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Lars Nilsson

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LARS TORSTENSSON: Morning, everyone, and a warm welcome to Tele2's second quarter 2010

conference call. My name is Lars Torstensson and together with me today I have our CFO and also interim president and CEO, Lars Nilsson.

As you know we are also sending this presentation live over our dedicated webpage so I would also like to take the opportunity to also welcome everyone that has joined us via the web.

After the formal presentation is finalised there will be a chance to have questions either over the phone or via the web. Enough said by me, Lars Nilsson, could you walk through the highlights of the quarterly presentation?

LARS NILSSON: Welcome all to Tele2's interim report presentation for this second quarter 2010. I will now start by guiding you through some of the highlights of the quarter and then of course we will have the Q and A session.

So highlights for the first quarter. As you can see we delivered another robust result in the quarter. Net sales amounted to SEK 9,977,000 excluding one-off items of SEK 588 million. Currency adjusted and also adjusted for the broadband business in Norway like for like sales was up 4% and driven by sales by the mobile segment improving by 11% year on year. Our group EBITDA margin reached 27% compared with 25% for the same quarter last year, so there you see a result improvement.

And then in the Nordic region, Tele2 Sweden delivered a solid result in the mobile segment with a revenue growth of 5% compared to same quarter the year before.

Net intake amounted to 75,000 new customers driven by the postpaid segment.

The quarter also shows an increasing demand for data subscription.

I'm really proud to present the record high EBITDA contribution from Russia of SEK 944 million. At the same time we add in more than 1.1 million new customers to our networks. The strong performance in our new regions indicate that the roll-out is progressing ahead of previous plan.

In Central Europe and Eurasia we see early small sign of improvement. I am really happy to announce that due in this quarter we finally reached EBITDA break even in Croatia. During the quarter we have, as I said before, seen some sign of economic stabilisation in the Baltic regions and I hope that our operation will start to benefit from this trend due in the second half of this year.

In Kazakhstan our immediate focus is to prepare the organisation for the re-launch of our mobile operation under the Tele2 brand and that is timed to take place in the first half of next year.

Our operation in Western Europe, once again, proved that they can generate sustainable and profitable growth by further optimising the structure and sales processes.

Let me now give you some more detailed information about each market, starting with Sweden. In the quarter we had continued revenue growth mainly driven by the mobile segment and strong sequential ARPU trend, that I will get back to later in this presentation.

The ability of more affordable smart phone handsets benefit our more value orientated customer base. This has led to an improved net intake especially in the postpaid segment with 11,000 new mobile internet customers and 31,000 new mobile voice customers. Even though we had a strong customer intake we managed to improve the EBITDA margin partly thanks to better uptake on data services.

The business segment strengthened its product portfolio by announcing that it will acquire the outstanding 50% of the mobile operator Spring with its one phone solution. Tele2 Sweden will now fully benefit from the synergies that exist within the companies.

The rollout of the 4G network in Sweden is proceeding at full speed, giving us valuable experience from new technology and cost efficient network building.

Smart phones, this is what we see in Sweden. That smart phones are really becoming a mass market device. Declining prices and ever growing selection of handsets are fuelling faster than expected growth in this segment. The increase and demand for mobile data constitutes an attractive source of revenue for Tele2 and I think you have seen that this is also reflected in our result.

In July Tele2 announced an agreement with Apple thanks to which we will offer the iPhone to our customers. This will help us to broaden our handset portfolio and further strengthening our position in the postpaid segment.

In 2010 this year, our margin development will be depending on how successful we are regarding our customer intake in the postpaid segment. In the second quarter we added, as I said before, 75,000 new customers to our network without carrying the iPhone and we were able to improve our EBITDA margin. We are certain that we will manage to put our market position in the postpaid segment further.

Then moving on to Russia. We are really satisfied with the trend in our Russian operation, particularly in the new regions. The total customer base grew by more than 1.1 million customers, which the new regions represented almost 700,000 new Tele2 customers. During the last 12 months we have added over 4 million customers and Tele2 Russia is now the clear number 4 player on the cellular level, by revenue as well as by customer market share.

Customer turnover was lower and usage levels higher than planned for, for the quarter. The new regions, in our new regions Tula and Orel, we were EBITDA break even on a market basis, only nine months after the commercial launch, proving again the strength of our rollout model.

Supported by customer growth Tele2 Russia carried on demonstrating good financial performance in the quarter. Revenue grew by 42% compared with the same period last year. The EBITDA margin we delivered was robust, driven by stable operational trends in the more mature regions, and early scale benefits in new regions. EBITDA in the mature regions amounted to more than SEK 1,003,000

equivalent to a margin of 45%, and EBITDA in the new regions amounted to a loss of, I would say, only SEK 59 million.

Then moving over to the Baltic region. During the quarter we have seen some small sign of economic recovery. We believe that our operation will start to benefit from this trend during the second half of 2010. As you can see on the slide here, we have some customer intake with which we are very satisfied. However, as long as the situation is not stable we will adapt CAPEX to ensure healthy cash flow contribution from the region.

It is also important that Tele2's Baltic operation remains focused on creating a strong operational platform so they can leverage on this once economic stability is re-established in the region, and of course that will come.

Moving over to Croatia. At the Capital Market Day in Stockholm, September 2009, we committed ourselves to achieve an EBITDA break even in Croatia during the second half of this year. We are happy of the fact that we managed to reach the goal earlier than that, so we reached that now during the second quarter. Tele2 Croatia is definitely on the right track to meet the long term targets for all our Tele2 operations.

Kazakhstan, our new friends. As you know the deal was to finalise the end of the first quarter and now we have started to focus on integration processes during this quarter, which is the first quarter for us in Kazakhstan. A new organisation structure has been implemented in order to better reflect the Tele2 way of doing business. Likewise businesses processes have been revised, and short term tactical business as well as short and long term budgets have been created.

In addition, new appointments were made in key positions. We have a new management team there and that will strengthen our position words in Kazakhstan. We have also now started working expanding the coverage, of course, and improve the quality of our network. As new tariff stamps were introduced on the market late this quarter the interest for Tele2 Kazakhstan under the brand NEO Services

increased by the end of the quarter and we expect, as you can see of our financial projections, the customer base to grow in the second half of this year.

Finally, moving over to the Netherlands. As we stated before, Tele2's operation in Western Europe are the standard model for the group in the business services and the consumer fixed broadband. We have continued to carry out the Best Deal strategies. As the challenger and second player in the Dutch business segment with a market share of almost 10% we see good potential to enhance our current position.

We announced acquisition on BBNed, we will further strengthen our position in the corporate and customer markets enhancing the scale of our Dutch operation. In the corporate segment Tele2 Netherlands was again successful in prolonging existing accounts and then acquiring new accounts in the second quarter.

Let's now move over to some CFO hard facts. Financial review, we start with a P&L and you can see, as I said before, an EBITDA margin on 27%. When I've shown that sales here it's without the one-off items. The one-off items, they are a net amount of SEK 527 million, have not impacted the EBITDA but of course there is a part of the EBIT result of almost 2.3 billion but in order to see down the line performers you should look the normalised EBIT of almost SEK 1.8 billion or a margin of 22%. Compare that with the situation one year ago with an EBIT margin of 15%.

Then we go to the next slide and there we see the cash flow for the quarter. Very strong cash flow. Cash flow from operations of almost SEK 3 billion and then we have a CAPEX and some acquisition leading up to net cash flow of SEK 1.8 billion. This is lower CAPEX than expected and planned for. That's arisen from our Russian operation. There we, as we talked about in the first quarter, we are late in the role of and we are depending on some customer -- we had some difficulties with a customer taking in the equipment in the first quarter and we had some problem up to May, but now this is with a more controlled situation and I expect that we will

catch up for the rest of the year, and I will come back to this also when we talk about the CAPEX projection for the year.

The next slide then goes to return on capital employed. As we always did, the return on capital employed is one of the most important KPI and now you can see that now in this quarter we are above 20%, we are almost at 22%.

Leading to the next slide where we have the group financial profile that you see, that we have a very strong balance sheet. It's strong despite the fact that we in May paid out SEK 2.6 billion to our shareholders.

The next slide you'll see the breakdown of the group EBITDA with a different business segment. The growth you see in mobile and it is obvious, but all in all it's taking us nicely (several inaudible words) business is taking us to 27% in March. Just on the next slide I just give you a breakdown of the mobile margins that you can see that we have a target, as you know, of 35% on the mobile operations on infrastructure. We still have some MNO business, as you know, in Norway and in Holland. But here you see the trends it's in the right direction.

Finally, before I give you some projections I will just highlight the minutes of use and ARPU development in our core mobile market, Sweden and Russia. As you can see, the robust ARPU development, Swedish and Russian ARPU actually grew more than 8% in one quarter. You can see a very good trend here in Sweden and also a very stable situation for the Russian business.

Tele2 going forward. We have already stated that we strive for the Best Deal position. We should be the perceived price leader and we should deliver expected quality. We target on a long term mobile EBITDA margin on our own infrastructure of at least 35% and all operations should have ambition of reaching a return on capital employed of at least 20%. We are at 22% right now. We should have the capability to reach a top two position in terms of customer market share in an individual country or region.

We forecast some other forecasts here and when it comes to corporate taxes we forecast tax rates of approximately 22%, excluding one-off items and a tax payment of roughly SEK 800 million.

We forecast for this year a CAPEX level in the range of SEK 4.2 or SEK 4.4 billion including Tele2 Kazakhstan. Earlier the forecast was investments between 4.6 and 4.8, excluding Kazakhstan, and the reason for us taking down the number is mainly driven by the delay of the rollout in Russia. Hopefully we can always take some money there but it's also -- you will see from some higher number next year though. Coming back to Sweden, we will continue to target the postpaid segment within a longer term. We will need to increase ARPU and lower churn. In the short term this strategy will and can lead to higher total acquisition costs. Therefore the margin target for this year is the range of between 33% and 35% depending on the customer intake.

Russia: subscriber base should be able to reach somewhere between 19 and 20 million by year end 2011, and ARPU growth expect some 5%. The EBITDA in all regions should stabilise at 45%. I think this is the third quarter in a row we can show that. Most new regions will have an EBITDA break even by 18 months or within 2 years from launch. We expect that the blended EBITDA margins, old and new regions, should develop in the range of 34 to 37% compared with an earlier forecast of 27 to 32%.

CAPEX for 2010 and 2011 in the range of 4.5 to 5 billion. Most likely in the lower end of the range.

Of course, we are happy with our footprint but of course we are always interested in selected acquisitions when it makes sense and it's close to our existing footprint.

Kazakhstan: some more numbers from our new friends. We expect that the subscriber base should reach somewhere between 400,000 and 450,000 by year end, so we expect quite good intake for the rest of the year. Blended ARPU in the range of SEK 40 to SEK 45 and the EBITDA forecast for the two coming years is

somewhere around SEK 250 million loss this year and the range between SEK 400 to 450 million negative in 2011.

Accumulated CAPEX should be in the range of SEK 1.4 to SEK 1.6 million by 2011 and operation in Kazakhstan should be able to reach break even within two years from the commercial re-launch which is planned for the first half of the year.

Concluding remarks. This is more or less the same plan we have as during the last presentation of the first quarter. In Sweden, mobile revenue growth; Russia, record high EBITDA; Central Europe and Eurasia, stable cash flow contribution; and Western Europe, solid operational performance.

Our agenda, as you know, this year is an investment year. We continue to build up the network as well as adding more customers in Russia. We are in the development stage in Kazakhstan, and in Sweden we invest in the new 4G network as well as with complimentary acquisition of Spring Mobile. In Norway we are rolling out our new network. In Netherlands we also now, as you have seen, our acquisition of BBNed.

LARS TORSTENSSON: Thank you, Lars. That concludes our formal presentation regarding the results for the second quarter 2010. Now we will be happy to take any questions you might have. So, operator, let's start with the first question.

OPERATOR: The first question comes from the line of Mr J P Davis. Please go ahead.

JP DAVIS: Good morning guys. JP here from Barclays Capital. Two questions on Russia, if I may. First question on the CAPEX spend. The delays you're talking about, do you think this is an industry-wide issue or something specific to Tele2? Secondly, on the break even of the new business units; this came a little bit earlier than expected. Has this been driven by gross margins, i.e. sales ahead of expectations, or are costs coming in lower than you had expected?

LARS NILSSON: I cannot answer these questions. When it comes to CAPEX I can just refer to our own situation, but I think that should be a little bit of the same for our competitors, but now all the sort of problems we had are solved so we will catch up, and I think it will not have a negative impact on the business. Maybe the other way around because we will save some money.

When it comes to the earlier than expected EBITDA break even in the new regions; I think it has to do with our customer intake. I mean we are taking in more customers than expected and I think we also have seen a much lower churn than expected. I think this is driven for the fact that we have a very good proposition, and I think also the network quality has been decent.

LARS TORSTENSSON: I would like to just build up on what Lars Nilsson said. When it comes to churn level in the Russian market we are now running churn levels below 30%, which we believe is best in class in the Russian market. So that has been better than planned. Then of course not just that we have a better customer intake overall in the Russian market, but that we have been able to also make them spend a little more than we anticipated in our earlier business plan. So ARPU levels has also surprised us in a positive way or better than planned, if I may put it that way.

JP DAVIS: Thanks, guys.

LARS TORSTENSSON: Thanks. Operator, can we have the next question?

OPERATOR: The next question comes from Mr James Britton. Please go ahead, sir.

JAMES BRITTON: Thanks very much. James Britton from Nomura. The first question is on Swedish mobile. Just cognisant of the fact that here we probably have the change in

revenue recognition policy last quarter, so I'm just trying to understand a bit more clearly the underlying trend on service revenue growth. Can you clarify the service revenue growth at Convik in the second quarter stripping out the impact of handset revenue?

Secondly, your EBITDA performance in Croatia and also the Netherlands was much stronger than I had forecast, but at the same time the revenue performance in both of those markets was materially weaker, so can I ask you to what extent is the jump in profitability or the improvement in profitability linked to much lower customer investment in the second quarter?

LARS TORSTENSSON: Thank you, James. It's Lars Torstensson here. I would like to take a shot at the first question, when it comes to Swedish mobile. I have to report that the net sales, clear net sales for the quarter was a growth by 5%. If you would look at reoccurring revenues, that would be excluding handset sales then, and it would be 6%, so that would be even higher than. If you would just look at what we, as a company, bill ourselves, that would exclude roaming, etc, that would be even billed amount and which of course the Swiss operations would grow by 12%. So that I hope explains your first question.

LARS NILSSON: I can continue on Croatia. First of all, when you look at revenues in comparison with last year when it comes to Croatia as well as the Netherlands, you should bear in mind that Swedish currency has been strengthened by almost 10%. But I would say that the break even in Croatia is not driven to lower customer acquisition activities. We are taking 32,000 new customers in Croatia, so it's not sort of that we have saved for the future. So I think it's an underlying strong result.

LARS TORSTENSSON: I don't think that we in any way or form are trying to take down investments when it comes to acquiring interactive new customers in the Dutch market. I think that

most of the negative impact, as Lars said, could be referred to currency weakness or euro, Swedish krona cross-rates. But then of course, we are a predominantly fixed operator, which means that we do continuously take some hits when it comes to our telephony business, of course. But, no, I think that we're doing a lot when it comes to upselling customers right now, both the dual and triple play, and as you know, we have a very good service offering in the Dutch market with both IPTV as well as the media services, which should be attractive.

JAMES BRITTON: Thank you.

LARS TORSTENSSON: Thank you. Operator, can we have the next question please?

OPERATOR: The next question comes from Ms Lena Osterberg. Please go ahead.

LENA OSTERBERG: Yes, I was wondering if you maybe could say something, just an indication, about CAPEX levels for 2011 for the group given that you're saying that some of the CAPEX is now being postponed in 2010. Also, I know it's very early but if you could give some indication about what you've seen in Kazakhstan, some initial impressions and how you see that the market differs or is similar to experiences in Russia. Then finally, I was wondering, the acquisition of the remaining 50% in Spring Mobile, how that has impacted the quarter, if we should expect anything additional for next quarter from that, given that it was acquired at the end of May?

LARS NILSSON: Lena, it's Lars here. We are not in a position now to give you more great direct CAPEX guidance for next year. It's a little bit too early, but you have some bits and pieces here. When I talk to Kazakhstan, it's as planned, I would say. We have spent a lot of time on ARPU in this quarter just to reorganise the operation. We are now in the situation where we procure the equipment and we will start the rollout

plan. I would say the numbers we are giving you today is in line with what we showed you when we signed the deal.

The Spring deal is not yet closed. I hope that it will be closed within a couple of days. We are waiting for just the reply from the competition authorities. So it has not impacted this quarter at all.

LARS TORSTENSSON: We can always say it's Lars here when we're talking, that's the good thing, but Spring Mobile is treated as an associated company in the quarter, and just to remind everyone that's new to the conference call, that Spring Mobile, their traffic has always been carried by Tele2 so it should be fairly easy to get some benefit out of incorporating Spring Mobile into the Tele2 operation, if I may put it that way.

LARS NILSSON: Strength in our product portfolio within the business segment.

LARS TORSTENSSON: Exactly. Good. Lena, would you like to have a follow up or are you done?

LENA OSTERBERG: No, I'm happy, thank you.

LARS TORSTENSSON: Thank you. Operator, can we have another question please?

OPERATOR: The next question comes from Mr Henrik Herbst. Please go ahead.

HENRIK HERBST: Yes, hello. I was just wondering would you have done any of your guidance or upcoming guidance for CAPEX investments and also the Russian regions reaching EBITDA break-even sooner than you expected; could you please elaborate on your view on share buybacks, for example, or the potential for increase in dividends?

Also I didn't really understand what was the underlying reason for the new regions reaching EBITDA break-even sooner than you expected; if it's largely a matter of scale or if you could elaborate on that? Thank you.

LARS TORSTENSSON: Right across the new regions I give you the short story. We are having around 600,000 to 700,000 new customers per quarter, of course. Scale benefits are flowing through faster than expected here or planned. But on top of that, when we're talking about the new regions, we have been better at convincing the customers to use our network and I think they are experiencing our services as the best deal really in the Russian market. That has led to higher ARPU than planned and lower churn than planned in the new regions. So these three facts together, it means that we have been able to improve our guidance for Russia as a whole, but more particularly for Russia new then. Hopefully that answers that question.

LARS NILSSON: When it comes to the capital structure question, I would say, as you know, we have a dividend policy and we stick to that and, you know, the board will come up -- when we announce the year end result, the board will also come with a proposal for dividends, so we have nothing new to add to this.

LARS TORSTENSSON: When we talk about the absolute amount when it comes to dividends, we announce that always in the fourth quarter, so you have to stick with us there, Henrik.

CAPEX investments, should we say something there, Lars?

LARS NILSSON: No, I mean as we said before, based on some delays in the rollout in Russia, and hopefully offer some savings, we have taken down the guidance for this year.

LARS TORSTENSSON: Remember also, Henrik, that when it comes to the Swedish mobile operations, as we build out the 4G network we will also combine that with a 2G build-out. So, all our future investments to the 3G and 4G will be carried by a joint venture structure and not be taken as investments by ourselves. That is also something that you need to take notes of.

HENRIK HERBST: Thank you very much.

LARS TORSTENSSON: Thank you. Operator, do we have another question please?

OPERATOR: Yes, the next question has come from Mr Andreas Joelsson from SEB Enskilda. Please go ahead.

ANDREAS JOELSSON: Good morning, Lars, Lars. Two questions if I may. If you can discuss a little bit your view on pricing strategies when it comes to mobile data, if you can tell us a little bit how you look upon that for the future? Also, given that you have an increased penetration of smart phones, could you tell us a little bit how much growth you could see in ARPU due to that?

LARS TORSTENSSON: When it comes to pricing our mobile data, I think we need to maybe take Sweden as an example, we consider our mobile data, that there should be limitations on usage when it comes to mobile data, even though we are now running promotional prices on dongles without any limitation. That has been a pure response to other actors in the market. Over a longer term we believe that there should be some kind of a cap even though that cap might over time, increase of course, due to improved technology such as 4G for example.

Then when it comes to general data subscriptions being accepted by our customer base independently if it's a dongle solution or netbook solution, or if it's a subscription on top of your ordinary voice, of course that trend is in its initial state, I think with the smart phone development that we are seeing, we believe that this trend will improve from here.

Of course we are very happy that we would be able to carry the Apple iPhone in the future which is a very attractive handset that we have not yet had, and that will also help us of course on expanding on this trend that we have seen in the second quarter and that we did only with the smart phone portfolio that we have at that point in time, excluding the iPhone, so you should imagine now what we can do with a complete handset portfolio, including the iPhone, 4 and 3Gs as well.

So we're not going to give any projections regarding ARPU development or data ARPU but, rest assured, we feel that this trend is in its initial stage and we see good demand from our more value orientated customer base.

ANDREAS JOELSSON: Fair enough. Thanks.

LARS TORSTENSSON: Thanks. Okay, operator, could we have another question please?

OPERATOR: Yes, the next questions comes from Mr Peter-Kurt Nielsen. Please go ahead.

PETER-KURT NIELSEN: Thank you. A few of my questions have already been answered, so I just take two relating to, sort of, newish markets. Kazakhstan, you've slightly changed your view in terms of all your guidance for Kazakhstan compared to the initial one you gave, I believe sort of round six months ago. In what way have you changed your sort of projections for the Kazakhstan market in terms of losses and CAPEX? Secondly, where are we on Norway? Is there any news regarding your sort of plans for the Norwegian market, thank you?

LARS NILSSON: If I start with the last question on Norway. I mean we are in the phase of building out, together with our joint venture partner, building out the third network, and we will have our business on this network 2013, so that's the same strategy and same plan as we had before.

When it comes to Kazakhstan, I think what we now see that we really can utilise now, and also we can make benefits from, is the 3G, the data rollout, so we will spend some more investments but we see a big upside in doing that.

But overall, the business case looks even more interesting now when we are closer to the operation.

PETER-KURT NIELSEN: Okay, so larger losses short term but more upside in the medium term?

LARS NILSSON: Yes.

PETER-KURT NIELSEN: Thank you, Lars.

LARS TORSTENSSON: Okay, Operator, can we have another question please?

OPERATOR: The next question comes from Mr David Aubert. Please go ahead.

DAVID AUBERT: Hi, this is David Aubert from DnB NOR Markets in Norway. I was wondering about your guidance in Kazakhstan. You expect there a break-even in two years from launch while in Russia you have reduced the guidance to 18 months. What are the main differences between the start-ups in those countries?

LARS TORSTENSSON: First of all, as you know, we used to have a guidance of two years also in Russia. Of course we have seen success in Russia and have changed our guidance. I

mean it's another business case and Kazakhstan is another market, so therefore I think we should be realistic when we develop our business terms. Of course we will be happy if we can do it in a faster way, but it's definitely too early to say.

When we are talking about the launch or the re-launch, then we're talking about the launch under the brand Tele2, and the prerequisite for this re-launch is that we have better coverage compared to what we have today. But we are in early stage in Kazakhstan, you should bear that mind.

DAVID AUBERT: Could you also please tell me a bit more about the new tariff plans that you have launched in the quarter?

LARS TORSTENSSON: I mean you can say that we were not so active in -- we were not active at all, I would say, when it comes to bringing new customers when we were in the situation when we reorganised the company. So now it's a sort of more attractive tariff to attract customers to our networks. It is more that we are more aggressive on promotion.

DAVID AUBERT: With prices and as well, and less focused than they were?

LARS TORSTENSSON: I would say on that on prices.

DAVID AUBERT: Finally, on ARPU levels in Russia, could you say something about how the ARPU in the new regions are compared to the old ones?

LARS TORSTENSSON: Well we have not disclosed ARPU level in either the new or the old but one could say they - this is just going to be a soft answer then - but they're not as far away from each other as we initially thought and the gap is closing quite fast between new and old. Sorry, David, we will not disclose that at this time. We think it is something

we will keep to ourselves for a little bit longer, but maybe we'll share it at some Capital Market Day, who knows.

DAVID AUBERT: Okay, thank you.

LARS TORSTENSSON: Operator, do we have another question?

OPERATOR: We have a final question from Mr Jakob Bluestone. Please go ahead.

JAKOB BLUESTONE: Hi, there Jakob Bluestone from Merrill Lynch. Two questions please. Firstly, Lars Torstensson, you mentioned that the billed revenues from customers grew by 12% in Swedish mobile in Q2, I don't think you've disclosed that number before, so I was just interested in could you maybe give us that number for Q1 as well? Then secondly, you also mentioned that churn was below 30% in Russia, and again I don't think you've disclosed the churn levels in the past in Russia. So I would just be interested if you could maybe give us a comparable for what that was last year or last quarter or something. It doesn't have to be now. You can also send it later.

LARS TORSTENSSON: When it comes to billed amounts I think I need to get back to you on that one. I asked for the specific breakdown from the Swedish organisation going into this quarter just to get the feel for what our growth was, so to speak. What our customers were generating. But I can definitely look into the first quarter as well to give you some kind of a feel of how it's changing. When it comes to churn rates in Russia, I mean we have been moving from high purchase to -- well, even close to 40%, but that was some time ago now but it's been slowly but constantly working itself way down below 30% now, so it's more a general trend that has been sustained for more than, I would say, two years almost.

JAKOB BLUESTONE: Maybe just one follow-up on the churn. I mean is there a substantial difference between churn in the old regions and the new regions, or are you not really seeing churn in the new regions yet because people haven't had time to churn?

LARS TORSTENSSON: No, I mean we have a three month inactivity policy for our customers and I think that we should have seen that by now. I think that our new way of compensating our retailers has been a successful way of keeping churn down in the new regions, as well of course in our old regions, meaning that they only get paid for a new customer if the customer stays longer than three months, and that we compensate them for the level of ARPU that the customer's generating as well. So we get both a daily quota to customer within higher ARPU as well as the customer that stays with us. So we don't go around giving away SIM cards just to boost our customer base because we believe this is a true growth sustainable growth also in our customer base.

JAKOB BLUESTONE: That's terrific, thank you.

LARS TORSTENSSON: Could we have another question please, Operator.

OPERATOR: We have a question from Mr Nick Delfas. Please go ahead.

NICK DELFAS: Thanks very much. Sorry, just following up on James' question earlier. I mean you don't release the accrued income within the receivables so it's a bit hard to tell how much revenue's been recognised ahead of cash due to the accounting change in Sweden. Can you just repeat again what the change in accounting has done to the revenue growth because presumably it should have increased the revenue growth given that you're recognising more revenue up front than you were doing previously?

LARS NILSSON: The way I can answer your question right now is that when we did this change we also restated the old numbers, so if you look at our report and you see our numbers they are all sort of -- we have used the same accounting treatment. So the trend now is sort of the underlying trend, so it is not impacted by changing the accounting principle.

NICK DELFAS: It's not the accounting principles that have changed because I know that you're doing it on a like for like basis but obviously --

LARS NILSSON: Yeah, it's like for like.

NICK DELFAS: But obviously you're taking in more customers than you were perhaps previously on this kind of post-pay accounting, so I'm just wondering what the growth rate would have been under the old accounting standard because it must have been lower than what you're recognising today?

LARS NILSSON: But we are not in a position to give you that number yet?

LARS TORSTENSSON: The problem is that we don't do that accounting anymore, so then we have to try to account for that in the old way.

NICK DELFAS: Could you at least give the accrued income -- I mean you give it in the annual report but you don't give it on a quarterly basis, so within receivables if you could give the breakdown that would be helpful perhaps.

LARS NILSSON: That we will have to come back to.

NICK DELFAS: Okay, just the prepaid expenses and accrued income.

LARS NILSSON: I follow you.

NICK DELFAS: Thanks very much.

LARS TORSTENSSON: Okay thank you.

OPERATOR: We have a question from Lena Osterberg. Please go ahead.

LENA OSTERBERG: Yes, just a follow up question. I was wondering if there's anything new on the timing of the (inaudible) tax case or if it's still November/December?

LARS TORSTENSSON: It's still November/December.

LENA OSTERBERG: They haven't had any new news on that?

LARS TORSTENSSON: No, no news. When we have news I'm sure I will tell you.

LENA OSTERBERG: Okay, thanks.

OPERATOR: We have a question from Mr David Aubert, please go ahead.

DAVID AUBERT: Yes, hi, this is David again. I was just wondering if you could give a split on the CAPEX between the equipment and the sites?

LARS TORSTENSSON: David, we would love to do that but we don't have that split. The only indication we can give you, of course, I guess we talk about Russia or --

DAVID AUBERT: In general.

LARS TORSTENSSON: In general. That's going to be very, very hard because it depends if you billed coverage or if you billed capacity. If you have a capacity to bill you have more equipment and less sites, of course. But as you know, Russia is more coverage so you can assume that more of that is sites. But in Sweden, for example, even though that's now in joint contract there would be, right now anyway, some more capacity, so it's ... yeah. Sorry, David, we would love to but we don't have it.

DAVID AUBERT: Okay, thank you.

OPERATOR: There are no further questions. Please go ahead speakers.

LARS TORSTENSSON: Thank you, operator. Some conclusionary remarks from me. We will release our result for the third quarter 2010 on 20 October and we would also, of course, from the Tele2 side thank you all for participating in today's press and analyst conference call. Without anything else, enjoy the summer and have a good day. Thank you.

LARS NILSSON: Thank you.