



FOR IMMEDIATE RELEASE

Tuesday, August 17, 1999

## NETCOM AB ANNOUNCES STRONG OPERATING RESULTS FOR THE QUARTER ENDED JUNE 30, 1999

### INTERIM REPORT JANUARY – JUNE 1999 \*

- 56% Annualized Increase in Group Operating Profit
- 32% Annualized Increase in Group Operating Revenue
- 84% Annualized Increase in Activated Prepaid Card Customers
  - 90% Annualized Increase in Minutes of Usage

New York and Stockholm – August 17, 1999 - NetCom AB ("NetCom", "the Group") (Nasdaq Stock Market: NECS), the leading alternative provider of telecommunication services in the Nordic countries, the Baltic region and Poland, today announced its consolidated results for the quarter ended June 30, 1999.

### Financial Summary for the Six Months ended June 30, 1999 (in MSEK)

	1999	1998	% Change
<b>Operating Revenue</b>	3,665	2,785	32
<b>Operating Profit</b>			
before depreciation and amortization (i)	860	590	46
after depreciation and amortization (ii)	405	260	56
<b>Profit after financial items</b>	288	122	136
<b>Profit after taxes</b>	118	38	211
<b>Earnings per share (SEK) (iii)</b>	1.13	0.37	205

(i) EBITDA

(ii) EBIT

(iii) Earnings per share figures are after tax and full conversion.

**\*NetCom ASA had not published second quarter results at the time of NetCom's Interim Report. To derive a figure for accounting purposes for its 25% proportional interest in NetCom ASA, for the six months ended June 30, 1999, NetCom has accounted for the three months ended June 30, 1999 by assuming the same result as for three months ended March 31, 1999. NetCom will restate its interim figures when NetCom ASA publishes its second quarter of 1999 results on August 23, 1999.**

*Lars-Johan Jarnheimer, President and CEO stated, “NetCom made a promising start to 1999 with a strong improvement in profitability due to the contribution of Comviq which continues to lead the mobile telephony market. Management anticipates that the introduction of preselect in Sweden in September will have a substantial future benefit to revenues and average minutes of usage based on our experiences in Norway where preselect was implemented in June. In the second half, management focus will be on increasing the margin structure of our Internet operations by encouraging Internet customers to also become fixed telephony customers and in Denmark, we remain committed to increasing profitability, despite ongoing negotiations to review the terms of our interconnect agreement. We will face the demands of an increasing competitive market place with a strong focus on competitive prices for our brands, the application of best practice across our business and the cost efficiency of our operations.”*

## **FINANCIAL AND OPERATING HIGHLIGHTS**

- Operating profit before and after depreciation and amortization, increased by 46% and 56% respectively;
- NetCom’s operating revenue increased by 32% to MSEK 3,665 in the six months ended June 30, 1999 compared to the same period of 1998;
- Total minutes of usage for the Group for the six months ended June 1999 were 6,031 million, an increase of 90% over the same period of 1998;
- Comviq had a strong first half of 1999 with the addition of 441,000 gross new subscribers for a total of 1,504,000;
- Airtime usage increased, excluding prepaid, by 10% to 112 minutes in the first half of 1999 compared to the same period in 1998 and monthly revenue per customer, excluding prepaid increased by over 13% to SEK 391 over the same period;
- A significant 84% annualized growth in activated prepaid card customers in Sweden to 808,000;
- In May, Comviq announced the launch of a new flexible mobile telephony subscription with no minimum subscription period and had signed up approximately 7 thousand subscribers by June 30, 1999;
- Tele2 in Sweden reported a 55% annualized increase in fixed telephony customers to 826,000 as of June 30, 1999;
- The sum of fixed telephony and Internet subscribers for Tele2 Norway and Tele2 Denmark increased by 94% and 114% respectively to 275,000 and 600,000 subscribers respectively on an annualized basis;
- In July, NetCom announced a joint venture with Modern Times Group (“MTG”) to invest in a joint portal to be called Everyday.com;
- NetCom increased its stake in Ritabell to 94.8% in January 1999;
- Acquisition of a 20% stake in Suomen Kolmegee OY, which has a license to operate a UMTS network in Finland in March, 1999;
- In June, NetCom announced a business reorganization initiative to cut costs to meet future increases in market competition and will create annualized cost savings of MSEK 80, effective January 2000.

## **FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 1999**

In the first half of 1999, NetCom reported operating revenues of MSEK 3,665, an increase of 32% over the MSEK 2,785 reported in the comparative period of 1998.

The Mobile Telephony operation in Sweden contributed MSEK 1,749 to group operating revenue, an increase of 29% over the MSEK 1,353 reported in the comparative period of 1998. The Fixed Telephony and Internet Operations increased operating revenue by 13% to MSEK 1,251 from MSEK 1,105 reported in the comparable period of 1998. There has been strong revenue growth in NetCom's operations in Denmark and Norway in the period reported.

Tele2 Denmark reported a 91% increase in operating revenues from MSEK 233 to MSEK 445 and Tele2 Norway reported a 160% increase in operating revenues from MSEK 60 to MSEK 156 on an annualized basis.

The Cable Television operation contributed revenues of MSEK 60 for the six month period, compared to MSEK 81 in the comparative period of 1998.

Operating profit before depreciation and amortization (EBITDA) in the six month period increased by 46% to MSEK 860 from MSEK 590 reported in the comparable period of 1998. The EBITDA margin, increased during the first six months of 1999 to 23.5% from 21.2% reported in the comparative period of 1998. This was a result of a significant increase in the profitability of Mobile Telephony operations and a reduction in EBITDA losses contributed by Tele2 Norge AS.

The cost of the Employee Share Option Program is calculated relative to the market value of NetCom's shares. The recent decrease in share price has decreased the provisions due under the terms of the Program by MSEK 22 for the first half of 1999 compared to an increased provision of MSEK 58 for the comparable 1998 period.

In the first half of 1999, operating profit after depreciation and amortization (EBIT) increased by 56% to MSEK 405 from MSEK 260 reported in the comparative period of 1998. The EBIT margin increased from 9.3% in 1998 to 11.1% in 1999.

In the period ended June 30, 1999, Mobile Telephony operations contributed MSEK 595 to Group EBIT, an increase of 25% compared to MSEK 477 in the corresponding period of 1998. The Fixed Telephony and Internet operations of Tele2 AB in Sweden, reported EBIT of MSEK 16, compared to MSEK 75 reported in the comparable period of 1998. The results for the Fixed Telephony operation over the six-month period ended June 30, 1999, benefited from the introduction of a new interconnect agreement with Telia on December 1, 1998 which resulted in a substantial improvement in margin pressure in this operation during the first half of 1998 compared to the last six months of 1998.

NetCom's Norwegian listed associated company, NetCom ASA, had not published second quarter results at the time of NetCom's Interim Report and as a result NetCom will restate its Interim figures when NetCom ASA publishes its second quarter of 1999 results on August 23, 1999.

Net interest expense and other financial items for the first six months of 1999 totaled MSEK 125, compared to MSEK 136 for the comparative period of 1998. The decrease in net interest reflects lower interest rates despite an increase in debt outstanding during the period. The average interest rate applied to debt outstanding declined from an average of 5.5% in the first quarter of 1999 to 5.2% for the first half of 1999. The profit after financial items for the first half of 1999 was MSEK 288 compared to MSEK 122 in the corresponding period of 1998.

The net profit reported for the period ended June 30, 1999 was MSEK 118, or a profit of SEK 1.13 per share, compared with a net profit of MSEK 38 or SEK 0.37 per share in the comparable period of 1998. The net profit reported for the first half reflects the improving profitability of NetCom's operations.

NetCom's total assets at June 30, 1999 increased by 8% to MSEK 10,956 compared to MSEK 10,189 reported at December 31, 1998, reflecting increased investment in the core operations and the purchases of operations.

## **FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 1999**

Total revenues for the three months ended June 30, 1999 were MSEK 1,927 an increase of 33% compared to MSEK 1,448 for the same period of 1998. Revenues across NetCom's core operations increased.

The Mobile Telephony operation contributed revenues of MSEK 936 in the second quarter an increase of 25% compared to MSEK 749 reported in the second quarter of 1998. The Fixed Telephony and Internet operations reported revenues of MSEK 627 in the second quarter of 1999, an 18% increase over the MSEK 530 reported in the same period of 1998. Strong revenue growth was reported in NetCom's operations in Norway and Denmark.

EBITDA increased by 48% to MSEK 420 in the second quarter of 1999, compared to MSEK 284 in the comparable period of 1998. In the second quarter the Group EBITDA margin increased to 21.8% from 19.6% in the comparable period of 1998.

In the second quarter of 1999, operating profit after depreciation and amortization (EBIT) increased by 63% to MSEK 188 from MSEK 115 reported in the comparative period of 1998. The EBIT margin increased from 7.9% in 1998 to 9.8% in 1999.

In the three months ended June 30, 1999, Mobile Telephony operations contributed MSEK 310 to Group EBIT, an increase of 18% compared to MSEK 263 in the corresponding period of 1998. The Fixed Telephony and Internet operations of Tele2 AB in Sweden, reported EBIT of MSEK (5), compared to MSEK 13 reported in the comparable period of 1998. The results for the Fixed Telephony operation over the three month period ended June 30, 1999, benefited from the introduction of a new interconnect agreement which alleviated margin pressure but margin pressure existed in the Internet operations and as a consequence Internet only customers were encouraged to also take fixed telephony services.

### **RESTRUCTURING INITIATIVE**

In June, NetCom announced an extensive reorganization of its operations to meet increased demand in its markets. As a consequence, the headcount was reduced by 150 mostly full time staff resulting in a cost saving of MSEK 80 per annum. Management also clarified and decentralized responsibility for revenue and expenditure into six different business areas to increase accountability and promote value growth. The Company has applied best practices across all operations to ensure high quality customer service and future profitability.

### **BOARD APPOINTMENT**

At the NetCom AGM in May, Anders Björkman was elected as Deputy Chairman to the NetCom Board. In March 1999, the NetCom Board announced the appointment of Lars-Johan Jarnheimer as President and CEO of NetCom AB as a successor to Anders Björkman who has been appointed Chairman and CEO of Société Européenne de Communication S.A.

### **JOINT VENTURE**

#### **Everyday.com**

In July 1999, NetCom announced a joint venture with MTG to develop build a portal on the Internet. The new company is called Everyday.com and will offer unique opportunities for generating revenue through advertising on the World Wide Web ("WWW") and through e-commerce or Internet shopping.

This joint venture allows NetCom and MTG to exploit their respective areas of expertise. NetCom is the leading Internet service provider or ISP in the Nordic region and its 783,000 Internet subscribers will be offered Everyday.com as their starting page. As of July 1, 1999 NetCom offers free Internet access with no subscription fee. MTG publishes content on the WWW and has significant experience in the mass media and marketing through TV channels, radio stations and newspapers. MTG also has Webad, a specialized company which sells banner advertising on the Internet.

Everyday.com will give customers the access to the entire value chain for transactions over the Internet and will generate revenue through the provision of free Internet access, portals, advertising sales, content, e-commerce, payment services and logistics on a pan European basis.

## **ACQUISITIONS**

### **Estonia**

In January 1999, a purchase agreement was signed with Levicom International Holdings BV, which wholly owns the companies, AS Levicom Cellular ("CellCo") and OÜ Levicom Broadband ("BroadCo"). At completion, NetCom acquired 90% of the share capital of CellCo, which holds the 52% interest in the share capital of Ritabell, and 100% of a DCS 1800 license in Lithuania. In addition, NetCom acquired 19% of the capital of BroadCo, which encompasses Internet activities in Estonia, and a number of cable television operations in Estonia and Lithuania. NetCom's percentage interest in Ritabell was increased from 48% to 94.8%, with the additional 46.8% interest in Ritabell being held through NetCom's interest in CellCo.

The aggregate consideration of \$58.6 million is payable in tranches on an annual basis, the first payment of \$28.6 million was reflected in the first quarter of 1999 financial results. The operation in Estonia covers a population under license of approximately 1.5 million people and the DCS 1800 license in Lithuania covers a population under license of approximately 3.7 million.

At June 30, 1999, Ritabell reported 43,000 gross cellular subscribers, inclusive of 23,000 prepaid customers. NetCom's proportional interest in Ritabell at December 31, 1998 was 48% and Ritabell was reflected as an associate company in the fourth quarter of 1998 financial statements, however, from February 1, 1999 NetCom's 94.8% interest in Ritabell has been reflected as a subsidiary.

### **Finland**

In March, 1999, NetCom announced the acquisition of 20% of the stock and 15% of the voting rights in Suomen Kolmegee OY, to become the largest shareholder. Suomen Kolmegee OY, which has been granted one of only four nationwide licenses for a third generation mobile telephony WCDMA/UMTS network in Finland. The Company is currently owned by 41 local and regional Finnet companies. The purchase price was FIM 3 million for a Company with no liabilities and a share capital of FIM 10 million.

NetCom's joint shareholders in Suomen Kolmegee OY are Finnet companies and as such have access to an infrastructure and therefore the build out investment is expected to be significantly reduced. The Company plans to have an operational mobile network within approximately three years.

## **YEAR 2000**

Within NetCom, there are several systems dependent operations. The Board and management are currently giving high priority to the issue of the Year 2000 and the potential effect that this may have

on the Company, its products, services and employees. An Activity Plan has been produced and resources dedicated to the planning, upgrading and testing of systems. The management are committed to a regular review of the process and will give regular quarterly updates to its shareholders.

In February 1999, systems integration testing commenced, prior to this systems in telephone exchanges, billing programs and PC's had all been tested for compliance. All systems were tested for compliance in the first half of 1999 and this process of testing will continue in the second half. NetCom also required its subcontractors to test for compliance. The Company upgraded its accounting and finance systems during the first half of 1999 and has prepared back up routines and contingency measures in the event that problems do arise.

## **OPERATIONAL REVIEW**

### **Tele2 AB in Sweden**

Tele2 AB encompasses 3 operational divisions: Mobile Telephony, Fixed Telephony and Internet and Cable Television which are marketed under the respective brand names of Comviq, Tele2 and Kabelvision.

#### ***Mobile Telephony***

In the first six months of 1999, Tele2 AB's mobile telephony operations continued to make strong progress. Comviq and Tele2Mobil reported 1,504,000 subscribers, inclusive of prepaid card subscribers, representing an increase of 41% on the 1,063,000 subscribers reported in the same period of 1998. The annual churn rate excluding prepaid subscribers was approximately 23%.

The number of activated prepaid card customers increased by a substantial 84% from 438,000 in the first half of 1998 to 808,000 in the first half of 1999. Prepaid customers accounted for 54% of the total mobile subscriber base and 86% of net new subscriber additions in the first half of 1999. The total number of cards sold to retailers but not yet activated in the six months ended June 30, 1999 totaled 178,000 compared to 67,000 in the first quarter of 1999.

Strong subscriber growth continues to be fueled by the introduction of new marketing and pricing initiatives. In May 1999, under the Comviq brand, a new flexible and price leading mobile telephony subscription form was launched which no longer sets a minimum subscription period. Subscription forms are based on customers' calling patterns, customers will have the flexibility to change subscription forms when calling patterns change. The new service is priced at levels competitive with conventional fixed line services. NetCom has benefited from substantially reduced dealer commission levels as result of the introduction of this new subscription form. The total number of customers subscribing to this service totaled approximately 7,000 as of June 30, 1999.

Airtime usage per month increased, excluding prepaid, by 10% to 112 minutes in the first half of 1999 compared to the same period in 1998 and monthly revenue per customer, excluding prepaid increased by over 13% to SEK 391 over the same period

#### ***Fixed Telephony and Internet***

In the period June 30, 1998 to June 30, 1999, Tele2 in Sweden increased the number of its fixed telephony customers by 55% from 533,000 to 826,000.

Tele2 reported 456,000 dial up Internet customers at June 30, 1999, corresponding to a 44% increase on the 317,000 customers reported in the comparative period of 1998. Strong customer growth has been fuelled by a number of new service initiatives such as Call2Web, the IP based telephony service, which recently launched "Double Line", which allows customers to make and receive telephone calls on a single line while surfing the Net.

A new interconnect agreement with Telia was introduced on December 1, 1998 and this has lead to higher margins for Tele2's fixed telephony operations in the first half of 1999. It has conversely created margin pressure for NetCom's Internet operations. In the first quarter of 1999, Tele2 began offering

lower Internet surfing rates to existing Internet customers who also become telephony customers and this has proved successful with approximately 91,000 customers subscribing to both Internet and fixed telephony services as of June 30, 1999. This corresponds to approximately 22% of NetCom's Internet customers are also fixed telephony customers. A wide range of initiatives designed to increase the rate of conversion from Internet only to combined Internet and fixed telephony customers are being considered currently and this is an area of management focus.

Through NetCom's joint venture with MTG, in future, Tele2's Internet customers will be offered Everyday.com as their starting page. On July 1, 1999, NetCom also commenced offering Internet access with no subscription fee.

### ***Cable Television***

The number of subscribers declined in the first six months of 1999 compared to the same period in 1998. The brand has been repositioned and a new program offer launched during the first half of 1999.

### **Tele2 A/S, Denmark**

In the first half of 1999, Tele2 A/S, Denmark, continued to grow substantially reporting 384,000 fixed telephony customers as of June 30, 1999, an increase of 101% on the comparative period of 1998. Tele2 A/S has both private and corporate customers.

Tele2 A/S reported 216,000 Internet customers, an increase of 141% for the six months ended June 31, 1999 compared to 89,500 Internet customers reported in the same period of 1998.

The Company has previously indicated its expectation that Tele2 A/S, Denmark would be EBITDA positive for the 1999 financial year based on the premise that existing interconnect terms would be renegotiated in Denmark. This process of renegotiation is ongoing and whilst there can be no assurance, it remains the goal of management that the operation reaches EBITDA breakeven by the current year-end.

### **Tele2 Norge AS, Norway**

As of June 30, 1999, Tele2 Norge reported 164,000 fixed telephony subscribers, an increase of 119% on the 75,000 subscribers reported at June 30, 1998. In the first half of 1999, Tele2 Norge had a total of 111,000 activated Internet subscribers, compared to 67,000 activated subscribers reported in the same period of 1998.

As of June 1, 1999, preselect became available in Norway and it is anticipated that this will have a favourable impact on revenues and average minutes of usage.

### **NetCom ASA**

NetCom ASA had not published second quarter results at the time of NetCom's Interim Report. To derive a figure for accounting purposes for its 25% proportional interest in NetCom ASA, for the six months ended June 30, 1999, NetCom has accounted for the three months ended June 30, 1999 by assuming the same result as for three months ended March 31, 1999. NetCom will restate its Interim figures when NetCom ASA publishes its second quarter of 1999 results on August 23, 1999.

NetCom ASA made significant progress in the first quarter of 1999 in both subscriber growth and operating results.

## **FINANCIAL SUMMARY**

### **Depreciation and Amortization**

The group's depreciation and amortization charge for the six months ended June 30, 1999 was MSEK 455 compared to MSEK 331 for the comparable period in 1998. This reflects increased investment in and the expansion of the Company's asset base during the period.

In the first half of 1999, Tele2 AB's charge for depreciation and amortization was MSEK 325 (MSEK 264). Mobile Telephony accounted for MSEK 150 (MSEK 133), Fixed Telephony and Internet MSEK 143 (MSEK 100) and Cable Television MSEK 32 (MSEK 31). Depreciation and amortization for the Tele2 operations in Norway and Denmark totaled MSEK 11 (MSEK 9) and MSEK 31 (MSEK 17) respectively. The figures shown in parenthesis correspond to the comparable periods in 1998.

## **Share Structure**

The weighted average number of A and B shares outstanding at June 30, 1999 was 103,850,246.

## **Parent Company**

At the parent company level, the profit after financial items for the period ended June 30, 1999 was MSEK 39 compared to a loss of MSEK 38 in the corresponding period of 1998. Included within the reported profit figure is a reduction in provisions due under the terms of the Employee Share Option Program for senior management of MSEK 22 due to a reduction in the market value of the Group's equity. This compares with an increased provision of MSEK 58 for the six month period ended June 30, 1999.

## **ACCOUNTING PRINCIPLES**

NetCom has reported its quarterly financial statements in accordance with the new accounting principle RR8 introduced in 1999 by the Swedish Financial Accounting Standards Council. This has resulted in a change in the accounting treatment of goodwill arising from the purchase in foreign currencies of associate and subsidiary companies. As a consequence, the exchange rate difference arising for NetCom has been restated to increase "goodwill" and "exchange rate differences in unrestricted equity" of MSEK 16 for the second half of 1998. There has also been a decrease in "shares of associated companies" and "exchange rate difference in restricted equity" of MSEK 5 in the six months ended June 30, 1998 and MSEK 10 in the period to December 31, 1998.

In 1999, Ritabell became a subsidiary. The goodwill arising from the purchase of Ritabell during 1998 of MSEK 390 is reclassified from financial assets (shares in associated companies) to intangible assets (goodwill).

In all other respects, NetCom reported its quarterly financial statement in accordance with the accounting principles and methods used in the Annual Report and Accounts for the 1998 financial year.

## **COMPANY DISCLOSURE**

### **Third Quarter of 1999 Results**

NetCom's financial and operating results for the period ended September 30, 1999 is planned to be released on November 22, 1999.

**Stockholm, August 17, 1999**  
**The Board of Directors of NetCom AB**



*NetCom AB, formed in 1993 is a leading telecommunications company in the Nordic countries, the Baltic region and Poland. It is engaged in the GSM cellular business operating using the brand names of Comviq and Tele2Mobil in Sweden, NetCom ASA in Norway and through subsidiary Ritabell in Estonia. In the areas of public telecommunications, data communication services and Internet, NetCom operates Tele2 in Sweden, Tele2 A/S in Denmark and Tele2 Norge AS in Norway. NetCom also operates NätTeknik and Datametrix, specializing in systems integration, 4T Solutions and Optimal Telecom in addition to Kabelvision, a Swedish cable TV services company. NetCom is listed both on the Stockholm Stock Exchange under the symbols NCOMA and NCOMB and on the Nasdaq Stock Market under the symbol NECS.*

## **REPORT REVIEW**

We have reviewed this interim report in accordance with the recommendations issued by the Swedish Institute of Authorized Public Accountants. A review is significantly limited compared to an audit. Nothing has come to our attention that causes us to believe that the interim report does not fulfill the requirements of the Swedish Annual Accounts Act.

Pål Wingren  
Authorized Public Accountant

Hans Karlsson  
Authorized Public Accountant

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## **APPENDICES**

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## CONSOLIDATED INCOME STATEMENT (MSEK)

	1999 Jan 1 - June 30	1998 Jan 1 - June 30	1998 Full Year
Operating revenue	3,665	2,785	5,969
Operating expenses	(3,377)	(2,555)	(5,564)
Option to Management	22	(58)	(67)
Other revenues	96	94	190
Other expenses	(1)	(6)	(10)
<b>Operating Profit</b>	<b>405</b>	<b>260</b>	<b>518</b>
Share of profit (loss) from associated companies	8	(2)	(10)
Net interest and other financial expenses	(125)	(136)	(276)
<b>Profit after financial items</b>	<b>288</b>	<b>122</b>	<b>232</b>
Taxes	(170)	(84)	(165)
<b>Profit after taxes</b>	<b>118</b>	<b>38</b>	<b>67</b>
<b>Earnings per share after tax and after full conversion</b>			
Tele2 Norway	(0.57) kr	(0.85) kr	(1.24) kr
Tele2 Denmark	(0.97) kr	(0.78) kr	(1.69) kr
Associated companies *	(0.09) kr	(0.03) kr	(0.14) kr
Tele2 Sweden and other operations	2.76 kr	2.03 kr	3.71 kr
<b>Total</b>	<b>1.13 kr</b>	<b>0.37 kr</b>	<b>0.64 kr</b>

\* Earnings per share figures for the period January 1, 1999 to June 30, 1999 include a reduction in deferred tax revenues relating to the 1998 financial year.

## CONSOLIDATED BALANCE SHEET (MSEK)

	1999 June 30	1998 June 30	1998 December 31
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets*	2,422	1,647	1,687
Tangible assets	6,114	5,062	5,604
Long-term financial assets*	276	498	786
	<b>8,812</b>	<b>7,207</b>	<b>8,077</b>
<b>Current assets</b>			
Materials and supplies	18	18	31
Current receivables	2,085	1,229	1,648
Cash and cash equivalents	41	164	433
	<b>2,144</b>	<b>1,411</b>	<b>2,112</b>
<b>Total assets</b>	<b>10,956</b>	<b>8,618</b>	<b>10,189</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Restricted equity	4,072	4,310	4,221
Non-restricted equity	(704)	(1,092)	(952)
	<b>3,368</b>	<b>3,218</b>	<b>3,269</b>
<b>Minority interest</b>	<b>1</b>	<b>2</b>	<b>2</b>
<b>Provisions</b>	<b>80</b>	<b>93</b>	<b>102</b>
<b>Long-term liabilities</b>			
Interest-bearing liabilities	5,506	3,842	4,801
Non interest-bearing liabilities	1	-	1
	<b>5,507</b>	<b>3,842</b>	<b>4,802</b>
<b>Short-term liabilities</b>			
Interest-bearing liabilities	107	-	239
Non interest-bearing liabilities	1,893	1,463	1,775
	<b>2,000</b>	<b>1,463</b>	<b>2,014</b>
<b>Total equity and liabilities</b>	<b>10,956</b>	<b>8,618</b>	<b>10,189</b>

\* The figures for long-term financial assets include deferred tax relating to subsidiaries for the periods ended June 30, 1999, June 30, 1998 and December 31, 1998 of MSEK 94, MSEK 322 and MSEK 232 respectively and deferred tax relating to associated companies of MSEK 146, MSEK 169 and MSEK 165 respectively. From February 1, 1999, Ritabell was accounted for as a subsidiary and the goodwill of MSEK 390 arising from its purchase in 1998 is reclassified from financial fixed assets (shares in associated companies) to intangible assets (goodwill).

## CONSOLIDATED CASHFLOW STATEMENT (MSEK)

	<b>1999</b>	<b>1998</b>	<b>1998</b>
	<b>Jan 1 - June 30</b>	<b>Jan 1 - June 30</b>	<b>Full Year</b>
Cash flow from operations	715	460	955
Changes in working capital	(361)	186	35
Cash flows provided by operating activities	354	646	990
Investing activities	(1,148)	(660)	(1,841)
Financing activities	405	(401)	703
<b>Net change in cash</b>	<b>(389)</b>	<b>(415)</b>	<b>(148)</b>
Cash at beginning of year	433	579	579
Exchange difference in cash	(3)	-	2
Cash at end of period	41	164	433

## PARENT COMPANY'S CASHFLOW STATEMENT (MSEK)

	<b>1999</b>	<b>1998</b>	<b>1998</b>
	<b>Jan 1 - June 30</b>	<b>Jan 1 - June 30</b>	<b>Full Year</b>
Cash flow from operations	43	(39)	(25)
Changes in working capital	(21)	71	46
Cash flows provided by operating activities	22	32	21
Investing activities	(35)	(40)	(260)
Financing activities	(121)	-	351
<b>Net change in cash</b>	<b>(134)</b>	<b>(8)</b>	<b>112</b>
Cash at beginning of year	148	36	36
Cash at end of period	14	28	148

## CHANGES IN SHAREHOLDERS EQUITY (MSEK)

	<b>Restricted Equity</b>		<b>Non-restricted Equity</b>	
	<b>Share Capital</b>	<b>Other Restr. Equity</b>	<b>Share in Associated Co's.</b>	<b>Other Retained Losses</b>
Equity, Jan. 1, 1999	519	3,712	(318)	(650)
Changed accounting principle		(10)		16
Equity, Jan. 1, 1999, adjusted	519	3,702	(318)	(634)
Transfers:				
- Shares in associated co.'s			11	(11)
- Deferred Tax		(150)	(21)	171
- Other		-	10	(10)
Translation differences		1		(20)
Profit for the period				118
Equity, Jun 30, 1999	519	3,553	(318)	(386)
Total Restricted & Retained Losses		4,072		(704)

## REVIEW OF THE GROUP (MSEK)

	1999 Jan 1 - Jun 30	1998 Jan 1 - Jun 30	1998 Full Year
<b>Operating revenue by business area</b>			
Tele2 AB:			
-Mobile telephony	1,749	1,353	2,958
-Fixed telephony included Internet	1,251	1,105	2,223
-Cable Television	60	81	137
	3,060	2,539	5,318
Tele2 Norway	156	60	169
Tele2 Denmark	445	233	546
Other operations	291	53	197
Parent Company	5	2	6
Adjustments for sales internal	(292)	(102)	(267)
Total	<b>3,665</b>	<b>2,785</b>	<b>5,969</b>

## Operating profit by business area

Tele2 AB:			
-Mobile telephony	595	477	1,004
-Fixed telephony included Internet	16	75	46
-Cable Television	(37)	(22)	(60)
	574	530	990
Tele2 Norway	(44)	(83)	(110)
Tele2 Denmark	(85)	(74)	(156)
Other operations	10	(6)	(37)
Parent company	8	(69)	(90)
Group adjustments, depreciation	(58)	(38)	(79)
Total	<b>405</b>	<b>260</b>	<b>518</b>

## Profit/loss after financial items by business area

Tele2	464	350	651
Tele2 Norway	(59)	(89)	(128)
Tele2 Denmark	(100)	(81)	(176)
Other operations	(6)	20	3
Parent company	39	(38)	(29)
Share of profit (loss) from associated companies	8	(2)	(10)
Group adjustments, depreciation	(58)	(38)	(79)
Total	<b>288</b>	<b>122</b>	<b>232</b>

**REVIEW OF THE GROUP (MSEK),  
continued**

	<b>1999</b>	<b>1998</b>	<b>1998</b>
	<b>Jan 1 - Jun 30</b>	<b>Jan 1 - Jun 30</b>	<b>Full Year</b>
<hr/>			
<b><u>Investments by business area</u></b>			
Tele2 AB:			
-Mobile telephony	269	304	612
-Fixed telephony included Internet	269	216	572
-Cable Television	6	4	17
-Purchase of companies (net)	435	11	95
	<hr/>	<hr/>	<hr/>
	979	535	1,296
Tele2 Norway	23	49	69
Tele2 Denmark	44	53	130
Other operations	67	25	60
Parent company, tangible assets	-	(2)	(4)
Parent company, purchase of companies (net)	35	-	319
Long-term receivables, change	-	-	(29)
	<hr/>	<hr/>	<hr/>
	1,148	660	1,841
Finance lease	42	96	118
	<hr/>	<hr/>	<hr/>
Total investments including finance lease	1,190	756	1,959
	<hr/>	<hr/>	<hr/>

## QUARTERLY HISTORIC FINANCIAL REVIEW (MSEK)

	1999 Q2	1999 Q1	1998 Q4	1998 Q3	1998 Q2	1998 Q1
<b>Operating revenue by business area</b>						
Tele2 AB:						
-Mobile telephony	936	813	809	796	749	604
-Fixed telephony included Internet	627	624	592	526	530	575
-Cable Television	28	32	30	26	36	45
	<u>1,591</u>	<u>1,469</u>	<u>1,431</u>	<u>1,348</u>	<u>1,315</u>	<u>1,224</u>
Tele2 Norway	84	72	70	39	33	27
Tele2 Denmark	242	203	172	141	124	109
Other operations	157	134	91	53	35	18
Parent company	3	2	2	2	1	1
Adjustments for sales internal	(150)	(142)	(102)	(63)	(60)	(42)
Total	<u>1,927</u>	<u>1,738</u>	<u>1,664</u>	<u>1,520</u>	<u>1,448</u>	<u>1,337</u>
<b>Operating profit by business area</b>						
Tele2 AB:						
-Mobile telephony	310	285	205	322	263	214
-Fixed telephony included Internet	(5)	21	(11)	(18)	13	62
-Cable Television	(20)	(17)	(16)	(22)	(18)	(4)
	<u>285</u>	<u>289</u>	<u>178</u>	<u>282</u>	<u>258</u>	<u>272</u>
Tele2 Norway	(21)	(23)	(7)	(20)	(41)	(42)
Tele2 Denmark	(34)	(51)	(56)	(26)	(47)	(27)
Other operations	(2)	12	(29)	(2)	(1)	(5)
Parent company	(11)	19	(39)	18	(37)	(32)
Group adjustments, depreciation	(29)	(29)	(20)	(21)	(17)	(21)
Total	<u>188</u>	<u>217</u>	<u>27</u>	<u>231</u>	<u>115</u>	<u>145</u>
<b>Profit/loss after financial items by business area</b>						
Tele2	239	225	103	198	159	191
Tele2 Norway	(29)	(30)	(15)	(24)	(45)	(44)
Tele2 Denmark	(42)	(58)	(63)	(32)	(51)	(30)
Other operations	(10)	4	(26)	9	26	(6)
Parent company	3	36	(25)	34	(19)	(19)
Shares of profit (loss) from associated companies	2	6	(11)	3	5	(7)
Group adjustments, depreciation	(29)	(29)	(20)	(21)	(17)	(21)
Total	<u>134</u>	<u>154</u>	<u>(57)</u>	<u>167</u>	<u>58</u>	<u>64</u>

## QUARTERLY HISTORIC FINANCIAL REVIEW (MSEK) continued

	1999 Q2	1999 Q1	1998 Q4	1998 Q3	1998 Q2	1998 Q1
<b><u>Investments by business area</u></b>						
Tele2 AB:						
-Mobile telephony	142	127	186	122	172	132
-Fixed telephony included Internet	114	155	165	191	123	93
-Cable Television	3	3	12	1	4	-
-Purchase of companies (net)	10	425	-	84	-	11
	<u>269</u>	<u>710</u>	<u>363</u>	<u>398</u>	<u>299</u>	<u>236</u>
Tele2 Norway	10	13	20	-	25	24
Tele2 Denmark	15	29	52	25	24	29
Other operations	25	42	21	14	12	13
Parent company, tangible assets	-	-	(2)	-	(1)	(1)
Parent company, purchase of companies (net)	2	33	319	-	-	-
Long-term receivables, change	-	-	(29)	-	-	-
	<u>321</u>	<u>827</u>	<u>744</u>	<u>437</u>	<u>359</u>	<u>301</u>
Finance leases	1	41	3	19	2	94
Total investments including finance leases	<u>322</u>	<u>868</u>	<u>747</u>	<u>456</u>	<u>361</u>	<u>395</u>



## FIVE YEAR SUMMARY

	1999 6 months	1998 6 months	1998	1997	1996	1995*
<b><u>Income Statement and Balance Sheet (MSEK)</u></b>						
Operating revenue	3,665	2,785	5 969	4 036	2 872	1 953
Operating profit before depreciation	860	590	1 223	1 000	651	(431)
Operating profit after depreciation	405	260	518	392	254	(728)
Profit/loss after financial items	288	122	232	(37)	29	(1 456)
Shareholders' equity	3,368	3,218	3 269	3 156	2 276	(910)
Shareholders' equity, after full conversion	3,368	3,218	3 269	3 193	2 923	(910)
Total assets	10,956	8,618	10 189	8 684	7 527	4 831
Cash flow provided by operating activities	354	646	990	411	610	(759)
Liquidity	326	1,198	821	1 499	819	189
Net borrowing	5,559	3,677	4 600	3 579	3 894	4 555
Net borrowing, after full conversion	5,559	3,677	4 600	3 542	3 247	4 555
Investments including financial lease**	1,190	756	1 959	1 117	1 016	1 006
<b><u>Key ratio (%)</u></b>						
Solidity	31%	37%	32%	36%	30%	Negative
Solidity, after full conversion	31%	37%	32%	37%	39%	Negative
Return on shareholders' equity	3.5%	1.2%	2.1%	3.2%	Negative	Negative
Return on shareholders' equity, after full conversion	3.5%	1.2%	2.1%	3.2%	Negative	Negative
Return on capital employed	5.0%	3.7%	6.7%	4.8%	1.3%	Negative
Average interest rate	5.2%	6.7%	6.6%	7.1%	8.9%	11.5%
Average interest rate, after full conversion	5.2%	6.7%	6.6%	7.1%	8.6%	11.5%
<b><u>Value per share (SEK)</u></b>						
Profit/loss	1.13	0.37	0.64	0.50	2.80	Negative
Profit/loss, after full conversion	1.13	0.37	0.64	0.57	2.78	Negative
-of which Tele2 Norway	(0.57)	(0.86)	(1.24)	(0.46)	(0.12)	
-of which Tele2 Denmark	(0.97)	(0.78)	(1.69)	(0.79)	(0.16)	
-of which associated companies	(0.09)	(0.05)	(0.14)	(0.85)	2.52	
-of which Tele2 Sweden and other ops	2.76	2.06	3.71	2.67	0.54	
Shareholders' equity	32.43	31.15	31.55	32.18	25.78	Negative
Shareholders' equity, after full conversion	32.43	31.00	31.48	30.86	28.70	Negative
Market value at closing day	286.00	305.50	330.00	170.50	110.50	-
P/E-ratio	126.16	412.42	512.92	344.43	39.40	-
P/E-ratio, after full conversion	126.16	408.03	514.17	298.12	39.81	-

\* The NetCom group was, until market flotation in 1996, a wholly owned subsidiary of Industriförvaltnings AB Kinnevik.

\*\* Finance leases are included from January 1, 1997.

For definitions please see the 1998 Annual Report.