

# THIRD QUARTER 2015

October 21<sup>st</sup>, 2015

Tele2 AB

**TELE2**

# Highlights from the quarter



## Value Champion

- Strong net intake across the Group, especially Sweden and Kazakhstan
- Solid mobile end-user service revenue growth of 5%
- Continuing mid-single digit ASPU development in Tele2 Sweden



## Focused Technology Choices

- 4G network in Netherlands & Baltics now at 90 percent population coverage
- 4G geographic coverage in Sweden now at 83%



## Step-Change Productivity

- Challenger Program progressing according to plan
- Strong EBITDA development in Kazakhstan



## Winning People & Culture

- New CEO appointed September 1st
- Concluded internal reorganization to enable both a successful execution of Challenger Program and a more customer centric focus

# Monetization of data is our key priority

Year-on-year growth, Tele2 Group

**Mobile end-user service  
revenue**

**+5%**

**Mobile EBITDA**

**+0.4%**

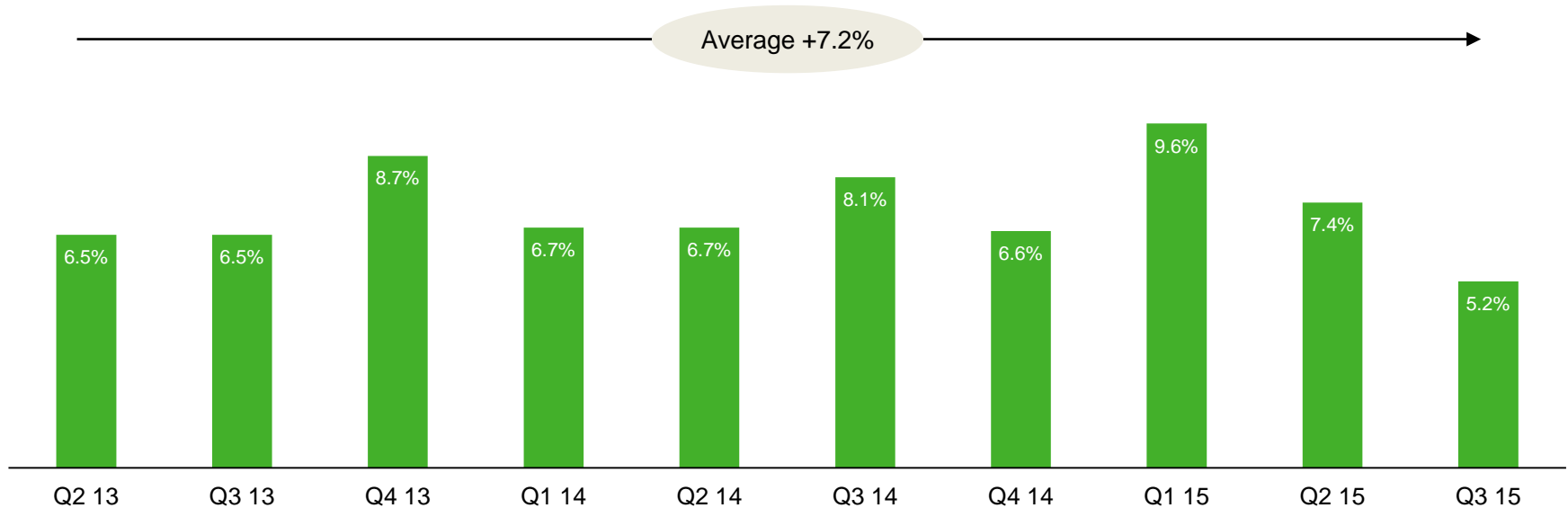
**Average data usage  
per mobile subscriber\***

**~70%**

\*Average data usage excludes traffic on MVNO networks.

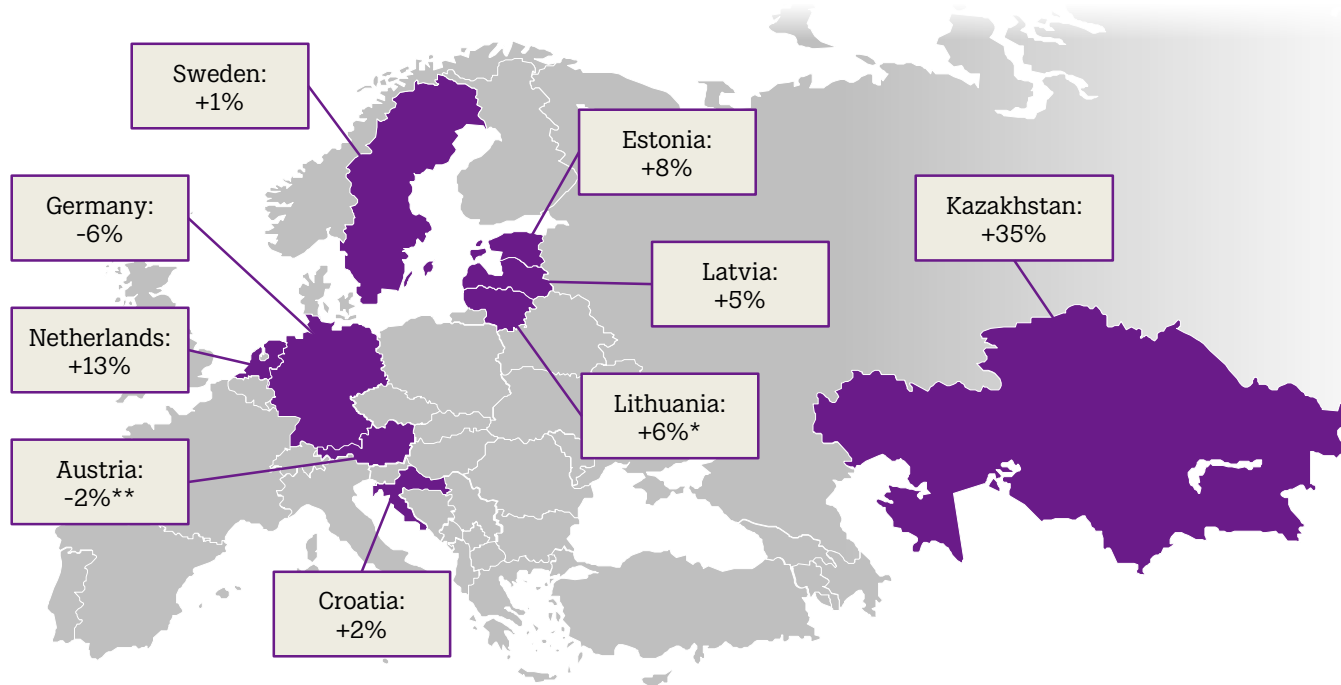
# Mid-single digit growth in mobile end-user service revenue continues

Year-on-year growth for mobile end-user service revenue, Tele2 Group



# Market year-on-year development

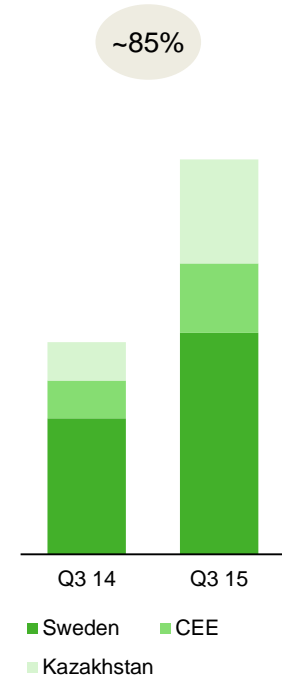
## Mobile end-user service revenue



\*Excluding non-recurring item of SEK 15 million in Q3 last year

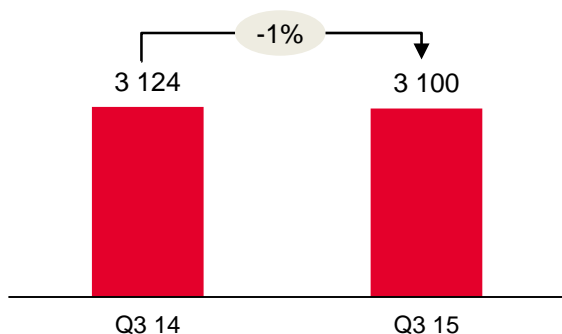
\*\*Total net sales

## Data usage growth (Excluding MVNO networks)

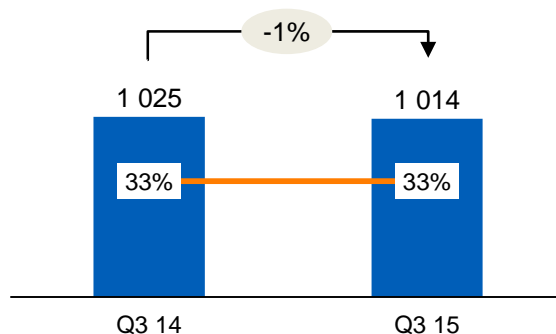


# Tele2 Sweden

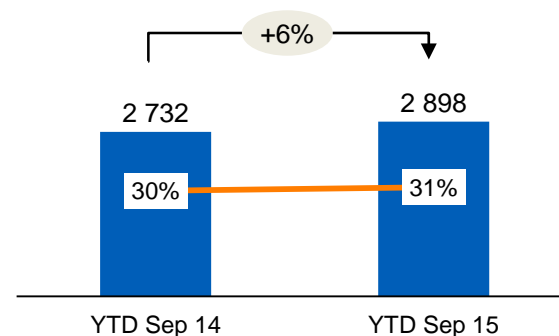
Net sales  
(SEK million)



EBITDA and EBITDA margin  
Q3 (SEK million)



EBITDA and EBITDA margin  
YTD (SEK million)



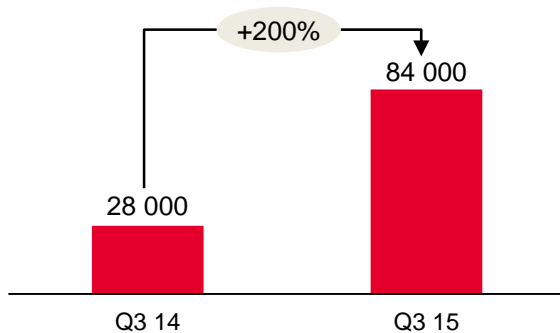
## Q3 Highlights

- Customer net intake in the quarter was strong, driven by both mobile postpaid and prepaid, up 84,000. Mobile end-user service revenue developed positively within consumer postpaid due to improved ASPU within Tele2 and continued momentum in Comviq.
- In the business segment, revenues decreased slightly driven primarily by a decline in the fixed segment and increased competition in SME. The large enterprise segment continued to show positive growth in customer net intake, data usage and ASPU levels.
- Data monetization continues in mobile achieving best mobile EBITDA since 2010

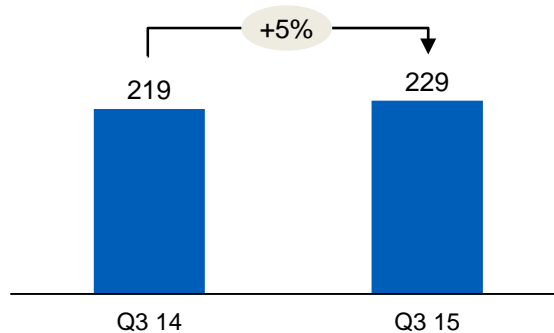
# Tele2 Sweden

## Fundamentals for continued growth are strong

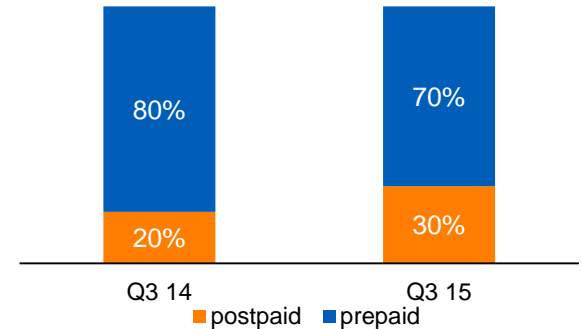
Net intake



ASPU growth Tele2 consumer (SEK)



Comviq: Continuing shift from prepaid to postpaid

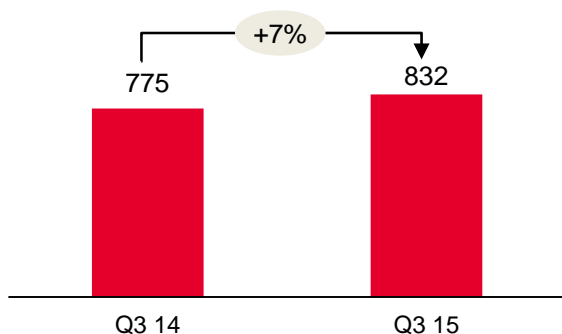


### Q3 Highlights

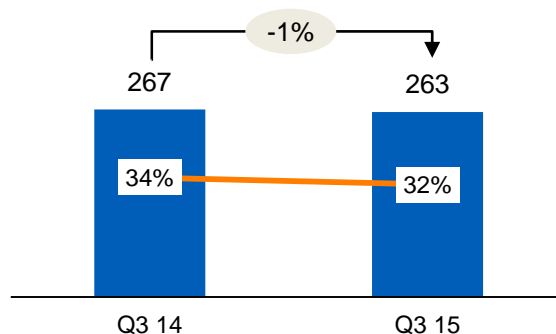
- Average data usage is up in Sweden to 3,2 GB from 2,9 GB in Q2 2015
- Data monetization is on track for both Tele2 and Comviq brands
- Top-ups in the quarter were in line with last year
- Trade-up to Big Buckets is continuing in line with expectations

# Tele2 Baltics

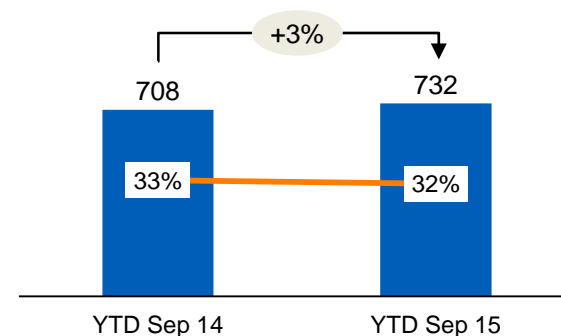
Net sales  
(SEK million)



EBITDA and EBITDA margin  
Q3 (SEK million)



EBITDA and EBITDA margin  
YTD (SEK million)



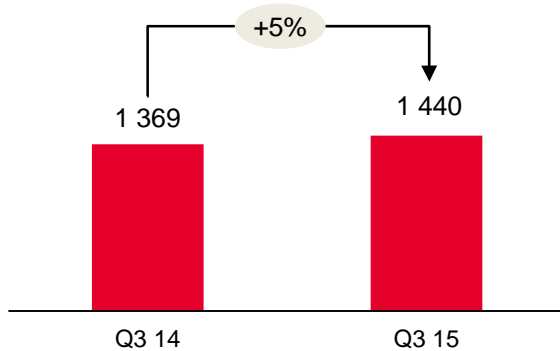
## Q3 Highlights

- Net sales growth of 7 percent due to strong customer net intake, data usage increase and upselling. Excluding non-recurring item in Q3 last year, net sales grew 9 percent and EBITDA increased by 4 percent.
- 90 percent 4G/LTE network population coverage
- In Latvia 900 MHz and 1800 MHz frequency usage rights were extended by 10 years

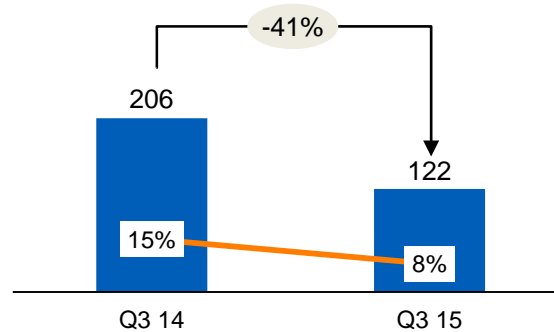


# Tele2 Netherlands

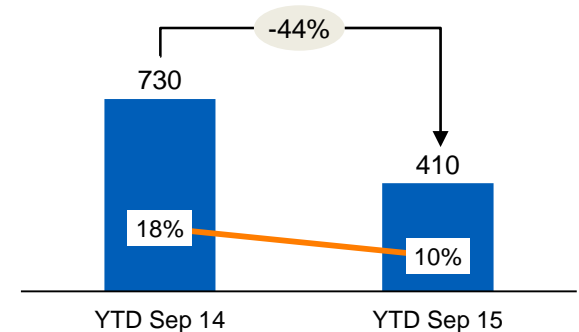
Net sales  
(SEK million)



EBITDA and EBITDA margin  
Q3 (SEK million)



EBITDA and EBITDA margin  
YTD (SEK million)



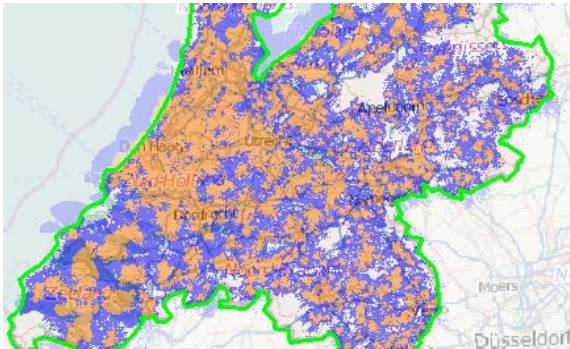
## Q3 Highlights

- Net sales growth due to increased residential mobile customer base and a shift from low-end to higher ASPU customers
- Margins affected by accelerated MNO rollout costs, increased MVNO data costs, and continued competitive pressure on fixed
- Future structural improvements for fixed enabled by VULA, providing access to faster speeds and wider geographic coverage
- Network outdoor population coverage now at 90%, enabling an accelerated 4G launch strategy

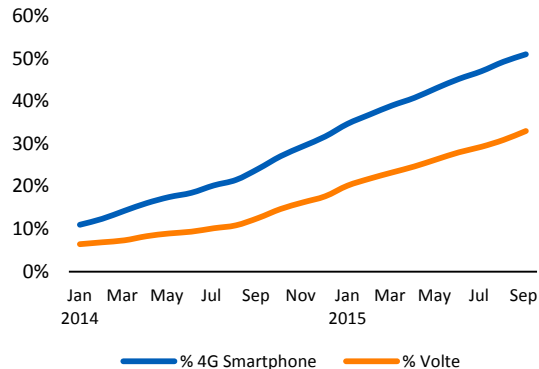
# Tele2 Netherlands

## We are ready to launch Q4 2015

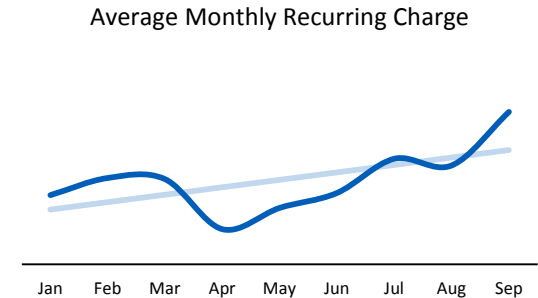
Network ready: ~90% outdoor population coverage



Handset ready  
>50% 4G phones in our base



Customer ready: Attracting higher ASPU customers

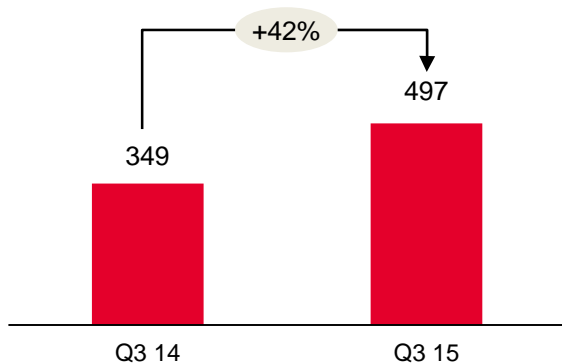


### Launch implications

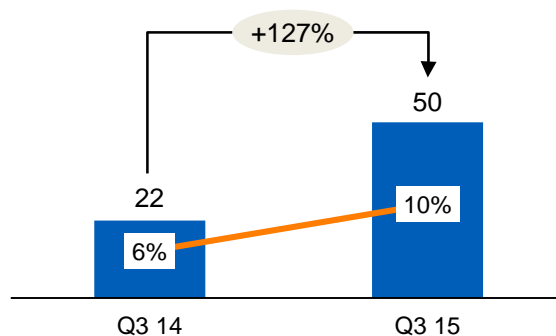
- Launch and associated costs will be accelerated into Q4 2015, impacting full year guidance by SEK 100-200 million
- We expect this level of launch investment per quarter to continue in 2016

# Tele2 Kazakhstan

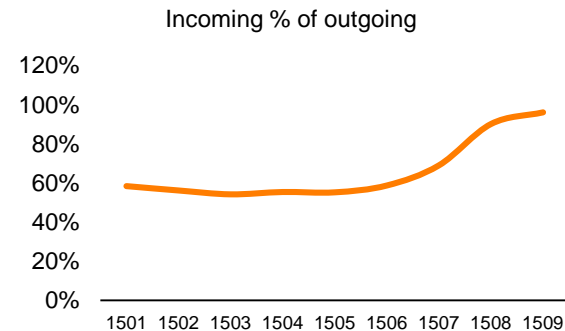
## Net sales (SEK million)



## EBITDA and EBITDA margin Q3 (SEK million)



## Increased incoming traffic driving Revenue and EBITDA



## Q3 Highlights

- Accelerating traction across all KPIs
- Strong revenue growth of 42 percent due to increased customer base and higher incoming traffic
- Mobile data traffic increase by more than 220 percent
- EBITDA performance at a record high

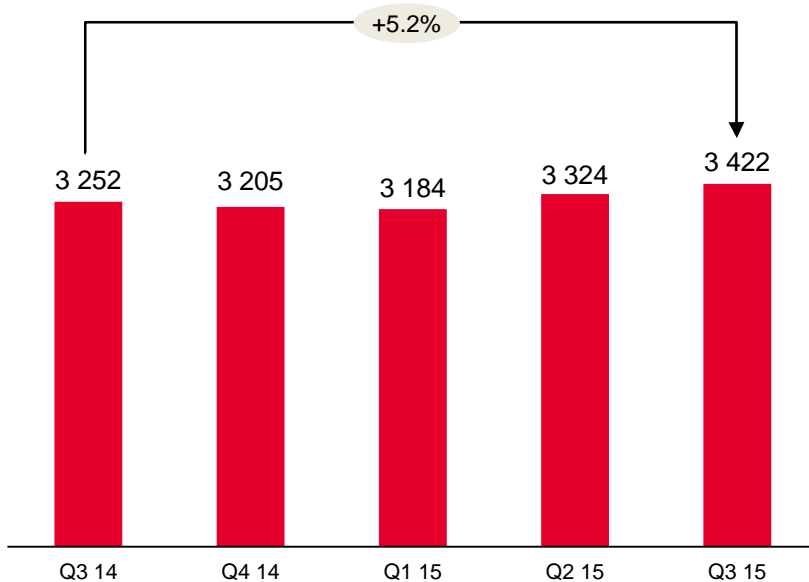
# Financial Overview

# Financial highlights

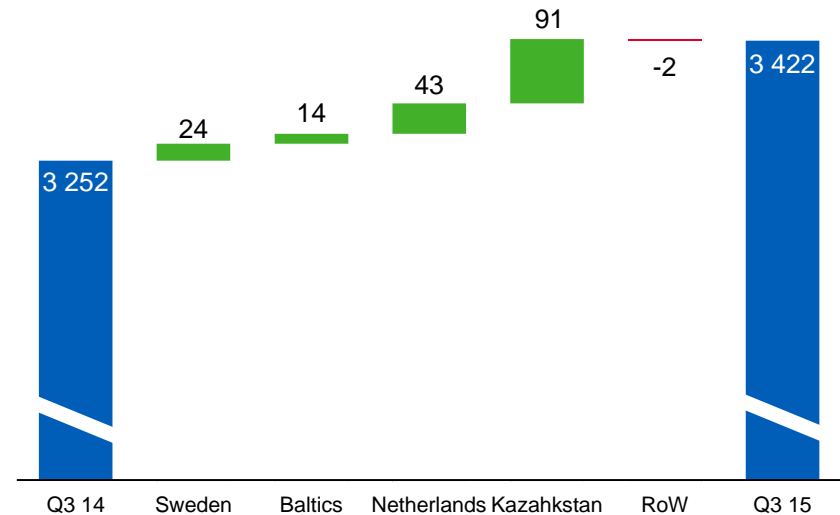
	Q3 2014	Q3 2015	% Change
Net sales (SEK billion)	6.58	6.79	+3%
Mobile end-user service revenue (SEK billion)	3.25	3.42	+5%
EBITDA (SEK billion)	1.68	1.60	-5%
CAPEX (SEK billion)	0.86	0.93	+8%

# Mobile end-user service revenue

Tele2 Group  
(SEK million)

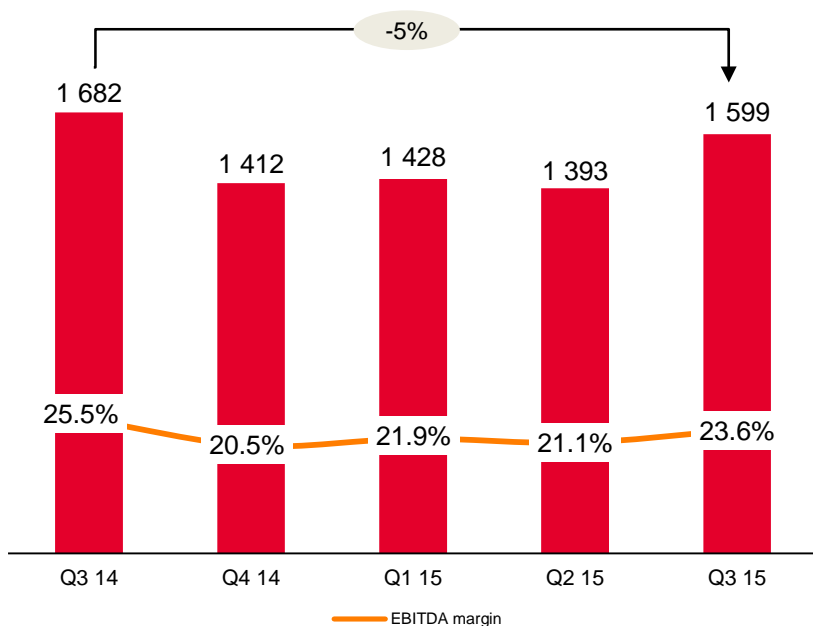


Development per market  
(SEK million)

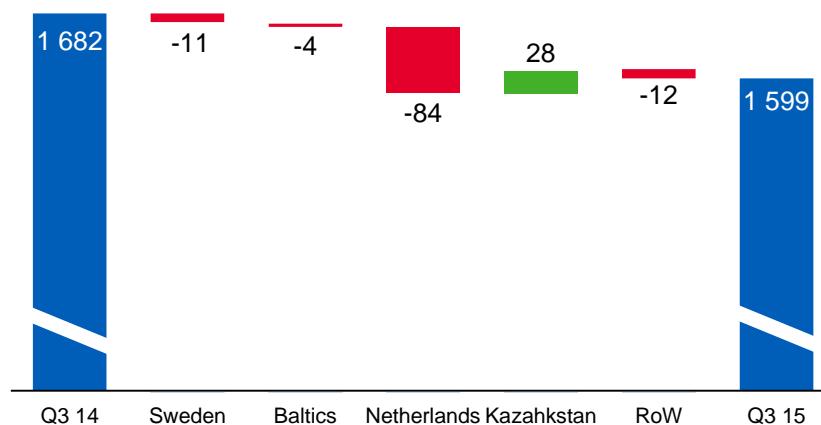


# EBITDA

Tele2 Group  
(SEK million)

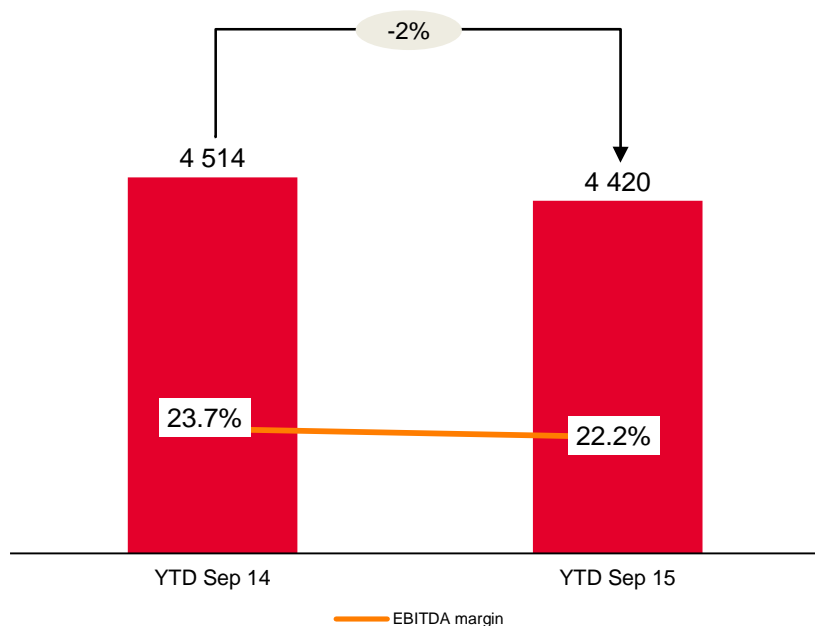


Development per market  
(SEK million)

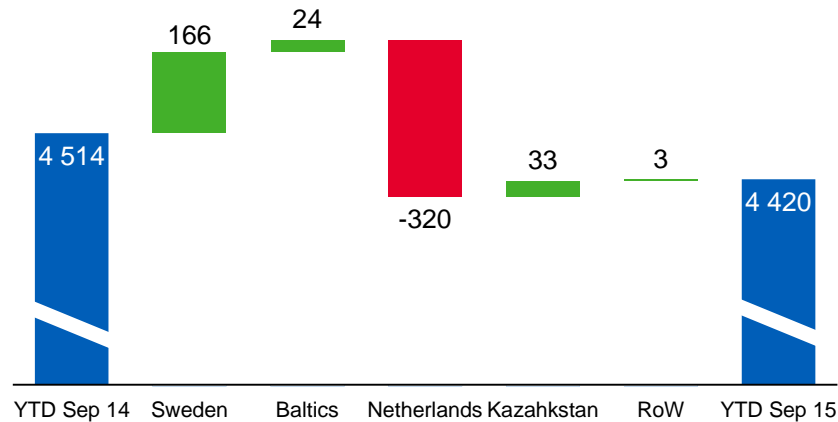


# EBITDA YTD

## Tele2 Group (SEK million)



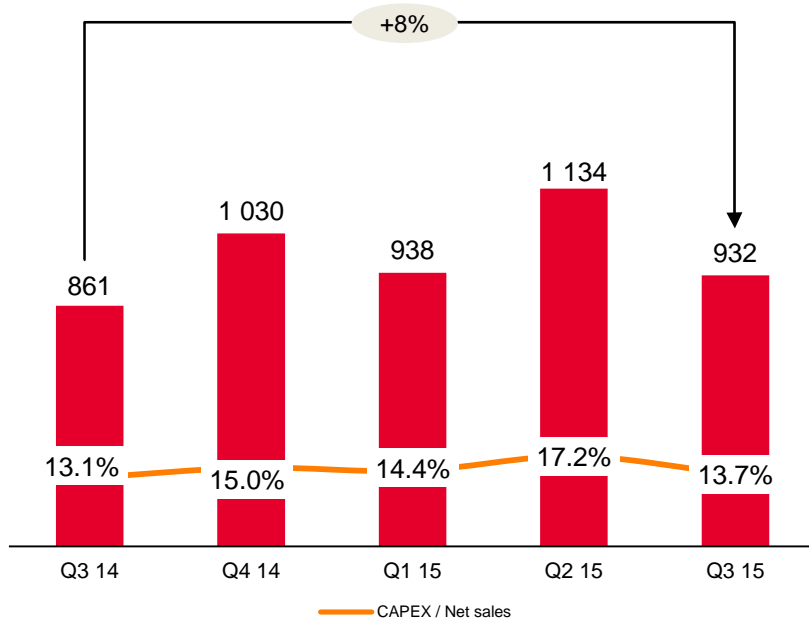
## Development per market (SEK million)



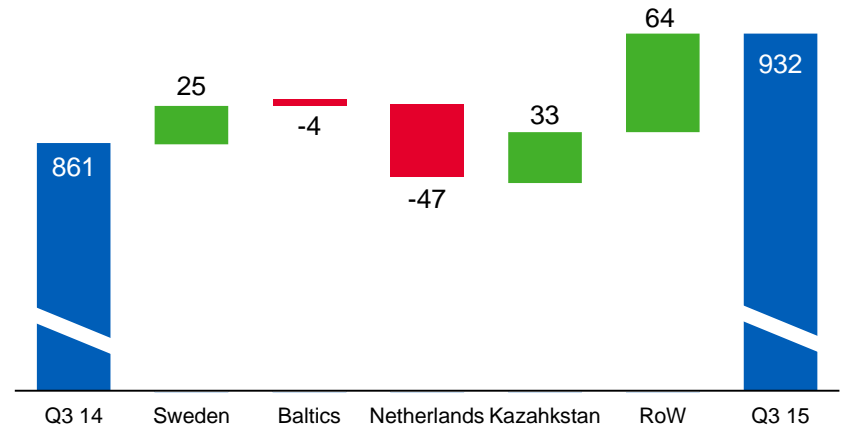


# CAPEX

Tele2 Group  
(SEK million)



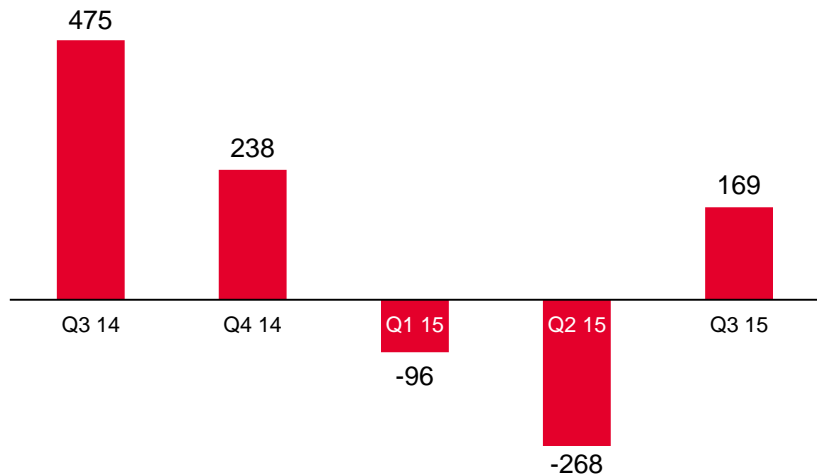
Development per market  
(SEK million)



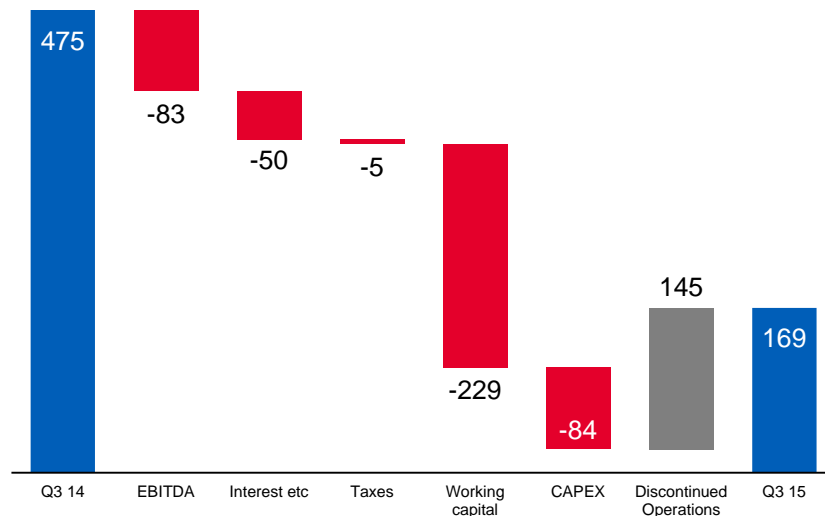
# Free cash flow

Total operations

Tele2 Group  
(SEK million)



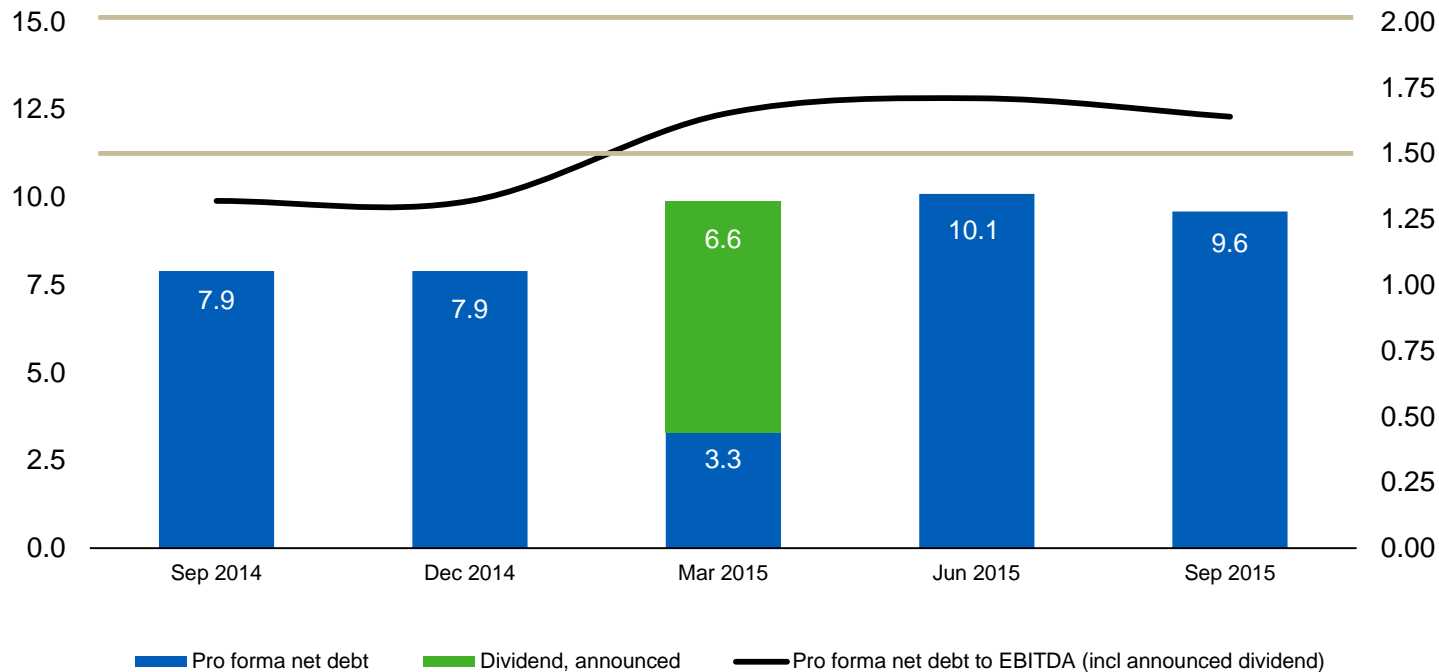
Development  
(SEK million)



# Debt position and ratio

Pro forma net debt / EBITDA 12 m rolling

SEK billion / Ratio



# Challenger Program Update

# How we will deliver SEK 1 Bn in productivity improvements

Simplify

Discipline

Consolidate

Transform

Simplify

**60%** of products harmonized on shared platforms

Discipline

**80%** of spend strategically sourced & procured

Consolidate

**20%** reduction in IT OpEx as share of revenue

Transform

**25%** of staff in shared operations

# Progress in Q3 – Important steps taken to enable execution

Simplify

Discipline

Consolidate

Transform

## Simplify

**Product Harmonization:** Harmonization of product process planning completed

## Discipline

**SMS A2P:** New contracts grew revenues by 28%, margins grew 110%

**Procurement:** Savings realized from supplier & agreement consolidation

## Consolidate

**NOC consolidation:** Transition of work underway from Sweden, Netherlands & Baltics to SSC in Riga

## Transform

**Internal Reorganization:** New organizational model to enable both a successful execution of Challenger program and a more customer centric focus

**Customer Operations:** Initial wave of Swedish back office tasks handled from India from end September

**Finance Shared Operations:** First wave of back office tasks transferred to SSC in Riga

# A multi-year investment program that will realize significant benefits

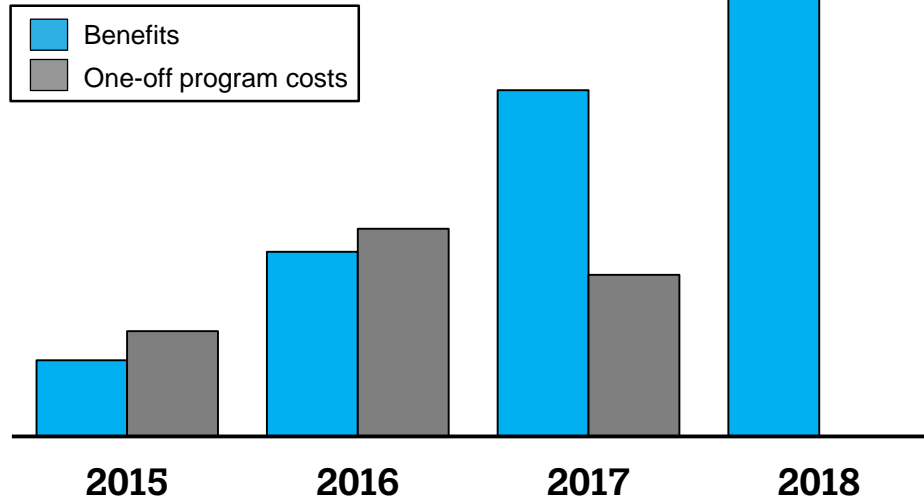
Simplify

Discipline

Consolidate

Transform

## Ramp-up of costs and benefits over 4 years



## Productivity improvement:

**SEK  
1BN**

# Momentum is building

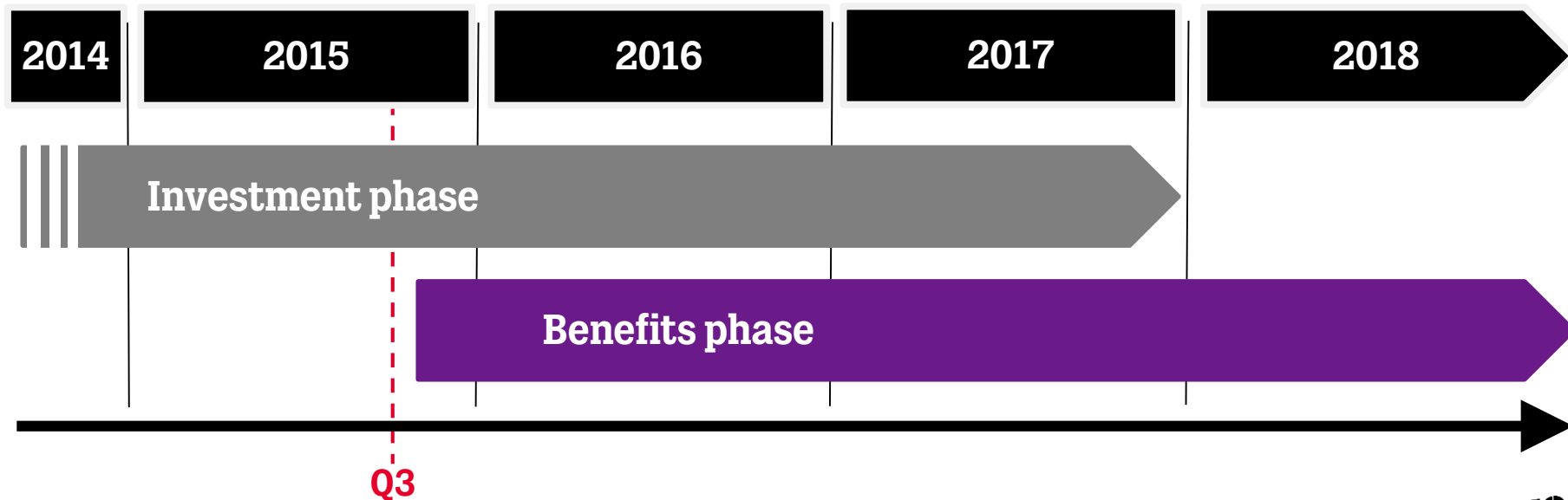
Simplify

Discipline

Consolidate

Transform

More than 50 initiatives have kicked off since December. We will report quarterly on progress.





# Financial Guidance

# Updated financial guidance 2015

Mobile end-user service revenue	EBITDA (SEK billion)
Mid-single digit % growth	<b>5.6 – 5.8</b> (5.8-6.0)
Net sales (SEK billion)	CAPEX (SEK billion)
<b>25.5 – 26.5</b>	<b>3.8 – 4.0</b>

# Q3 2015 Summary

# Q3 2015 in short and key priorities moving forward

- Continued focus on data monetization
- Executing on the Challenger Program
- Netherlands 4G launch
- Reiterate our commitment to our progressive dividend policy



Focused  
Technology  
Choices



Value  
Champion



Step-Change  
Productivity



Winning People  
& Culture

# Tele2's Way2Win

## Vision

We will be champions of customer value in everything we do

## Mission

We are challengers, fast-movers and will always offer our customers what they need for less

### Where we play



Mobile access



Our current footprint



Residential and Business



M2M & IoT

### How we win



Focused Technology Choices



Value Champion



Step-Change Productivity



Winning People & Culture

## Responsible Challenger

## The Tele2 Way

**THE  
END**

**TELE2**