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LARS TORSTENSSON: Good morning, everyone, and a warm welcome to the third quarter web telephone conference. Also a warm welcome to everyone that has joined us via the web today. Hopefully everyone in here has been able to grab a cup of coffee and a cinnamon bun and you that is joining us via the telephone hopefully have also been able to grab yourself a cup of coffee.

We have an exciting line-up today. We have our new CEO Mats Granryd presenting today's results and together with him we also have our CFO Lars Nilsson. So without any further delays I would like to introduce Max to present the third quarter results.

MATS GRANRYD: Thank you very much, Lars. So good morning, everyone. My name is Mats Granryd and I am the new CEO and President of Tele2 since 1 September so I am, what, six, seven weeks or so into the job and so I will take the nice easy questions and pass on the more difficult ones to Lars and Lars here when we come into the Q&A.

So let me then guide you through the highlights of our third quarter result. It's a report that we feel proud of. It's a good result. The total customer base has just pushed north of 30 million subscribers. We grew total in the ground in 1.3 million new subscribers. Net sales in the group grew by 2% and if we add on the forex it grew by 6%; it's a very good result driven mainly by Mobile Sales Sweden. I will highlight it's done a fantastic job in driving the mobile revenue up. The EBITDA grew by 13% and if we forex currency adjust that it will actually be 17% so that's a very good result we feel. I will then look into our four different market areas: Nordics, Russia, Western European and Central Asia.

If we start with Nordic then: increase of mobile revenue with 10% as I said; a very good result. We're adding 103,000 new mobile subscribers and if we look a year ago we added slightly more but the important thing is we are changing the type of

customers we're adding. A year ago we added 45% roughly of the net intake in Q3 of 2009 was on the post paid segment. Now that is 55% so we're moving towards a more post paid environment. Prepaid is important for us and will continue to be important but we want to evolve with our customers and they are now demanding more and more post paid services.

The mobile EBITDA is stable at 34% which is great. We have a SEK 2.2 billion revenue in the quarter which is also very impressive. The fact that has pushed the mobile revenue up is of course the introduction of smart phones and we can see here that the smart phones is definitely a mass-market product. Out of the ten top selling handsets in the third quarter eight of them are in the smart phone segment. The usage of a smart phone is slightly different from that of a normal phone user, so to speak; 40 times more megabytes; 40 times more downloads. Maintenance of use up by 40% and ASPU which is equivalent to ARPU - average revenue per user but average spent per user - is we take the instalment out and the termination fee out it's actually 70% up. So smart phones is really driving the business for us in Sweden and we can see that in the revenue growth.

Looking into Russia, a very big and important area for us, we have 37 regions covering roughly 61 million subscribers. In Russia we are undisputed number four. We're far behind the big three. We have a market share of roughly 8%. In the regions - we are present in the 17 old regions - we are among one or number two player. In the new regions - the 20 new regions - we are on the way up. So we're not a featured player in Russia; we are only present if you would like in 37 regions. In this quarter we have two more regions being EBITDA positive in the new regions so now we have a total of four regions being EBITDA positive. The blended EBITDA level in Russia totally is 37% and in the old regions it's up to 48% so it's a highly profitable market for us. We added almost 1.2 million subscribers in Russia which is very positive. Another interesting fact is if you see on the graph to the right all the new regions cover roughly 20 million and the old regions cover 40 million so

you can see the trend is quite clear and the growth will continue to be good in those 37 regions.

In the Baltic region we can see a stabilisation in our EBITDA hence we believe that the market is sobering up; this is the second quarter that we can say that. We have a strong intake of customers; 55,000 in the region. We are building out 3G networks in all the Baltic states; a development that we feel very proud of in the Baltic states.

Moving on to Croatia: this is the second sequential quarter where we have an EBITDA positive in Croatia. Next goal is to deliver free cash flow and we say that we will do that within 12 months. We're adding 81,000 new customers. Of course there's a big seasonality in Croatia being a summer country and you can see Q3 of last year was also very strong intake of customers. Most likely we will see a churn out of those net intakes and we have a policy of taking inactive SIM cards out of service after three months of inactivity so we most likely will see a decline of our intake in coming quarters.

Moving on to Kazakhstan where we're operating under the brand Neo. First half of next year we will relaunch the operation in Kazakhstan under the Tele2 brand. We added 18,000 new customers in Kazakhstan which we're happy of. We have a total customer base now of 218,000 and we have guided that we will reach some 450,000 by year-end and that is still our ambition. It is a very ambitious target I must say but that is our ambition to reach that.

Moving on to the last market area which is Western Europe. I'm sure you know that we have acquired BBNed in the Netherlands. A good acquisition; had a turnover of roughly SEK 800 million, 300 people, which means that we will be able to cover on the fixed broadband side 80% of the population from currently 70%. This is an acquisition targeted predominantly for the corporate market. We believe strongly in the Dutch market and we will continue to drive that strongly.

When it comes to Germany and Austria, also doing very, very good work - very focused activities - and we will continue to pursue opportunities in those countries as well.

All right, Lars, do you want to go through the financials in more detail?

LARS NILSSON:

Well, I will go through some details because I think the result is not so difficult to understand. I would like to focus on some numbers here. First of all as Mats said we had a good EBITDA level of 27% compared with 25% the year before. We have a depreciation level around 9% of sales now so you can see that roughly SEK 300 million per year. The depreciation has come down a bit in the Netherlands and of course increased a bit in Russia. So that would give us an EBIT of 19%; 4 percentage points better than the same quarter last year.

On the financial items, really nothing to comment but I will talk about the taxes of course because you can see that this quarter, similar to the same quarter last year, actually had a positive tax cost. When it comes to this continued operation it's had nothing; last year it was the sale of the operation in France where we had to take a hit. So coming back to taxes, as you can see we have some we call "normal taxes"; that's the tax for the underlying operation. Then we have some one-off items. As you know once a year we are doing an impairment test and we have a loss carry forwards which we had not yet posted in the P&L because they were so far away but now we have been able to take up almost SEK 1 billion which we can post as deferred tax asset. But I will say, ladies and gentlemen, that's it. Now you should not expect a similar thing happening next year.

You can see that the tax impact on cash flow is somewhere around SEK 200 million per quarter. As you are aware of the small tax dispute is coming up now in this quarter and this is related to our tax situation in year 2001 so it's actually taken some time but now we expect the oral hearing will take place in late November and we expect a ruling before we close this year's book. As you know, the total value of

this dispute is SEK 4.6 billion including interest and we have posted this as continued liability. It has not affected our P&L.

Currencies is worthwhile I mention that. If you look at this year's average compared with last year you can see that we have the euro and our euro-pegged currencies has suffered with some 10%. The ruble, when it comes to the P&L, is rather flat and then you can see the impact on the balance sheet where you really can see the strengthening of the krona in the last quarter. So roughly 38% of sales and 33% of EBITDA relate to euro or euro-pegged currencies. We talked about the growth in sales of 2% of 34 down the line grows to some 6%.

Cash flow: SEK 1.6 billion and as stated in our report we have taken down the guidance a bit when it comes to total capex for this year. The total capex up to Q3 is SEK 2.3 billion. We now have some expectation that we should be not more than SEK 4 billion for the year. Here in this cash flow statement we have not, taking into account acquisition of BBNed, the settlement was made in October but that's €50 million or something like that. But a strong cash flow; we don't keep anything in the balance sheet. That gives us a strong balance sheet so you can see that the net debt including joint ventures and liabilities to joint ventures, also the valuation of the put option in capex gone, that takes us down to total net debt of SEK 3.1 billion.

Whereas only SEK 800 million actually relates to borrowing, net debt to the banks, what we have in the balance sheet. So it goes without saying that the financials are under control.

Since we've generated a good result we have also done a good return on capital employed for the quarter. I would say very good outcome and that is a result of us performing very well when it comes to the result but also that we are somewhat late in capex in Kazakhstan. For next year you will see more capex coming up of course because then we will do the real investment in Kazakhstan.

The P&L: as you've seen we have the 28% EBITDA driven from mobile but I would also emphasise that we still have a very strong result on fixed voice and we had

47% EBITDA margin in Germany which is helping us in all aspects and it's real cash coming out from that operation. Then breaking down the result into mobiles you can see that we have a healthy margin driven from Russia, 37%, and also Sweden on 34% then the other players are somewhat below but they are really in striking distance to our overall target of 35% on mobile infrastructure.

A good result in Sweden and Russia is driven from good increase and momentum in ARPU and there you can see you have a good improvement when it comes to minutes in use in ARPU in Sweden as well as Russia. If you see that coming down a little bit in Q3 that's related to seasonal effects when we have the summer and people tend to talk to their family instead of making phone calls but overall the trend is in our favour.

With that, Mats ...

MATS GRANRYD: Thank you very much, Lars. So guidance and concluding remarks: if we start with Tele2 going forward I got the question this morning from a journalist, "So, Mats, six weeks into the job, what's the most important decision you've taken?" and I think this is the most important: to re-emphasise the strategy of Tele2. It's basic to these four things: we always want to deliver the best deal to our customers; price leadership is pivotal importance for us; the quality and those two combined gives us the best deal; that is something we'll reiterate and re-emphasis always. Best deal is important. Also targeting the long-term profitability to be able to reach EBITDA of 35% or above on our own infrastructure, equally important. And as Lars said the return on capital employed to be under 20 or above percentage mark is also important for us. And then to be able to reach the number two position in any given country or region where we are as a mobile operator and that is also a thing we look into if and when we do any acquisitions.

Some guidance: group outlook that has changed and that is what Lars said on the capex expenditure for 2010 for guiding that downwards from 4.2 to 4.4 billion down

to 4 billion, predominately driven from better pricing, supply problems from some of our vendors and also continuation of optimisation of all the install dates.

Sweden: outlook is unchanged; I don't need to read that through. Russia: outlook is changed hence again the capex is changed from 4.5 to 5 billion accumulated and over 2 years 2010 and 2011. We're now guiding that down to SEK 3.5 to 4 billion otherwise it's pretty much same, right?

Kazakhstan outlook is unchanged. Even as I said the 400-450 is steep. We're at 218,000 right now. Croatia outlook: free cash flow sometime within 12 months. We have now shown that we can be EBITDA positive; now we want to do cash flow.

So concluding and summarising, I think Nordic accelerated mobile revenue growth, the 10% driven from smart phone becoming the mass market. Russia: very good customer intake and EBITDA. We're seeing two more of the new regions becoming EBITDA positive. Central Europe and Eurasia: improving economy specifically in Baltic's leading to stable cash flow contribution. Then in Western Europe: solid operational performance I would say.

2010 is an investment year and will spill over some to 2011. We're doing Russia of course; we're investing in Kazakhstan heavily. Sweden we're of course rolling out 4G and a natural question will be when are we launching that? We will launch it when we're ready. Hopefully within 2010. We also acquired the balance 50% of Spring Mobile that we're now integrating into our Swedish operation. That's also an investment in the way we're building our 3G, and then of course in the Netherlands we invested in BBNed.

So I think that was it for me or for us and now we have questions.

LARS TORSTENSSON: Thank you very much. That completes our formal presentation so we are ready for some Q&A and we would like to start with the floor so if Lars and Mats come here so the camera can catch us a bit better. We'll start with Stefan from Noria(?).

STEFAN: Yes, hello, Stefan (inaudible), Noria. I have three questions: (1) relates to capex which seems to be running low on almost all the markets and there are delays from equipment suppliers. How is that affecting the business? Is that something that could have a negative effect on the business in the coming quarters? Secondly, the ARPU development in Russia, that has been really strong and it still is quite strong but it's still a tad down this quarter. Are there any reasons? Are you seeing increased price pressure from the other competitors? Finally you make a jump in the EBITDA margin in the old regions. Is there any change in how you allocate costs between the regions?

MATS GRANRYD: I can start with the last one: no, we are not changing any kind of allocations between the regions so it's a true underlying result. The capex investment: it's important to state that the guidance of lower cap is not a defensive move by no means. It is just the fact we're getting more bang for the buck and we are monitoring and it was maybe my first question as well when I entered the company, so we're not on the wrong side of the capacity curve, and we are not. But that needs to be carefully monitored on a monthly basis; you're absolutely right on that. The ARPU development has actually been better than planned and better than our guidance so you can see this as a little bit of a seasonal jump but also there's of course price pressure and as we said before we have competition out there but you should not see this as a big trench. We have the same guidance as before.

MALE SPEAKER: Andreas from SMB Wheeler(?). A follow up question on the margins in the old regions: is there any specific reason there is this jump if it's the underlying trend? Is it lower spec/churn in the regions? Secondly, you had a slide where you showed the differences between a regular phone user and the smart phone user. How has the trend been in those parameters you showed and what do you expect for the future?

LARS NILSSON: Maybe I can start with the Russian question. I would say overall we benefit from the customer base we have in the old regions. The intake has been better than we have planned for and the churn rates are lower than expected and overall I would say the sales and acquisition cost is showing a good trend.

MATS GRANRYD: One could say that the sequential effect in the third quarter is predominately driven by scale effect because we usually see a small uptake in churn Q3 or Q2 but comparing Q3 over Q3 last year churn is down of course. We're still around the 30% level when it comes to churn on our prepaid customer base in Russia.

LARS NILSSON: Just answering you on the smart phone and the usage there I think it's going to be extraordinarily interesting to see the trend of this going forward. It is I think maybe this is the first quarter where we're saying smart phones are becoming available to the mass market; the prices are now affordable for all segments basically. It's going to be very interesting to see how that development continues but it's a clear trend. More smart phones and more usage which is good.

MALE SPEAKER: But you still have smart phones for this quarter. Has the iPhone had any impact on these parameters?

MATS GRANRYD: I can start and you can correct me but, yes, smart phones, as I showed you, out of the ten most selling ones eight are smart phones and that is not what we saw in Q2. iPhones - and I think it's important to talk to it as the smart phone segment - are still fairly small.

LARS TORSTENSSON: No, it's correct. We have had the iPhone for August, September and a few days in July so even though the iPhone is a great handset it has not really made a

significant impact. This is a general trend: smart phones impacting the operation performance of Tele2. We will see how the iPhone is going to affect it when we grow our iPhone base and if that's going to have an impact. What we're experiencing right now is the high-end users coming back and we have high hopes to see smart phones moving down into our customer base meaning that we will also add our more traditional customer which is maybe more a low to mid-end producer. So there's going to be volatility in these trends and as we follow up we'll see how it's going to impact. But I think that what you're seeing right now is general smart phone trend maybe skewed towards the high end.

MALE SPEAKER: Thank you. Coming back to Swedish mobile you gave some numbers in Q2 in relation to growth in billable. So looking at the growth rate in Q3 how much is hardware driven and service driven?

MATS GRANRYD: We had top-line growth of 12%; external revenue sales was 10% as we showed in the reporting. If you look at what we call reoccurring revenues including the internet(?) connect, the revenue grew by 8%. So we had the data between this year and last year is around 150 million driven predominantly 75-80% done by data so the 150 million in improvement in revenue growth, 80% let's say is data driven. I hope that helps.

MALE SPEAKER: Looking at your performance I guess you're starting out a reporting system so it's a bit difficult to gauge but is your impression you're gaining market share in the high-end market or is it just a function of overall market growth?

MATS GRANRYD: Let's wait and see. We're happy with our result and the other companies are coming out with their results this week and in the coming weeks but we feel happy with the result we have done.

MALE SPEAKER: Looking at the weak spot, Norway, which with the EBITDA more or less disappeared with the change in interconnect is supposed to come down from 0.9 to 0.5 in two months time. What's the strategy in Norway?

LARS NILSSON: First of all what you can expect from Norway is result for last quarter in line with what you saw this quarter. Next year we expect to see losses in the range of SEK 100-200 million. Then in 2012 when we can operate on our own network you will see other numbers there. We will go down to red numbers next year based on the mobile termination rates we've seen right now. We also have to bear some costs for our joint network which we're already not using until 2012.

MALE SPEAKER: You don't see there's a need for structural changes in Norway with that regulatory framework you can reach your return capital requirements long term on a stand-alone basis?

LARS NILSSON: Over time maybe the market is too small for four operators but right now we focus on what we have and we focus on building up a new network.

LARS TORSTENSSON: Maybe we should take the opportunity to open up the floor for some questions from the telephone conference as well. Operator, do you have any questions from our colleagues on the phone?

OPERATOR: Yes, we do, and the first question comes from Mr Andrew Leaf from Goldman Sachs. Please go ahead, sir.

ANDREW LEAF: Thanks very much. A couple of questions: one on Russia asking the competitive question and, secondly, one on the Baltic's. In Russia you've seen the scale effect

on your EBITDA margin and as more regions turn EBITDA positive but despite the consumer confidence accelerating there the key risk remains more sustained notable competitor retaliation. You said you haven't seen this trend worsening so far but as your share take continues do you see in the future a more difficult competitor environment going into 2011 as your competitors specifically VimpelCom starts to take notice?

Secondly, in the Baltic's the turnaround there corresponds to what TeliaSonera are seeing but Telia are guiding to be a bit cautious on margins into 2011 since they expect opex and capex to go up given the lack of spend during the macro downturn. Should we expect increased opex and capex spend in the Baltic's to offset some of the macro turnaround benefits in the near term?

MATS GRANRYD: I can start with the question on Russia. I think you're right. There are of course price pressure in Russia the bigger we become, especially in the old regions and also now coming up in the new regions we will see fierce attacks from our competitors and that is ongoing. Nothing specifically new on the price side in Russia. It comes and goes. Telecom is like white-water rafting; you go up and down and you need to stay in the canoe somehow. We have been successful in competing against all the other operators in Russia and will continue to do that. The best deal for us is important. The price leadership is so important for us and we will continue to push down costs in order to be able to sustain that price leadership on the capex.

LARS NILSSON: On the capex on the Baltic side you can see we over this year despite tough financial conditions have been able to manage our cash flow in a good way and that will also be our strategy going forward so we will not guide for increased opex or capex. We will sort of build out our network when we see that the customers are

there so I would say that the level we're running the business in right now is also what we see for the coming quarters.

OPERATOR: The next question comes from Mr Barry Votini(?) from Barenburg. Please go ahead, sir.

BARRY VOTINI: Hi, it's Barry Votini from Barenburg here. Just three questions on Russia please. I'm interested to know why you've decided not to upgrade your margin guidance given strong old region margins and the current break-even timeline your guidance warns. Secondly, are there any developments on the Summa Telecom licences in Russia? Whether you'll be bidding for any of those licences and what your expectations are there. And finally on 4G: can you give us any colour on your expectations for the auction process and how you might consider funding that process as well? Thank you.

MATS GRANRYD: That's a whole array of questions. On the 4G or data licence generally in Russia we have said that 3G race is possibly more or less over; 4G is around the corner. Still we have not seen a process; there's no prospect on the table that we can take a decision on and in the meantime we're happy with our 2G instalment and our 2G networks in the 37 regions. If we find more spectrum and regions possibly we will try to bid for that. Right now we're okay but I cannot colour more the 4G spectrum because the 4G spectrum potential auction, because there is nothing on the table as we speak.

BARRY VOTINI: Would you expect it to be a pan-Russian auction though?

MATS GRANRYD: If it's going to be a pan-Russian federal licence, I mean, traditional data licences in Russia are federal so we would assume that will be a federal licence.

When it comes to EBITDA maybe you can take that one.

LARS NILSSON: In Russia we don't really expect an auction; it's more about the beauty contest that will come up but we don't know when. When it comes to the guidance for Russia we have been accused of being somewhat prudent and conservative but we know we are right now performing better than we really had expected so we are a bit more once again prudent and first we should reach the targets we have and then we should consider to change the guidance.

LARS TORSTENSSON: Barry, when it comes to Summar Telecom, what we heard the latest is that we're talking about 15 GSM licences especially in the Siberian, on the east coast of Russia, that is coming up as a potential possibility for us. We're talking about the combination of 918-megahertz licences. It's a beauty contest once again. The licences were once handed out from 2007 and we'll look into that and hopefully we will be successful and it will hopefully happen in 2010.

BARRY VOTINI: Okay so it's a Q4 event?

LARS TORSTENSSON: It's uncertain, yes, but as it looks right now it's a possibility in 2010, yes.

BARRY VOTINI: Okay, thank you very much.

LARS TORSTENSSON: Thank you. Operator, do we have any other questions?

OPERATOR: We do have a question from Mr JT Davis from Barclays Capital. Please go ahead, sir. Okay, we take the next question. It comes from Ms Liana Estebo(?) from Kenny Egu(?). Please go ahead, madam.

LIANA ESTEBO: Yes, good morning. Two questions on margins. The first question is on the Swedish mobile margins. Given the strong uptake you've seen in revenues from smart phone usage would you also expect margins to start expanding as we've seen for the other operators in the Swedish markets over the next few quarters? Second comes back to the very strong margin of the old regions in Russia - the 48% - you're saying that now is dependent on scale effects so should we assume now this 48% is sustainable forward?

MATS GRANRYD: I can take the first question. That's fairly easy and it is a good question but it's better that the other operators answer that. What we have shown today here is that our mobile revenue growth is improving with 10% in third quarter and it's driven by smart phone as you rightly said. The more the smart phones become available in the mass-market segment we will anticipate a good strong growth in coming quarter and how that effect spills over to our competitors is for them to comment on.

LIANA ESTEBO: I was wondering about your margins there. The strong revenue growth for that, will that have a positive effect on your margins because we've seen for the other operators over the past 12 months.

MATS GRANRYD: Sorry, I misunderstood.

LARS NILSSON: What we have said when it comes to margins we have guided for a range depending on the customer intake and I think that is what we can say right now. So far you have seen for this quarter margin growth in absolute terms in line with the revenue growth; that's where we are right now. When it comes to Russia, as we said before, we have not changed our guidance and we should read the sort of blended EBITDA margin in line what we have said to you before. We will not say that 48% is sustainable. That's too early to say.

LIANA ESTEBO: But you already reached 37% this quarter from the blended margin.

LARS NILSSON: Let's wait and see.

LARS TORSTENSSON: The way we would like to see new levels stabilised before we look upon them as firm.

MATS GRANRYD: It is a good comment and good question so maybe we should remember that in coming quarters and see if we're still at the blended 37%, then possibly we should change the guidance but we want to be prudent here.

LIANA ESTEBO: Can I also ask you on Kazakhstan because previously said you would launch in Q4; now you're saying first half 2011. What's the main reason for delaying the launch?

LARS TORSTENSSON: We have already launched, Liana, but with the Neo brand to help split it up. Neo brand is launched and for the two brand that's going to be launched the first half 2011, that we have talked about now for a few quarters so it's no change in our way of commenting on capex down is the thing.

LIANA ESTEBO: Okay, thank you.

LARS TORSTENSSON: Operator, do we have any other questions?

OPERATOR: The next question comes from Mr Nick Delfos(?). Please go ahead.

NICK DELFOS: I just wanted to clarify again how many post paid subscribers you added. I think it's 20,000 post-paid subscribers plus 36,000 dongles. And, secondly, can you give us

an indication of what the revenue growth would have looked like under the usual European method of accounting not taking into account instalment plans? Thank you very much.

MATS GRANRYD: The post paid I think your calculation is fairly right. We had 103,000 subscribers and 55% of them were in the post paid segment and that adds up to 55,000 roughly.

LARS NILSSON: We need to talk about dongles and 36,000; you're adding both pre and post paid dongles. We had around 17,000 post-paid dongles so the rest is done post-paid voice or smart phones.

MATS GRANRYD: The calculation was right but the assumption was wrong.

LARS NILSSON: But accounting of instalment plans.

MATS GRANRYD: I am not sure actually if I got the question right. Can you repeat the question?

NICK DELFOS: Yes. If you were not to account for instalment plans up front so taking all the revenue for the contract life up front, do you know what the revenue growth would have looked like without that?

LARS TORSTENSSON: I'll have to come back to you because now we have changed the way we count, and that is how we will do it going forward.

MATS GRANRYD: Our underlying revenue growth we did around 2 billion in service revenue in Q3 2010 and last year we did 1.845 billion in service revenue so the underlying growth is 8%. That is taking away instalment fees so underlying growth, 8%.

LARS TORSTENSSON: Maybe we can take some from the floor. Eric Pashbyden(?) from Deutsche Bank.

MALE SPEAKER: Thank you. First, just if you could clarify what revenue impact you have from consolidating Spring Mobile. I know you already have the wholesale revenue but there's some retail data I suppose. Then on the smart phone versus regular usage you say the average spending per user increases 1.7 times. Among regular users there's a wide range of low spenders and high spenders and I suppose the high spenders normally take up the smart phone. Do you have any visibility on the like-for-like increase when a subscriber changes to smart phone?

LARS NILSSON: If you take the first one, the last one, we don't I would say.

MATS GRANRYD: The first one I'd like you to repeat because I didn't follow.

MALE SPEAKER: Don't you have a sales impact on the consolidation of Spring Mobile in the quarter?

LARS TORSTENSSON: You should remember Spring Mobile, we already have the wholesale business so the net effect from Spring Mobile in the quarter's around SEK 30 million on net sales and SEK 2 million on EBITDA so it's not significant. Then back to the smart phone comparison and I think you're right.

MATS GRANRYD: Like-for-like, as you said, the regular phone users, the higher spenders, will most likely move over to the smart phone segment. That's what you meant, right? Yeah. We have not done that analysis, no. It's still too early days.

MALE SPEAKER: Yes, hello, good morning. If you get 4G licences in the current Russian radiance(?) have you analysed how much capex that would require in those regions? Second, just a test on your belief in the Russian licence process: if you get 2G licences for

the whole Russia would you take that and invest in those regions besting to get 4G licences?

MATS GRANRYD: Let's not get tangled into details here but for us 2G in Russia is a good business and we firmly believe that 2G will continue to be a business for many more years to come so we don't see the business falling off a cliff even if we don't get the data licence of some sort. The 4G, as one of the call-in participants, it will most likely be a federal licence. The history has shown us that data 3G licences are federal ones and it's still too many uncertainties. It might be a beauty contest as Lars said. It's very difficult to speculate and I don't think we want to speculate when the 4G licence might be able to be distributed either. It might or might not happen. In the meantime we're continuing to be allowed our 2G instalment and, as I said, that's not going to fall off the cliff; it's a good business to be in and it will continue to be a good business to be in.

LARS TORSTENSSON: To follow up on the 2G question as well, technology is something that's also being evaluated in Russia leading to the value of a 2G licence could be potentially much higher than just being a 2G licence. Good. Operator? Sorry?

MATS GRANRYD: And my test. On the 2G versus 4G.

MALE SPEAKER: If you got a 2G licence for 100% of the Russia only would you take that one if it required investment in all the regions?

MATS GRANRYD: I can start again. If it makes business sense, of course we would. We're evaluating all the potential, both regions and acquisitions, elsewhere in Eastern Europe. I don't think we can give a blanket statement that, yes, of course we would and I don't think you're expecting that either. But Russia is important to us and will continue to be

important and we're seeking more frequency, technology, neutrality might happen and then the battle over 4G, 3G, 2G is something that will never lead to a war because it's just going to be there anyways somehow.

LARS TORSTENSSON: A bit of a cliff hanger for you but you can handle that because you're on paternity leave. Let's see, who else? Thomas from Urman(?).

MALE SPEAKER: Thank you. A few questions: you mentioned data drives revenue in Sweden mobile. Do you see any price trends on data packaging in the Swedish market or if it's just volume increasing? Second question, if you win the tax case here does that trigger an extraordinary dividend of the same amount? Keen to know. And, thirdly, on Russian capex guidance is it just prices or have you made any underlying changes to your plans?

MATS GRANRYD: I can start with the last one: there are no underlying changes to the plans. It's not a defensive move by any state. We've had problems with import regulations. We've had supply problems; that's basically what has driven the reduction in capex guidance.

LARS NILSSON: When it comes to the tax dispute you know I can't answer the question because this is of course up to the board to propose a dividend but when we talked about our balance sheet we have been very clear that we see this as a continued liability and we see that as a potential debt and hopefully we will not lose the case and of course will have a strong balance sheet. But this is up to the board to come out in the beginning of February and propose the dividend.

MALE SPEAKER: And data pricing?

MATS GRANRYD: Data pricing: looking at prices right now it's quite stable. We are of course not happy to see that unlimited pricing is still there in the market place. We believe that the market should be able to have more sophisticated pricing when it comes to data products. So tiered pricing over time is something that the industry should consider. But right now pricing is quite stable. We are a bit concerned about the unlimited pricing but overall it's a fairly stable situation.

MALE SPEAKER: A quick follow up on the dividend potential. You still have the same wording for net debt saying you should have a competitive gearing or something along those lines. Have you changed that? What does that mean?

LARS NILSSON: As you've seen the wording is not changed so over time we should have capital structure in line with other operators so we operate on the same market as us. That you can read somewhere between net debt to EBITDA; between one and one and a half or something like that.

LARS TORSTENSSON: So now we should take some questions from the telephone conference as well.
Operator, do you have any questions left for us?

OPERATOR: We have a question from Mr Peter Kurten Neilson(?) from Chevre(?). Please go ahead, sir.

PETER KURTEN NEILSON: Thank you. Just one question left regarding the Netherlands. How do you feel you've fared versus the main competitors in the Dutch residential broadband market? Thank you.

LARS NILSSON: The broadband market in the Netherlands is of course highly competitive partly due to the cable operators upgrading the network with so-called doxus(?) 3 technology

being able to provide 100 MB per second. We have tackled this technology evolution by introducing VDSL services into our network so we can provide 60 MB per second services. Selling broadband in the Netherlands you need to sell also TV services and that is something that we do quite well in that market. We believe that we have a very attractive proposition where you can get both fixed broadband and TV for as low a price as €9 where the TV service costs only €5 on top. So we're trying to compete with the cable or bridge where it hurts the most on TV services.

PETER KURTEN NEILSON: So it sounds like you remain competitive.

LARS NILSSON: We have the product suite that we need to be able to compete with them meaning that we have a video cell service and we have a very competitive TV package so, yes, we are competitive.

PETER KURTEN NEILSON: Thank you.

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

OPERATOR: The next question comes from Mr Jacob Bluestone from Merrill Lynch. Please go ahead, sir.

JACOB BLUESTONE: I've got a few questions please. Firstly for Mats, you talked a bit about your priorities at an operational level and the importance of staying price leader. Could you maybe share your current or initial thoughts on the balance sheet structure that Lars Nilsson talked about earlier and also how important DCMNA? Secondly, for Lars Nilsson, I believe you have a change in accounting principles coming up in Q4. You talked about it in the notes to the accounts where you talk about revenues from customer agreements including the delivery of mobile phone and other equipment

without the debit of any specific enhanced subscription fees. Can you maybe just talk us through what does that change in accounting principle mean in terms of the P&L and cash flow statement? My final question is also on the cash flow statement: your changes in working capital were positive as a quarter but significantly less so than in Q3 last year so can you give us a sense for what are the trends in working capital we should be looking for going forward?

MATS GRANRYD: Should I start with the question on MNA? I start with saying my most important decision for this third quarter is to really make sure that the strategy is in place. Tele2 is not the broking company; it's a well-managed company being present in very interesting markets. The strategy is in place and it is very much in line with what has been presented earlier. Best deal is of pivotal importance for us. The EBITDA or the return on capital employed target is in place and it's in line with what we've said before as well as also if we're going to do an acquisition it needs to be an acquisition that fits the Tele2 culture and the way we would like them to turn that company around. It has to have the ability to be in the market and be a number one or two player in that market. That is important for us.

Of course acquisitions is more opportunistic in nature and we're continuously looking in Western Europe, Eastern Europe, Russia and Central Asia and see if we can find something that is of interest. If we cannot then we were fine where we are. If we find something then we will definitely consider it and I think we have the strength as well - I don't know if you agree with me, Lars - to do that; to do acquisitions if we find the right opportunity. And we have all the finance which we should need before we invest in something of course.

When it comes to working capital I would say overall this year you've seen the working capital has come down a bit and I don't expect any significant changes for the last quarter and if you look going forward if it should go in one direction it should

probably come down a little bit but the working capital is negative and it's quite small and I think that's where you would see it.

The accounting changes we have done when it comes to the instalment in Sweden, as you know we're now taking the income up front in a way, that has of course put a bit of pressure on the balance sheet because then we have accrued revenues in the balance sheet so that was one answer.

JACOB BLUESTONE: On the accounting principles I understand you've already had one change from January 2010 but on page 25 in your report you're talking about that you'll be making another change in accounting principles in Q4 2010 so what I'm trying to understand is what is the impact of this second change in accounting principles on the cash flow statement and the P&L?

LARS NILSSON: I would say that the impact of this change is very, very minor. If I should put a number it would be less than SEK 50 million.

JACOB BLUESTONE: Got it. Thank you.

LARS TORSTENSSON: Thank you. Operator, do we have any other questions?

OPERATOR: We have four more questions registered from the telephone and the next one comes from Mr Andy Parnes(?) from UBS. Please go ahead, sir.

ANDY PARNES: Hi there. Most of my questions have been answered. I've got one on Sweden and one on Germany and Austria. Could you give an update on the latest on the Swedish 800 megahertz spectrum plans due to come in next year? Do you think you'll be allowed to do a joint bid with one of the other operators or are you keen to bid solely on your own? Secondly, on Germany and Austria, revenue trends are

quite disappointing this quarter. Do you see that trend continuing going forward now or should we expect the revenue decline to ease off in those businesses?

Thanks.

MATS GRANRYD: Lars, if you can take both of them.

LARS TORSTENSSON: When it comes to being able to pool frequencies in the 800 band the PTS have not yet made a firm statement on that and we do not expect that until after the auction process has ended so the whole situation is a bit in flux you could say. We don't know if it's possible to pool and if it is possible to pool frequencies how much? So we cannot answer that right now, Andy, I'm sorry about that.

When it comes to the revenue trend in Germany and Austria I would say that in Germany, to be honest, we are extremely happy about the current development in Germany. We're talking about predominantly a fixed business, 1 million CPS customers generating an EBITDA margin of 47%. Yes, we are losing around 100,000 customers per quarter but still we're talking about a service that maybe is not meant for the future and maybe the revenue trend of the currency is good to us. When it comes to Austria we are restructuring the business; we are shutting down services that we do not consider to provide us with a profitable solution hence the current revenue trends should stabilise over time.

ANDY PARNES: Okay, thanks.

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

JAMES BRITAIN: Thank you very much. I've got two strategic questions for Mats, please. Firstly, Mats, as we move towards a data world how important will it be for Tele2 to invest

more in its own backhaul infrastructure or are you just happy to rely on regulators to keep backhaul prices in check? Perhaps you can give some initial colour on your thoughts for the capex outlook over the medium term.

Secondly, can you explain why you think Tele2 will remain happy with a mobile only operator model outside of Sweden in the context of the other mobile centric operators tending to emphasise a push towards a more integrated model?

MATS GRANRYD: If we start with the backhaul and the transmission, I think that comes down to the business case. Sometimes it is more advantageous to build our own and sometimes it's better to take it back on fibre that's already there but you're absolutely right, backhaul in a more data-centric environment in 4G and 3G is key. That's where you normally find the bottleneck so we need to be careful and always monitoring for our backhaul capacity.

When it comes to future capex guidance to 4G and 3G and the more data, I think I would like to refrain from doing that and I'll do a more proper calculation and come back in the next quarterly update.

LARS TORSTENSSON: As you know, James, we have talked about how much we want to invest in 4G for our Swedish joint venture and just to come back to pricing versus capacity the experience we have when it comes to pricing, the pricing is much more attractive. Even though data is for us doubling each year pricing environment right now is very beneficiary and we are also being able to utilise lower frequency bands meaning that we can cover more with less equipment. So the trends that we're seeing currently are working in our favour.

MATS GRANRYD: Absolutely right.

LARS NILSSON: The price for the 2G and 4G network is half of the price for the 3G network. I think that also gives an indication of capex going forward.

LARS TORSTENSSON: So integrate the business model versus a pure mobile business, I think James had a question as to how we look upon it.

MATS GRANRYD: The question is what do you mean with the integrated business model versus a standalone?

JAMES BRITAIN: I guess other mobile-centric operators are tending to develop a fixed capability as well partly to offload traffic to a fixed network but also to offer a convergent one-stop shop service in front of customers.

MATS GRANRYD: Then I understand. I think Tele2 took a decision a couple of years ago to become a mobile operator and that is in that space that we will continue to push. We do have installed base in Germany and Austria and in the Netherlands as I said and I think we can view them as a bit of an odd bird in this. It is important for us but we will continue to be a mobile operator. We're not going to pursue into the fixed domain.

LARS TORSTENSSON: There's a difference between emerging markets mobile and Western Europe mobile as well.

MATS GRANRYD: Definitely so.

LARS TORSTENSSON: So, in Russia we don't have the same need. I mean, Russia is going to be mobile independently. I mean, maybe you could talk about Moscow being more fixed but overall our emerging markets in Kazakhstan, Russia, Croatia and also the Baltic's,

it's a mobile world already. Then when we're talking about Sweden and the Netherlands, the fixed capabilities we have.

MATS GRANRYD: The world is turning mobile and especially high growth markets and predominantly in Eastern Europe and Russia and so on so definitely the mobility play is for us the most centric one.

LARS TORSTENSSON: Does that answer your question?

JAMES BRITAIN: Yes, that's very clear, thank you.

OPERATOR: The next question comes from Mr Paul Norem(?) from ABH. Please go ahead, sir.

PAUL NOREM: No question.

OPERATOR: The second question comes from Mr JP Davis from Barclays Capital. Please go ahead, sir.

JP DAVIS: Hi guys, sorry about earlier. A quick question on the incentive programme: the 2010-2013 incentive programme. There's the series B rights that you've made available under that incentive programme which will pay out if the ROCE is 15% on average over that period with a stretch target of 18%. Can you help me reconcile that target with the 20% that you've guided to and the 24% you're currently achieving? Thank you.

LARS NILSSON: That was a good question. This target has any impact of the investment we will make in Kazakhstan and as you know now we are doing much better than planned but you will not see us sort of coming from 24% to 25% because we have a lot of

investment in front of us. This is actually a more aggressive target compared to the targets we had in the earlier long-term incentive plan.

LARS TORSTENSSON: You could say the programme also evolves as well so this year we'd have much higher hurdles.

LARS NILSSON: So we assume.

LARS TORSTENSSON: Yes.

JP DAVIS: Okay so the medium term outlook is 15-18% for ROCE?

LARS NILSSON: No, it's not a fair statement total because this was the target in incentive programme but as you know we have had a pretty good year so I would say that you should look on the upper part of it.

LARS TORSTENSSON: But if you look at the slide of return on capital employed you can see that the last year has given us a very strong improvement over return on capital employed overall. When the incentive programmes was formed reaching 15-18% return on capital employed was quite steep because if you back that chart up we were trading around 7-8% at that time so that 14-18% was a strong target but as we have improved much better that target's no longer valid in that sense. But hopefully the Board will all the time raise the bar for us and make sure that the next return on capital employed target is going to be much higher then.

JP DAVIS: Perfectly understood. Thank you, guys.

LARS TORSTENSSON: Okay, we're running out of time so I would like to take the opportunity to thank everyone today joining us here and also everyone joining us via the web or over the phone. Just as a reminder our fourth quarter is going to be released 8 February, 7.00am. But until then we are here for you to answer any questions and hopefully you enjoyed the presentation. Thank you.