then they buy, they're only thinking the tariffs is this but then they get this first bill and they say "wow, I have to pay this telephone back in one and a half years" and then the service is not used so much. We have seen that when these people are moving to SIM only they are actually quite active, some of these customers. It's too early to say what are the trends but we see that the customers are now demanding more SIM only.

Lars Torstensson: Thank you. Next question please.

Operator: We'll move now to Ulrich Rathe with Dresdner Kleinwort. Please go ahead.

Ulrich Rathe: Thank you, two questions please. One, with regards to the fixed line sort of overall in the big picture at a group level it's probably fair to say that the profitability there surprised us positively this quarter so my question is again if you in the big picture at the group level look at the growth versus the required investments to maintain that growth or rate of decline rather, do you see that the level of investments you've put in in the fourth quarter is the sort of level that you need to maintain the current rate of decline? The second question is with regards to Germany. In the report you mentioned there was still no consolidation, obviously you might play a role in that consolidation. Is there any news that you can share with us regarding consolidation in Germany? Thank you.

Harri Koponen: We'll start by killing the rumours: no, we don't comment on anything on consolidation. We know that one day it will happen and that most probably you're right, we will be part of that discussion when it happens but there might be two parts like fixed or the broadband side and we don't know in which order they are continuing but definitely most probably there will be a consolidation. When it's coming, you asked about the fixed business and how well it's performing and is it sustainable? Right now we think this is the plan and we can deliver these type of developments for some time so that we are now happy with the performance of the region.

Ulrich Rathe: Thank you.

Lars Torstensson: Next question please.

Operator: We'll move now to a follow-up from Lena Österberg with SEB. Please go ahead.

Lena Österberg: Yes. I was hoping that maybe you could give us a little bit more detail on what the net effect from foreign currency movements were in the quarter both on sales, EBITDA and if you can on net income as well?

Lars Nilsson: I would say that rough numbers for the quarter EBITDA I would say +SEK 75-100 million.

Lena Österberg: Ok. Then also if I could ask you, you're saying currently that you're not seeing any major dramatic effect from the economic downturn in the Baltics but if I look at Estonia and look at the ARPU trend in local currencies it was down 10% in Q3, it's down 17% in Q4 and it seems to be deteriorating and last quarter I think all three of you, the operators in the Baltics said that Latvia was the worst country and now it seems to be shifting to Estonia. Could you maybe say what's driving the change in Estonia and why Latvia is all of a sudden better?

Harri Koponen: You are saying correctly that Estonia has been hit as I told you earlier, Estonia has been the worst affected...Latvia was earlier and now they have kind of shifted places, Latvia is performing better and Estonia has been hit so that overall when we talk about the Baltics the level is ok but then at a country level we see that Estonia has an impact and now they are actually doing corrective actions to return back to their plan.

Lena Österberg: What can you do and what's driving the change?

Harri Koponen: We are confident on this plan. Of course we are all the time humbly looking what's happening there at the total level but at this point in time when we are looking at what's happened in recent times we are now quite confident that things are under control.

Lena Österberg: The improvement in Latvia, is that driven by something that you have done, some measures that you have taken or is it the economy?

Harri Koponen: Yes. We changed the network, we upgraded the whole network so basically we changed out the whole Siemens network and replaced it and upgraded to the 3G and also the 2G network so that there's a better quality and that had an immediate impact to our customer satisfaction and levels of the business so that actually we are doing the same thing in all the Baltic countries as we speak and we improved the quality and changed the supplier from Siemens to...we have not announced who it is, we have changed and it has been a positive effect to our customer intake.

Lena Österberg: Ok. Could I also ask a final question maybe on Croatia because you had a very strong subscriber intake this quarter but it was also strong in Q3 and still the margin dip was quite significant in Q4. I guess you always have seasonal campaigns but given that you had high intake in Q3 as well with a better margin what should we expect going forward?

Presenter: You should remember in Croatia, you don't have to do that much marketing to get people in in Croatia in Q3. You have a lot of tourists buying prepaid cards. You must remember with our inactivity policy in Croatia it's a much more demanding tax to do the 76,000 new customers in the fourth quarter so one has to remember that Croatia is a very seasonal country when it comes to summer. The third quarter is almost making its sales while Q4 is more of a tough effort. When it comes to what we have said about Croatia is that it should be EBITDA break even on a monthly basis in 2010 and we have no reason to deviate from that.

Lena Österberg: Ok, thank you very much.

Operator: We'll take a follow-up question from Maurice Patrick with JP Morgan. Please go ahead.

Maurice Patrick: Just a quick question on Mobile Norway, can you just talk a bit about what's going on there? You made reference to not being happy about the situation in Norway and presumably with the MTRs going against you that also impacted, so can you just talk about what's happening in the marketplace and what you plan to do about it? Thank you.

Harri Koponen: Thank you. Our plan is now first of all to kind of get to the own network. We had some effects when we changed network host, that has an impact to us not positively but now we are focusing on building our own network and then working also with this partner structure that we can get it in optimal. It's not perhaps very smart in a family that your partner is a price competitor to you so we have some work to do inside the family so to say. Get the family in order and then perhaps move in an active phase and continue to keep this positive momentum what they have actually now created in December and without guiding anything that has happened earlier but they need to work out this internal structure and the faster we can get this own network the better it is for us and we actually launched our Frank marketing campaign there last week and we expect that that will have some positive effect. We have already heard some positive effects on that.

Maurice Patrick: Given the hurdle rates you've set yourself for staying or leaving certain markets how long will you give yourselves until you have a look at that in terms of staying or leaving?

Lars Nilsson: I can add there that as you know we are taking this step by step and from 2010 we run a big traffic on our own networks so I think we are following that route. We definitely believe we will reach the hurdle rates in Norway going forward.

Harri Koponen: As I said if the businesses are not performing in I don't now say what is the timeline but it depends on the business case and what has happened. You have seen some quick actions from us and sometimes less quick actions, it depends on the market situation, is it a core/non-core kind of thing. I think with Norway we have a little bit more patience to make sure they've kept this network now in place and to make sure that we are in control of our own destiny. That's the key success factor there.

Maurice Patrick: Thank you very much.

Operator: Our final telephone question comes from Peter Nielsen with Cheuvreux. Please go ahead.

Peter-Kurt Nielsen: Thank you, just one question left at this stage please. You are talking about or indicating that the competitive environment has worsened in Norway in Q4. Could you please tell us what has been the driving factor of this? Thank you.

Lars Torstensson: Peter-Kurt, can you just repeat that please?

Peter-Kurt Nielsen: You indicated in the release last that the competitive environment in Norway has worsened price competition for further pressures in Q4. I was just interested in what has been the driving force in this process?

Lars Nilsson: You can say you have had some service price in MVNOs having quite aggressive offerings in the Norwegian market, One Call and similar operators. They have been trying to fight for price leadership in the Norwegian market and as you know price leadership is something that's very close to our heart and we always want to defend that price position so we have been forced to lower prices to meet...they have tried to take the pricing position away from us. They have not succeeded, we are still the main leader but that has been the main driver in the fourth quarter.

Peter-Kurt Nielsen: Ok, thank you. Just one final question, Harri's comments in his concluding remarks that pricing or bargaining power for the operators is improving. Are you referring to your positions versus the manufacturers I take it?

Harri Koponen: It's not only the manufacturers. Actually we see that for example in Russia that it goes to the construction, everything when it comes to building the networks, we see clearly that there is an opportunity to work on the pricing side because that's the area where we can see that this economic turmoil is actually helping us a little bit.

Peter-Kurt Nielsen: Very good, thank you,

Lars Torstensson: Ok, thanks operator. I would like to just remind everyone that we will release our first quarter result 2009 on April 22nd and as always we look very much forward to keeping you updated on the developments in the group so feel free to give us a call over the next few months. Once again thank you very much for participating in today's press and analyst conference call and we wish you all a nice day forward as well. Thank you, bye bye.

Harri Koponen: Thank you.

Operator: Ladies and gentlemen, that will conclude today's conference call. Thank you for your participation, you may now disconnect.