

# FIRST QUARTER 2011

April 19, 2011

**TELE2**

# Agenda

## **About Q1 2011**

Financial review

Guidance and Concluding remarks

# Highlights Q1

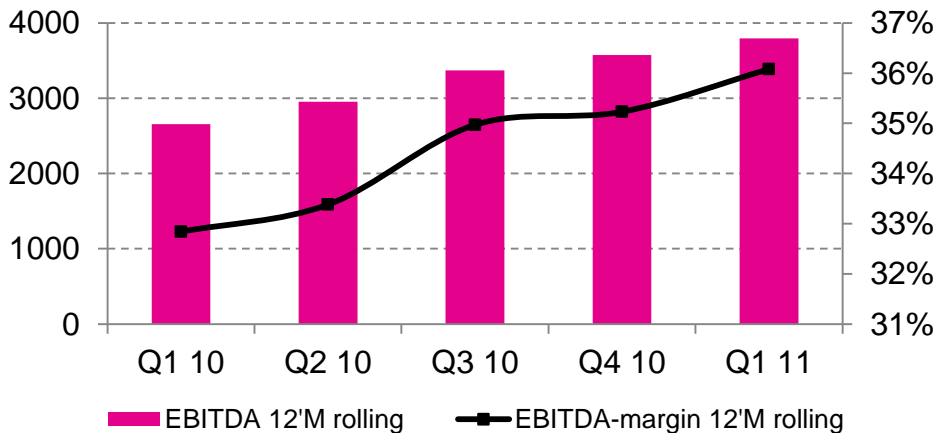
- **Group**
  - Total customer base amounting to more than 31 million customers. Net customer intake for the group 399,000
  - Net sales grew by 0.5 percent. Currency-adjusted net sales grew by 7 percent, driven by mobile sales
  - EBITDA grew by 4 percent. Currency-adjusted EBITDA grew by 11 percent. EBITDA margin amounted to 26 (25) percent
- **Russia**
- **Nordic**
- **Central Europe & Eurasia**
- **Western Europe**

# Highlights Tele2 Russia

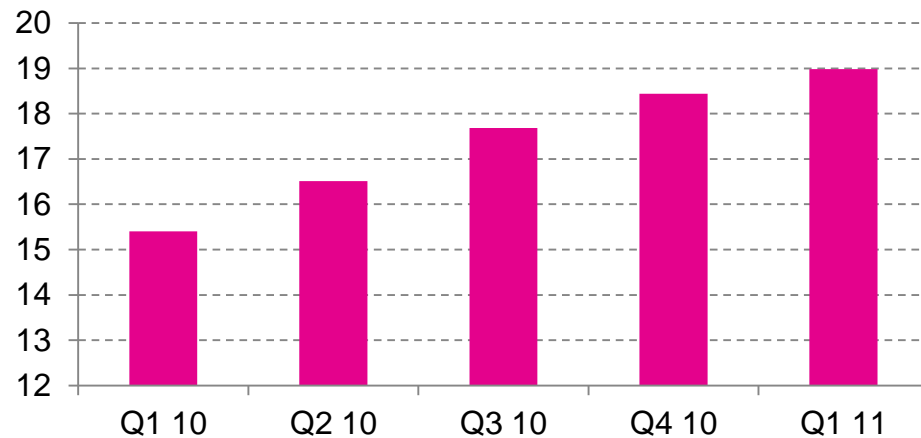
- 547,000 (949,000) new customers in Q1 2011
- Net sales grew by 17 percent. Currency-adjusted net sales grew by 27 percent



## EBITDA 12'M ROLLING SEK MILLION / PERCENT

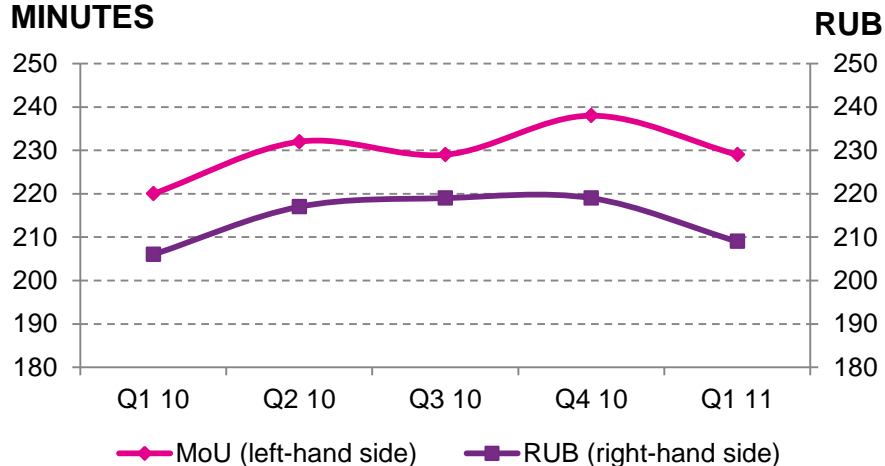


## CUSTOMER BASE MILLIONS

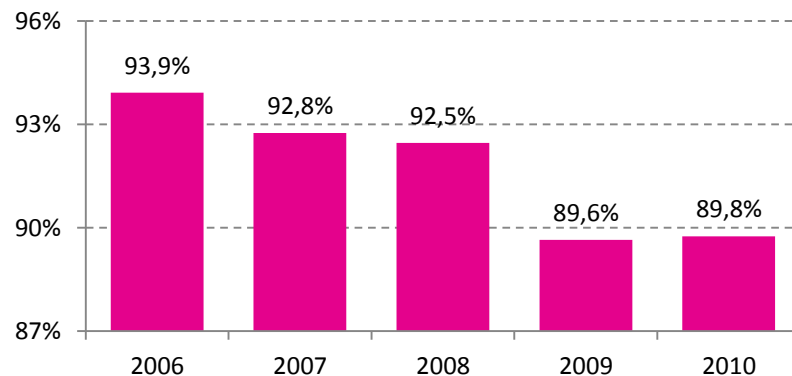


# Mobile market overview

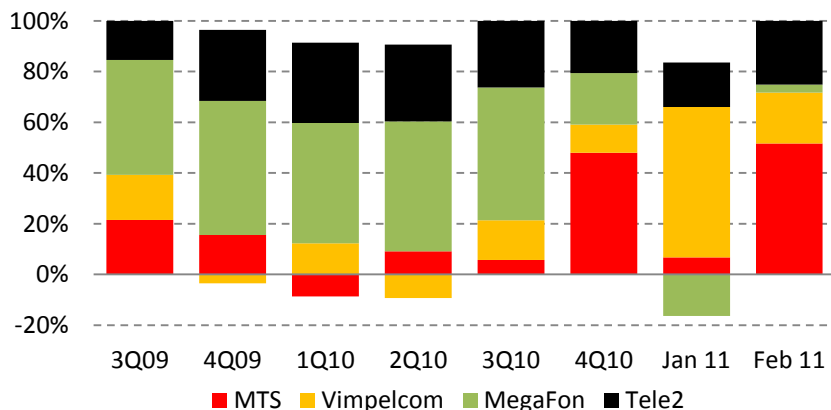
## MOU AND ARPU MINUTES



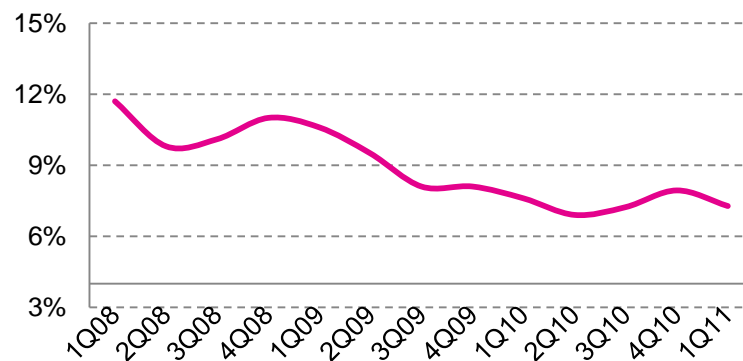
## PREPAID SHARE \* PERCENT



## NET ADDITIONS SHARE OF ADDS (%)

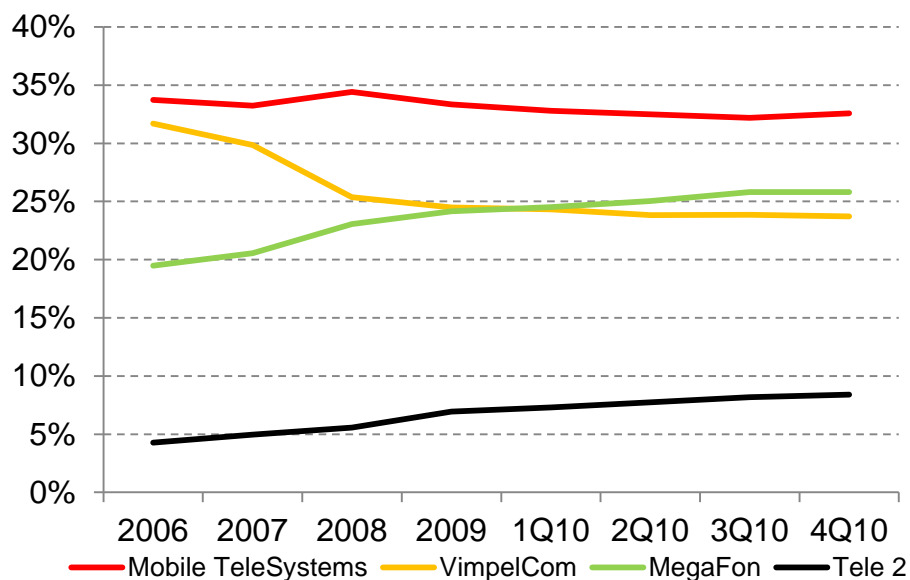


## QUARTERLY CHURN TELE2 PERCENT

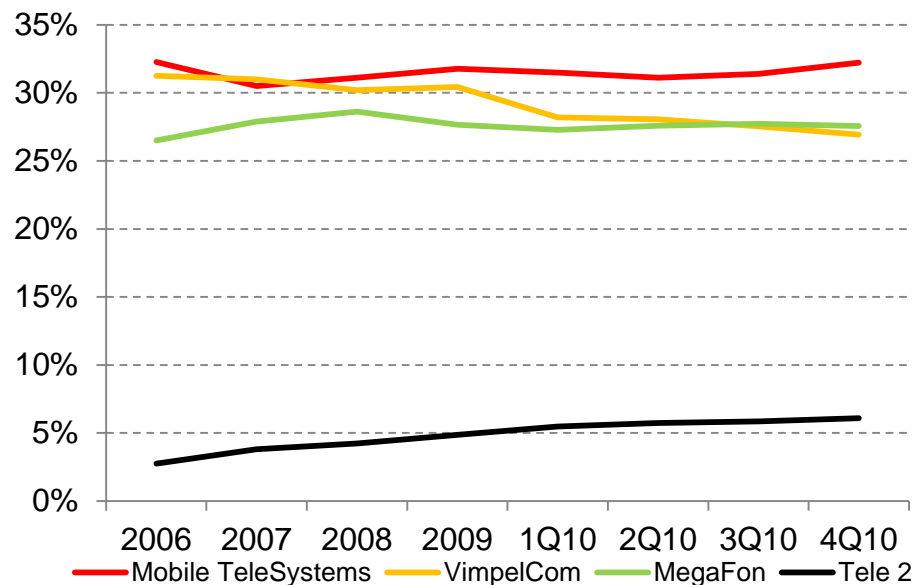


# Mobile market overview

**MOBILE MARKET SHARES  
PERCENT OF ACTIVE SUBSCRIBERS**



**MOBILE MARKET SHARES  
PERCENT OF RETAIL REVENUES**

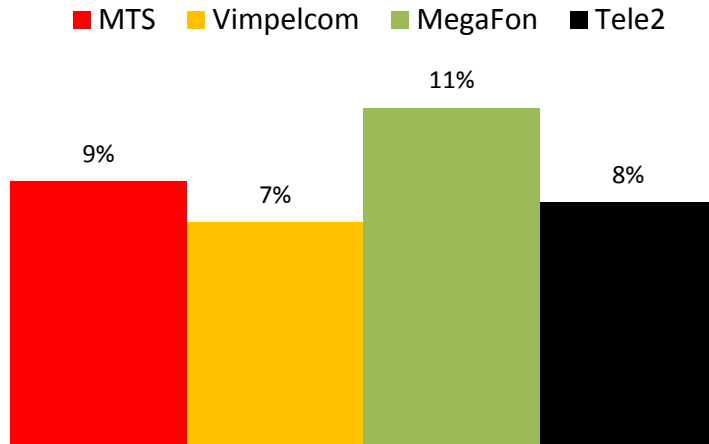


Average TELE2 share (all Russia) - 8.4%  
 Average TELE2 share (old regions) - 39% \*  
 Average TELE2 share (new regions) - 16% \*  
**Average TELE2 share (total 37) - 29% \***

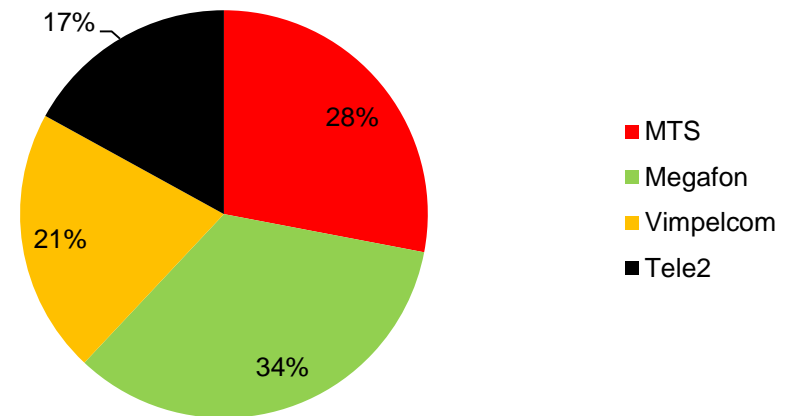
\* T2 Initial Measurement 2011

# Mobile data market

DATA REVENUE as of 4Q10  
SHARE OF TOTAL REVENUE (FEDERAL)



BIG4 DATA REVENUE BREAKDOWN  
PERCENT, 4Q10 (TELE2 REGIONS)

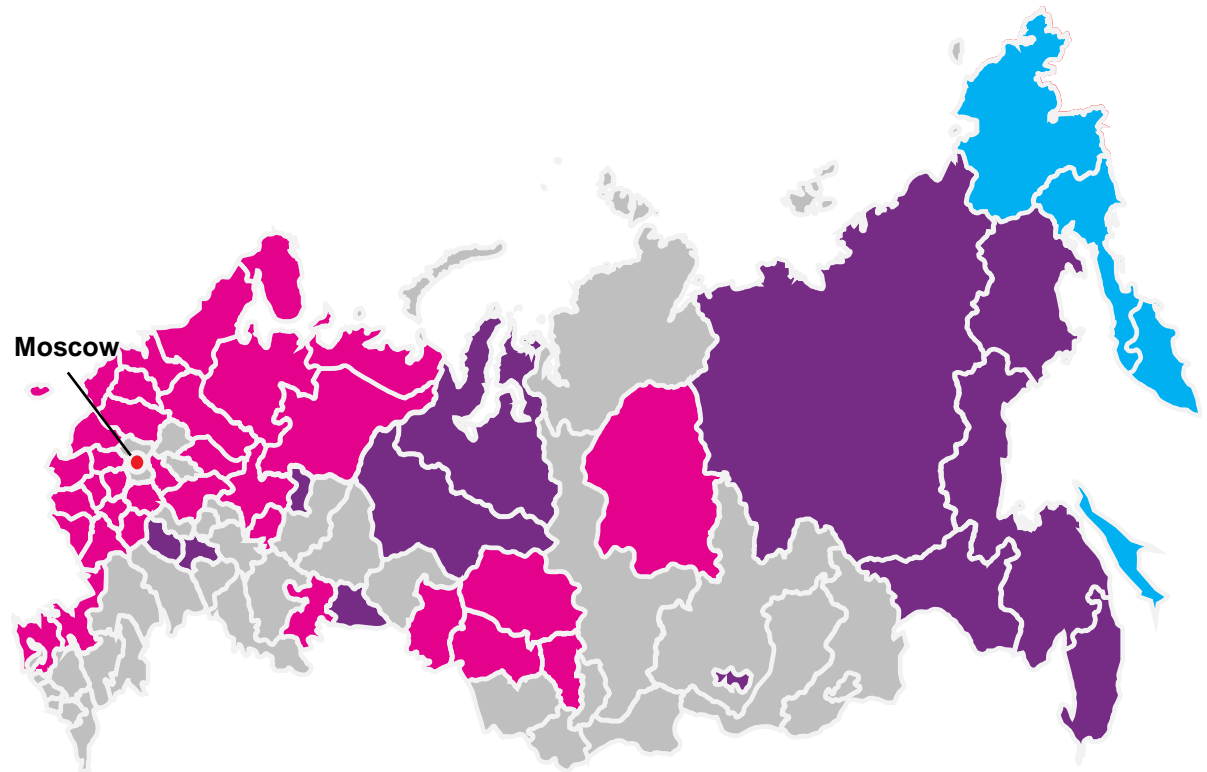


- EDGE enabled mobile network
- Great price and smart packaging
- Large difference between major cities vs. rural areas

# Tele2's regional expansion opportunities

## COVERAGE MAP

Population	(Million)
Total Market	142
New licences	11.5
Tele2	61
Won licences	1
<b>Combined</b>	<b>62</b>



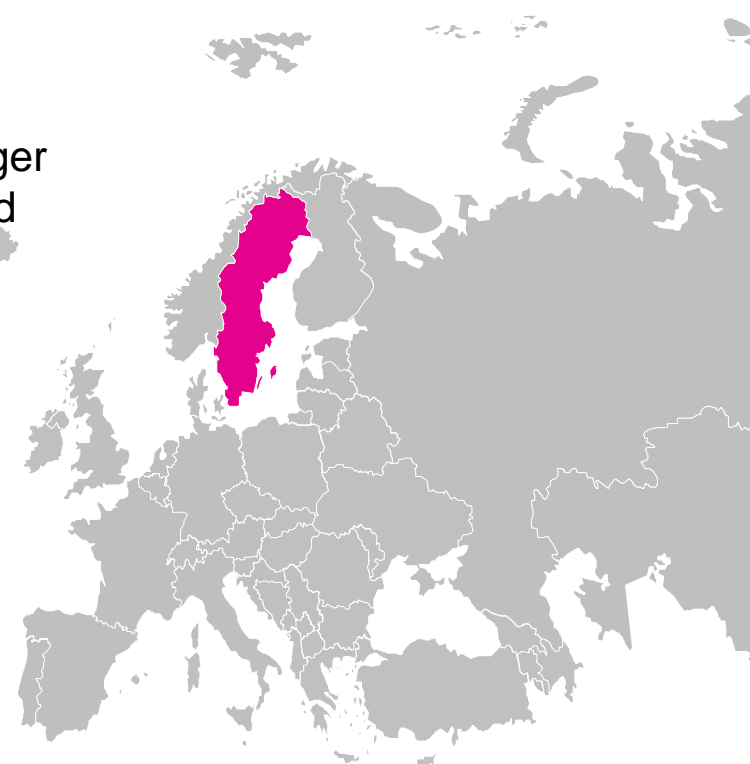
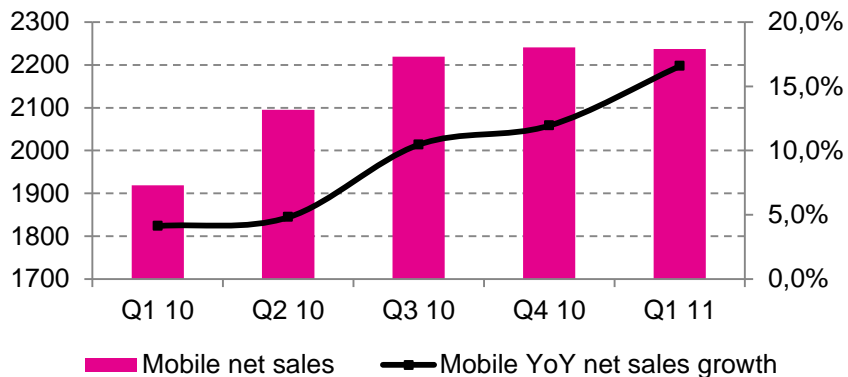
The results of the first GSM tender: Tele2 got licences in all 4 new regions in the first round



# Highlights Tele2 Sweden

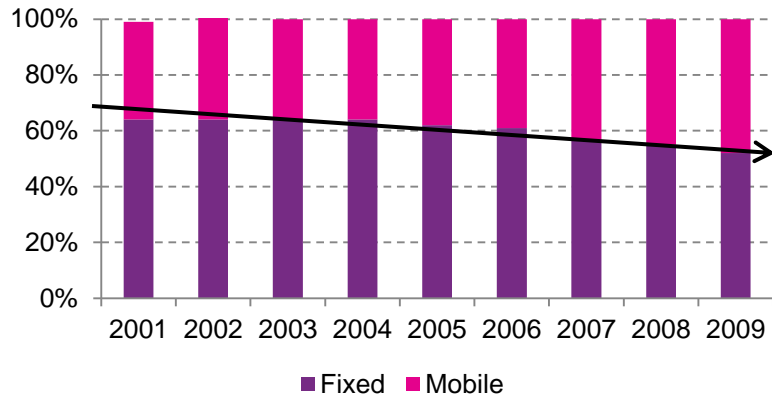
- Increased mobile revenue growth of 17 percent
- 45,000 (29,000) postpaid customers added
- Mobile EBITDA margin 30 (35) percent, due to a larger gross intake of smartphone customers and increased costs to JVs
- 4G launched in eight major cities

## NET SALES SEK MILLION / PERCENT

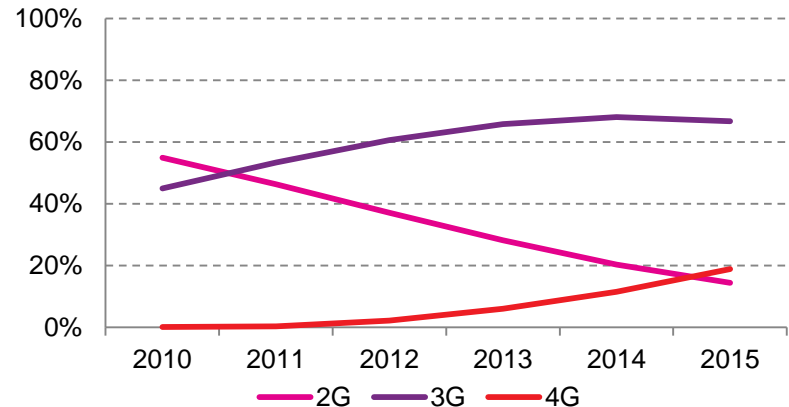


# Swedish telecom market trends

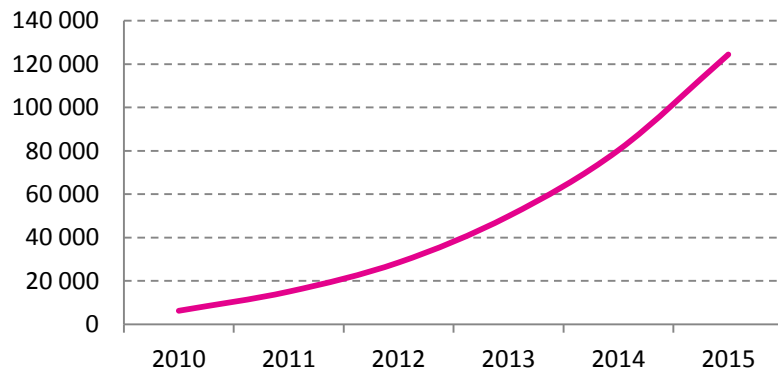
**FIXED VS. MOBILE PERSPECTIVE**  
SWE TELECOM REVENUES (%)



**MOBILE CONNECTIONS SWEDEN**  
PERCENT



**MOBILE DATA TB USAGE (RESIDENTIAL)**  
TERABYTE



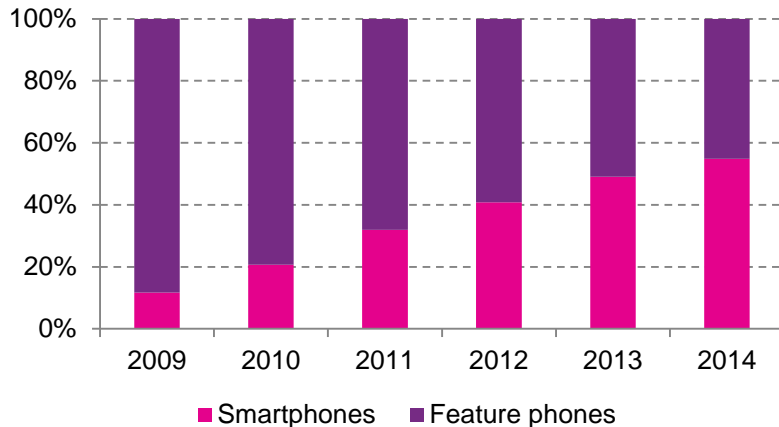
Mobile data is increasing, driven by smartphones and mobile broadband

# Smartphones change the customers' behaviour

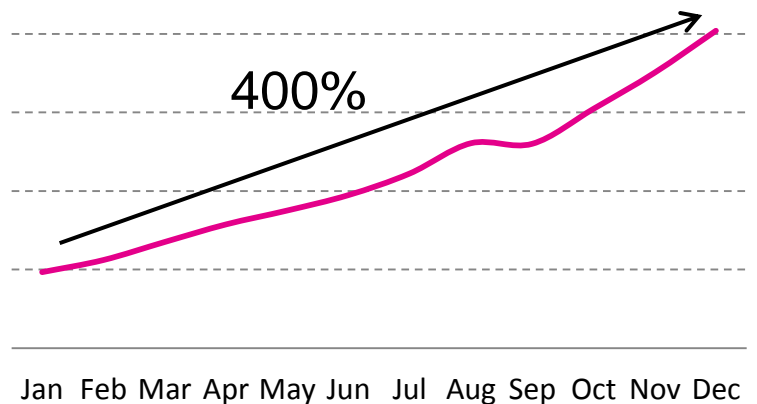
## The Swedish mobile market

Tele2 customers' demand for data solutions is increasing rapidly

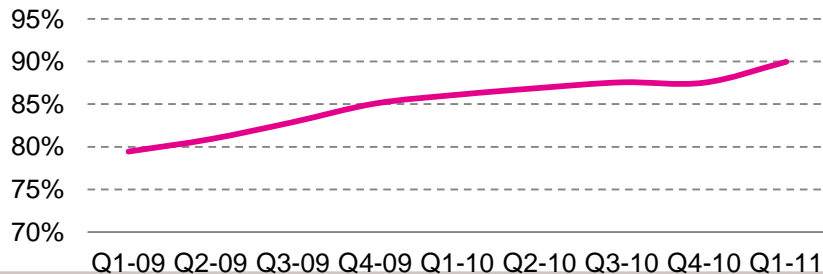
**SMARTPHONES vs. FEATURE PHONES**  
SHARE OF TOTAL MARKET



**SALES OF DATA PACKAGES**



**POSTPAID RESIDENTIAL WITH CONTRACT**  
PERCENT



More than 60 percent of Tele2's prepaid customers converting to postpaid change to a smartphone

# Focused activities give results on postpaid ASPU

## ASPU trend recovered

- Focused on attracting and retaining the right customers
- Continued the expansion of Tele2 stores
- Increased sales of data packaging
- Remade B2B product portfolio
- Strengthened switching solution offer



In total, 9 out of 10 sold phones are smartphones

## Top 10 phone sales in Tele2 Stores (Jan-Mar)

- 1 iPhone4 16 GB
- 2 iPhone4 32 GB
- 3 Sony Ericsson X10 Mini Pro
- 4 Sony Ericsson X10
- 5 HTC Desire
- 6 ZTE Blade
- 7 Sony Ericsson X8
- 8 Sony Ericsson X10 Mini
- 9 HTC Wildfire
- 10 HTC Desire HD

# The 4G roll-out continues

2010



2011



End of  
2012



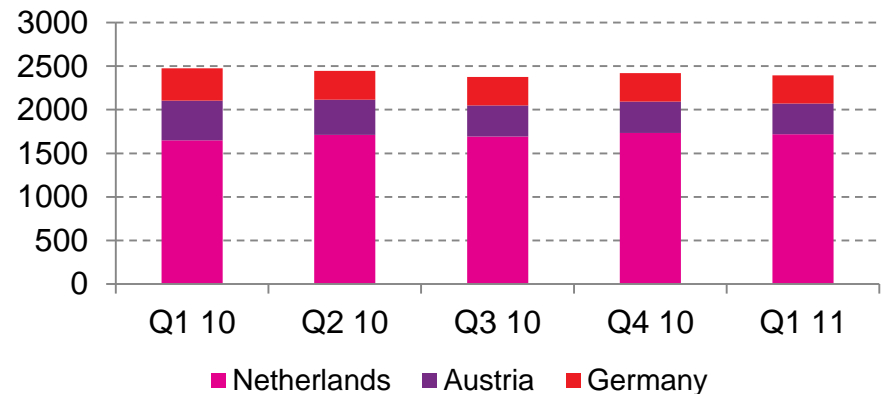
99%  
coverage

# Highlights Tele2 Western Europe

- The Netherlands
  - Strengthened the position in the business segment through the completion of the BBned acquisition
- Germany
  - Continued strong EBITDA contribution of 33 percent in fixed telephony
- Austria
  - Continued good progress in restructuring program leading to sequential improvement of EBITDA contribution



**EBITDA 12'M ROLLING**  
**SEK million**

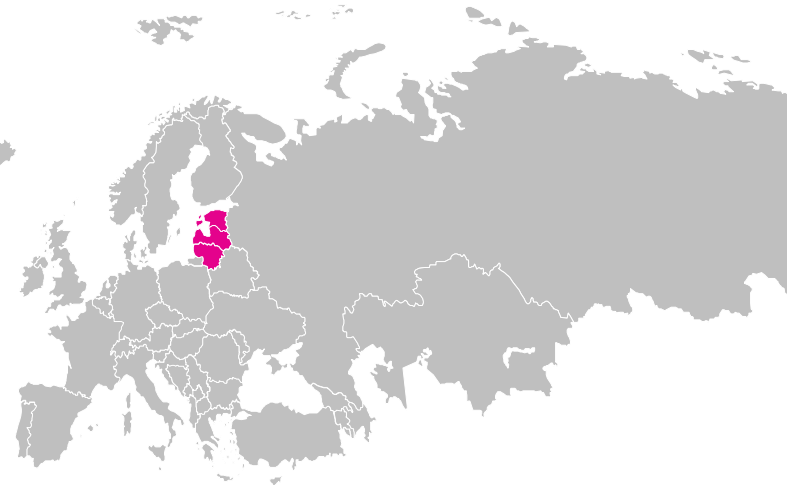


# Licence Renewal / Frequency Auction

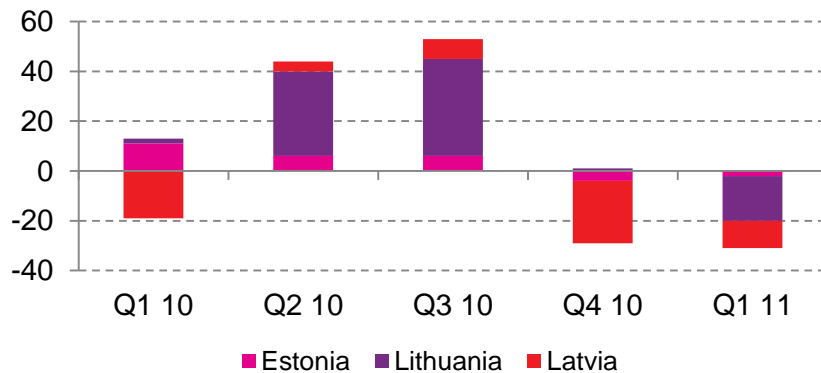
Frequency Band:	Available Spectrum:	Current Distribution:	
800 MHz ('Digital Dividend')	2x30 MHz ( <i>NEW</i> )	60 MHz to be distributed ( <i>NEW</i> )	Auction early 2012
<b>GSM 900</b> (935-960 MHz)	2x25 MHz ( <i>expires 2013</i> )	<b>KPN:</b> 24,8 MHz, <b>Vodafone:</b> 22,8 MHz	
<b>E-GSM 900</b> (925-935)	2x10 MHz ( <i>expires 2013</i> )	<b>T-Mobile:</b> 20 MHz (2x5 MHz KPN/Telfort + 2x5 MHz Orange)	
<b>DCS 1.800</b>	2x72,5 MHz ( <i>expires 2013</i> )	<b>KPN:</b> 35 MHz, <b>Vodafone:</b> 10,4 MHz, <b>T-Mobile:</b> 63,6 MHz <i>UNUSED: 35 MHz ex-Telfort</i>	
<b>UMTS 2.100 MHz</b>	2x60 MHz paired + 35 MHz unpaired ( <i>expires 2017</i> )	<b>KPN:</b> 39,6 MHz, <b>Vodafone:</b> 34,6 MHz, <b>T-Mobile:</b> 50 MHz <i>UNUSED: 10 MHz &amp; 20 MHz ex-Telfort</i>	Auction 2015
<b>LTE 2.600 MHz</b>	2x65 MHz paired + 60 MHz unpaired ( <i>expires 2030</i> )	<b>KPN:</b> 2x10 MHz, <b>Vodafone:</b> 2x10 MHz, <b>T-Mobile:</b> 2x5 MHz, <b>Ziggo4:</b> 2x20 MHz, <b>Tele2:</b> 2x20 MHz <i>UNUSED: 60 MHz unpaired TDD</i>	Auctioned 2010

# Highlights Tele2 Baltic Region

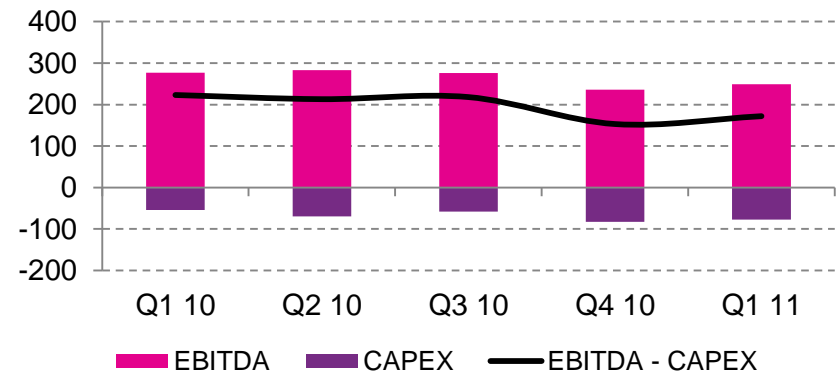
- Stabilizing economy leading to better operational environment
  - Low consumer confidence delaying improved spend on communication services
- Investment in network capabilities, as demand for mobile broadband increases
  - Tele2 Estonia was awarded 4G licence



## NET INTAKE THOUSANDS



## EBITDA - CAPEX SEK MILLION



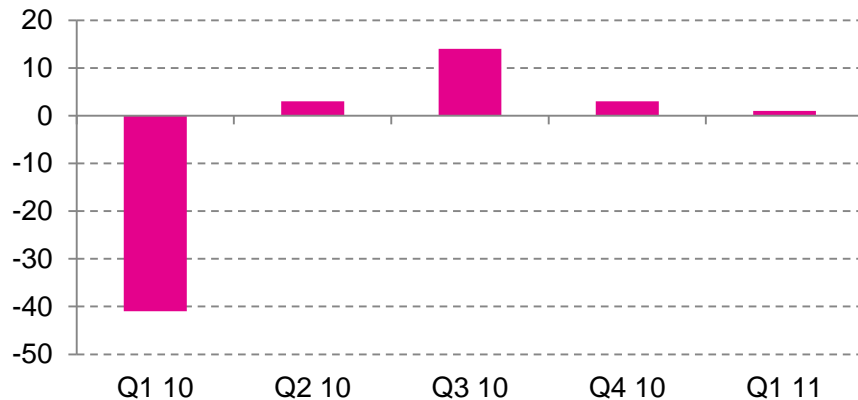


# Highlights Tele2 Croatia

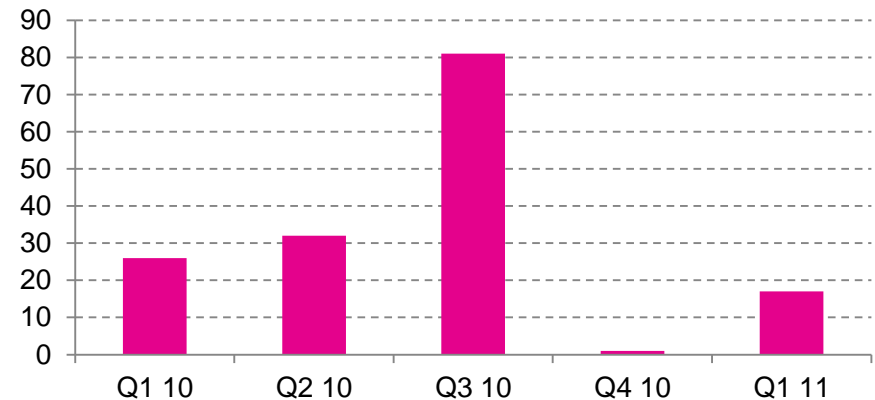
- Goal to deliver positive free cash flow 2H 2011 on track
- Solid customer intake despite high seasonal churn
- Tele2 launched 21 Mbps in its 3G network



**EBITDA**  
SEK MILLION



**NET INTAKE**  
THOUSANDS



# Highlights Tele2 in Kazakhstan

- Preparing for launch in late April
  - Tele2 in Kazakhstan relaxed on commercial activities in Q1 2011, leading to lower net intake
- Mobile network covering almost 70% of the population
  - 2G/3G enabled infrastructure
- Focus on widening the distribution network throughout the country
- Interconnect lowered as of 2011 with good support from NRA



# Agenda

About Q1 2011

**Financial review**

Guidance and Concluding remarks

# Q1 2011 group results

SEK million	Q1 11	Q1 10	Change %
<b>Net Sales</b>	9 573	9 527	
<b>EBITDA</b>	2 457	2 358	4%
- EBITDA margin (%)	26%	25%	
Depreciation and Joint Ventures	-897	-809	
- Depreciation of Net sales (%)	9%	8%	
One-off items	99	-3	
<b>EBIT</b>	1 659	1 546	7%
Normalized EBIT	1 560	1 549	
- Normalized EBIT margin (%)	16%	16%	
Financial items	-62	42	
Taxes	-371	-339	
Net profit/loss	1 226	1 249	
Net result, discontinued operations	-13	19	
<b>Net result total operations</b>	1 213	1 268	

Mainly due to spectrum rebalancing in 900 MHz band

# Currency movements (vs. SEK)

## YoY Difference in YTD Ave FX Rates, 2011 vs. 2010

EUR	-11.0%
RUB	-8.0%

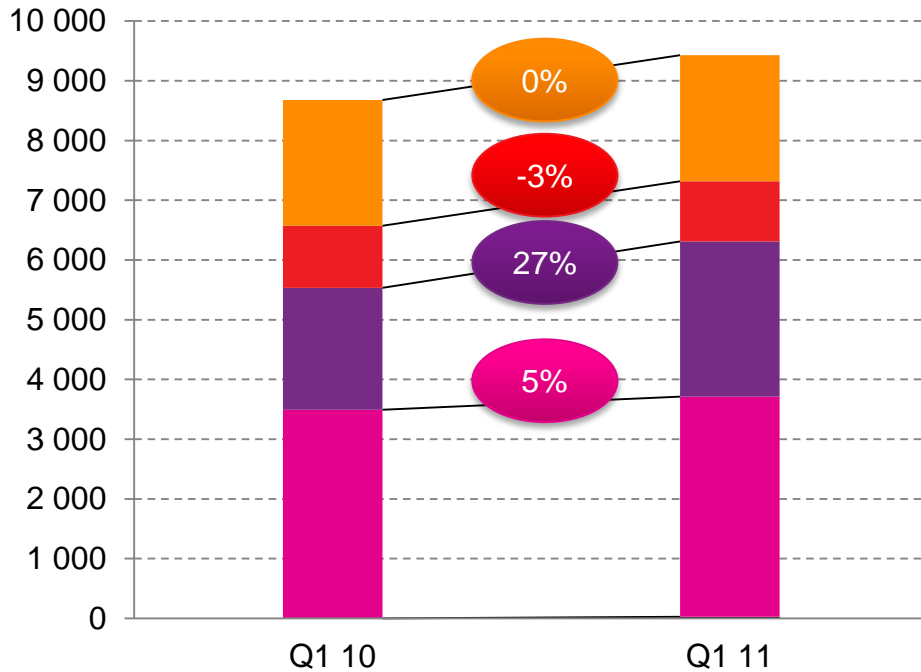
## End of Quarter Spot rate vs. 31/12-2010

EUR	-1%
RUB	-1%

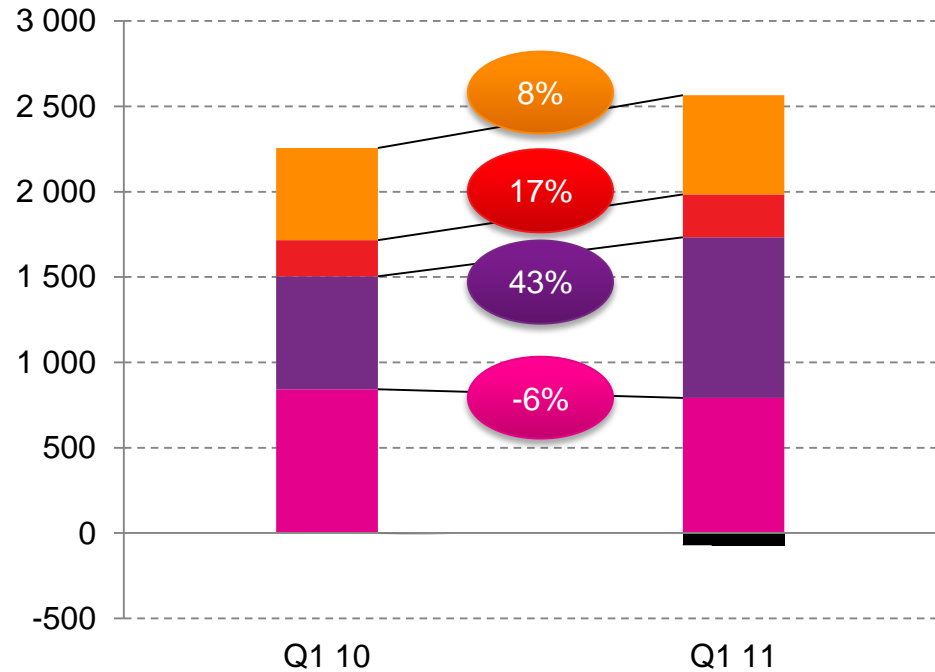
EUR/USD pegged and RUB currencies  
approximately 2/3 of sales and EBITDA

# Currency adjusted Sales and EBITDA

**CURRENCY ADJUSTED SALES, +7%  
SEK MILLION**



**CURRENCY ADJUSTED EBITDA TOTAL, +11 %  
SEK MILLION**



■ Kazakhstan     
 ■ MA Nordic     
 ■ MA Russia  
■ MA Central Europe     
 ■ MA Western Europe

■ Kazakhstan     
 ■ MA Nordic     
 ■ MA Russia  
■ MA Central Europe     
 ■ MA Western Europe

# Taxes

<b>Taxes in income statement</b>	<b>Q1 11</b>	<b>Q1 10</b>
Normal	-371	-339
One-Off	-	-
Total	-371	-339

<b>Taxes in cash flow</b>	<b>Q1 11</b>	<b>Q1 10</b>
Normal	-225	-233

Deferred tax assets amounted to SEK 3.1 (3.6) billion

# Cash flow for Q1 2011

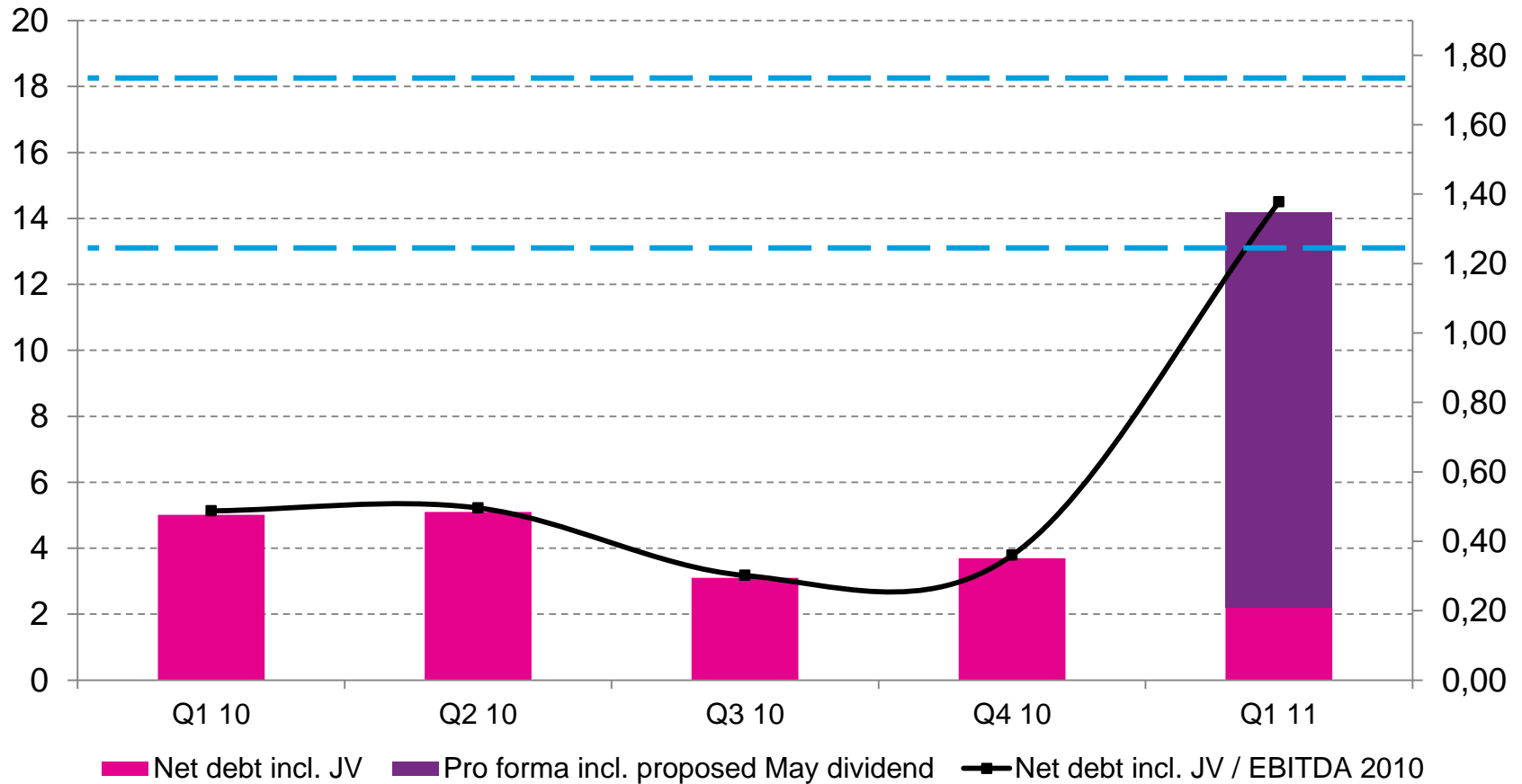
SEK million	Q1 11	Q1 10
<b>OPERATING ACTIVITIES</b>		
Cash flow from operations, before paid tax	2 589	2 341
Cash flow from operations, paid taxes	-225	-233
Changes in working capital	-310	183
<b>Cash flow from operating activities</b>	<b>2 054</b>	<b>2 291</b>
<b>INVESTING ACTIVITIES</b>		
CAPEX	-933	-608
<b>Cash flow after CAPEX</b>	<b>1 121</b>	<b>1 683</b>
Acquisition and sale of shares and participations, net	-14	-819
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>	<b>1 107</b>	<b>864</b>

Negative change in working capital affected by increased instalment sales of handsets and some other pre-payments

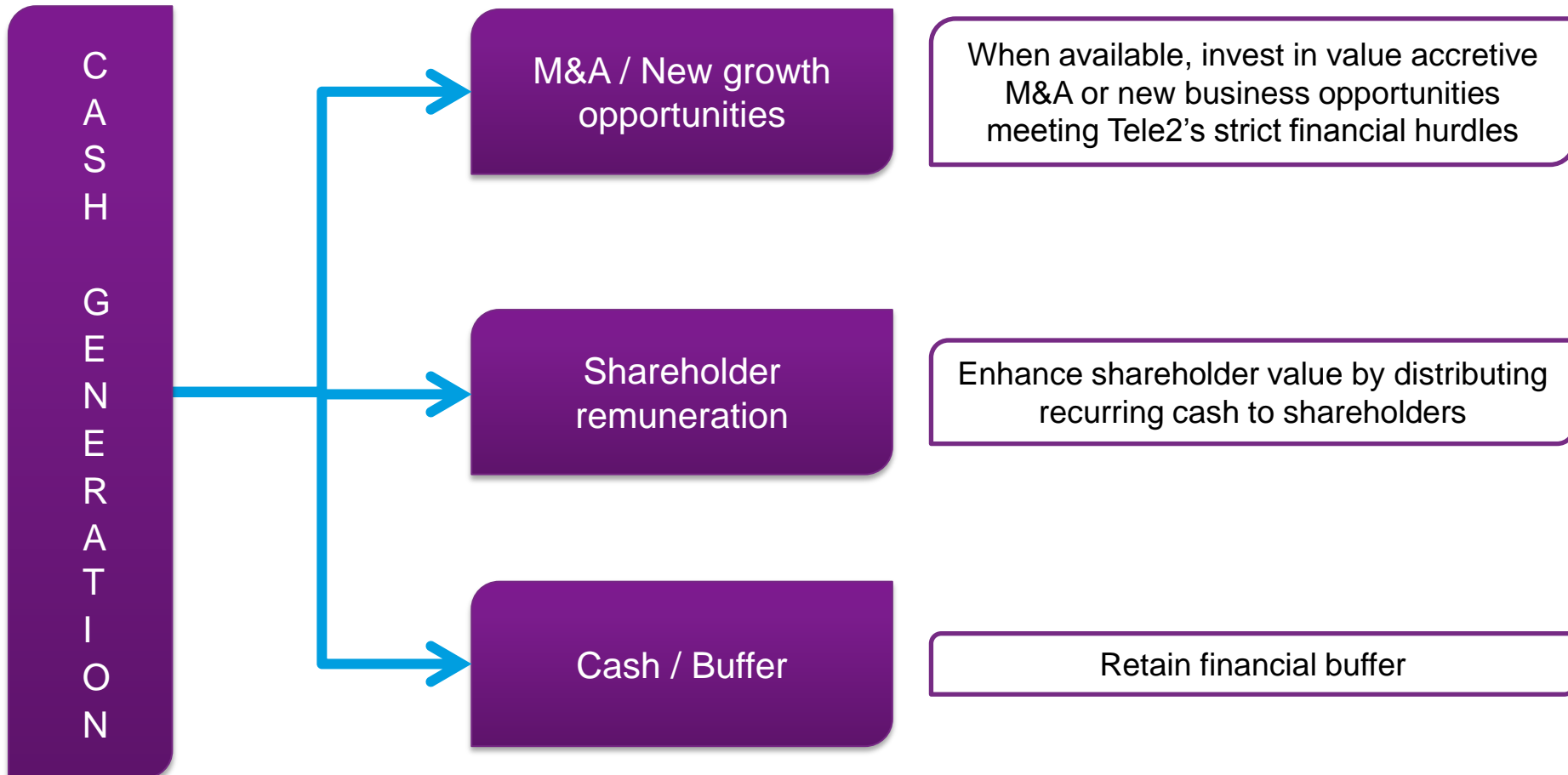


# Group financial profile

## NET DEBT INCL. JV / EBITDA 2010 SEK BILLION / RATIO



# Bal. sheet consideration / Fin. leverage



Prudent assessment based on (a) status of its operations, (b) future strategic opportunities, (c) competitive landscape and (d) general macro economic status

# Net debt and dividend targets

## Shareholder remuneration

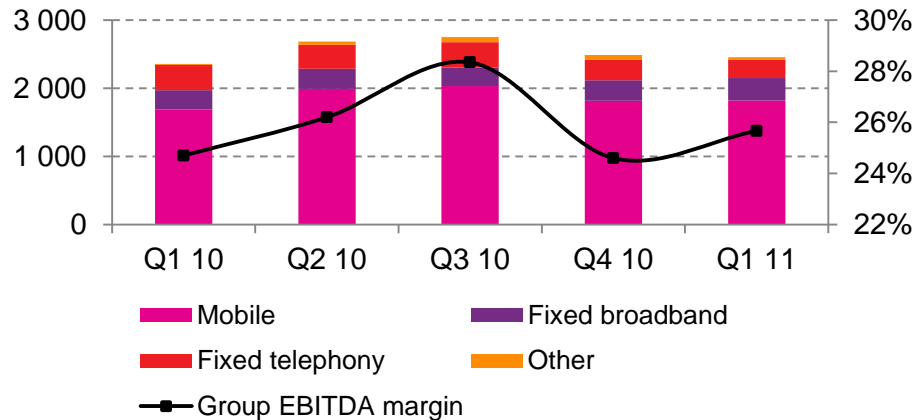
“Tele2 will seek to pay a progressive ordinary dividend of no less 50 percent of net income excluding one-off items. Extraordinary dividends and the authority to purchase Tele2’s own shares will be recommended or sought when the anticipated total return to shareholders is deemed to be greater than the achievable returns from the deployment of the capital within the group's operating segments or the acquisition of assets within Tele2’s economic requirements.”

## Balance sheet

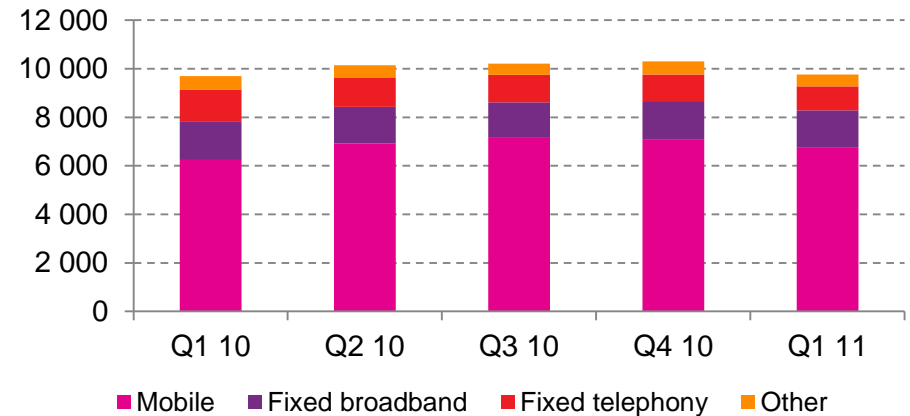
“Tele2 has a target net debt to EBITDA ratio of between 1.25 and 1.75 times over the medium term. The company’s longer term financial leverage should be in line with the industry and the markets in which it operates and reflect the status of its operations, future strategic opportunities and contingent.”

# Group EBITDA, Sales and Capex

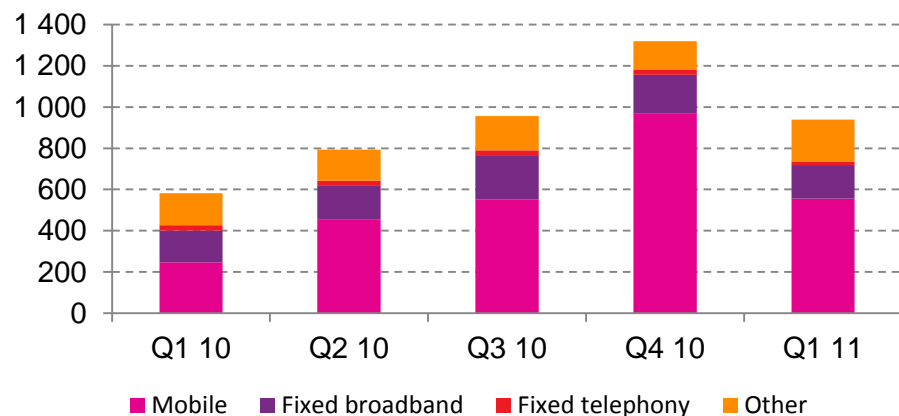
**GROUP EBITDA**  
SEK MILLION / PERCENT



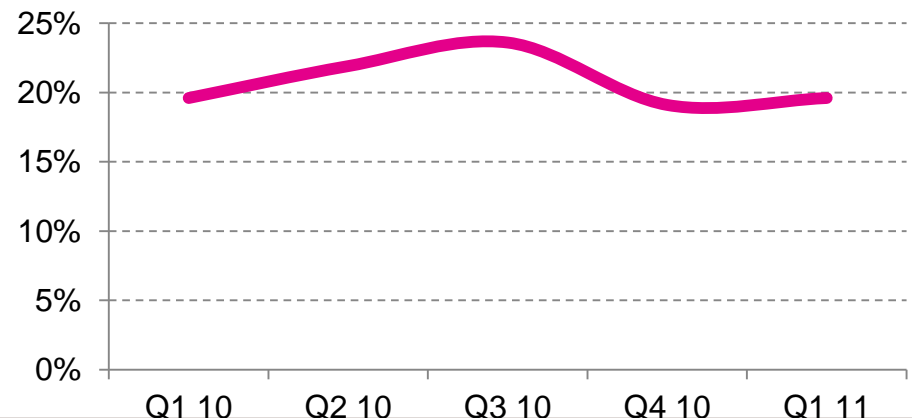
**GROUP SALES**  
SEK MILLION



**GROUP CAPEX**  
SEK MILLION

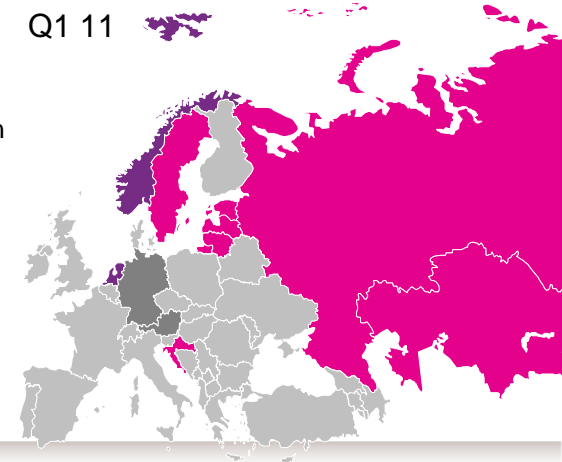
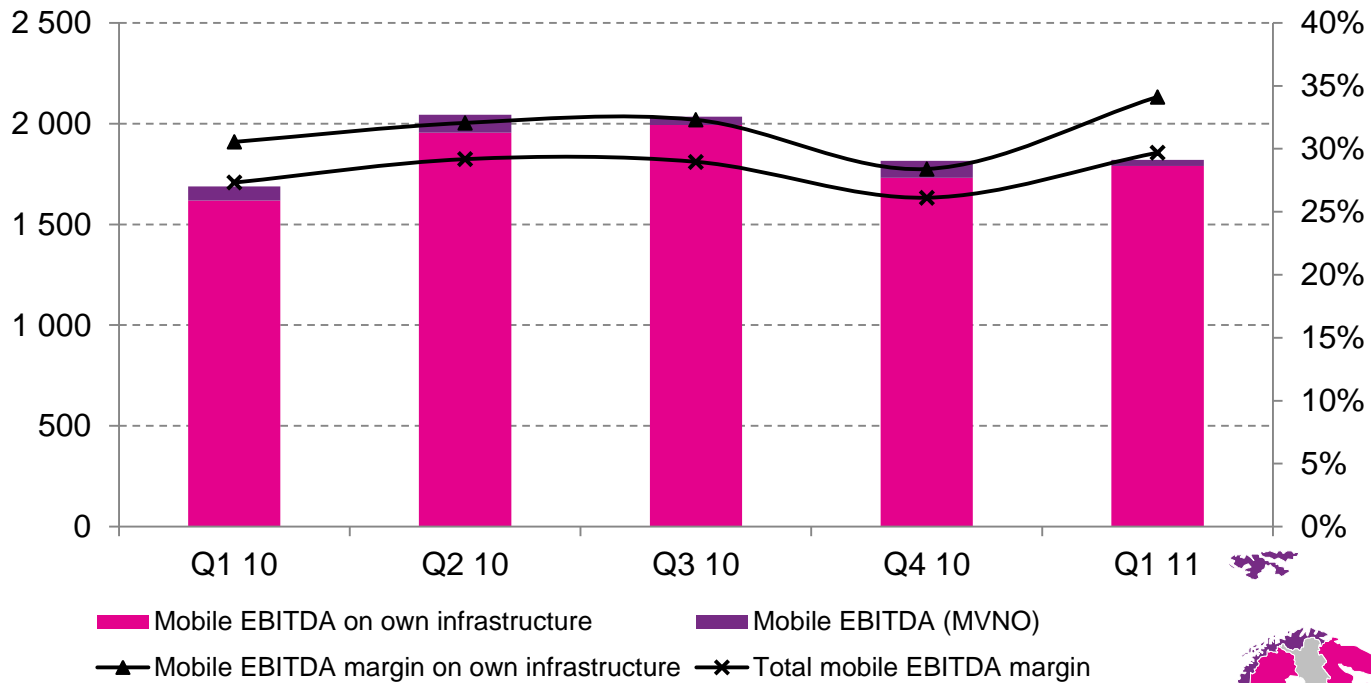


**ROCE**  
PERCENT



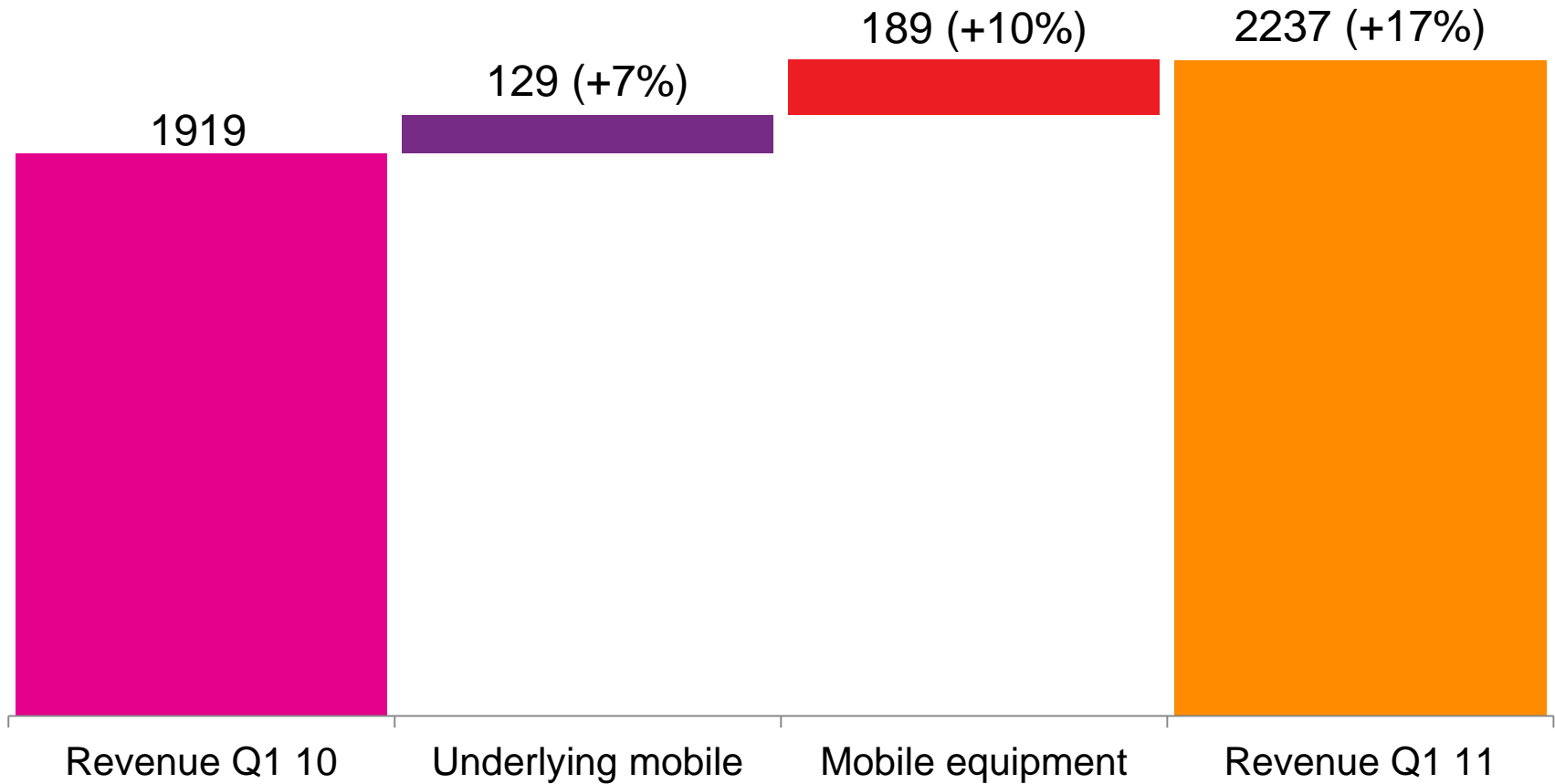
# Group mobile EBITDA

**GROUP MOBILE EBITDA**  
SEK MILLION / PERCENT



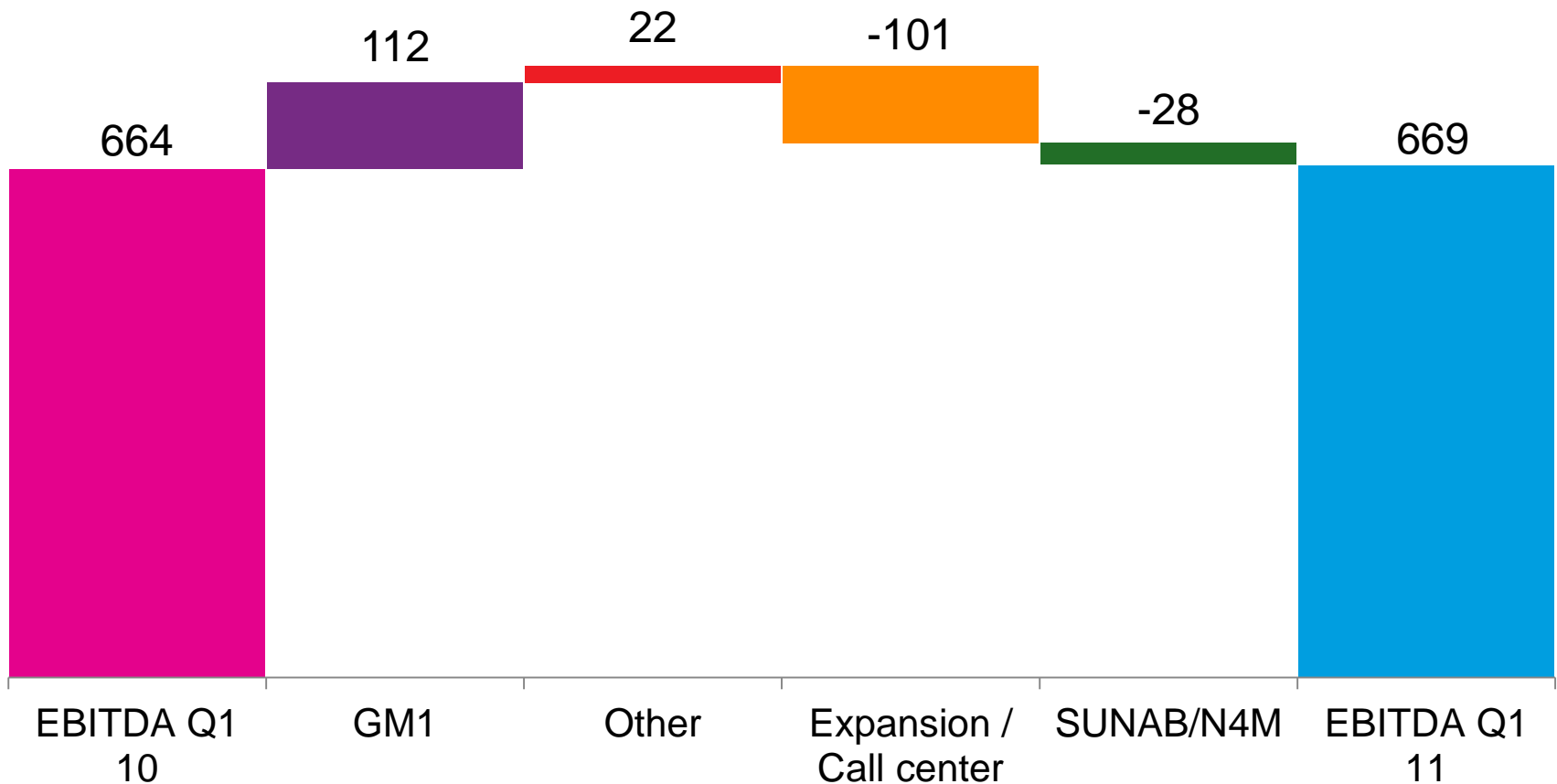
# Sweden mobile revenue explained

## SWEDEN MOBILE REVENUE WATERFALL SEK MILLION



# Sweden mobile EBITDA explained

## SWEDEN MOBILE EBITDA WATERFALL SEK MILLION



# Agenda

About Q1 2011

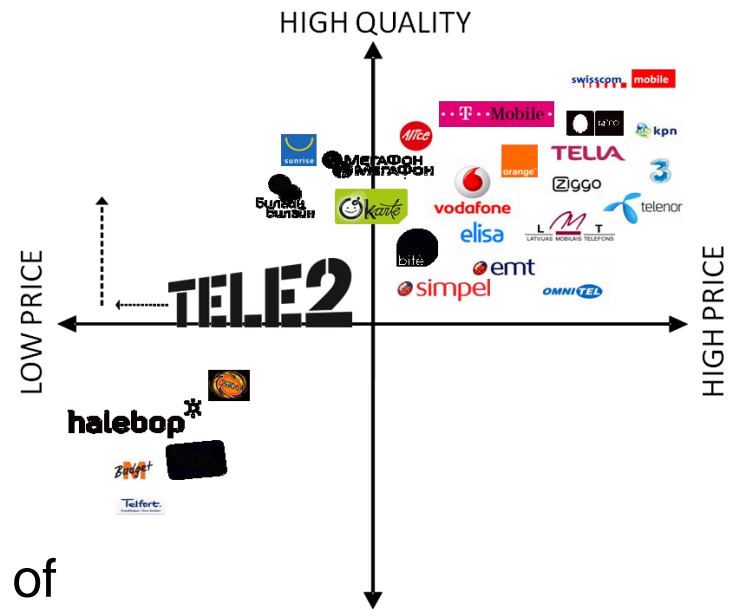
Financial review

**Guidance and Concluding remarks**



# Tele2's general group targets

- Best Deal position
- Targeting a long-term mobile EBITDA margin on own infrastructure of at least 35 percent
- All operations should have the ambition of reaching ROCE of at least 20 percent
- The capability to reach a top 2 position, in terms of customer market share, in an individual country or region



# Concluding remarks

## **Russia**

- Strong customer intake and EBITDA contribution in market area Russia

## **Nordic**

- Solid mobile revenue growth in market area Nordic

## **Western Europe**

- Further strengthening its position in the consumer and business segments

## **Central Europe and Eurasia**

- Tele2 in Kazakhstan getting ready for commercial launch

## **2011: Also an investment year**

- Russia
- Kazakhstan
- Sweden
  - 4G
- Norway
  - 3G

# Q&A

**TELE2**

**TELE2**