

# Tele2

## Adding backbone to its strategy – NEUTRAL

- ▶ Following recent infrastructure acquisitions, increased likelihood of divestments, signs of stabilising competition, and lower market expectations, the short-term disappointment risk in Tele2 is declining.
- ▶ Migration towards infrastructure makes strategic sense for Tele2, although much remains. Divestments and increased transparency would clarify the strategy further and help lifting investor confidence.
- ▶ The valuation remains unexciting on 2005–06 estimates as current initiatives postpone EBITDA growth and raise capex. If investors dare to look at 2007 or contemplate break-up scenarios, there is further upside. For now, we see limited downside in the stock and have upgraded our rating to NEUTRAL (Underperform).

**NEUTRAL**  
**MEDIUM RISK**

**SEK78.0**

High/Low (12M)

SEK100.7/68.5

**Sector view: Negative**

### Research

Johan Klevby  
+46 8 676 86 78  
johan.klevby@carnegie.se

Erik Pers Berglund  
+46 8 676 86 42  
erik.pers@carnegie.se

Erik Gustafsson  
+46 8 676 87 27  
erik.gustafsson@carnegie.se

### IFRS

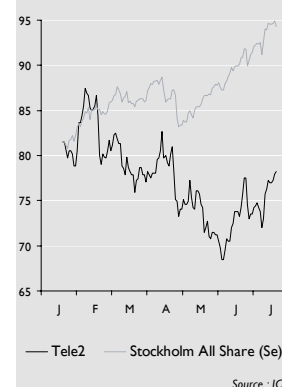
Key figures (SEK)	2004	2005e	2006e	2007e
Sales (m)	43,117	48,481	56,297	58,880
EBITA (m)	4,679	3,254	3,992	4,875
Pre-tax profit (m)	4,210	2,958	3,510	4,491
EPS	7.7	4.46	5.4	6.9
EPS adj.	6.2	4.65	5.4	6.9
Sales growth Y/Y	17%	12%	16%	5%
EPS adj. growth Y/Y	6%	-25%	16%	28%
EBITA margin	10.9%	6.7%	7.1%	8.3%
P/E	10.1	17.5	14.4	11.3
P/E adj.	12.6	16.8	14.4	11.3
EV/EBITA	8.0	14.2	11.2	8.6
P/BV	1.10	1.11	1.07	1.00
Dividend yield	2.1%	2.6%	3.2%	3.8%
FCF yield	7.9%	-38.2%	7.2%	9.4%

Source : Carnegie Research

### Other key figures

No. shares (m)	444.5
Market cap. (SEKm)	34,673
EV (2005e)	46,064
Avg. daily vol. ('000)	4074
Free float	63.9%
ROE adj. (2005e)	6.6%
NIBD / Equity (2005e)	36.5%

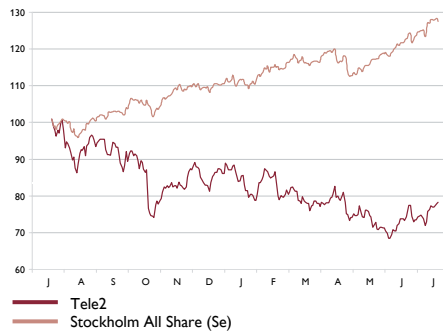
### Share price



**Please see disclosures at the back of this report**

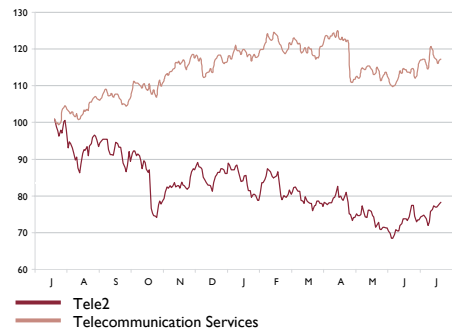
Performance & valuation

Price relative to market – 1Y



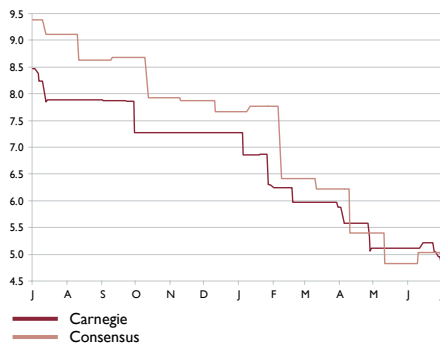
Source: JCF

Price relative to sector – 1Y



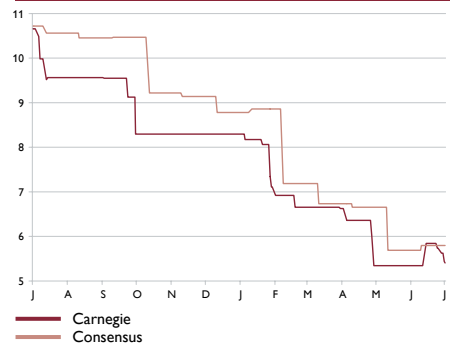
Source: JCF

Adj. EPS expectations – 2005e



Source: Carnegie Research – JCF

Adj. EPS expectations – 2006e



Source: Carnegie Research – JCF

Performance snapshot	1M	3M	12M	YTD
Tele2 %	5.1	-2.7	-22.8	-9.4
Peer group %	2.1	-6.3	15.1	-0.7
Carnegie Telecom Svc %	2.1	-5.4	14.9	-0.5
Stockholm All Share (Se) %	4.6	10.1	27.3	16.3
MSCI Nordic %	3.7	7.3	33.4	8.6
MSCI Europe %	1.8	2.3	19.2	3.2
S&P 500 %	5.7	21.3	17.9	21.3
MSCI World %	3.5	15.6	20.2	19.2

Source: JCF

Valuation snapshot	2004	2005e	2006e	2007e
P/E	10.1	17.5	14.4	11.3
P/E adj.	12.6	16.8	14.4	11.3
EV/EBITDA	5.7	8.0	6.0	5.0
EV/EBITA	8.0	14.2	11.2	8.6
P/BV	1.10	1.11	1.07	1.00
P/BV ex. GW	3.31	3.58	3.04	2.50
Dividend yield	2.1%	2.6%	3.2%	3.8%
FCF yield	7.9%	-38.2%	7.2%	9.4%

Source: Carnegie Research

Peer group comparison	Rat.	Curr.	Price	P/E Adj.		P/E bef. GW		EV/EBITA		EBITA	Dividend
				Carnegie	Consensus	Carnegie	Consensus	Carnegie	Margin	Yield	
				05e	06e	05e	06e	05e	06e	06e	05e
Elisa	OP	EUR	14.4	17.7	12.5	15.5	15.0	9.2	10.2	15.6%	3.1%
TDC	U	DKK	263.0	13.6	12.8	13.6	12.5	n.a.	n.a.	n.a.	4.9%
Tele2	N	SEK	78.0	16.8	14.4	15.6	13.1	14.2	11.2	7.1%	2.6%
Telenor	N	NOK	50.5	13.4	11.0	13.1	11.6	9.4	8.1	17.9%	4.0%
TeliaSonera	N	SEK	37.0	12.9	11.4	12.9	11.3	8.4	8.0	21.7%	3.8%
<b>Weighted avg.</b>				<b>13.6</b>	<b>11.8</b>			<b>9.3</b>	<b>8.5</b>	<b>16.6%</b>	<b>3.9%</b>

Source: Carnegie Research

## Raised to NEUTRAL

### Infrastructure investments make sense

In the past nine months Tele2 has made infrastructure acquisitions for more than SEK10bn (current Tele2 market cap SEK35bn) – UTA in Austria (SEK1.9bn), Tiscali in Denmark (SEK200m), Comunitel in Spain (SEK2.4bn), and Versatel in the Netherlands/Belgium (SEK5.8bn). Tele2 has also spent SEK300m on an infrastructure agreement with Neuf Telecom in France and started to build ADSL coverage in Sweden and Norway. On the mobile side, Tele2 has recently launched mobile services through an ESP agreement with Orange (enhanced service provider, i.e. switch not owned), and intensified discussions to reach a MVNO agreement in Spain.

Investments in infrastructure make strategic sense

In our view, the investments in infrastructure make strategic sense for Tele2 as synergies with Tele2's large resale customer bases are substantial and the dependency on incumbents and regulators is reduced. With 17m–18m fixed voice customers, the cross selling potential has a great value. Naturally, it will be a challenge integrating these acquisitions and managing the new corporate customers in certain markets. Also, the remaining need for infrastructure should not be underestimated, and perhaps Tele2 should have started to develop infrastructure earlier, but given the position the company is now in, it is moving in the right direction.

Slowly filling missing pieces of product coverage

A look at Tele2's current geographical and product exposure (see table below) shows that it is slowly filling the gaps of missing products in key markets, which is crucial, given current bundling trends. Those still missing include: mobile and ADSL in Germany, and mobile in Italy and Spain. After the recent acquisitions, 43% of fixed line customers are now in countries where Tele2 has access to infrastructure (including France).

Tele2: Country and product exposure

Country	Fixed telephony		Mobile			Fixed Subs	Mobile Subs	Fixed infrastructure				
	ADSL	Network	MVNO	SP	Inv. made, SEKm			Acquisitions	DSL pop. cov.	DSL wholes.		
Turkey	H2(05)											
Croatia		Dec-04										
Ireland	Sep-04					30	0					
Hungary	Apr-04					290	0					
Lithuania	Feb-04		1999			3	1,100					
UK	Oct-03					275	0					
Portugal	Sep-03					300	0					
Belgium	Jan-03	Oct-05				300	0	spe Netherlands	Versatel Jul-05	100%		
Poland	Jan-03					1,350	0					
Czech Republic	Jul-02					450	0					
Spain	Feb-01	Nov-04				862	0	2,416	Comunitel Jul-05	30%	Red Electrica	
Liechtenstein	Jun-00		Mar-00			2	10					
Austria	Nov-99	Sep-03		Feb-03		800	112	1,917	UTA Oct-04	60%		
Luxembourg	Oct-99		1998			40	219					
Italy	Apr-99	Sep-03				2,350	0					Telecom Italia
France	Mar-99	May-03		Jun-05		4,475	0	315	Contract Neuf Apr-05	40%	Neuf, FT	
Switzerland	Oct-98	Oct-02	Apr-05		May-00	650	40					Swisscom
Germany	Mar-98					3,251	0					
Netherlands	Oct-97	Mar-05		Aug-01		1,497	510	5,844	Versatel Jul-05	65%	KPN	
Russia			Apr-03			0	1,627					
Finland	Mar-05			Feb-04		0	0					
Latvia	May-04		1999			13	700					
Estonia	1998		1998			54	500					
Norway	1998	Aug-02		Oct-03	2000	420	201					Telenor
Denmark	1996	Aug-02		Oct-01	Aug-00	550	175	189	Tiscali Feb-05	65%		
Sweden	1993	Jun-02	1981			1,832	3,494					Telia, Telenor
<b>Total</b>						<b>19,794</b>	<b>8,688</b>					

Note: Subscriber split by country is not provided by Tele2. Estimated by Carnegie.

Source: Carnegie Research and Tele2

22 July 2005

## Divestments next step

In this process we believe Tele2 will focus less on launches in new countries (besides those already announced) and instead consider divestments in areas where regulatory support is less favourable and infrastructure is not available at attractive terms. Such areas could be the UK, Ireland, the Baltics and Russia. Divestments would improve transparency and proceeds could be used for further network investments. A divestment of a loss-making unit, such as the UK, would also cause a sudden profit increment.

Balance sheet has further flexibility

Tele2 currently has a net debt/EBITDA(06e) of 1.5x, meaning that around SEK4bn–5bn is available for cash acquisitions, assuming a net debt/EBITDA(06e) target of 2x, which does not necessarily have to be a limit. In the short term, we do not expect any additional significant acquisitions to be announced.

## Q2 results due 26 July

Less disappointment risk after seven consecutive weak quarters

We are not expecting fantastic Q2 results (see page 6 for details): the launch of ADSL in the Netherlands, ADSL marketing in France and Italy, WLR expenses in Sweden, and increased SUNAB expenses will burden EBITDA. The launches in Croatia and Turkey as well as mobile services in France will not significantly affect Q2 earnings.

Competition clearly remains fierce, but we do not believe it is deteriorating and, in some markets, it could have improved slightly. We expect stable performance from Comviq in Q2 with continued net additions and stable margins. Focus will be on management's comments about the recent acquisitions and strategy. Following seven consecutive quarters of disappointing figures, we now see less disappointment risk ahead of Q2.

## Valuation & conclusion

Tele2 remains in a tough position

Although we recognise that the operational environment continues to be tough and that Tele2 is still largely exposed to reseller fixed voice, we believe that the recent development will increase investors' willingness to look beyond the current quarter(s) and evaluate the company's current growth initiatives. We expect European M&A activity will continue in the sector, meaning that it should be easier to assess values for Tele2's subscribers.

The key short-term risks to the share price are: 1) Comunitel and Versatel acquisitions are not completed yet; 2) incumbents could step up competition further and F-2-M migration accelerate; 3) downgrade risk on short-term estimates (although now more dependent on pure subscriber growth initiatives); 4) a disappointing announcement on tax court case in Sweden; and 5) paying too much for Com Hem in Sweden.

Growth initiatives continue to postpone cash flow growth 2005–06e

Estimates for 2005 are substantially affected by a number of growth initiatives: WLR expenses in Sweden, ADSL efforts in France, the Netherlands, Italy, and Spain, launches in Croatia and Turkey etc. Growth initiatives will also continue to postpone EBITDA growth and raise capex in 2006 as Tele2 will focus on migrating customers to own infrastructure and build market share in mobile and broadband. On the other hand, Tele2 will become less dependent on incumbents and regulators, and in those markets where Tele2 succeed in building a strong market position within fixed telephony, broadband and mobile its assets will certainly be valuable to many competitors. For 2007, we expect the pace of product launches and marketing efforts to slow down somewhat, which, together with the fact that synergies from recent acquisitions are not fully achieved until 2007, means that our model assumes a substantial earnings improvement that year.

Upgraded to NEUTRAL (Underperform)

The stock is trading at a 10–20% premium to incumbents but the equivalent discount versus European broadband peers. The short-term valuation is unexciting, the key reason for not raising our rating another notch. In conclusion, there is limited downside in the shares, and we have upgraded our rating to NEUTRAL (Underperform). We expect the stock to trade between SEK75 and SEK80 in the coming months.

22 July 2005

Nordic Telecom Services		Price	Mcap (EURm)	Ung geared FCF yield (1)			Geared FCF yield (2)			Adj. P/E		
Company	Rating			2005e	2006e	2007e	2005e	2006e	2007e	2005e	2006e	2007e
Millicom	Outperform	143.0	2,208	4.9%	5.2%	6.6%	1.4%	2.2%	4.2%	30.8	15.1	10.6
Telenor	Neutral	50.5	10,329	3.1%	7.3%	10.7%	3.1%	8.3%	11.7%	13.6	11.2	9.9
TeliaSonera	Neutral	37.0	18,447	9.3%	10.1%	10.4%	9.5%	10.6%	11.1%	12.9	11.4	10.8
Tele2	Neutral	78.0	3,773	4.0%	5.9%	8.4%	4.9%	6.8%	9.7%	16.8	14.4	11.3
Elisa	Outperform	14.37	2,051	7.0%	7.6%	9.7%	7.5%	8.4%	10.6%	17.7	12.5	10.1
TDC	Underperform	263.0	6,895	9.3%	9.8%	10.6%	11.3%	11.6%	12.0%	13.6	12.8	12.1
<b>Incumbents' average</b>				<b>7.2%</b>	<b>8.7%</b>	<b>10.3%</b>	<b>7.9%</b>	<b>9.7%</b>	<b>11.4%</b>	<b>14.4</b>	<b>12.0</b>	<b>10.7</b>
<b>Total sector average</b>				<b>6.3%</b>	<b>7.7%</b>	<b>9.4%</b>	<b>6.3%</b>	<b>8.0%</b>	<b>9.9%</b>	<b>17.6</b>	<b>12.9</b>	<b>10.8</b>

(1) Ung geared FCF (to firm) = EBITDA less capex less normalised taxes (on EBITDA less depreciation PPE)

(2) Geared FCF (to equity) = EBITDA less capex less net interest less normalised taxes (on EBITDA less depreciation PPE less net interest)

(3) Adj. EV = Mcap + Net debt + minorities - associates - NPV of tax shield

(4) Adj. Mcap = Mcap + minorities - associates - NPV of tax shield

(5) Ung geared FCF yield = Ung geared FCF / Adj. EV

(6) Geared FCF yield = Geared FCF / Adj. Mcap

Source: Carnegie Research

Nordic Telecom Services		Price	Mcap (EURm)	EV / Sales (1)			EV / EBITDA (1)(2)			Adj. P/E (3)		
Company	Rating			2005e	2006e	2007e	2005e	2006e	2007e	2005e	2006e	2007e
Tele2	Neutral	78.0	3,773	0.9	0.8	0.7	7.8	5.8	4.9	16.8	14.4	11.3
Telenor	Neutral	50.5	10,329	1.6	1.5	1.3	4.9	4.4	3.9	13.6	11.2	9.9
TDC	Underperform	263.0	6,895	1.3	1.2	1.1	4.8	4.3	4.0	13.6	12.8	12.1
TeliaSonera	Neutral	37.0	18,447	1.7	1.7	1.6	5.1	4.7	4.6	12.9	11.4	10.8
Elisa	Outperform	14.4	2,051	1.8	1.7	1.6	6.2	5.8	5.0	17.7	12.5	10.1
Millicom	Outperform	143.0	2,208	2.2	1.9	1.6	5.2	4.5	3.8	30.8	15.1	10.6
<b>Nordic average</b>				<b>1.6</b>	<b>1.5</b>	<b>1.3</b>	<b>5.7</b>	<b>4.9</b>	<b>4.4</b>	<b>17.6</b>	<b>12.9</b>	<b>10.8</b>

(1) Adj. EV = Mcap + Net debt + minorities - associates - NPV of tax shield

(2) EBITDA is adjusted for non recurring items

(3) Adjusted for gw amortisation and non-recurring items

Source: Carnegie Research

### European Broadband: Valuation Comparison

Company	Country	Price	Mcap EURm	EV/Sales			EV/EBITDA			Sales CAGR (04-07e)
				2005e	2006e	2007e	2005e	2006e	2007e	
Fastweb	Italy	35.3	2,802	2.9x	2.1x	1.7x	9.1x	6.1x	4.5x	31.6%
Iliad	France	35.2	1,879	2.7x	2.3x	2.0x	9.6x	7.2x	6.2x	23.7%
NextGenTel	Norway	45.0	153	2.1x	1.7x	1.6x	7.7x	5.8x	5.0x	20.7%
QSC	Germany	3.60	393	1.9x	1.6x	1.4x	34.6x	11.1x	8.1x	19.6%
Catch Communications	Norway	21.3	90	1.1x	1.0x	0.9x	7.2x	5.5x	4.6x	8.7%
<b>Average</b>				<b>2.1x</b>	<b>1.7x</b>	<b>1.5x</b>	<b>12.7x</b>	<b>7.0x</b>	<b>5.6x</b>	<b>20.8%</b>

Source: Carnegie Research

### European Broadband: Valuation Comparison

Company	Country	Price	Mcap EURm	EV/OpFCF			FCFE Yield			Sales CAGR (04-07e)
				2005e	2006e	2007e	2005e	2006e	2007e	
Fastweb	Italy	35.3	2,802	-7.3x	-21.4x	13.1x	-14.9%	-5.7%	6.6%	31.6%
Iliad	France	35.2	1,879	544.6x	19.7x	10.8x	0.2%	2.7%	6.5%	23.7%
NextGenTel	Norway	45.0	153	40.8x	15.7x	10.4x	2.0%	6.4%	10.1%	20.7%
QSC	Germany	3.60	393	-361.7x	18.7x	12.3x	-0.1%	4.0%	5.3%	19.6%
Catch Communications	Norway	21.3	90	151.7x	21.5x	13.0x	-0.3%	2.4%	4.4%	8.7%
<b>Average</b>				<b>n.m.</b>	<b>18.5x</b>	<b>11.8x</b>	<b>-1.9%</b>	<b>2.7%</b>	<b>7.2%</b>	<b>20.8%</b>

Source: Carnegie Research

## Interim figures

P&L SEKm	2004				2005		Q2a	Deviation				2004	2005e	2006e	2007e
	Q1	Q2	Q3	Q4	Q1	Q2e		SEKm	%	Q3e	Q4e				
Sales	10,379	10,711	10,713	11,230	11,579	11,880		58	0%	11,831	13,191	43,117	48,481	56,297	58,880
<b>Clean EBITDA</b>	<b>1,522</b>	<b>1,687</b>	<b>1,661</b>	<b>1,472</b>	<b>1,414</b>	<b>1,425</b>		<b>-59</b>	<b>-4%</b>	<b>1,384</b>	<b>1,513</b>	<b>6,345</b>	<b>5,736</b>	<b>7,415</b>	<b>8,467</b>
EO items (1)	0	-16	0	300	0	0		0	n m	0	0	284	0	0	0
<b>EBITDA</b>	<b>1,525</b>	<b>1,671</b>	<b>1,661</b>	<b>1,772</b>	<b>1,414</b>	<b>1,425</b>		<b>-59</b>	<b>-4%</b>	<b>1,384</b>	<b>1,513</b>	<b>6,618</b>	<b>5,736</b>	<b>7,415</b>	<b>8,467</b>
Depreciation	-480	-496	-468	-506	-550	-570		-3	0%	-568	-794	-1,950	-2,482	-3,423	-3,592
Amortisation	0	0	0	0	0	0		0	n m	0	0	0	0	0	0
Writedowns	0	0	0	-378	0	0		0	n m	0	0	-378	0	0	0
<b>EBIT</b>	<b>1,061</b>	<b>1,196</b>	<b>1,194</b>	<b>867</b>	<b>828</b>	<b>872</b>		<b>-59</b>	<b>-7%</b>	<b>834</b>	<b>739</b>	<b>4,318</b>	<b>3,274</b>	<b>4,042</b>	<b>4,925</b>
Net Financials	-61	-59	-49	61	-69	-31		-1	-3%	-40	-135	-108	-275	-532	-434
Associates	16	21	1	-21	-36	18		-3	-17%	18	20	17	20	50	50
EO items	0	0	0	0	0	0		0	n m	0	0	0	0	0	0
<b>Pretax profit</b>	<b>1,000</b>	<b>1,137</b>	<b>1,145</b>	<b>928</b>	<b>759</b>	<b>841</b>		<b>-60</b>	<b>-7%</b>	<b>794</b>	<b>604</b>	<b>4,210</b>	<b>2,999</b>	<b>3,510</b>	<b>4,491</b>
Taxes	-321	-377	-343	262	-276	-264		20	8%	-248	-187	-779	-975	-1,107	-1,421
Net profit	667	367	821	1,187	483	578		-40	-7%	546	417	3,431	2,024	2,403	3,070
<b>Adj. Net profit</b>	<b>660</b>	<b>767</b>	<b>821</b>	<b>502</b>	<b>512</b>	<b>578</b>		<b>-40</b>	<b>-7%</b>	<b>546</b>	<b>430</b>	<b>2,750</b>	<b>2,065</b>	<b>2,403</b>	<b>3,070</b>
EPS	1.50	0.83	1.85	2.67	1.09	1.30		-0.09	-0.07	1.23	0.94	7.72	4.55	5.40	6.91
Adj. EPS	1.48	1.73	1.85	1.13	1.15	1.30		-0.09	-0.07	1.23	0.97	6.19	4.65	5.40	6.91
<b>Capex</b>	<b>398</b>	<b>369</b>	<b>324</b>	<b>473</b>	<b>624</b>	<b>838</b>		<b>8</b>	<b>1%</b>	<b>531</b>	<b>887</b>	<b>1,575</b>	<b>2,880</b>	<b>3,496</b>	<b>3,348</b>
Capex to sales %	3.8%	3.4%	3.0%	4.2%	5.4%	7.0%		-	0.0%-p	4.5%	6.7%	3.7%	5.9%	6.2%	5.7%

(1) EO items in Q4(04): SEK300m compensation from suppliers in Southern Europe.

Subscribers & ARPU '000	2004				2005		Q2a	Deviation				2004	2005e	2006e	2007e
	Q1	Q2	Q3	Q4	Q1	Q2e		SEKm	%	Q3e	Q4e				
<b>Group subscribers</b>	<b>23,874</b>	<b>24,910</b>	<b>25,926</b>	<b>27,794</b>	<b>28,695</b>	<b>29,547</b>		<b>-5</b>	<b>0%</b>	<b>30,479</b>	<b>32,251</b>	<b>28,082</b>	<b>32,539</b>	<b>35,894</b>	<b>38,294</b>
<b>Net additions</b>															
Nordic	-30	-10	26	81	76	31		-5	-16%	35	55	67	197	85	40
- Comviq	46	11	34	9	81	30		-5	-17%	15	14	99	140	-25	-25
The Baltics & Russia	148	282	435	516	311	335		-10	-3%	405	559	1,381	1,610	1,450	1,100
Central Europe	635	391	563	835	360	315		-15	-5%	262	338	2,424	1,275	770	510
Southern Europe	575	200	-58	305	168	151		n m	n m	220	331	1,310	870	765	625
UK & Benelux	240	173	50	131	-14	20		n m	n m	10	489	594	505	285	125
<b>Group net additions</b>	<b>1,568</b>	<b>1,036</b>	<b>1,016</b>	<b>1,868</b>	<b>901</b>	<b>852</b>		<b>-5</b>	<b>-1%</b>	<b>932</b>	<b>1,772</b>	<b>5,776</b>	<b>4,457</b>	<b>3,355</b>	<b>2,400</b>
Clean net additions	1,568	1,036	916	1,390	825	852		-5	-1%	932	1,202	4,910	3,811	3,355	2,400
Group ARPU	150	146	140	139	137	136		1	1%	131	140	143	133	137	132
Group ARPU growth Y/Y	-10%	-13%	-12%	-8%	-9%	-7%		0	7%	-6%	1%	-9%	-7%	3%	-4%

(2) Adjusted for accounting changes and acquisitions

Sales SEKm	2004				2005		Q2a	Deviation				2004	2005e	2006e	2007e
	Q1	Q2	Q3	Q4	Q1	Q2e		SEKm	%	Q3e	Q4e				
Nordic	3,324	3,472	3,559	3,420	3,481	3,686		22	1%	3,746	3,616	13,775	14,529	15,070	15,480
- Comviq	1,523	1,622	1,681	1,480	1,522	1,617		11	1%	1,664	1,471	6,306	6,275	6,276	6,450
The Baltics & Russia	726	802	884	885	844	927		-8	-1%	1,007	1,092	3,297	3,870	5,405	6,742
Central Europe	1,157	1,197	1,300	1,404	2,008	2,071		38	2%	2,088	2,134	5,058	8,301	9,110	9,489
Southern Europe	3,503	3,541	3,276	3,532	3,556	3,526		n m	n m	3,316	3,984	13,852	14,382	16,400	16,753
UK & Benelux	1,644	1,663	1,663	1,653	1,653	1,631		n m	n m	1,631	2,320	6,623	7,235	10,147	10,249
Services	25	36	31	36	37	40		0	0%	41	45	212	163	165	167
Adjustments & EO items	0	0	0	300	0	0		0	n m	0	0	300	0	0	0
<b>Group Total</b>	<b>10,379</b>	<b>10,711</b>	<b>10,713</b>	<b>11,230</b>	<b>11,579</b>	<b>11,880</b>		<b>58</b>	<b>0%</b>	<b>11,831</b>	<b>13,191</b>	<b>43,117</b>	<b>48,481</b>	<b>56,297</b>	<b>58,880</b>

(3) Excluding EO items and adjusted for acquisitions

EBITDA SEKm	2004				2005		Q2a	Deviation				2004	2005e	2006e	2007e
	Q1	Q2	Q3	Q4	Q1	Q2e		SEKm	%	Q3e	Q4e				
Nordic	979	1,014	1,003	911	723	777		-11	-1%	848	768	3,896	3,117	3,327	3,401
- Comviq	712	716	773	648	632	645		0	0%	679	554	2,876	2,510	2,416	2,354
The Baltics & Russia	226	268	239	185	224	229		-4	-2%	175	118	918	746	637	932
Central Europe	8	41	114	83	86	120		-2	-1%	138	156	246	500	674	769
Southern Europe	293	359	275	412	349	291		n m	n m	197	194	1,339	1,031	1,198	1,518
UK & Benelux	10	-4	-2	-135	21	-6		n m	n m	12	260	-131	287	1,514	1,777
Services	9	9	32	16	11	13		-1	-8%	14	17	66	55	65	70
Adjustments & EO items	0	-16	0	300	0	0		0	n m	0	0	284	0	0	0
<b>Group Total</b>	<b>1,525</b>	<b>1,671</b>	<b>1,661</b>	<b>1,772</b>	<b>1,414</b>	<b>1,425</b>		<b>-59</b>	<b>-4%</b>	<b>1,384</b>	<b>1,513</b>	<b>6,618</b>	<b>5,736</b>	<b>7,415</b>	<b>8,467</b>
<b>Group Total margin</b>	<b>14.7%</b>	<b>15.6%</b>	<b>15.5%</b>	<b>15.8%</b>	<b>12.2%</b>	<b>12.0%</b>		<b>-</b>	<b>-0.6%-p</b>	<b>11.7%</b>	<b>11.5%</b>	<b>15.3%</b>	<b>11.8%</b>	<b>13.2%</b>	<b>14.4%</b>
Total excl EO items	14.7%	15.8%	15.5%	13.5%	12.2%	12.0%		-	-0.6%-p	11.7%	11.5%	14.8%	11.8%	13.2%	14.4%

Source: Carnegie Research

## Financial statements

Profit & loss	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
Sales	6,690	10,934	17,786	25,080	31,282	36,911	43,117	48,481	56,297	58,880
COGS	na	na	0	0	0	0	0	0	0	0
Gross profit	na	na	0	0	0	0	0	0	0	0
Other income & costs	-6,173	-10,236	242	1,703	5,128	5,711	6,629	5,736	7,415	8,467
<b>EBITDA</b>	<b>517</b>	<b>697</b>	<b>242</b>	<b>1,703</b>	<b>5,128</b>	<b>5,711</b>	<b>6,629</b>	<b>5,736</b>	<b>7,415</b>	<b>8,467</b>
Depreciation PPE	-894	-1,299	-1,509	-1,489	-1,654	-1,745	-1,950	-2,482	-3,423	-3,592
Other amortisation	0	0	0	0	0	0	0	0	0	0
<b>EBITA</b>	<b>-377</b>	<b>-602</b>	<b>-1,267</b>	<b>214</b>	<b>3,474</b>	<b>3,966</b>	<b>4,679</b>	<b>3,254</b>	<b>3,992</b>	<b>4,875</b>
GW amortisation & Impairment	-1,260	-1,260	-1,260	-1,506	-1,512	-1,535	0	0	0	0
<b>EBIT</b>	<b>-1,637</b>	<b>-1,862</b>	<b>-2,527</b>	<b>-1,356</b>	<b>1,563</b>	<b>1,884</b>	<b>4,301</b>	<b>3,254</b>	<b>3,992</b>	<b>4,875</b>
Net interest	-317	-396	-409	-625	-612	-524	-245	-275	-532	-434
Other financial items	0	0	0	4	-86	-75	137	-41	0	0
Net financial items	-317	-396	-409	-621	-698	-599	-108	-316	-532	-434
Share of earnings in ass. comp.	0	0	-44	-58	-36	-18	17	20	50	50
<b>EAFI</b>	<b>-1,954</b>	<b>-2,259</b>	<b>-2,980</b>	<b>-2,035</b>	<b>829</b>	<b>1,267</b>	<b>4,210</b>	<b>2,958</b>	<b>3,510</b>	<b>4,491</b>
Other EO items	0	3,130	0	91	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>-1,954</b>	<b>871</b>	<b>-2,980</b>	<b>-1,944</b>	<b>829</b>	<b>1,267</b>	<b>4,210</b>	<b>2,958</b>	<b>3,510</b>	<b>4,491</b>
Taxes	0	0	-560	2,335	-574	1,092	-779	-975	-1,107	-1,421
Post-tax minorities interest	0	0	0	1	1	37	0	0	0	0
<b>Net profit</b>	<b>-1,954</b>	<b>871</b>	<b>-3,540</b>	<b>392</b>	<b>256</b>	<b>2,396</b>	<b>3,431</b>	<b>1,983</b>	<b>2,403</b>	<b>3,070</b>
<b>Adj.Net profit</b>	<b>-694</b>	<b>-999</b>	<b>-2,280</b>	<b>-1,211</b>	<b>1,477</b>	<b>2,598</b>	<b>2,750</b>	<b>2,065</b>	<b>2,403</b>	<b>3,070</b>
<b>EO items</b>	<b>0</b>	<b>3,130</b>	<b>0</b>	<b>91</b>	<b>237</b>	<b>-324</b>	<b>284</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Tax on EO items</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>567</b>	<b>-91</b>	<b>0</b>	<b>0</b>	<b>0</b>
Sales growth Y/Y	65.7%	63.4%	62.7%	41.0%	24.7%	18.0%	16.8%	12.4%	16.1%	4.6%
EBITA growth Y/Y	-chg	-chg	-chg	+chg	1525.1%	14.2%	18.0%	-30.5%	22.7%	22.1%
EBITDA margin	7.7%	6.4%	1.4%	6.8%	16.4%	15.5%	15.4%	11.8%	13.2%	14.4%
EBITA margin	-5.6%	-5.5%	-7.1%	0.9%	11.1%	10.7%	10.9%	6.7%	7.1%	8.3%
Tax rate	n.a.	n.a.	29.0%	30.0%	30.0%	30.0%	30.0%	32.0%	32.0%	32.0%

Cash flow	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
EBITDA	517	697	242	1,703	5,128	5,711	6,629	5,736	7,415	8,467
Net financial items	-317	-396	-409	-621	-698	-599	-108	-316	-532	-434
Non cash adjustments	0	236	-784	124	134	-2	37	572	0	0
Change in NWC	1,789	-586	-691	-748	-199	1,006	-145	-7,520	57	-291
Paid taxes	0	0	-373	-45	0	0	-246	-500	-950	-1,137
<b>Operating cash flow (OCF)</b>	<b>1,989</b>	<b>-49</b>	<b>-2,015</b>	<b>413</b>	<b>4,365</b>	<b>6,116</b>	<b>6,167</b>	<b>-2,028</b>	<b>5,990</b>	<b>6,605</b>
CAPEX PPE	-2,459	-2,093	-1,610	-2,145	-1,956	-1,895	-1,575	-2,880	-3,496	-3,348
CAPEX other intang. assets	na	na	0	0	0	0	0	0	0	0
<b>Net cash flow (NCF)</b>	<b>-470</b>	<b>-2,142</b>	<b>-2,504</b>	<b>-1,054</b>	<b>1,783</b>	<b>3,555</b>	<b>2,737</b>	<b>-13,231</b>	<b>2,494</b>	<b>3,257</b>
Other investments/Divestments	0	0	1,121	678	-626	-666	-1,855	-8,324	0	0
Dividend paid	0	0	0	0	0	0	-443	-738	-885	-1,107
Share issues & buybacks	0	0	0	0	0	0	0	-1,482	0	0
Other non-cash adjustments	0	0	-144	0	0	0	0	0	0	0
Change in LT non-IB liabilities	1	14	10	-17	-8	0	0	0	0	0
<b>Decrease in net IB debt</b>	<b>-469</b>	<b>-2,128</b>	<b>-1,517</b>	<b>-393</b>	<b>1,149</b>	<b>2,889</b>	<b>439</b>	<b>-23,774</b>	<b>1,609</b>	<b>2,150</b>

Balance sheet	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
Goodwill	1,687	2,305	27,352	27,769	25,096	23,076	20,960	21,525	21,025	20,525
Other fixed intangible assets	0	0	0	0	0	480	1,566	1,475	1,475	1,475
PPE	5,604	6,167	8,031	9,431	9,257	9,036	9,015	9,534	9,607	9,363
Shares & participations	0	0	0	0	0	514	531	525	525	525
Other fixed financial assets	786	3,604	445	554	1,246	2,543	2,840	3,275	3,475	3,475
Other fixed assets	0	0	0	1,836	774	0	0	0	0	0
<b>Fixed assets</b>	<b>8,077</b>	<b>12,076</b>	<b>35,828</b>	<b>39,590</b>	<b>36,373</b>	<b>35,649</b>	<b>34,912</b>	<b>36,334</b>	<b>36,107</b>	<b>35,363</b>
Inventories	31	34	246	362	353	350	308	339	394	412
Receivables	1,018	2,162	4,760	6,929	7,673	9,198	10,458	11,635	13,342	13,837
Other current assets	630	0	0	0	0	0	0	0	0	0
Cash & cash equivalents	433	421	1,511	2,275	2,473	2,773	2,148	-7,841	-8,022	-6,107
<b>Current assets</b>	<b>2,112</b>	<b>2,617</b>	<b>6,517</b>	<b>9,566</b>	<b>10,499</b>	<b>12,321</b>	<b>12,914</b>	<b>4,134</b>	<b>5,714</b>	<b>8,142</b>
<b>Total assets</b>	<b>10,189</b>	<b>14,693</b>	<b>42,345</b>	<b>49,156</b>	<b>46,872</b>	<b>47,970</b>	<b>47,826</b>	<b>40,468</b>	<b>41,821</b>	<b>43,506</b>
<b>Shareholders' equity</b>	<b>3,269</b>	<b>7,002</b>	<b>26,651</b>	<b>29,517</b>	<b>28,728</b>	<b>30,360</b>	<b>31,396</b>	<b>31,179</b>	<b>32,397</b>	<b>34,360</b>
Minorities	15	1	8	28	22	7	2	0	0	0
Sub-ordinated loans	88	0	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0	0	0
Deferred tax	0	139	615	0	0	0	0	0	0	0
Other IB & Non IB provisions	0	236	0	0	28	26	63	635	635	635
LT IB debt	4,801	4,840	5,590	10,972	7,899	4,775	1,651	750	750	750
LT non-IB liabilities	1	15	25	8	0	0	0	0	0	0
<b>LT liabilities</b>	<b>4,803</b>	<b>5,230</b>	<b>6,230</b>	<b>10,980</b>	<b>7,927</b>	<b>4,801</b>	<b>1,714</b>	<b>1,385</b>	<b>1,385</b>	<b>1,385</b>
ST IB debt	239	248	3,228	882	2,382	2,461	3,300	2,800	1,117	617
Payables	1,650	2,212	6,228	7,749	7,813	10,341	11,414	5,103	6,922	7,143
Other ST non-IB liabilities	125	0	0	0	0	0	0	0	0	0
<b>Current liabilities</b>	<b>2,015</b>	<b>2,460</b>	<b>9,456</b>	<b>8,631</b>	<b>10,195</b>	<b>12,802</b>	<b>14,714</b>	<b>7,903</b>	<b>8,039</b>	<b>7,761</b>
<b>Total liabilities</b>	<b>10,189</b>	<b>14,693</b>	<b>42,345</b>	<b>49,156</b>	<b>46,872</b>	<b>47,970</b>	<b>47,826</b>	<b>9,288</b>	<b>9,424</b>	<b>9,146</b>

Source : Carnegie Research

## Share data &amp; key ratios

Per share data (SEK)	1998	1999	2000	2001	2002	2003	2004	2005e	2006e	2007e
Adj. no. of shares in issue YE (m)	434.1	434.1	434.4	442.1	442.1	442.7	442.7	442.7	442.7	442.7
Diluted no. of Shares YE (m)	434.1	434.1	435.3	442.7	442.7	444.5	444.5	444.5	444.5	444.5
EPS	-4.50	2.01	-8.15	0.89	0.58	5.4	7.7	4.46	5.4	6.9
EPS adj.	-1.60	-2.30	-5.25	-2.74	3.34	5.8	6.2	4.65	5.4	6.9
CEPS	0.46	7.9	-1.67	7.8	8.7	14.0	12.9	10.0	13.0	14.9
DPS	0.00	0.00	0.00	0.00	0.00	1.00	1.67	2.00	2.50	3.00
BVPS	7.5	16.1	61.4	66.8	65.0	68.6	70.9	70.4	73.2	77.6
BVPS ex. GW	3.64	10.8	-1.61	3.95	8.2	16.5	23.6	21.8	25.7	31.3
NAVPS	na	na	61.4	66.8	65.0	68.6	70.9	70.4	73.2	77.6
NIBDPS	9.0	2.45	15.8	20.4	17.5	10.0	6.3	25.6	22.2	16.8
<b>Valuation</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005e</b>	<b>2006e</b>	<b>2007e</b>
P/E YE	neg.	>50	neg.	>50	>50	23.5	11.2	17.5	14.4	11.3
P/E adj. YE	neg.	neg.	neg.	neg.	22.8	21.7	13.9	16.8	14.4	11.3
P/E average	neg.	>50	neg.	>50	>50	18.6	13.5	17.5	14.4	11.3
P/E adj. average	neg.	neg.	neg.	neg.	21.2	17.2	16.8	16.8	14.4	11.3
P/CEPS YE	>50	25.0	neg.	16.0	8.7	9.0	6.7	7.8	6.0	5.2
P/BV YE	14.46	12.23	2.11	1.87	1.17	1.85	1.21	1.11	1.07	1.00
P/BV ex. GW YE	29.88	18.24	neg.	31.55	9.26	7.70	3.65	3.58	3.04	2.50
Dividend yield YE	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	1.9%	2.6%	3.2%	3.8%
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	18.6%	21.6%	44.8%	46.3%	43.4%
EV/EBIT YE	neg.	neg.	neg.	neg.	26.5	32.2	9.6	14.2	11.2	8.6
EV/EBITA YE	neg.	neg.	neg.	>50	11.9	15.3	8.8	14.2	11.2	8.6
EV/EBITA adj. YE	neg.	neg.	neg.	>50	12.8	14.2	9.4	14.2	11.2	8.6
EV/Sales YE	7.7	7.9	3.6	2.6	1.3	1.6	1.0	1.0	0.8	0.7
EV/EBITDA YE	>50	>50	>50	37.7	8.1	10.6	6.2	8.0	6.0	5.0
Share price YE	109	197	129	125	76.1	127	86.1	78.0		
Share price high	119	197	314	156	127	133	139	88.9		
Share price low	61.9	86.8	110	74.7	43.2	73.3	74.1	68.5		
Share price average	92.3	109	189	117	70.9	100	104	78.0		
<b>Margins</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005e</b>	<b>2006e</b>	<b>2007e</b>
Gross margin	na	na	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA margin	7.7%	6.4%	1.4%	6.8%	16.4%	15.5%	15.4%	11.8%	13.2%	14.4%
Adj. EBITDA margin	7.7%	6.4%	1.4%	6.8%	15.6%	16.4%	14.7%	11.8%	13.2%	14.4%
EBITA margin	-5.6%	-5.5%	-7.1%	0.9%	11.1%	10.7%	10.9%	6.7%	7.1%	8.3%
Adj. EBITA margin	-5.6%	-5.5%	-7.1%	0.9%	10.3%	11.6%	10.2%	6.7%	7.1%	8.3%
Pre-tax margin	-29.2%	8.0%	-16.8%	-7.8%	2.7%	3.4%	9.8%	6.1%	6.2%	7.6%
Net margin	-29.2%	8.0%	-19.9%	1.6%	0.8%	6.5%	8.0%	4.1%	4.3%	5.2%
Adj. net margin	-10.4%	-9.1%	-12.8%	-4.8%	4.7%	7.0%	6.4%	4.3%	4.3%	5.2%
<b>Profitability</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005e</b>	<b>2006e</b>	<b>2007e</b>
ROE	-60.8%	17.0%	-21.0%	1.4%	0.9%	8.1%	11.1%	6.3%	7.6%	9.2%
Adj. ROE	-21.6%	-19.4%	-13.6%	-4.3%	5.1%	8.8%	8.9%	6.6%	7.6%	9.2%
Adj. ROCE pre-tax	-4.2%	-5.5%	-5.3%	0.4%	7.1%	9.7%	11.4%	8.8%	10.6%	13.3%
Adj. ROIC aft-tax	-5.3%	-8.0%	-4.2%	0.4%	6.4%	9.1%	9.8%	6.3%	6.9%	8.6%
Adj. ROA pre-tax	-3.8%	-4.5%	-4.5%	0.5%	6.8%	9.0%	9.6%	7.1%	8.9%	10.9%
FCF yield	-1.4%	-6.2%	-7.1%	-3.0%	5.1%	10.3%	7.9%	-38.2%	7.2%	9.4%
<b>Capital eff./Solv.</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005e</b>	<b>2006e</b>	<b>2007e</b>
Inventories / Sales	0.3%	0.3%	0.8%	1.2%	1.1%	1.0%	0.8%	0.7%	0.7%	0.7%
Receivables / Sales	16.4%	14.5%	19.5%	23.3%	23.3%	22.9%	22.8%	22.8%	22.2%	23.1%
Payables / Sales	12.4%	17.7%	23.7%	27.9%	24.9%	24.6%	25.2%	17.0%	10.7%	11.9%
NWC / Sales	4.4%	-2.8%	-3.5%	-3.3%	-0.4%	-0.8%	-1.7%	6.4%	12.2%	11.8%
Asset turnover	0.71	0.88	0.62	0.55	0.65	0.78	0.90	1.10	1.37	1.38
Sales / Capital invested	0.94	1.44	0.83	0.71	0.88	1.11	1.38	1.38	1.44	1.52
OCF / Capex	0.81	-0.02	-1.25	0.19	2.23	3.23	3.92	-0.70	1.71	1.97
Capex / Sales	36.8%	19.1%	9.1%	8.6%	6.3%	5.1%	3.7%	5.9%	6.2%	5.7%
Capex / Depreciation PPE	2.75	1.61	1.07	1.44	1.18	1.09	0.81	1.16	1.02	0.93
Dividend payout ratio	0%	0%	0%	0%	0%	19%	22%	45%	46%	43%
Equity / Total assets	32%	48%	63%	60%	61%	63%	66%	77%	77%	79%
Net IB debt / Equity	119%	15%	26%	31%	27%	15%	9%	37%	31%	22%
Net IB debt / EBITDA	7.6	1.5	28.4	5.3	1.5	0.8	0.4	2.0	1.3	0.9
EBITDA / Net interest	1.6	1.8	0.6	2.7	8.4	10.9	27.1	20.9	13.9	19.5
EBITA / Net interest	n.m.	n.m.	n.m.	0.3	5.7	7.6	19.1	11.8	7.5	11.2
<b>Balance sheet data</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005e</b>	<b>2006e</b>	<b>2007e</b>
Net IB debt	3,909	1,063	6,862	9,025	7,729	4,427	2,814	11,391	9,890	7,474
Net working capital (NWC)	-602	-16	-1,222	-458	213	-793	-648	6,872	6,815	7,105
Capital employed (CE)	8,412	12,091	35,477	41,399	39,031	37,603	36,349	34,729	34,264	35,727
Capital invested (CI)	6,689	8,456	34,161	36,742	34,566	31,799	30,893	39,406	38,921	38,469
Enterprise value YE (EV)	51,198	86,729	63,922	64,245	41,401	60,758	41,101	46,064	44,563	42,147

Source : Carnegie Research



## Disclosures and disclaimers

### The Carnegie Group

Carnegie is an independent Nordic investment bank operating in Securities, Investment Banking and Asset Management & Private Banking. Carnegie provides a wide array of financial products and services to Nordic and international clients from offices in eight countries: Sweden, Denmark, Norway, Finland, Luxembourg, Switzerland, the UK and the US. Carnegie Investment Banking is the leading independent corporate finance advisor in the Nordic countries. Carnegie Asset Management and Private Banking provide financial services including asset management for selected institutions and private investors. The Carnegie Group was listed on the Stockholm Bourse on 1 June 2001.

### Ratings and risk assessment structure

#### Current rating system (as of 10 June 2003)

##### Stock ratings

Carnegie stock ratings are relative to Carnegie's coverage universe on a Nordic sector basis.

- OP=Outperform The stock is expected to outperform the return on the Carnegie coverage universe of the Nordic Sector over the next 6 months.
- N=Neutral The stock is expected to perform in line with the return on the Carnegie coverage universe of the Nordic Sector over the next 6 months.
- U=Underperform The stock is expected to underperform the return on the Carnegie coverage universe of the Nordic Sector over the next 6 months.

##### Sector View

Carnegie's coverage universe on a Nordic sector basis is rated relative to the total Nordic market. Carnegie's strategists, in co-operation with the sector heads, set the sector recommendations.

- Positive The sector is expected to outperform the return on the total Nordic market over the next 6 months.
- Neutral The sector is expected to perform in line with the return on the total Nordic market over the next 6 months.
- Negative The sector is expected to underperform the return on the total Nordic market over the next 6 months.

##### Other ratings

- NR=Not rated The investment rating, if any, has been suspended temporarily.
- UR=Under review The investment rating, if any, has been suspended temporarily.
- UB=Under bid The investment rating, if any, has been suspended temporarily.

##### Risk assessment

The risk assessment is based on the analyst's evaluation of the company's equity beta based on the business risk (asset beta) and financial risk (gearing).

- Low risk Estimated equity beta <0.75
- Medium risk Estimated equity beta 0.75 to 1.25
- High risk Estimated equity beta >1.25

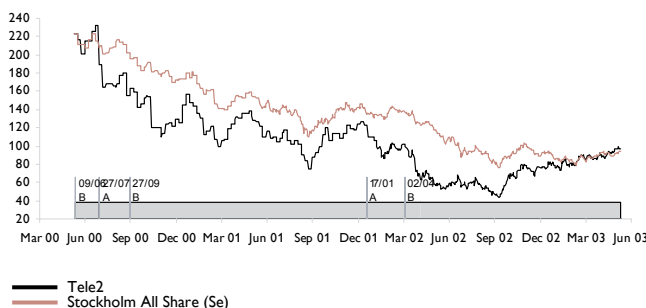
##### Previous rating system

- SB=Strong buy The stock is expected to provide a return of greater than 20% over the next 6 months.
- B=Buy The stock is expected to provide a return of between 10% and 20% over the next 6 months.
- Acc=Accumulate The stock is expected to provide a return of between 5% and 10% over the next 6 months.
- R=Reduce The stock is expected to provide a return of between 0% and 5% over the next 6 months.
- S=Sell The stock is expected to provide a return of less than 0% over the next 6 months.

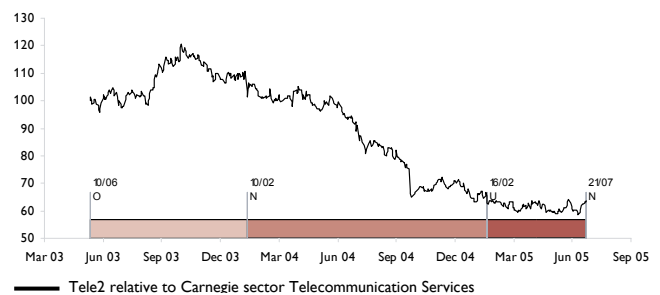
#### Stock rating distribution for sector Telecommunication Services

Rating	No. of stocks
Outperform	2
Neutral	3
Underperform	1
Not Rated	1
Under Bid	0
Under Review	0
<b>Total</b>	<b>7</b>

Price and company rating history (TEL2b.ST)  
Old rating structure until 9 June 2003



Price relative to sector and company rating history (TEL2b.ST)  
New rating structure from 10 June 2003



Source: Carnegie Research

22 July 2005

## Analyst certification

The research analyst or analysts responsible for the content of this report certify that, notwithstanding the existence of any such potential conflicts of interests referred to herein, the views expressed in this report accurately reflect our personal views about the companies and securities covered. We further certify that we have not been, nor are or will be, receiving direct or indirect compensation related to the specific ratings or views contained in this report.

## Potential conflict of interest

As of 1 February 2003, Carnegie analysts and any connected persons are not ordinarily permitted to hold securities in the companies they cover.

As an integrated Nordic investment bank and asset management firm, Carnegie is a leading broker of Nordic stocks and has investment banking and other business relationships with a large number of the companies covered by its research department. Carnegie is constantly soliciting investment banking assignments. Therefore, any reader of this research report should assume that Carnegie is seeking or will seek investment banking or other business from the company or companies to which it refers. Thus, investors should assume that Carnegie expects to receive or intends to seek compensation from any company mentioned in this report within the next 3 months.

## Disclaimer

Carnegie offers stockbroking, investment banking and asset management services through companies based in the Nordic territories (Sweden, Denmark, Finland and Norway), Luxembourg, Switzerland and New York. Each company is regulated by the appropriate authority in the relevant territory and details of each company are available on request. Carnegie UK is the UK Branch of Carnegie Investment Bank AB, a company incorporated in Sweden with limited liability. Carnegie UK is regulated by the UK Financial Services Authority for the conduct of designated investment business in the UK. This report has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Carnegie UK and issued by it in the UK. This report is issued in the US by Carnegie, Inc., a US registered broker-dealer.

This report is provided for informational purposes only and under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy any securities. The information in this report was obtained from various sources while all reasonable care has been taken to ensure that the information is true and not misleading. Carnegie does not guarantee its accuracy or completeness. Carnegie, its associated companies and any of their officers or directors may have a position, or otherwise be interested in, transactions in securities which are directly or indirectly the subject of this report. Carnegie, or its associated companies, may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this report.

This research report is prepared for general circulation and general information only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Past performance is not necessarily a guide to future performance. Carnegie and its associated companies accept no liability whatsoever for any direct or consequential loss arising from the use of this report or its contents. Investors in the US should be aware that investing in nonUS securities entails certain risks. The securities of non US issuers may not be registered with, nor be subject to, the current informational reporting and audit standards of the US Securities and Exchange Commission.

This report may not be reproduced, distributed or published by any recipient for any purpose. Copyright© 2002 Carnegie.

This page intentionally left blank

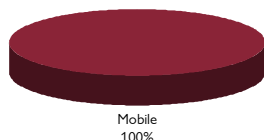
## Tele2 Company Summary

Profit & loss	2003	2004	2005e	2006e	2007e
Sales	36,911	43,117	48,481	56,297	58,880
EBITDA	5,711	6,629	5,736	7,415	8,467
EBITA	3,966	4,679	3,254	3,992	4,875
EBIT	1,884	4,301	3,254	3,992	4,875
Pre-tax profit	1,267	4,210	2,958	3,510	4,491
Net profit	2,396	3,431	1,983	2,403	3,070
EO items	-324	284	0	0	0

Balance sheet	2003	2004	2005e	2006e	2007e
Total assets	47,970	47,826	40,468	41,821	43,506
Shareholders' equity	30,360	31,396	31,179	32,397	34,360
Goodwill	23,076	20,960	21,525	21,025	20,525
Net IB debt	4,427	2,814	11,391	9,890	7,474

Cash flow	2003	2004	2005e	2006e	2007e
EBITDA	5,711	6,629	5,736	7,415	8,467
Operating cash flow	6,116	6,167	-2,028	5,990	6,605
Net cash flow (NCF)	3,555	2,737	-13,231	2,494	3,257
Decrease in net IB debt	2,889	439	-23,774	1,609	2,150

### Product areas - % of EBITDA



Source: Carnegie Research

### Company description

Tele2 is a leading alternative pan-European telecommunications company offering fixed and mobile telephony to approximately 28m people in 24 countries. The company was formed in 1993 as a subsidiary to Kinnevik, and floated on the Stockholm Stock Exchange in 1996 under the name Netcom. Following the merger with the pan-European fixed-line operator, SEC, during the summer 2000, the company changed its name to Tele2.

### Carnegie Investment Bank AB

Tel +46 8 676 88 00 Fax +46 8 676 88 95

### Carnegie ASA

Tel +47 22 00 93 00 Fax +47 22 00 94 00

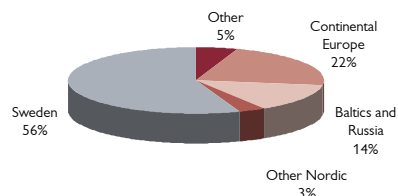
### Carnegie Bank A/S

Tel +45 32 88 02 00 Fax +45 32 96 10 22

Per share data	2003	2004	2005e	2006e	2007e
EPS	5.4	7.7	4.46	5.4	6.9
EPS adj.	5.8	6.2	4.65	5.4	6.9
EPS adj. Growth	74.9%	5.9%	-24.9%	16.4%	27.8%
CEPS	14.0	12.9	10.0	13.0	14.9
DPS	1.00	1.67	2.00	2.50	3.00
BVPS ex. GW	16.5	23.6	21.8	25.7	31.3
NIBDPS	10.0	6.3	25.6	22.2	16.8

Ratios	2003	2004	2005e	2006e	2007e
P/E	14.5	10.1	17.5	14.4	11.3
P/E adj.	13.3	12.6	16.8	14.4	11.3
P/BVPS	1.1	1.1	1.1	1.1	1.0
P/BVPS ex. GW	4.7	3.3	3.6	3.0	2.5
P/CEPS	5.6	6.0	7.8	6.0	5.2
EV/Sales	1.1	0.9	1.0	0.8	0.7
EV/EBITDA	6.8	5.7	8.0	6.0	5.0
EV/EBITA	9.9	8.0	14.2	11.2	8.6
Dividend yield	1.3%	2.1%	2.6%	3.2%	3.8%
FCF yield	10.3%	7.9%	-38.2%	7.2%	9.4%

### Geographical areas - % of EBITDA



Source: Carnegie Research

### Company miscellaneous

CEO Lars-Johan Jarnheimer  
 CFO Håkan Zadler  
 IR Andrew Best  
 Skeppsbron 18 P.O Box 2049  
 + 46 8 562 000 60  
 www.tele2.com  
 Next report: 26 Jul 2005

### Major shareholders

	Capital	Votes		Capital	Votes
Stenbeck Group	31.3%	62.6%	Robur	4.2%	2.1%
SEB	4.7%	2.4%	Fidelity	3.1%	1.6%
AMF	4.5%	2.3%	Nordea Funds	2.7%	1.4%

### Carnegie Inc. USA

Tel +1 212 262 5800 Fax +1 212 265 3946

### Carnegie Investment Bank AB, Finland Branch

Tel +358 9 618 711 Fax +358 9 618 71 239

### Carnegie Investment Bank AB, UK Branch

Tel +44 20 7216 4000 Fax +44 20 7417 9426

22 July 2005