

# THIRD QUARTER

October 20, 2022

TELE2



# Continued strong top-line growth

SEK (YoY growth*)	Q3 22	YTD	The Group	Sweden B2C
End-user service revenue	5.1bn (+3.5%)	15.0bn (+2.9%)	<ul style="list-style-type: none"> <li>– EUSR growth of 3.5% in the quarter driven by the Baltics and Sweden B2B</li> <li>– Underlying EBITDAaL growth of 1.5% driven by EUSR growth and continued execution of the Business Transformation Program</li> </ul>	<ul style="list-style-type: none"> <li>– Solid mobile postpaid net intake</li> <li>– Continued growth in fixed broadband primarily driven by volume growth</li> <li>– In Entertainment, all eligible customers have been migrated to include Viaplay</li> <li>– Launch of 5G services with speed-based pricing</li> </ul>
Underlying EBITDAaL	2.6bn (+1.5%)	7.6bn (+3.5%)	<ul style="list-style-type: none"> <li>– Second tranche of ordinary dividend was distributed on October 14</li> <li>– First Nordic telco to set approved SBTi targets</li> </ul>	
Capex ex. spectrum and leases	0.6bn	2.0bn	Sweden B2B	The Baltics
EFCF	1.3bn	3.0bn	<ul style="list-style-type: none"> <li>– Solid EUSR growth driven by strong development in mobile</li> <li>– Mobile ASPU trend stabilized</li> <li>– Strong mobile net intake in the quarter driven by both the SME and large segment</li> <li>– Disruption in supply chain hampers some solutions activity</li> </ul>	<ul style="list-style-type: none"> <li>– Continued strong EUSR growth driven by ASPU and volume growth and slight tailwind from roaming</li> <li>– Strong underlying EBITDAaL growth despite increased costs for energy and general inflation</li> <li>– Successfully acquired spectrum in Estonia and Lithuania</li> </ul>

\*Organic growth rate

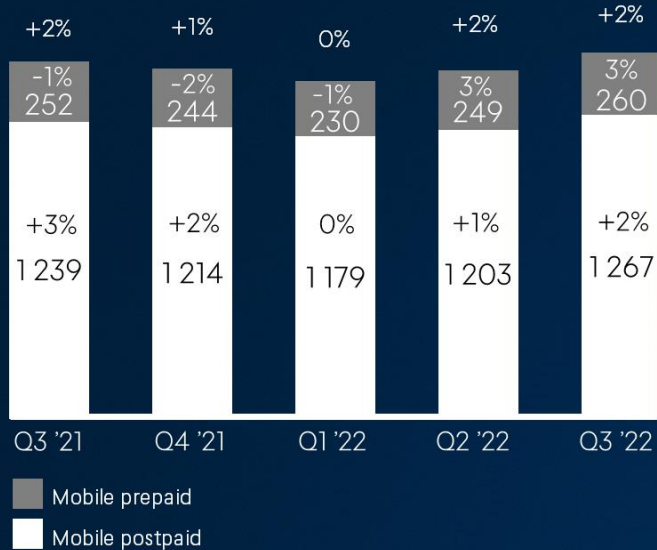
SWEDEN



# Sweden consumer

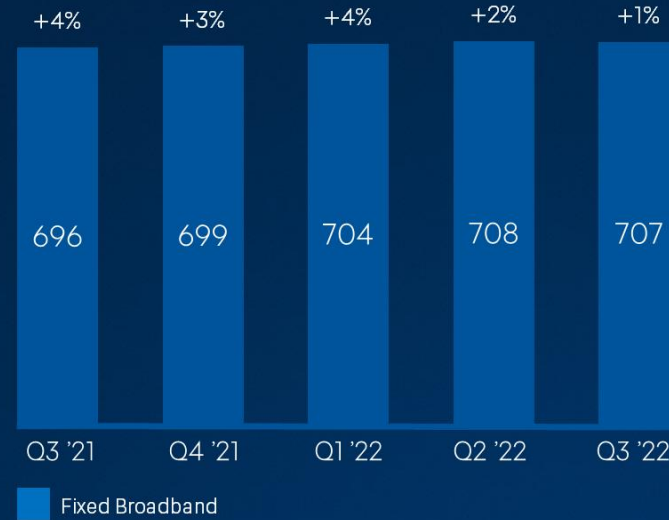
## Mobile EUSR

SEK million, YoY growth %



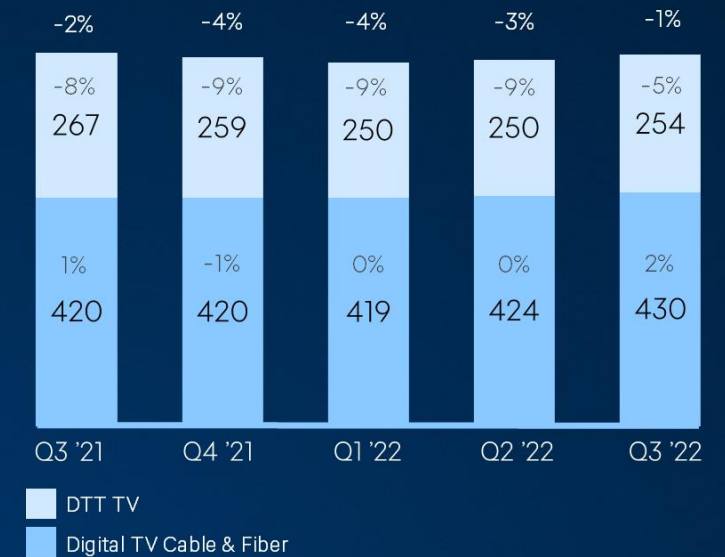
## Fixed broadband EUSR

SEK million, YoY growth %



## Digital TV EUSR

SEK million, YoY growth %



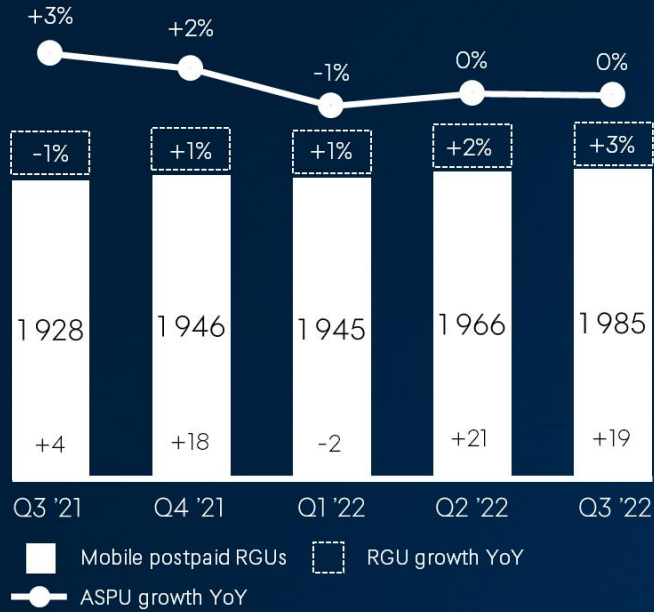
## Q3 highlights

- EUSR for mobile postpaid grew 2% driven by ASPU and volume growth. In August, the new speed-based 5G mobile portfolio was launched
- EUSR for fixed broadband continued to increase by 1% driven by volume growth
- EUSR for Digital TV was stable during Q3 as all eligible Entertainment customers have been migrated to the new packages with extended Viaplay content.

# Sweden consumer

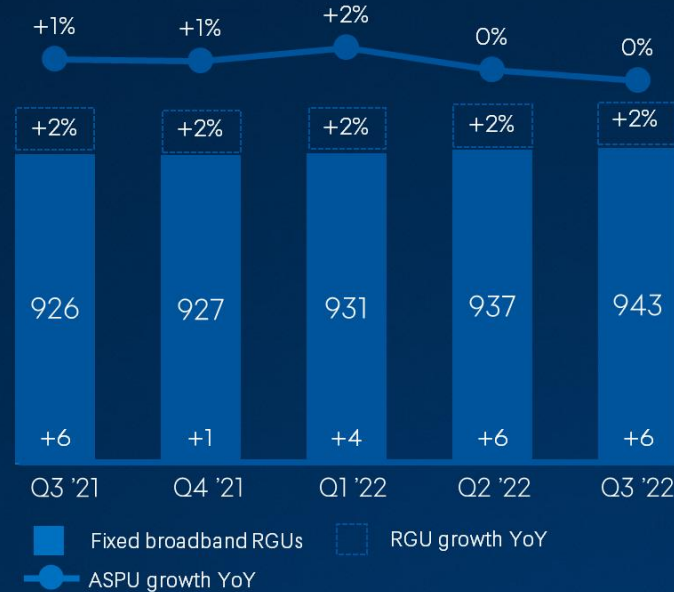
## Mobile postpaid RGU & ASPU

Thousand QoQ and YoY growth %



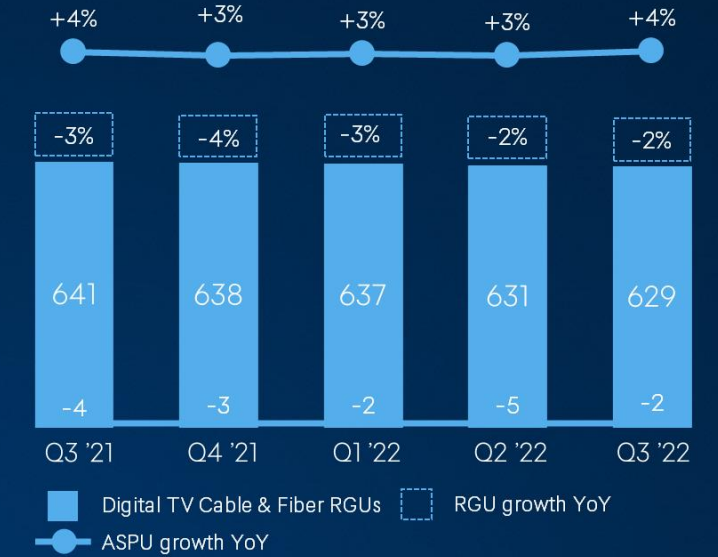
## Fixed broadband RGU & ASPU

Thousand QoQ and YoY growth %



## Digital TV Cable & Fiber RGU & ASPU

Thousand QoQ and YoY growth %



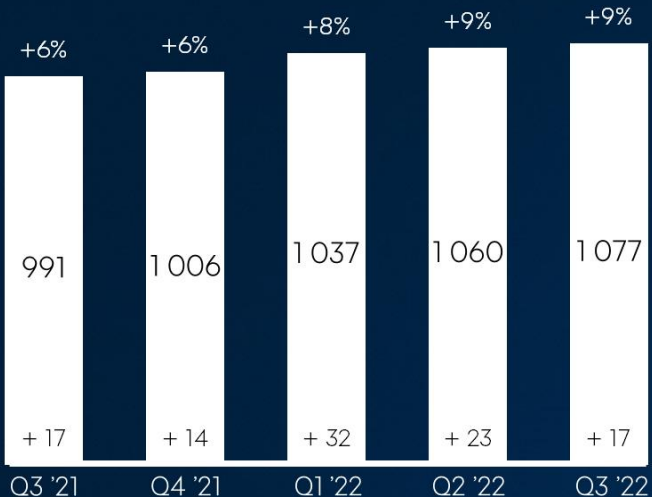
## Q3 highlights

- Mobile postpaid net intake was positive with 19,000 RGUs driven by FMC bundling and Comviq
- Continued volume growth for fixed broadband
- ASPU continued to grow within digital TV cable and fiber supported by Tele2 Play+ and the migration of customers to the new packages with extended Viaplay content

# Sweden business

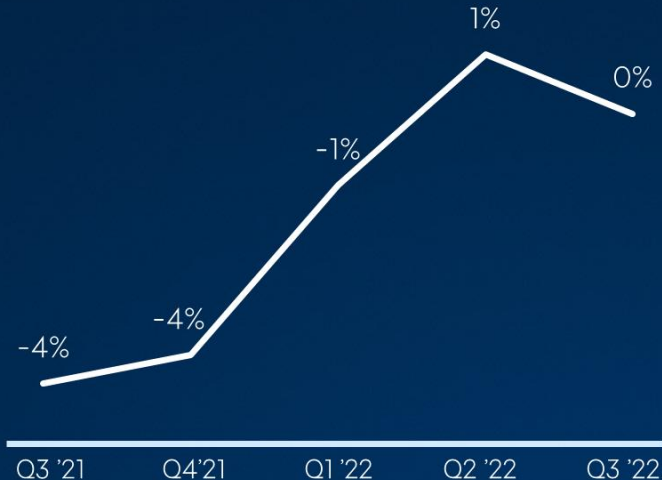
## Mobile RGU & net intake

Thousand QoQ and YoY growth %



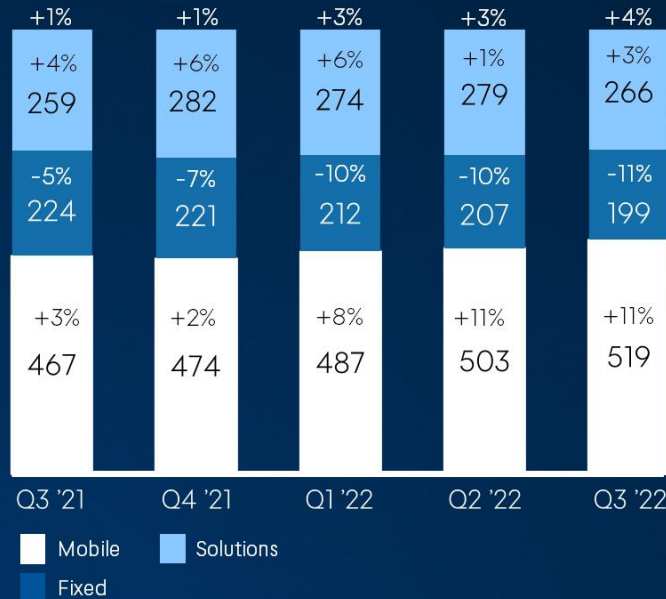
## Mobile ASPU

YoY growth %



## End-user service revenue

SEK million, YoY growth %



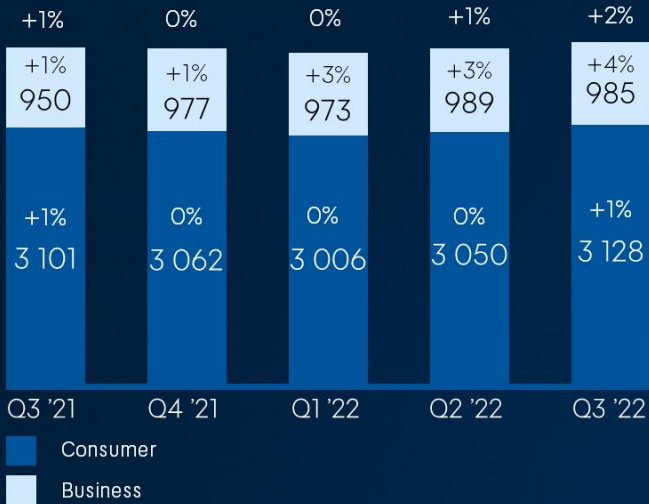
## Q3 highlights

- Continued strong net intake within mobile of 17,000 RGUs driven by positive net intake in both the SME and large segment
- Mobile ASPU trend stabilized driven by SME volume mix and larger focus on profitability within large private and public
- Strong EUSR growth in the mobile business more than compensated for the continued decline in legacy fixed services

# Sweden financials

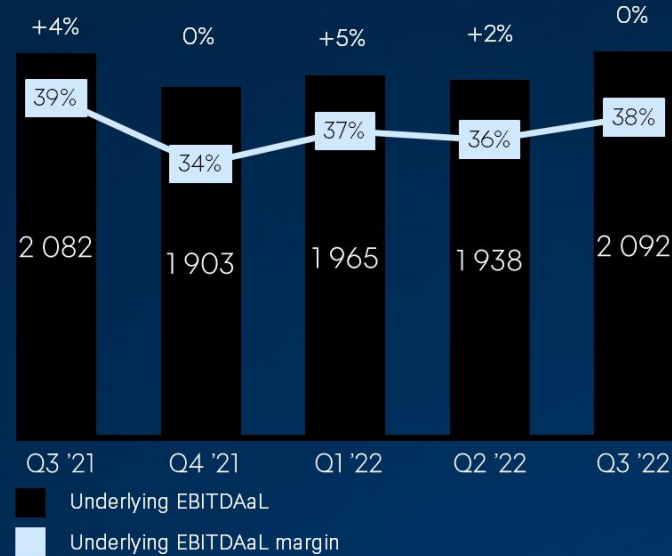
## End-user service revenue

SEK million, YoY growth %



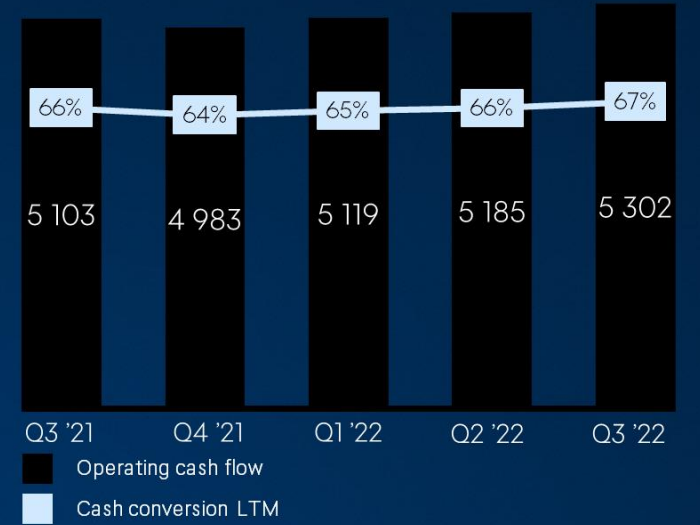
## Underlying EBITDAaL & margin

SEK million, YoY growth %



## Operating cash flow and cash conversion, rolling 12m, SEK million

rolling 12m, SEK million



## Q3 highlights

- EUSR grew +2% year-on-year as growth in Sweden B2B, fixed broadband and mobile in Sweden B2C, and roaming compensated the continued decline in legacy services
- Underlying EBITDAaL was flat in the quarter as higher EUSR and benefits from the Business Transformation Program were consumed primarily by higher costs for energy, external financing and content
- Cash conversion remains strong at 67%

Cash conversion = operating cash flow / underlying EBITDAaL

# BALTICS

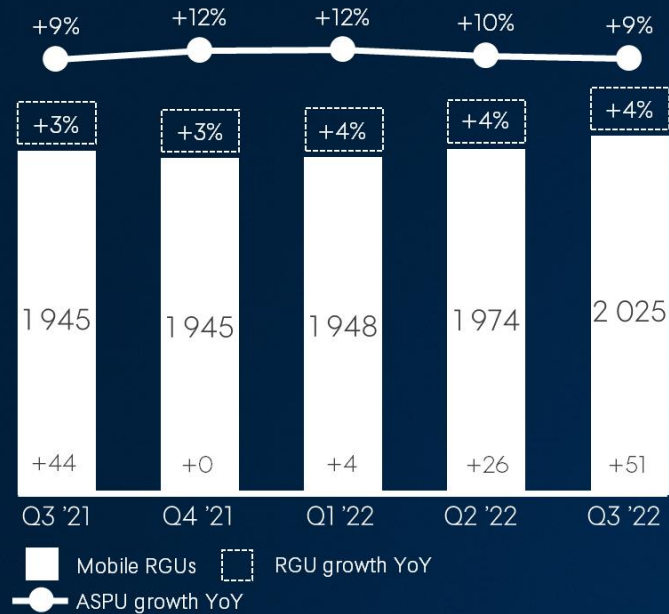




# Baltics operational highlights

## Lithuania – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



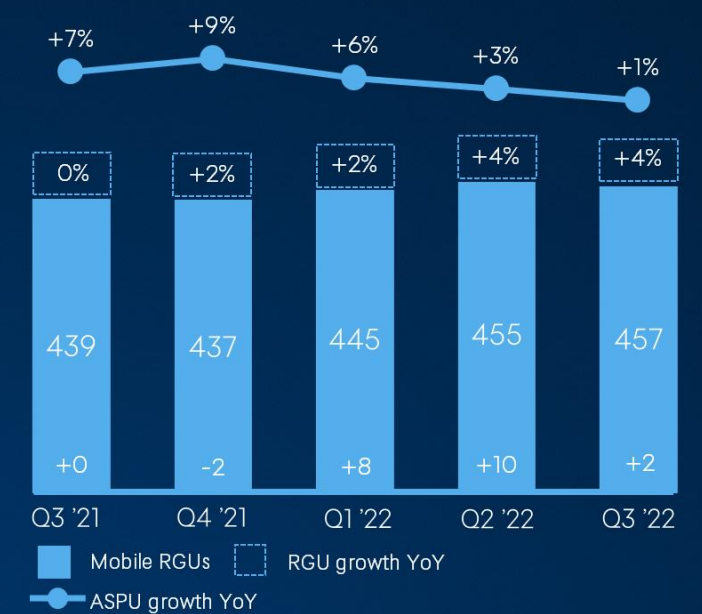
## Latvia – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



## Estonia – Mobile RGU & ASPU

Thousand QoQ and YoY growth %



## Q3 highlights

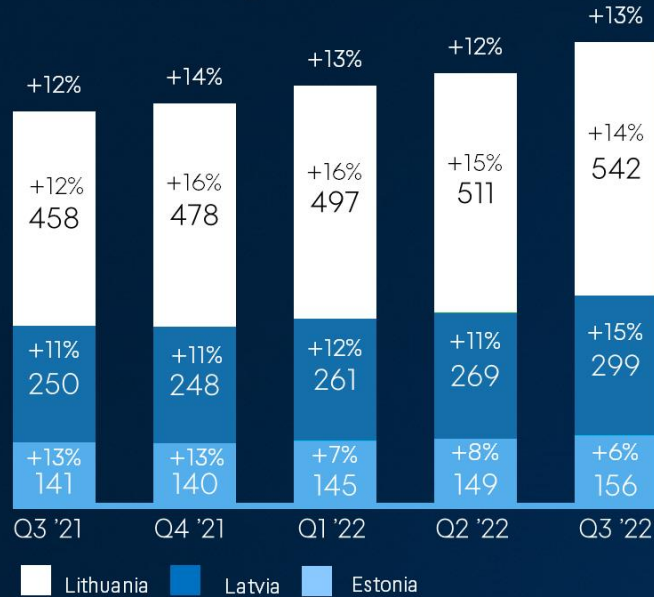
- Continued strong ASPU growth driven by more-for-more strategy, price adjustments and a slight tailwind from roaming
- Continued strong mobile RGU growth in all markets, primarily driven by mobile postpaid

Organic growth rate

# Baltics financials

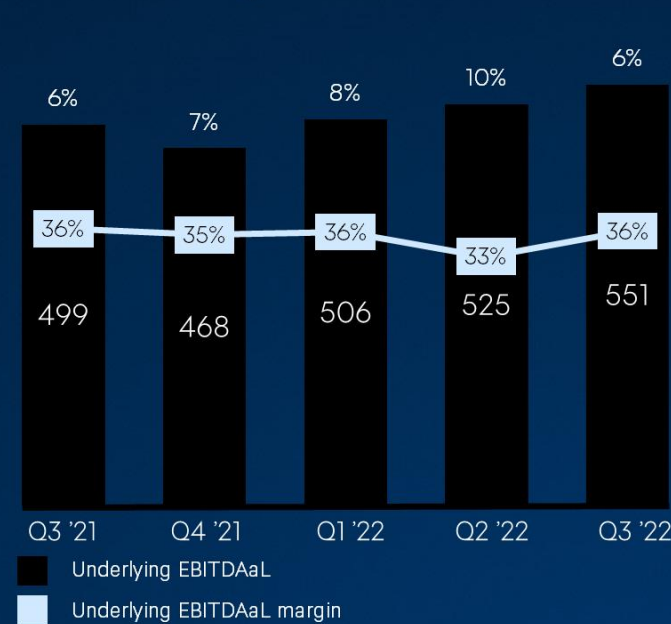
## End-user service revenue

SEK million, YoY growth %



## Underlying EBITDAaL & margin

SEK million, YoY growth %



## Operating cash flow and cash conversion, rolling 12m, SEK million

rolling 12m, SEK million



## Q3 highlights

- Continued strong end-user service revenue growth of 13% driven by both ASPU and volume growth in all markets
- Underlying EBITDAaL increased by 6% driven by higher end-user service revenue, offsetting pressure from the increase in energy prices and inflation
- Continued strong cash conversion of 80% due to strong underlying EBITDAaL growth

Organic growth rate

Cash conversion = operating cash flow / underlying EBITDAaL

# FINANCIAL OVERVIEW

# Group results

SEK million		Q3 2022	Q3 2021
Revenue		7,084	6,639
Underlying EBITDA	1	2,974	2,894
Margin (%)		42.0%	43.6%
Items affecting comparability		-86	-75
D&A		-1,539	-1,523
Associated companies & JVs	2	0	78
Operating profit		1,350	1,374
Net interest and other financial items	3	-159	-116
Income tax		-191	-220
Net profit, continuing operations		1,000	1,038
Net profit, discontinued operations	4	-6	83
Net profit, total operations		994	1,121

## Comments

- 1 Underlying EBITDA grew by 2% organically in the quarter driven by end-user service revenue growth and cost savings related to the Business Transformation Program, partly offset by headwinds related to higher energy costs and inflation
- 2 Associated companies and JVs decreased compared to Q3 2021 as a result of the divestment of T-Mobile Netherlands
- 3 Net interest and other financial items increased compared to Q3 2021 due to higher interest costs
- 4 Net profit discontinued of SEK 83 million in Q3 2021 was largely related to dispute settlements in previously divested operations

# Group cash flow

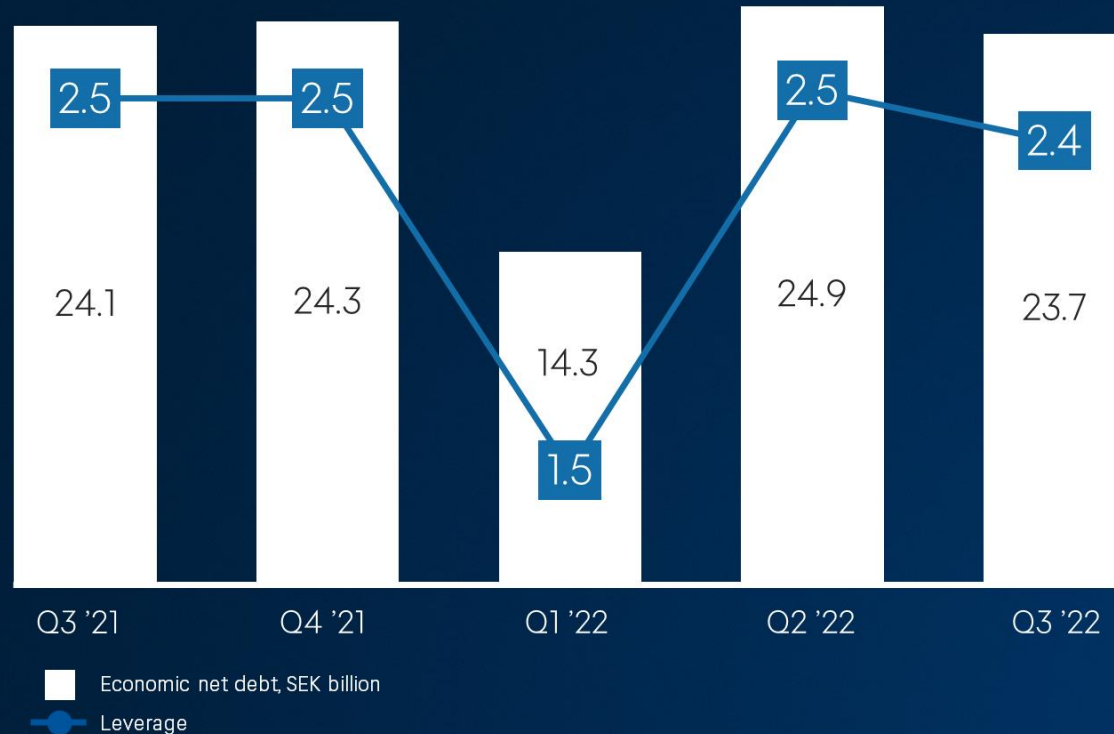
SEK million		Q3 2022	Q3 2021
Underlying EBITDA		2,974	2,894
Items affecting comparability		-86	-75
Amortization of lease liabilities		-281	-258
Capex paid	1	-807	-617
Changes in working capital	2	-200	186
Net financial items paid		-49	-44
Taxes paid	3	-254	-206
Other cash items		50	24
Equity free cash flow, continuing operations		1,348	1,903
Equity free cash flow, discontinued operations		0	28
Equity free cash flow, total operations		1,348	1,931
Continuing operations			
Equity free cash flow LTM	4	4,775	4,864
Equity free cash flow LTM / share (SEK)		6.9	7.0

## Comments

- 1 Capex paid increased compared to last year due to timing in payments
- 2 Changes in working capital was negatively impacted by higher inventory levels related to the ongoing network modernization
- 3 Taxes paid increased compared to Q3 2021 driven by improved operational performance
- 4 Equity free cash flow from continuing operations over the last twelve month remains strong and amounted to SEK 4.8 billion, equivalent to SEK 6.90 per share

# Leverage at 2.4x

## Economic net debt to underlying EBITDAaL



## Comments

- Economic net debt decreased by SEK 0.5 billion compared to the end of 2021, as cash generation more than offset the first tranche of the ordinary dividend and the extraordinary dividend that was distributed in May
- Leverage of 2.4x on September 30 is just outside of the target range of 2.5-3.0x
- Second tranche of the ordinary dividend of SEK 3.35 per share was paid on October 14. Including the dividend, leverage would have been 2.6x on September 30

Economic net debt = Net debt excluding lease liabilities  
Underlying EBITDAaL for total operations at the time of reporting

# Business Transformation Program update

	Realized in Q3 2022	Annualized run-rate Q3 2022	Annualized run-rate target H1 2023
Opex Reduction <i>SEK million</i>	170	725	>1,000

## Comments

- Continued network optimizations as well as savings in external spend generated cost reductions in Q3 2022.
- Annualized run-rate at end of Q3 2022 of SEK 725 million (SEK 500m at the end of 2021)
- Savings of 170 million realized in Q3 2022 with SEK 80 million net effect on underlying EBITDAaL (SEK 90 million realized in Q3 2021)
- Target of at least SEK 1bn in annual run-rate to end of H1 2023

# Key priorities going forward

## **Growth**

Keep the profitable growth momentum in the business during times of turmoil

## **Roll-out of 5G**

Continued investments in network infrastructure

## **Efficiency**

Deliver on the Business Transformation Program

## **Sustainability commitment**

Continuous commitment to the recently approved Science-Based Targets



TELE2

