

# In the second quarter 2005 our revenues grew by more than 12%, and EBITDA increased to MSEK 1,689.

- Swedish Mobile telephony reported an EBITDA margin of over 45% for Q2 2005
- EBITDA for Q2 2005 increased to MSEK 1,689 (1,671)
- Operating revenue for the first six months increased by 12% to MSEK 23,622 (21,090)
- Profit after tax for the first six months amounted to MSEK 1,159 (1,437)
- Earnings per share for the first six months amounted to SEK 2.62 (3.20)

The figures shown in parenthesis correspond to the comparable periods in 2004.



## PRESIDENT'S MESSAGE



“ I am very encouraged by our performance in the second quarter.”

### Lars-Johan Jarnheimer, President and CEO of Tele2 AB commented:

“Since Tele2 last reported in April, we have taken some significant steps in positioning our business for the coming years, ensuring that Tele2 is well placed to meet the opportunities and challenges ahead.

In July we acquired Comunitel in Spain, which provides an excellent platform on which to build our Spanish business. Also in the same month, we announced our intended public bid for Versatel, which immeasurably strengthens our operations in the Netherlands and Belgium. In addition, in mid-June we launched our long awaited mobile services in France and have accelerated our ADSL marketing there, on the back of our agreement with Neuf Telecom.

I am very encouraged by our performance in the second quarter. Our revenues grew by more than 12%, as against Q2 2004 and EBITDA increased to MSEK 1,689.

I would especially like to mention Swedish mobile telephony, which produced an excellent result this quarter with a rise in margins to 45%, mainly as a result of the ongoing success of our Comviq Knock-out offer. We also successfully introduced a copy of Knock-out, called Champion, in Norway.

In Baltic & Russia, revenues grew by 23% and we had our highest ever customer intake of 521,000. In Central Europe, primarily due to the UTA acquisition, revenues grew sharply but what is notable, is the significant rise in Central Europe's EBITDA margin to 8%.

Tele2 will continue to develop its product offering across Europe, while maintaining our goal of balancing cash flow, growth and profitability.”

## GROUP FINANCIAL OVERVIEW FOR THE QUARTER ENDED JUNE 30, 2005

### FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDED JUNE 30, 2005

MSEK and thousands of customers	Q2 2005	Q2 2004
Operating Revenue	12,043	10,711
Customer intake	722	1,082
EBITDA	1,689	1,671
EBIT	1,100	1,196
EBT	967	1,136
Operating cash flow	1,143	1,505

### SIGNIFICANT EVENTS IN THE QUARTER

- Tele2 in April signed an MVNO agreement with Orange in France. In June, Tele2 launched its first mobile services in France.
- Tele2 in April signed an ADSL agreement with Neuf Telecom in France for long-term use of the broadest ULL network in France.

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**CONTINUED Group financial overview for the quarter ended June 30, 2005**


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**Growth in the market area Nordic has increased strongly.**

**Market areas Baltic & Russia and Central Europe represented the bulk of the quarter's net customer intake.**

**The sequential improvement is largely attributable to Sweden, where Mobile telephony has performed well.**

**OPERATING REVENUE**

**Operating revenue** amounted to MSEK 12,043 (MSEK 10,711), corresponding to a growth of 12.4% including, and 11.8% excluding currency effects.

Central Europe showed a continued strong growth of 66%. Growth in the market area Nordic has increased strongly, from 5% in Q1 2005 to 12%. Growth in Baltic & Russia increased from 16% to 23%. Revenue in Southern Europe and in UK & Benelux declined by 1%, primarily attributable to Fixed telephony in the UK, as well as in France and the Netherlands. Tele2's high fixed market share in France and the Netherlands means that Tele2 is at a point where, until the fixed subscription fee is deregulated, it is increasingly challenging to grow.

**Operating revenue from ADSL** was MSEK 450 (284), an increase of 58%.

**CUSTOMER INTAKE**

**Net customer intake** was 722,000 compared to 1,082,000 in Q2 2004. The quarterly intake of Fixed telephony and Internet customers has decreased from 657,000 to 60,000, while the intake of Mobile telephony customers has increased from 427,000 to 666,000. Net intake of ADSL customers was 51,000. The total number of ADSL customers is 668,000, of which more than 450,000 are in Southern Europe. Tele2's total number of customers is 29.4 million.

Market areas Baltic & Russia and Central Europe represented the bulk of the quarter's net customer intake. Within these market areas Russia and Hungary were the largest contributors. France, the Netherlands and the UK had a negative net customer intake in the quarter.

**Gross customer intake** was somewhat lower for the Group as a whole compared to the previous quarter. The absolute churn level was unchanged, but lower as a percent of the total customer base.

**ARPU**

**Group ARPU** was SEK 138 in Q2 2005, compared to SEK 146 in Q2 2004 and SEK 137 in Q1 2005. Hence, the sequential ARPU level has been relatively stable in the past few quarters.

**RESULTS**

**Group EBITDA** amounted to MSEK 1,689, versus MSEK 1,671 in Q2 2004 and MSEK 1,414 in Q1 2005. The sequential improvement is largely attributable to Sweden, where Mobile telephony has performed well. Compared to Q2 2004, the main driver has been Central Europe, and Germany in particular.

Despite a slight decline in EBITDA, Tele2's fixed telephony operation in Southern Europe continued to generate a return in line with the company's resale business model. The EBITDA margin including ADSL for Southern Europe amounted to 8% and excluding ADSL to 13-14%. ADSL affected total Group EBITDA by circa MSEK -200, higher than the corresponding period last year and in line with Q1 2005.

In Sweden payments to Svenska UMTS-nät AB for capacity utilization affected Swedish mobile EBITDA by some MSEK 70, or MSEK 40 more than in Q2 2004. One-off costs, related to reselling the fixed subscription fee, affected Swedish Fixed telephony and Internet by approximately MSEK 30. In fixed telephony in Sweden, some 100,000 customers chose Tele2's fixed subscription fee, bringing the total to approximately 400,000.

**Group EBIT** amounted to MSEK 1,100 (MSEK 1,196). This includes a negative MSEK 20 in share of profit/loss from the 3G company, which is a decrease of MSEK 41 from the corresponding period last year. In addition, depreciation in Central Europe has increased following the acquisition of UTA.

**Profit before taxes** amounted to MSEK 967 (MSEK 1,136). The financial net includes an internal currency effect of MSEK -107, mainly related to transactions between Tele2 Sweden and Tele2 companies with primarily Euro currency. These internal currency differences have not had any cash effect and were previously included in shareholders' equity.

**Profit after taxes** amounted to MSEK 676 (759).

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**CONTINUED Group financial overview for the quarter ended June 30, 2005**

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**CASH FLOW AND CAPEX**

**Cash flow stated as EBITDA less CAPEX** amounted to MSEK 828 (MSEK 1,302). Investments (CAPEX) amounted to MSEK 861 (MSEK 369), or 7.1% (3.4%) of revenue. MSEK 329 of the investments in Southern Europe is attributable to the upfront payment for access to the ADSL network of Neuf Telecom.

**Change in working capital** according to the cash flow statement amounted to MSEK -218 (MSEK 6).

**In France, Tele2 will intensify its activities in the French mobile market, following the recently announced agreement with Orange.**

**FINANCIAL COMMENTS ON THE COMING QUARTERS**

When estimating the financial results for the coming quarters, the following items should be considered:

Payments to Svenska UMTS-nät AB related to capacity purchase are expected to be unchanged in Q3 2005 and to increase to MSEK 90-100 in Q4 2005.

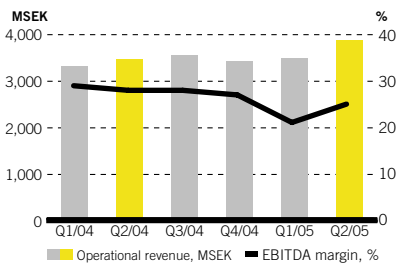
In France, Tele2 will intensify its activities in the French mobile market, following the recently announced agreement with Orange. The experience from other countries indicates that it is possible to cross sell mobile services to some 10% of the Fixed telephony customers, at a reasonable cost, within the first year. In addition to this, the agreement with Neuf Telecom means that the opportunities for Tele2's ADSL operations in France will increase and Tele2 will step up its marketing efforts there. Tele2 has announced that market investments in these areas, as well as in launching services in Croatia and Turkey, will total approximately MEUR 100 in 2005. Tele2 has decided to put its launch in Turkey on hold, and instead is to invest the equivalent amount in ADSL in Italy.

The acquisitions of Comunitel in Spain and the proposed bid for Versatel in the Netherlands and Belgium (refer to "Events post June 30, 2005") will, once closed and finalized, contribute a significantly positive EBITDA to these countries' results, as can be seen by these companies' historic results and the expected synergies that are described in this report and in the respective press releases. Tele2 will provide information on the magnitude of any potential restructuring costs and when any such costs might occur, in due course.

## OPERATIONAL REVIEW BY MARKET AREA

### Nordic

- Swedish Mobile telephony showed strong growth and profitability
- A total of approximately 400,000 customers have chosen Tele2's fixed monthly subscription to date
- Strong development for Mobile telephony in Sweden and Norway



NORDIC	Q2 2005	Q2 2004	Change
Operating revenue, MSEK	3,875	3,472	+12%
EBITDA, MSEK	953	972	-2%
EBIT, MSEK	711	782	-9%

The market area Nordic encompasses operations in Sweden (including Optimal Telecom), Norway, Denmark and Finland and Datamatrix operations.

The mobile operations in Sweden reported over 3.5 million customers at June 30, 2005, an increase of 5% over June, 2004. Monthly average revenue per mobile user (ARPU), including both postpaid and prepaid customers, was SEK 167 (169) in Q2 2005 and mobile minutes of usage (MOU) were 118 (92). Prepaid mobile customers accounted for 73% of the total mobile customer base.

Market area Nordic showed good growth and continued good profitability. The primary driver in the Nordic market area is Mobile telephony in Sweden, combining strong revenue growth and margin improvement with a stable customer intake. The success of Comviq Knock-out and other subscriptions has continued, contributing to the strong results.

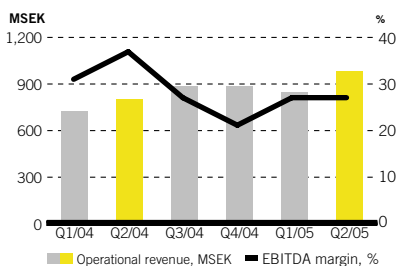
During the quarter, some 100,000 customers chose Tele2's fixed subscription fee in Sweden, bringing the total number of customers with this service to some 400,000. The fixed subscription fee has enabled Tele2's traditional fixed voice telephony in Sweden to maintain stable absolute profitability despite the intense competition in the market. The weaker results for Swedish fixed telephony can be explained by significant margin pressure in the market for data network services, and also by a decreased contribution from dial-up Internet.

Norway continued to deliver strong revenue growth, especially within Mobile telephony where Tele2's price position was further strengthened with new offers. Mobile telephony in Denmark was also successful, showing strong customer intake during the quarter. The process of integrating Tiscali in Denmark was completed according to plan.

Tele2 will improve its broadband offering in Sweden and Norway, by gradually rolling out ADSL in selective geographical areas, where it makes commercial sense. These investments will be very limited, given the existing infrastructure of Tele2 in Scandinavia. The roll out is expected to begin in Q3 2005.

### Baltic & Russia

- Record customer intake of 521,000
- National roaming agreement in Croatia



BALTIC & RUSSIA	Q2 2005	Q2 2004	Change
Operating revenue, MSEK	984	802	+23%
EBITDA, MSEK	270	294	-8%
EBIT, MSEK	170	151	+13%

The market area Baltic & Russia encompasses operations in Estonia, Latvia, Lithuania, Russia and Croatia.

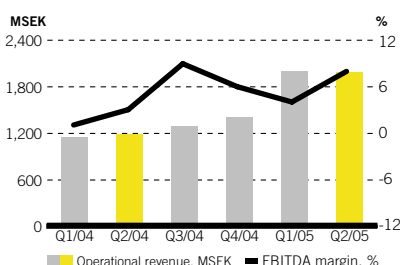
Mobile ARPU for Baltic & Russia, including both postpaid and prepaid customers, was SEK 76 (102) in Q2 2005.

The market area continues to show good growth, largely driven by the faster than expected growth in Russia.

Tele2 signed a national roaming agreement in Croatia in the quarter. The build-out of the GSM network proceeds according to plan, which is to launch the first services in August 2005.

### Central Europe

- Continued strong growth and improved profitability in Central Europe
- Germany was the main driver behind the strong growth and profitability improvement
- The customer intake was driven largely by the success in Hungary



CENTRAL EUROPE	Q2 2005	Q2 2004	Change
Operating revenue, MSEK	1,990	1,197	+66%
EBITDA, MSEK	155	41	+278%
EBIT, MSEK	30	-6	

The market area Central Europe encompasses operations in Germany, Austria, Poland, the Czech Republic and Hungary.

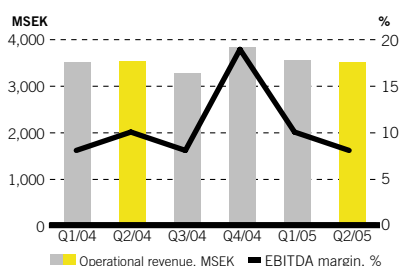
The market area's ARPU for Fixed telephony and Internet was SEK 111 (102) for Q2 2005.

Central Europe again delivered a growth over 60% in combination with continued improved profitability that, apart from the UTA acquisition, was driven mainly by Germany. Hungary was the primary driver behind the customer intake.

## OPERATIONAL REVIEW BY MARKET AREA

### Southern Europe

- Successful launch of Mobile services in France
- Tele2 intensified marketing of ADSL in France and Italy
- Mobile city network launched in Zürich



SOUTHERN EUROPE	Q2 2005	Q2 2004	Change
Operating revenue, MSEK	3,516	3,541	-1%
EBITDA, MSEK	272	359	-24%
EBIT, MSEK	229	318	-28%

The market area Southern Europe encompasses operations in France, Italy, Spain, Switzerland and Portugal.

Fixed telephony and Internet ARPU for Southern Europe was SEK 141 (151) for Q2 2005.

In June, Tele2 France successfully launched its mobile services – only two months after having signed the MVNO deal with Orange. Tele2 offers the mobile market's lowest prices and simplest tariffs. Tele2 has had immediate success in cross-selling this offer to its existing client base. In June, Tele2 also implemented the ADSL network agreement with Neuf Telecom, launching a 20 Mbps ADSL offer using the largest ULL network in France.

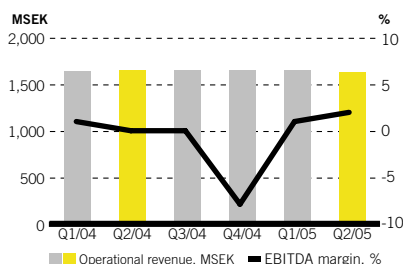
Tele2 Italy has continued marketing its ADSL product and had a good intake of ADSL customers in Q2 2005. Tele2 has started building its own infrastructure in Italy and intends to offer ADSL services using its own network in September 2005.

In Switzerland, Tele2 successfully launched the mobile city network in Zürich during the quarter.

Portugal has successfully reached a 10% market share in Fixed telephony, less than two years after launch.

### UK & Benelux

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



UK & BENELUX	Q2 2005	Q2 2004	Change
Operating revenue, MSEK	1,641	1,663	-1%
EBITDA, MSEK	27	-4	
EBIT, MSEK	-43	-47	

The market area Benelux encompasses operations in the Netherlands, Luxembourg (including Tango), Liechtenstein, Belgium, the UK and Ireland as well as C<sup>3</sup> and 3C operations.

Fixed telephony and Internet ARPU for UK & Benelux was SEK 221 (246) for Q2 2005.

Mobile telephony in the Netherlands showed strong growth in both customer intake and minutes. The trend for Tele2's Mobile telephony is also strong in Luxembourg, with improved profitability and growing minutes.

Based on the initial experience from the ADSL launch in the Netherlands, Tele2 is optimistic on the future development of this service.

### Services

SERVICES	Q2 2005	Q2 2004	Change
Operating revenue, MSEK	37	36	+3%
EBITDA, MSEK	12	9	+33%
EBIT, MSEK	3	-2	

The market area Services includes ProcureTright, Proceedo Solutions, Radio Components and UNI2 operations.

## OTHER ITEMS



### TELE2 IN BRIEF

Tele2 is Europe's leading alternative telecom operator. Tele2 always strives to offer the market's best prices. With our unique values, we provide cheap and simple telecom for all Europeans every day. We have 29.4 million customers in 25 countries. We offer products and services in fixed and mobile telephony, Internet access, data networks, cable TV and content services. Our main competitors are the former government monopolies. Tele2 was founded in 1993 by Jan Stenbeck and has been listed on Stockholmsbörsen since 1996. In 2004 we had operating revenue of SEK 43 billion and reported a profit (EBITDA) of SEK 6.6 billion

#### Tele2 AB

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### ACQUISITIONS

In Q1 2005, Tele2 acquired all outstanding shares in Tiscali in Denmark for MSEK 131. The acquisition resulted in 76,000 new fixed telephony and Internet customers.

### PARENT COMPANY

At the Parent company level, Tele2 reported at June 30, 2005 operating revenue of MSEK 11 (11), EBIT of MSEK -29 (-26) and liquidity of MSEK 11 compared to MSEK 7 at December 31, 2004.

The Annual General Meeting on May 11, 2005 decided on a share split and a share redemption procedure, whereby every share was split into 3 ordinary shares and 1 redemption share. The redemption share was automatically redeemed at SEK 10 per share. This corresponds to a total of MSEK 1,476. Combined with the ordinary dividend of SEK 5 per share, shareholders have received MSEK 2,213.

### EVENTS POST JUNE 30, 2005

On July 14, Tele2 announced that it had acquired 99.93% of the shares in Comunitel, one of Spain's largest alternative telecoms operators, at a consideration of MEUR 257 on a debt-free basis. Comunitel, a prominent corporate operator, is rolling out extensive ULL infrastructure in Spain, covering some 50% and 30% of the corporate and residential markets, respectively. This move puts Tele2 ahead of most alternative operators in Spain. Tele2 estimates network synergies of some MEUR 14 per year. The acquisition is subject to clearance from the Spanish anti-trust authorities.

On July 18, Tele2 and Apax Partners announced their intention to acquire Versatel, the Dutch network operator, in a transaction where Tele2 acquires Versatel's Dutch and Belgian operations and Apax acquires its German operations. The intended transaction includes a recommended cash offer for all outstanding shares and convertible notes of Versatel. The transaction values Versatel at MEUR 1,130 on an enterprise value basis. Apax Partners intends to acquire Versatel's German operations from Tele2 at a consideration of MEUR 565. With the acquisition, Tele2 significantly strengthens its already strong position in the Netherlands and Belgium. The migration of Tele2's traffic on Versatel's network and the integration process are expected to produce annual run-rate EBITDA synergies in the region of MEUR 50.

On July 20, Tele2 acquired Switzerland's third largest alternative fixed line operator Econophone, with approximately 100,000 customers.

### COMPANY DISCLOSURE

Tele2 will release the financial and operating result for the period ended September 30, 2005 on October 25, 2005.

STOCKHOLM, JULY 26, 2005

*Lars-Johan Jarnheimer*  
President and CEO, Tele2 AB

### REPORT REVIEW

We have reviewed the interim report of Tele2 AB (Publ) for the six-month period ending June 30, 2005. Our review has been conducted in accordance with the recommendation issued by the Swedish Institute of Authorized Public Accountants.

The review has been planned and performed to obtain limited assurance that the interim report is free of material misstatement. A review is largely limited to queries of the company's personnel and an analytical evaluation of financial data, and our assurance is limited compared with an audit.

Nothing has come to our attention during the review that causes us to believe that the interim report does not comply with the requirements for interim reports according to the Annual Accounts Act and IAS 34.

STOCKHOLM, JULY 26, 2005

*Deloitte & Touche AB*  
Tommy Mårtensson  
Authorized Public Accountant

## INCOME STATEMENT

MSEK	Note	2005	2004	2004	2005	2004
		Jan 1-Jun 30	Jan 1-Jun 30	Full year	Q2	Q2
Operating revenue		23,622	21,090	43,033	12,043	10,711
Operating expenses		-21,669	-18,904	-38,784	-10,942	-9,566
Other operating revenues		46	55	92	24	39
Other operating expenses		-14	-21	-40	-4	-9
Share of profit/loss of associated companies		-57	37	17	-21	21
<b>Operating profit, EBIT</b>		<b>1,928</b>	<b>2,257</b>	<b>4,318</b>	<b>1,100</b>	<b>1,196</b>
Net interest expenses	4	-66	-128	-273	-26	-59
Other financial items	4	-136	6	162	-107	-1
<b>Profit after financial items, EBT</b>		<b>1,726</b>	<b>2,135</b>	<b>4,207</b>	<b>967</b>	<b>1,136</b>
Taxes		-567	-698	-779	-291	-377
<b>PROFIT AFTER TAXES</b>		<b>1,159</b>	<b>1,437</b>	<b>3,428</b>	<b>676</b>	<b>759</b>
ATTRIBUTABLE TO:						
Equity holders of the Parent Company		1,159	1,421	3,428	676	755
Minority interest		-	16	-	-	4
<b>PROFIT AFTER TAXES</b>		<b>1,159</b>	<b>1,437</b>	<b>3,428</b>	<b>676</b>	<b>759</b>
<b>Earnings per share after tax (SEK)</b>		<b>2.62</b>	<b>3.21</b>	<b>7.74</b>	<b>1.53</b>	<b>1.71</b>
<b>Earnings per share after tax, after dilution (SEK)</b>		<b>2.62</b>	<b>3.20</b>	<b>7.73</b>	<b>1.53</b>	<b>1.70</b>
Number of shares, basic	6	442,680,525	442,680,525	442,680,525		
Number of shares, weighted average	6	442,680,525	442,680,525	442,680,525		
Number of shares after dilution	6	444,489,525	444,611,025	444,530,025		
Number of shares after dilution, weighted average	6	443,155,773	443,724,833	443,571,555		



## BALANCE SHEET

MSEK	Note	2005	2004
		June 30	Dec 31
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets		26,031	24,016
Tangible assets		9,468	9,107
Long-term financial assets	5	3,807	3,842
		<b>39,306</b>	<b>36,965</b>
<b>Current assets</b>			
Materials and supplies		271	308
Current receivables		10,884	10,458
Cash and cash equivalents		2,404	2,148
		<b>13,559</b>	<b>12,914</b>
<b>TOTAL ASSETS</b>		<b>52,865</b>	<b>49,879</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Shareholders' equity		<b>33,664</b>	<b>32,900</b>
<b>Provisions</b>	5	<b>678</b>	<b>538</b>
<b>Long-term liabilities</b>			
Interest-bearing liabilities		2,973	1,719
		<b>2,973</b>	<b>1,719</b>
<b>Short-term liabilities</b>			
Interest-bearing liabilities		3,596	3,308
Non-interest-bearing liabilities		11,954	11,414
		<b>15,550</b>	<b>14,722</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>52,865</b>	<b>49,879</b>

## CASH FLOW STATEMENT

MSEK	2005	2004	2004	2005	2005	2004	2004	2004	2004
	Jan 1-Jun 30	Jan 1-Jun 30	Full year	Q2	Q1	Q4	Q3	Q2	Q1
Cash flows from operation	2,709	2,920	6,228	1,361	1,348	1,734	1,574	1,499	1,421
Change in working capital	-99	214	-352	-218	119	-578	12	6	208
<b>Cash flow from operating activities</b>	<b>2,610</b>	<b>3,134</b>	<b>5,876</b>	<b>1,143</b>	<b>1,467</b>	<b>1,156</b>	<b>1,586</b>	<b>1,505</b>	<b>1,629</b>
Capital expenditure in intangible and tangible assets, CAPEX	-1,485	-765	-1,562	-861	-624	-473	-324	-369	-396
<b>Cash flow after CAPEX</b>	<b>1,125</b>	<b>2,369</b>	<b>4,314</b>	<b>282</b>	<b>843</b>	<b>683</b>	<b>1,262</b>	<b>1,136</b>	<b>1,233</b>
Purchase of shares and participations	-116	-26	-2,802	-14	-102	-1,726	-1,050	-15	-11
Sale of shares and participations	22	33	932	-	22	899	-	33	-
Change of long-term receivables	13	2	15	-3	16	7	6	13	-11
<b>Cash flow after investing activities</b>	<b>1,044</b>	<b>2,378</b>	<b>2,459</b>	<b>265</b>	<b>779</b>	<b>-137</b>	<b>218</b>	<b>1,167</b>	<b>1,211</b>
Financing activities	-957	-1,995	-3,074	-576	-381	-1,065	-14	-2,111	116
<b>Net change in cash</b>	<b>87</b>	<b>383</b>	<b>-615</b>	<b>-311</b>	<b>398</b>	<b>-1,202</b>	<b>204</b>	<b>-944</b>	<b>1,327</b>
Cash at beginning of period	2,148	2,773	2,773	2,594	2,148	3,361	3,179	4,194	2,773
Exchange rate differences in cash	169	23	-10	121	48	-11	-22	-71	94
<b>CASH AT END OF PERIOD*</b>	<b>2,404</b>	<b>3,179</b>	<b>2,148</b>	<b>2,404</b>	<b>2,594</b>	<b>2,148</b>	<b>3,361</b>	<b>3,179</b>	<b>4,194</b>
<i>* of which restricted funds</i>	418	456	365	418	387	365	451	456	801

## CHANGES OF SHAREHOLDERS' EQUITY

MSEK	Note	2005	2004	2004
		June 30	June 30	Dec 31
Adjusted equity, January 1	8	32,900	30,378	30,378
Dividend and redemption		-2,213	-443	-443
Exchange rate differences		1,780	223	-463
Shareholders' contribution from minority		38	-	-
Profit, year-to-date		1,159	1,437	3,428
<b>EQUITY, END OF PERIOD</b>		<b>33,664</b>	<b>31,595</b>	<b>32,900</b>

## NUMBER OF CUSTOMERS

In thousands	Note	NUMBER OF CUSTOMERS			NET INTAKE					
		2005 June 30	2004 June 30	Change	2005 Q2	2005 Q1	2004 Q4	2004 Q3	2004 Q2	2004 Q1
<b>Nordic</b>										
Mobile telephony		3,958	3,681	8%	88	60	79	50	45	36
Fixed telephony and Internet		2,752	2,821	-2%	-50	-61	-9	-25	-54	-67
Cable TV		186	178	4%	-5	1	11	1	-1	1
		<b>6,896</b>	<b>6,680</b>	<b>3%</b>	<b>33</b>	<b>-</b>	<b>81</b>	<b>26</b>	<b>-10</b>	<b>-30</b>
<b>Baltic &amp; Russia</b>										
Mobile telephony		4,436	2,679	66%	509	309	504	435	327	148
Fixed telephony and Internet		81	58	40%	11	2	11	-1	2	-
Cable TV	3	23	20	15%	1	-	1	1	-1	-
		<b>4,540</b>	<b>2,757</b>	<b>65%</b>	<b>521</b>	<b>311</b>	<b>516</b>	<b>435</b>	<b>328</b>	<b>148</b>
<b>Central Europe</b>										
Mobile telephony		117	68	72%	5	14	23	7	13	5
Fixed telephony and Internet	3	6,348	4,427	43%	207	346	328	556	378	630
		<b>6,465</b>	<b>4,495</b>	<b>44%</b>	<b>212</b>	<b>360</b>	<b>351</b>	<b>563</b>	<b>391</b>	<b>635</b>
<b>Southern Europe</b>										
Mobile telephony		43	41	5%	3	-	-1	-	-	1
Fixed telephony and Internet		8,645	8,221	5%	8	168	306	-58	200	574
		<b>8,688</b>	<b>8,262</b>	<b>5%</b>	<b>11</b>	<b>168</b>	<b>305</b>	<b>-58</b>	<b>200</b>	<b>575</b>
<b>UK &amp; Benelux</b>										
Mobile telephony		800	587	36%	61	46	73	33	42	17
Fixed telephony and Internet		2,028	2,129	-5%	-116	-60	58	17	131	223
		<b>2,828</b>	<b>2,716</b>	<b>4%</b>	<b>-55</b>	<b>-14</b>	<b>131</b>	<b>50</b>	<b>173</b>	<b>240</b>
<b>NET CUSTOMER INTAKE</b>										
					<b>722</b>	<b>825</b>	<b>1,384</b>	<b>1,016</b>	<b>1,082</b>	<b>1,568</b>
Acquired companies	3				-	76	484	-	-	-
Divested companies	3				-	-	-	-	-46	-
<b>TOTAL NUMBER OF CUSTOMERS</b>		<b>29,417</b>	<b>24,910</b>	<b>18%</b>	<b>722</b>	<b>901</b>	<b>1,868</b>	<b>1,016</b>	<b>1,036</b>	<b>1,568</b>
<b>By business area</b>										
Mobile telephony		9,354	7,056	33%	666	429	678	525	427	207
<i>Of which prepaid</i>		6,968	5,087	37%	559	337	582	403	351	138
Fixed telephony and Internet	3	19,854	17,656	12%	60	395	694	489	657	1,360
Cable TV	3	209	198	6%	-4	1	12	2	-2	1
Acquired companies	3				-	76	484	-	-	-
Divested companies	3				-	-	-	-	-46	-
<b>TOTAL NUMBER OF CUSTOMERS</b>		<b>29,417</b>	<b>24,910</b>	<b>18%</b>	<b>722</b>	<b>901</b>	<b>1,868</b>	<b>1,016</b>	<b>1,036</b>	<b>1,568</b>

## OPERATING REVENUE

MSEK	Note	2005	2004	2005	2005	2004	2004	2004	2004
		Jan 1-Jun 30	Jan 1-Jun 30	Q2	Q1	Q4	Q3	Q2	Q1
<b>Nordic</b>									
Mobile telephony	1	4,059	3,639	2,188	1,871	1,812	2,029	1,903	1,736
Fixed telephony and Internet		3,478	3,344	1,788	1,690	1,673	1,610	1,667	1,677
Cable TV		107	104	54	53	51	46	51	53
Other operations		185	168	95	90	99	85	89	79
Adjustments for internal sales		-473	-459	-250	-223	-215	-211	-238	-221
		<b>7,356</b>	<b>6,796</b>	<b>3,875</b>	<b>3,481</b>	<b>3,420</b>	<b>3,559</b>	<b>3,472</b>	<b>3,324</b>
<b>Baltic &amp; Russia</b>									
Mobile telephony		1,773	1,468	955	818	854	856	772	696
Fixed telephony and Internet		57	51	31	26	31	26	27	24
Cable TV		6	11	3	3	2	3	4	7
Adjustments for internal sales		-8	-2	-5	-3	-2	-1	-1	-1
		<b>1,828</b>	<b>1,528</b>	<b>984</b>	<b>844</b>	<b>885</b>	<b>884</b>	<b>802</b>	<b>726</b>
<b>Central Europe</b>									
Mobile telephony		80	35	42	38	29	24	19	16
Fixed telephony and Internet		4,169	2,572	2,074	2,095	1,500	1,389	1,299	1,273
Adjustments for internal sales		-251	-253	-126	-125	-125	-113	-121	-132
		<b>3,998</b>	<b>2,354</b>	<b>1,990</b>	<b>2,008</b>	<b>1,404</b>	<b>1,300</b>	<b>1,197</b>	<b>1,157</b>
<b>Southern Europe</b>									
Mobile telephony		15	16	8	7	7	8	8	8
Fixed telephony and Internet	1	7,370	7,290	3,667	3,703	3,962	3,416	3,678	3,612
Adjustments for internal sales		-313	-262	-159	-154	-137	-148	-145	-117
		<b>7,072</b>	<b>7,044</b>	<b>3,516</b>	<b>3,556</b>	<b>3,832</b>	<b>3,276</b>	<b>3,541</b>	<b>3,503</b>
<b>UK &amp; Benelux</b>									
Mobile telephony		765	539	409	356	336	322	291	248
Fixed telephony and Internet		2,805	3,132	1,381	1,424	1,468	1,514	1,520	1,612
Cable TV		6	6	4	2	3	-2	5	1
Other operations		42	46	21	21	21	23	21	25
Adjustments for internal sales		-324	-416	-174	-150	-175	-194	-174	-242
		<b>3,294</b>	<b>3,307</b>	<b>1,641</b>	<b>1,653</b>	<b>1,653</b>	<b>1,663</b>	<b>1,663</b>	<b>1,644</b>
<b>Services</b>									
Other operations		162	134	83	79	87	79	71	63
Adjustments for internal sales		-88	-73	-46	-42	-51	-48	-35	-38
		<b>74</b>	<b>61</b>	<b>37</b>	<b>37</b>	<b>36</b>	<b>31</b>	<b>36</b>	<b>25</b>
<b>TOTAL OPERATING REVENUE</b>		<b>23,622</b>	<b>21,090</b>	<b>12,043</b>	<b>11,579</b>	<b>11,230</b>	<b>10,713</b>	<b>10,711</b>	<b>10,379</b>
<b>By business area</b>									
Mobile telephony		6,692	5,697	3,602	3,090	3,038	3,239	2,993	2,704
Fixed telephony and Internet	1	17,879	16,389	8,941	8,938	8,634	7,955	8,191	8,198
Cable TV		119	121	61	58	56	47	60	61
Other operations		389	348	199	190	207	187	181	167
Adjustments for internal sales		-1,457	-1,465	-760	-697	-705	-715	-714	-751
<b>TOTAL OPERATING REVENUE</b>		<b>23,622</b>	<b>21,090</b>	<b>12,043</b>	<b>11,579</b>	<b>11,230</b>	<b>10,713</b>	<b>10,711</b>	<b>10,379</b>

## EBITDA

	2005	2004	2005	2005	2004	2004	2004	2004
MSEK	Jan 1-Jun 30	Jan 1-Jun 30	Q2	Q1	Q4	Q3	Q2	Q1
<b>Nordic</b>								
Mobile telephony	1,402	1,409	772	630	636	787	705	704
Fixed telephony and Internet	265	520	176	89	265	222	257	263
Cable TV	15	20	8	7	6	6	7	13
Other operations	-6	2	-3	-3	4	-12	3	-1
	<b>1,676</b>	<b>1,951</b>	<b>953</b>	<b>723</b>	<b>911</b>	<b>1,003</b>	<b>972</b>	<b>979</b>
<b>Baltic &amp; Russia</b>								
Mobile telephony	503	499	278	225	189	241	271	228
Fixed telephony and Internet	-9	-5	-16	7	-5	-2	-3	-2
Cable TV	-	26	8	-8	1	-	26	-
	<b>494</b>	<b>520</b>	<b>270</b>	<b>224</b>	<b>185</b>	<b>239</b>	<b>294</b>	<b>226</b>
<b>Central Europe</b>								
Mobile telephony	-26	-21	-10	-16	-21	-15	-14	-7
Fixed telephony and Internet	267	70	165	102	104	129	55	15
	<b>241</b>	<b>49</b>	<b>155</b>	<b>86</b>	<b>83</b>	<b>114</b>	<b>41</b>	<b>8</b>
<b>Southern Europe</b>								
Mobile telephony	-41	-7	-32	-9	-5	-3	-	-7
Fixed telephony and Internet	662	659	304	358	717	278	359	300
	<b>621</b>	<b>652</b>	<b>272</b>	<b>349</b>	<b>712</b>	<b>275</b>	<b>359</b>	<b>293</b>
<b>UK &amp; Benelux</b>								
Mobile telephony	37	125	25	12	-7	49	60	65
Fixed telephony and Internet	19	-114	6	13	-124	-49	-63	-51
Cable TV	-12	-8	-6	-6	-6	-5	-5	-3
Other operations	4	3	2	2	2	3	4	-1
	<b>48</b>	<b>6</b>	<b>27</b>	<b>21</b>	<b>-135</b>	<b>-2</b>	<b>-4</b>	<b>10</b>
<b>Services</b>								
Other operations	23	18	12	11	16	32	9	9
	<b>23</b>	<b>18</b>	<b>12</b>	<b>11</b>	<b>16</b>	<b>32</b>	<b>9</b>	<b>9</b>
<b>TOTAL EBITDA</b>	<b>3,103</b>	<b>3,196</b>	<b>1,689</b>	<b>1,414</b>	<b>1,772</b>	<b>1,661</b>	<b>1,671</b>	<b>1,525</b>
<b>By business area</b>								
Mobile telephony	1,875	2,005	1,033	842	792	1,059	1,022	983
Fixed telephony and Internet	1,204	1,130	635	569	957	578	605	525
Cable TV	3	38	10	-7	1	1	28	10
Other operations	21	23	11	10	22	23	16	7
<b>TOTAL EBITDA</b>	<b>3,103</b>	<b>3,196</b>	<b>1,689</b>	<b>1,414</b>	<b>1,772</b>	<b>1,661</b>	<b>1,671</b>	<b>1,525</b>
<b>EBITDA margin</b>								
Nordic	23%	29%	25%	21%	27%	28%	28%	29%
Baltic & Russia	27%	34%	27%	27%	21%	27%	37%	31%
Central Europe	6%	2%	8%	4%	6%	9%	3%	1%
Southern Europe	9%	9%	8%	10%	19%	8%	10%	8%
UK & Benelux	1%	0%	2%	1%	-8%	0%	0%	1%
Services	31%	30%	32%	30%	44%	103%	25%	36%
<b>TOTAL EBITDA MARGIN</b>	<b>13%</b>	<b>15%</b>	<b>14%</b>	<b>12%</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>	<b>15%</b>

## EBIT

MSEK	Note	2005	2004	2005	2005	2004	2004	2004	2004
		Jan 1-Jun 30	Jan 1-Jun 30	Q2	Q1	Q4	Q3	Q2	Q1
<b>Nordic</b>									
Mobile telephony		1,121	1,248	638	483	492	682	627	621
Fixed telephony and Internet		69	325	81	-12	178	130	160	165
Cable TV		-7	-10	-4	-3	-50	-8	-8	-2
Other operations		-9	1	-4	-5	3	-13	3	-2
		<b>1,174</b>	<b>1,564</b>	<b>711</b>	<b>463</b>	<b>623</b>	<b>791</b>	<b>782</b>	<b>782</b>
<b>Baltic &amp; Russia</b>									
Mobile telephony		306	224	179	127	114	113	129	95
Fixed telephony and Internet		-10	-6	-16	6	-5	-2	-4	-2
Cable TV		-1	24	7	-8	-	-1	26	-2
		<b>295</b>	<b>242</b>	<b>170</b>	<b>125</b>	<b>109</b>	<b>110</b>	<b>151</b>	<b>91</b>
<b>Central Europe</b>									
Mobile telephony		-32	-26	-13	-19	-23	-17	-16	-10
Fixed telephony and Internet	2	34	-14	43	-9	-326	80	10	-24
		<b>2</b>	<b>-40</b>	<b>30</b>	<b>-28</b>	<b>-349</b>	<b>63</b>	<b>-6</b>	<b>-34</b>
<b>Southern Europe</b>									
Mobile telephony		-41	-7	-32	-9	-5	-3	-	-7
Fixed telephony and Internet		574	585	261	313	663	252	318	267
		<b>533</b>	<b>578</b>	<b>229</b>	<b>304</b>	<b>658</b>	<b>249</b>	<b>318</b>	<b>260</b>
<b>UK &amp; Benelux</b>									
Mobile telephony		-26	69	-5	-21	-38	21	31	38
Fixed telephony and Internet		-45	-143	-32	-13	-137	-63	-73	-70
Cable TV		-12	-11	-6	-6	-8	-6	-6	-5
Other operations		-1	-4	-	-1	-1	2	1	-5
		<b>-84</b>	<b>-89</b>	<b>-43</b>	<b>-41</b>	<b>-184</b>	<b>-46</b>	<b>-47</b>	<b>-42</b>
<b>Services</b>									
Other operations		8	2	3	5	10	27	-2	4
		<b>8</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>10</b>	<b>27</b>	<b>-2</b>	<b>4</b>
<b>TOTAL EBIT</b>		<b>1,928</b>	<b>2,257</b>	<b>1,100</b>	<b>828</b>	<b>867</b>	<b>1,194</b>	<b>1,196</b>	<b>1,061</b>
<b>By business area</b>									
Mobile telephony		1,328	1,508	767	561	540	796	771	737
Fixed telephony and Internet	2	622	747	337	285	373	397	411	336
Cable TV		-20	3	-3	-17	-58	-15	12	-9
Other operations		-2	-1	-1	-1	12	16	2	-3
<b>TOTAL EBIT</b>		<b>1,928</b>	<b>2,257</b>	<b>1,100</b>	<b>828</b>	<b>867</b>	<b>1,194</b>	<b>1,196</b>	<b>1,061</b>
<b>EBIT margin</b>									
Nordic		16%	23%	18%	13%	18%	22%	23%	24%
Baltic & Russia		16%	16%	17%	15%	12%	12%	19%	13%
Central Europe	2	0%	-2%	2%	-1%	-25%	5%	-1%	-3%
Southern Europe		8%	8%	7%	9%	17%	8%	9%	7%
UK & Benelux		-3%	-3%	-3%	-2%	-11%	-3%	-3%	-3%
Services		11%	3%	8%	14%	28%	87%	-6%	16%
<b>TOTAL EBIT MARGIN</b>		<b>8%</b>	<b>11%</b>	<b>9%</b>	<b>7%</b>	<b>8%</b>	<b>11%</b>	<b>11%</b>	<b>10%</b>

## INVESTMENTS, CAPEX

	2005	2004	2005	2005	2004	2004	2004	2004
MSEK	Jan 1-Jun 30	Jan 1-Jun 30	Q2	Q1	Q4	Q3	Q2	Q1
<b>Market areas</b>								
Nordic	264	247	153	111	93	90	141	106
Baltic & Russia	716	272	291	425	273	139	94	178
Central Europe	95	103	57	38	21	32	67	36
Southern Europe	360	52	342	18	33	34	36	16
UK & Benelux	32	66	12	20	40	24	16	50
Services	18	25	6	12	13	5	15	10
<b>INVESTMENTS IN INTANGIBLE AND TANGIBLE ASSETS</b>	<b>1,485</b>	<b>765</b>	<b>861</b>	<b>624</b>	<b>473</b>	<b>324</b>	<b>369</b>	<b>396</b>
<b>Business areas</b>								
Mobile telephony	883	471	383	500	397	195	182	289
Fixed telephony and Internet	568	257	466	102	54	121	166	91
Cable TV	4	4	3	1	1	2	2	2
Other operations	30	33	9	21	21	6	19	14
<b>INVESTMENTS IN INTANGIBLE AND TANGIBLE ASSETS</b>	<b>1,485</b>	<b>765</b>	<b>861</b>	<b>624</b>	<b>473</b>	<b>324</b>	<b>369</b>	<b>396</b>

## TELE2 OPERATIONS IN SWEDEN\*

MSEK	Note	2005	2004	2005	2005	2004	2004	2004	2004
		Jan 1-Jun 30	Jan 1-Jun 30	Q2	Q1	Q4	Q3	Q2	Q1
<b>Operating revenue</b>									
Mobile telephony	1	3,283	3,145	1,761	1,522	1,480	1,681	1,622	1,523
Fixed telephony and Internet		2,025	1,966	1,053	972	963	938	970	996
Cable TV		107	104	54	53	51	46	51	53
<b>TOTAL OPERATING REVENUE</b>		<b>5,415</b>	<b>5,215</b>	<b>2,868</b>	<b>2,547</b>	<b>2,494</b>	<b>2,665</b>	<b>2,643</b>	<b>2,572</b>
<b>EBITDA</b>									
Mobile telephony		1,429	1,428	797	632	648	773	716	712
Fixed telephony and Internet		201	408	123	78	195	189	204	204
Cable TV		15	20	8	7	6	6	7	13
<b>TOTAL EBITDA</b>		<b>1,645</b>	<b>1,856</b>	<b>928</b>	<b>717</b>	<b>849</b>	<b>968</b>	<b>927</b>	<b>929</b>
<b>EBITDA margin</b>									
Mobile telephony		44%	45%	45%	42%	44%	46%	44%	47%
Fixed telephony and Internet		10%	21%	12%	8%	20%	20%	21%	20%
Cable TV		14%	19%	15%	13%	12%	13%	14%	25%
<b>TOTAL EBITDA MARGIN</b>		<b>30%</b>	<b>36%</b>	<b>32%</b>	<b>28%</b>	<b>34%</b>	<b>36%</b>	<b>35%</b>	<b>36%</b>
<b>EBIT</b>									
Mobile telephony		1,159	1,264	668	491	506	674	637	627
Fixed telephony and Internet		58	251	55	3	126	113	127	124
Cable TV		-6	-8	-4	-2	-49	-8	-7	-1
<b>TOTAL EBIT</b>		<b>1,211</b>	<b>1,507</b>	<b>719</b>	<b>492</b>	<b>583</b>	<b>779</b>	<b>757</b>	<b>750</b>
<b>EBIT margin</b>									
Mobile telephony		35%	40%	38%	32%	34%	40%	39%	41%
Fixed telephony and Internet		3%	13%	5%	0%	13%	12%	13%	12%
Cable TV		-6%	-8%	-7%	-4%	-96%	-17%	-14%	-2%
<b>TOTAL EBIT MARGIN</b>		<b>22%</b>	<b>29%</b>	<b>25%</b>	<b>19%</b>	<b>23%</b>	<b>29%</b>	<b>29%</b>	<b>29%</b>

\* Tele2 Sverige AB, Optimal Telecom AB, Cable TV operations in Sweden and result from shares in the joint venture Svenska UMTS-nät AB.



## KEY RATIOS

MSEK	2005	2004	2004
	Jan 1-Jun 30	Jan 1-Jun 30	
Operating revenue	23,622	21,090	43,033
Number of customers, thousands	29,417	24,910	27,794
EBITDA	3,103	3,196	6,629
EBIT	1,928	2,257	4,318
EBT	1,726	2,135	4,207
Profit after taxes	1,159	1,437	3,428
Shareholders' equity	33,664	31,595	32,900
Shareholders' equity, after dilution	33,694	31,661	32,957
Total assets	52,865	48,593	49,879
Cash flow from operating activities	2,610	3,134	5,876
Cash flow after CAPEX	1 125	2,369	4,314
Liquidity	3,885	4,178	5,113
Net borrowing	4,116	2,568	2,814
Investments in intangible and tangible assets, CAPEX	1,485	765	1,562
Investments in shares and long-term receivables	112	-9	1,756
<b>Key ratio</b>			
Equity/assets ratio, %	64	65	66
Debt/equity ratio, multiple	0.12	0.08	0.09
EBITDA margin, %	13.1	15.2	15.4
EBIT margin, %	8.2	10.7	10.0
Return on shareholders' equity, %	3.5	4.6	10.8
Return on shareholders' equity, after dilution, %	3.5	4.6	10.8
Return on capital employed, %	5.0	6.2	12.1
Average interest rate, %	3.4	3.8	3.5
<b>Per share data (SEK)</b>			
Earnings	2.62	3.21	7.74
Earnings, after dilution	2.62	3.20	7.73
Shareholders' equity	76.04	71.30	74.32
Shareholders' equity, after dilution	76.03	71.29	74.29
Cash flow from operating activities	5.90	7.08	13.27
Dividend and redemption	-	-	5.00
Market value at closing day	73.50	110.00	87.00

\* Ordinary cash dividend amounted to SEK 5 per share and payment for redemption share amounted to SEK 10, totally SEK 15 before share split and redemption procedure. This is equivalent to an amount of SEK 5 after the split and redemption.

## NOTES

### ACCOUNTING PRINCIPLES AND DEFINITIONS

The interim report has been prepared in accordance with IAS 34.

As of January 1, 2005 Tele2's financial reports are conducted according to International Financial Reporting Standards (IFRS). Comparable numbers for 2004 are restated according to IFRS. For a description of the changeover to IFRS and the effects on Tele2's results and balance sheet, refer to Note 8.

Tele2 Sweden, in conjunction with IFRS, has changed its accounting methods for retailers' commissions on mobile prepaid cards. As of January 1, 2005 they are, on a gross level, included in marketing costs instead of, on a net level, balancing revenue. This means that the absolute EBITDA number in Swedish mobile is unaffected, whereas net revenue increases somewhat, implying a negative effect on Swedish mobile EBITDA margins of a few percentage points.

As of January 1, 2005 Tele2 reports according to a new market area structure. This new structure means that a number of companies, that previously were included in Southern Europe and Services, are now included in UK & Benelux. This change applies retroactively for historic periods.

In all other respects, Tele2's interim report is conducted according to the same accounting principles and calculation methods as the 2004 Annual Report. Definitions are found in the 2004 Annual Report.

### NOTE 1 OPERATING REVENUE

Operating revenue from Q4 2004 onwards for Tele2 Sweden includes MSEK 24 per quarter relating to Mobile telephony according to the MVNO agreement with Telenor. The capacity swap in the agreement is to be viewed on group level as an exchange transaction between Tele2 and Telenor, where revenues from the swap are settled against costs.

Operating revenue in Q4 2004 increased by some MSEK 300 related to retroactive compensations from suppliers in Southern Europe. Tele2 on an annual basis conducts price negotiations in all markets and retroactive compensations are a natural part of Tele2's business. Compensations in Q4 2004 were nevertheless greater than normally occurs and moreover concentrated in one single market area.

### NOTE 2 OPERATING EXPENSES

Some of the tax effect of valued loss carry-forwards in Q4 2004 related to acquired loss carry-forwards which at the time of acquisition were valued at zero. This value, adjusted to reflect the remaining amortization period of the acquisition's goodwill, reduced the book value of goodwill through consolidated amortization of MSEK -378 in the income statement for Fixed telephony and Internet in Central Europe.

### NOTE 3 DISPOSALS AND ACQUISITIONS OF OPERATIONS

On January 31, 2005 Tele2 acquired Tiscali in Denmark, with operations in ADSL and dial-up Internet, for a consideration of MSEK 131. The total number of Tiscali's Fixed telephony and Internet customers was 76,000 at the time of acquisition.

In May, 2004 the number of customers in Baltic & Russia declined by 46,000 as a result of the divestment of Tele2's Estonian cable TV operation. On December 31, 2004 the number of Fixed telephony and Internet customers in Central Europe increased by 484,000 following Tele2's acquisition of UTA in Austria.

### NOTE 4 OTHER FINANCIAL ITEMS

Other financial items for the period January-June 2005 includes exchange rate differences of MSEK -148 (6).

In 2004, other financial items included a capital gain of MSEK 171 from the sale of shares in Song Networks, and net interest expenses included a one-time cost of MSEK 41 regarding the remaining parts of the financing costs of the old credit facility.

### NOTE 5 TAXES

At June 30, 2005 and December 31, 2004 total deferred net tax assets for the group were MSEK 2,668 and MSEK 2,743 respectively.

### NOTE 6 SHARES AND CONVERTIBLES

At June 30, 2005 and December 31, 2004 Tele2 had outstanding warrants, corresponding to 1,809,000 and 1,849,500 B shares respectively, with a subscription period from 2005 to 2007. The subscription price was SEK 191 per share before the share split and redemption procedure.

At the Annual General Meeting on May 11, 2005 it was resolved to carry out a share split and a share redemption procedure, whereby every share was split into 3 ordinary shares and 1 redemption share. The redemption share was automatically redeemed at SEK 10 per share. This corresponds to a total of MSEK 1,476. Combined with the dividend of SEK 5 per share, shareholders received MSEK 2,213.

### NOTE 7 3G COMPANY IN SWEDEN

Tele2 and TeliaSonera each own 50% of Svenska UMTS-nät AB ("3G company"), which has a 3G license in Sweden. Both companies have injected capital in the 3G company. In addition to this, the build out has external financing, with a loan facility of SEK 5.3 billion, which is 50% guaranteed by each party. Tele2 and TeliaSonera are technically MVNO's with the 3G company and hence act as capacity purchasers. In the longer run the cost will be variable in relation to purchased volume but until a certain volume threshold is reached the fees are equal for both parties. The size of the fee is mainly proportional to the total investment. The 3G company is to generate a certain return which in simple terms means that depreciation and interest costs will be covered by a certain margin. In Tele2's quarterly reports, an abbreviated version of the 3G company's balance sheet will be disclosed and hence the level of investment at that time.

Tele2's investments in the 3G company are included as a share of results from associated companies in the operating profit (EBIT), but not in the EBITDA. This reflects Tele2's operations, where profit/loss from the 3G company is viewed to be of an operating rather than of a financial nature. The share of results from the 3G company, which will mainly be impacted by depreciation, does not affect the EBITDA for Tele2 Group.

At June 30, 2005 Tele2's guarantee amounted to MSEK 1,257 compared to MSEK 1,007 at December 31, 2004. The balance sheet for the 3G company at June 30, 2005 is stated below:

	MSEK		MSEK
Fixed assets	3,306	Equity	890
Other current assets	451	Provisions	2
Liquid funds	39	Long-term liabilities	2,513
		Short-term liabilities	391
<b>ASSETS</b>	<b>3,796</b>	<b>EQUITY AND LIABILITIES</b>	<b>3,796</b>

## NOTES

### NOTE 8 CHANGEOVER TO IFRS

From January 1, 2005 Tele2 reports its accounting in accordance with the International Financial Reporting Standards (IFRS). Switching to IFRS is done in accordance with IFRS 1 "First-time adoption of International Financial Reporting Standards". Comparable figures for 2004 have been restated in accordance with IFRS.

Below is the balance sheet and the income statement for the comparable period of this report presented in accordance with the former accounting principles and in accordance with IFRS. Below is also an explanation of the changed accounting principles with regards to the transition to IFRS. For more detailed information on Tele2's transition to accounting in accordance with IFRS and the opening balance and restated figures for the full year 2004, refer to Tele2's Q1 2005 report.

INCOME STATEMENT JANUARY 1–JUNE 30 2004							INCOME STATEMENT Q2 2004						
	Acc. to original principles	a) Goodwill	b) Financial leasing	c) Minority interest	Total IFRS adj.	Acc. to IFRS	Acc. to original principles	a) Goodwill	b) Financial leasing	c) Minority interest	Total IFRS adj.	Acc. to IFRS	
Operating revenue	21,090	–	–	–	–	21,090	10,711	–	–	–	–	10,711	
Operating expenses	-19,640	767	3	–	770	-18,870	-9,925	387	2	–	389	-9,536	
Share of profit of associated companies	37	–	–	–	–	37	21	–	–	–	–	21	
<b>EBIT</b>	<b>1,487</b>	<b>767</b>	<b>3</b>	<b>–</b>	<b>770</b>	<b>2,257</b>	<b>807</b>	<b>387</b>	<b>2</b>	<b>–</b>	<b>389</b>	<b>1,196</b>	
<i>of which EBITDA</i>	<i>3,190</i>	<i>–</i>	<i>6</i>	<i>–</i>	<i>6</i>	<i>3,196</i>	<i>1,668</i>	<i>–</i>	<i>3</i>	<i>–</i>	<i>3</i>	<i>1,671</i>	
Financial items	-120	–	-2	–	-2	-122	-59	–	-1	–	-1	-60	
<b>EBT</b>	<b>1,367</b>	<b>767</b>	<b>1</b>	<b>–</b>	<b>768</b>	<b>2,135</b>	<b>748</b>	<b>387</b>	<b>1</b>	<b>–</b>	<b>388</b>	<b>1,136</b>	
Taxes	-698	–	–	–	–	-698	-377	–	–	–	–	-377	
Minority interest	-16	–	–	16	16	–	-4	–	–	4	4	–	
<b>PROFIT AFTER TAXES</b>	<b>653</b>	<b>767</b>	<b>1</b>	<b>16</b>	<b>784</b>	<b>1,437</b>	<b>367</b>	<b>387</b>	<b>1</b>	<b>4</b>	<b>392</b>	<b>759</b>	
ATTRIBUTABLE TO:													
Equity holders of the Parent Company	653	767	1	–	768	1,421	367	387	1	–	388	755	
Minority interests	16	–	–	–	–	16	4	–	–	–	–	4	
<b>Profit after taxes</b>	<b>669</b>	<b>767</b>	<b>1</b>	<b>–</b>	<b>768</b>	<b>1,437</b>	<b>371</b>	<b>387</b>	<b>1</b>	<b>–</b>	<b>388</b>	<b>759</b>	
Earnings per share	1.48	1.73	–	–	1.73	3.21	0.83	0.88	–	–	0.88	1.71	
Earnings per share, after dilution	1.47	1.73	–	–	1.73	3.20	0.83	0.87	–	–	0.87	1.70	
BALANCE SHEET JUNE 30 2004													
Intangible assets	23,011	749	–	–	749	23,760							
Tangible assets	8,843	–	96	–	96	8,939							
Long-term financial assets	2,617	–	-4	–	-4	2,613							
Current assets	13,108	–	–	–	–	13,108							
<b>ASSETS</b>	<b>47,579</b>	<b>749</b>	<b>92</b>	<b>–</b>	<b>841</b>	<b>48,420</b>							
Shareholders' equity	30,804	749	12	30	791	31,595							
Minority interest	30	–	–	-30	-30	–							
Provisions	26	–	–	–	–	26							
Long-term liabilities	3,242	–	72	–	72	3,314							
Short-term liabilities	13,477	–	8	–	8	13,485							
<b>EQUITY AND LIABILITIES</b>	<b>47,579</b>	<b>749</b>	<b>92</b>	<b>–</b>	<b>841</b>	<b>48,420</b>							
CHANGES OF SHAREHOLDERS' EQUITY JUNE 30 2004													
Equity, January 1	30,360	–	11	7	18	30,378							
Translation differences	234	-18	–	7	-11	223							
Dividend	-443	–	–	–	–	-443							
Profit, year-to-date	653	767	1	16	784	1,437							
<b>EQUITY, END OF PERIOD</b>	<b>30,804</b>	<b>749</b>	<b>12</b>	<b>30</b>	<b>791</b>	<b>31,595</b>							

#### a) Goodwill

Intangible assets are, according to IFRS, to be divided into assets with a defined economic life and assets with an undefined economic life. According to IFRS 3, goodwill is classified as an asset with an undefined economic life, and therefore it should not be amortized but subject to annual impairment tests. Since IFRS 3 applies from the date of transition onwards, goodwill amortization for the financial year 2004 is according to IFRS, reapplied. In accordance with the transition rules, Tele2 has conducted impairment tests per January 1 and December 31, 2004. The tests imply no need for amortization.

IFRS clarifies the criteria for identifying and accounting for certain types of assets in conjunction with acquisitions. IFRS 3 explains various identifiable acquired intangible assets such as customer relations, patents, licenses, brands, agreements etc and determines that they are to be assessed at market value at the time of acquisition and accounted separately from goodwill. Tele2 has analysed its acquisitions conducted in 2004 and concluded that the established valuations fulfil the requirements of IFRS.

#### b) Finance lease

Tele2 has certain rental agreements that previously were accounted for as operational leasing, as they were entered into prior to January 1, 1997, and that, according to a transitional rule, are not included in the Swedish Financial Accounting Standards Council's recommendation RR6:99, but that according to IAS 17 are to be accounted for as finance lease agreements.

#### c) Minority interest

According to IAS 1, minority interests are included as a separate component in shareholders' equity in the balance sheet, which differs from present rules that prescribe minority interests to be included as an item between liabilities and equity. The minority interest is to be included as a part of net profit in the income statement. The profit attributable to the owners of the parent company and to the minority owners in subsidiaries, are then separately specified below the net profit line.

#### Group depreciation/amortization

Group depreciation/amortization is previously reported as a separate line in the segment reporting. According to IFRS group depreciation/amortization is now divided between respective market areas.

# Tele2 has an important mission: Cheap and Simple telecoms for all Europeans.

**STRATEGIES.** Here at Tele2, we work relentlessly to achieve our goals. Rather than producing long, five-year plans that are set in stone, we prefer to build a strong culture for growth and profitability. As the market and the wider world change quickly, we also have to. These are the jigsaw pieces that make up the Tele2 concept:

## OFFERING

**Cheap and simple telecoms**

- Customers want simpler services and smaller bills.
- Many Europeans have no money to spare at the end of the month.
- We are more preoccupied with customers' needs than with cutting-edge technology.
- Tele2 strives to offer the market's best prices.

## MARKET

**Tele2 will grow more in Europe**

- Tele2 is Europe's leading alternative telecom operator.
- Hundreds of millions of Europeans have yet to become our customers.
- Telecom deregulation is going our way, but it is taking far too long.

## BUSINESS MODEL

**Traveling Light**

- The most important thing is to earn money from the customer relationship, not the network.
- Tele2 usually acts as a virtual operator, avoiding large investments in its own networks. However, insufficient deregulation and the absence of any political impetus is obstructing the best solutions.
- Tele2 chooses the solution that gives the customer the best price.

## GROWTH

**Proven model for profitability**

- Tele2 shall achieve profitability in a new market within three years.
- We start by building the brand and customer base in one product area.
- When we have built a satisfactory customer base, we move on to cross-selling of other services.

## THE TELE2 WAY

**Hate fat cats!**

- Flexibility and cost-consciousness run through our veins.
- The biggest danger would be for Tele2 to start acting like a traditional telecom company.
- Our unique culture makes us sharper than our competitors.

**TELE2**

[www.tele2.com](http://www.tele2.com)