

# THIRD QUARTER 2016

October 20, 2016

Tele2 AB

**TELE2**

# Delivering on our long term strategy



## Value Champion

- Group mobile end-user service revenue up 6%
- Sweden mobile end-user service revenue growth of 2%
- Netherlands mobile end-user service revenue up 15%



## Focused Technology Choices

- Swedish 4G geographic coverage reaches 88%
- Baltics 4G population coverage now at 99%
- Netherlands data on-loading on own network at 77%



## Step-Change Productivity

- Strong EBITDA contribution from Sweden, Baltics and Kazakhstan
- Kazakhstan JV synergy plan progressing well
- Challenger program on track for SEK1bn per annum benefits



## Winning People & Culture

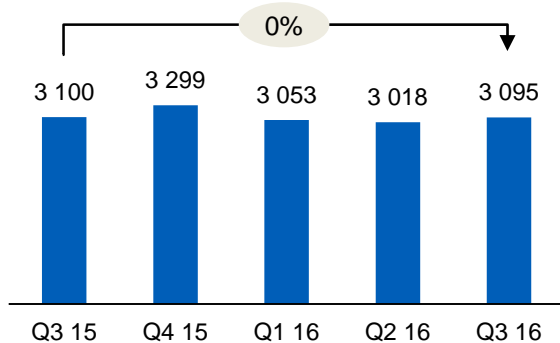
- Integration of Altel employees on track
- Preparing for integration of TDC

# Group highlights – Q3 2016

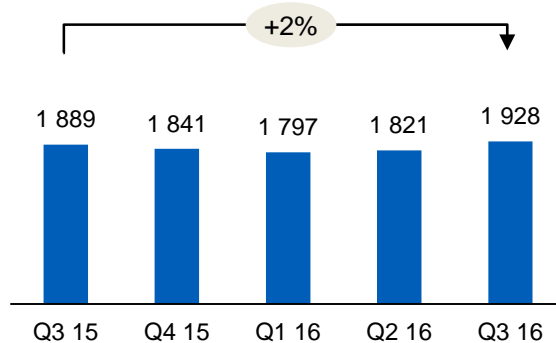
	Q3 2016	% Change Reported	% Change LFL
Mobile end-user service revenue (SEK billion)	3.64	+6%	+6%
Net sales (SEK billion)	6.96	+3%	+1%
EBITDA (SEK billion)	1.56	-2%	-1%

# Sweden – Financials

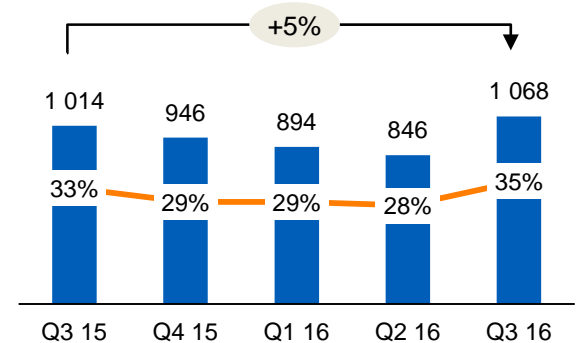
Net sales  
(SEK million)



Mobile end-user service  
revenue (SEK million)



EBITDA and EBITDA margin  
(SEK million)

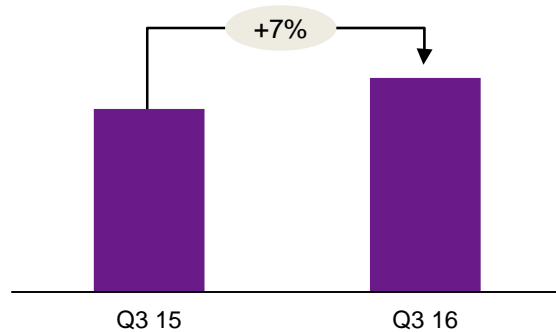


## Q3 Highlights

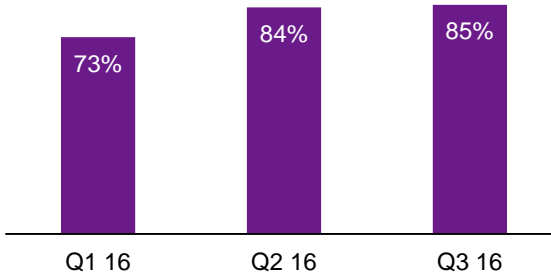
- Record mobile end-user service revenue driven by seasonal ASPU increase and strong intake
- Net sales flat mainly due to higher mobile revenues, offset by lower fixed telephony and wholesale revenues
- EBITDA uplift through improved data monetization, strong roaming and realized efficiencies from Challenger initiatives

# Sweden – Improving trends

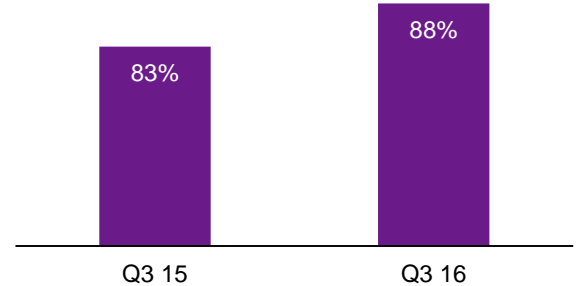
Consumer postpaid mobile end-user service revenue



Share of sales with bundle >0.5GB



Geographic coverage 2G/4G

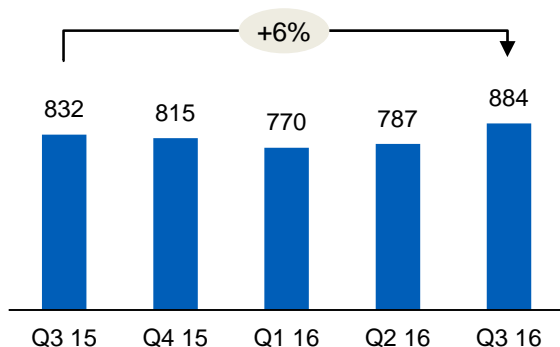


## Q3 Highlights

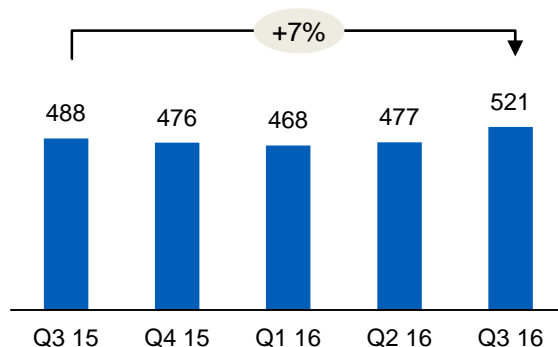
- Consumer postpaid mobile end-user service revenue up 7% driven by increased data consumption and strong Comviq customer intake
- Tele2 increasingly attracting customers to premium value buckets
- New Tele2 advertising campaign, launched post quarter end, to strengthen Tele2 within our dual brand strategy

# Baltics – Financials

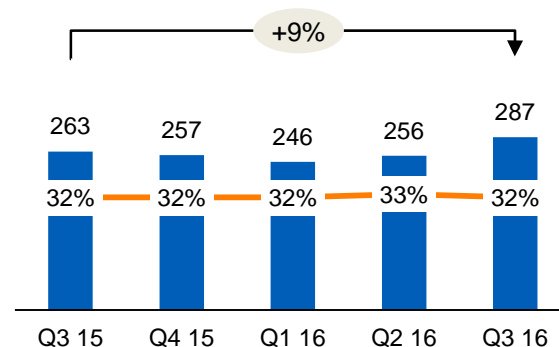
Net sales  
(SEK million)



Mobile end-user service  
revenue (SEK million)



EBITDA and EBITDA margin  
(SEK million)

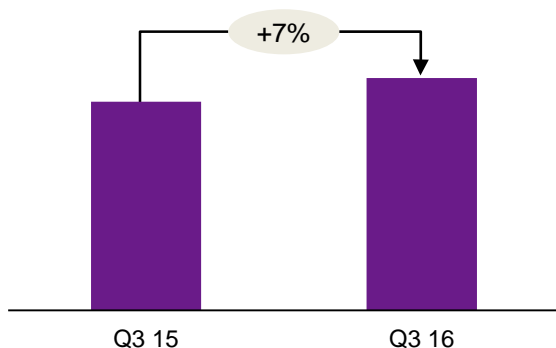


## Q3 Highlights

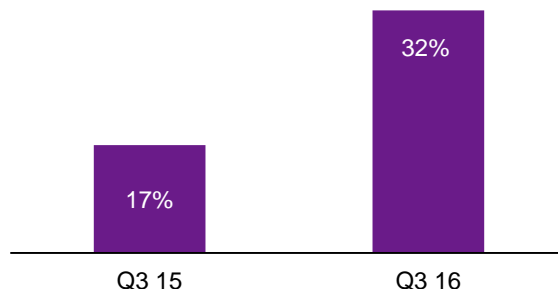
- Net sales driven by continued demand for data services
- Mobile end-user service revenue growth driven by data monetisation and strong summer marketing campaigns
- Strong EBITDA performance continues

# Baltics – Data monetization continues

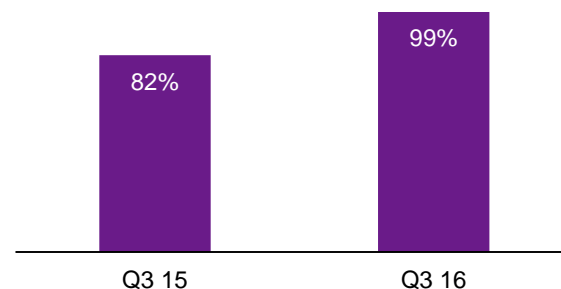
## ASPU development



## Share of 4G capable smartphones in base



## 4G population coverage

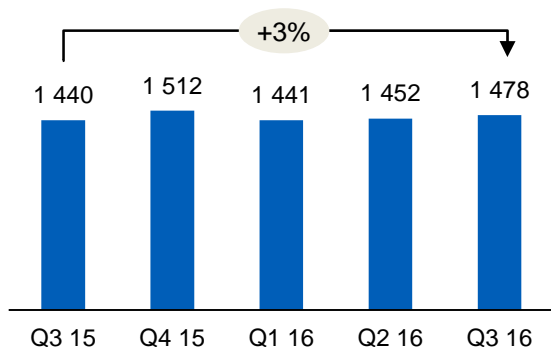


## Q3 Highlights

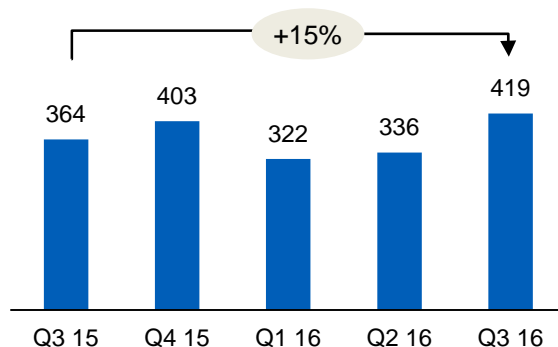
- Strong data monetization driven by prepaid to postpaid transition and data centric pricing
- Data consumption stimulated by an increasing rate of 4G handset penetration
- 99% network coverage drives higher data usage and purchase of top-up data buckets

# Netherlands – Financials

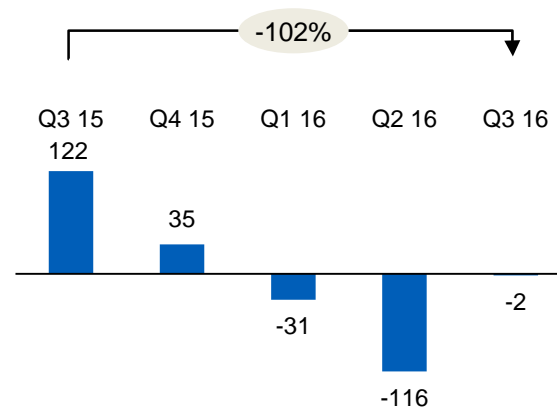
Net sales  
(SEK million)



Mobile end-user service  
revenue (SEK million)



EBITDA  
(SEK million)



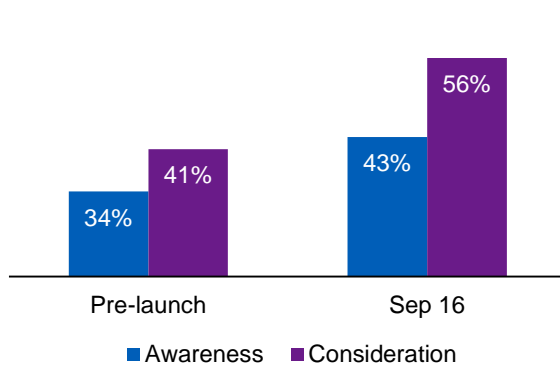
## Q3 Highlights

- Net sales up due to strong mobile momentum, offset by decline in fixed
- Strong mobile end-user service revenue driven by almost 20% increase in customer base year-on-year
- EBITDA impacted by investments related to mobile launch and decline in fixed
- An impairment of SEK 2.5bn was recognized in Q3

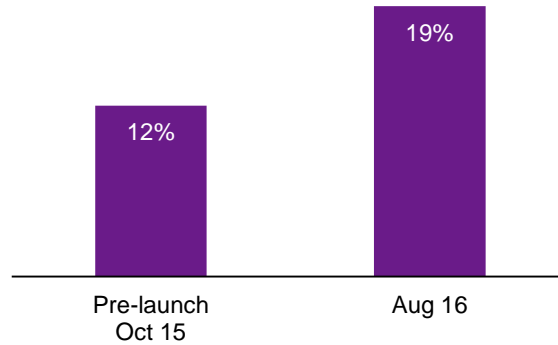


# Netherlands – Continuing momentum

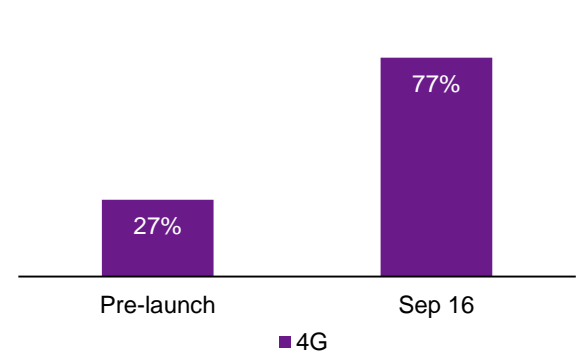
Spontaneous brand awareness & brand consideration (Memo2)



Share of total new postpaid (GfK)



Data usage on own network

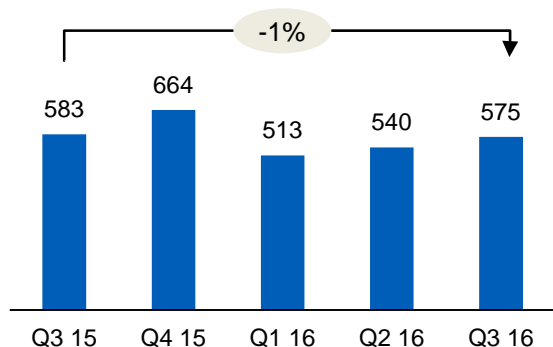


## Q3 Highlights

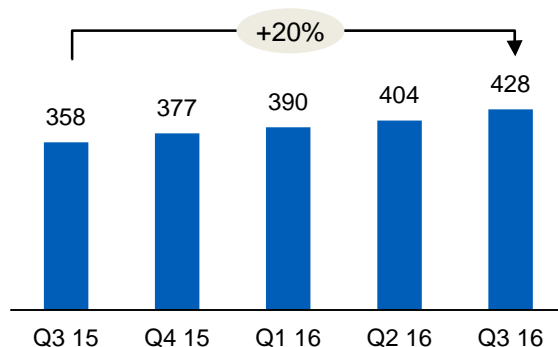
- Awareness and consideration continued to build behind our innovative “Fun Rebel Campaign”, competitive offerings and network performance
- Maintaining a strong market share of new postpaid contracts, despite increased competitive pressure
- Good progress in data on-loading on own network driven by network rollout at 98% outdoor and 83% indoor coverage
- Roll-out of VoLTE initiated with over 50k subscribers

# Kazakhstan – Financials

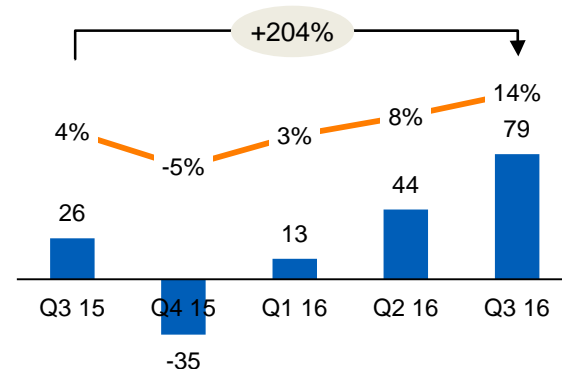
Net sales, LFL  
(SEK million)



Mobile end-user service  
revenue, LFL (SEK million)



EBITDA and EBITDA margin, LFL  
(SEK million)

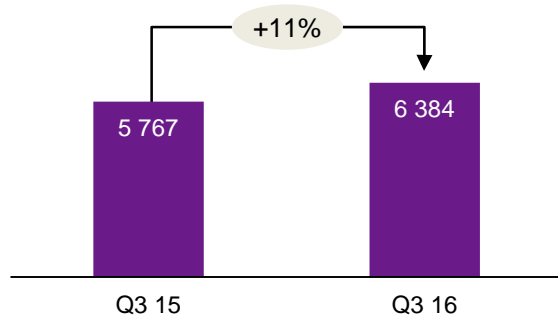


## Q3 Highlights

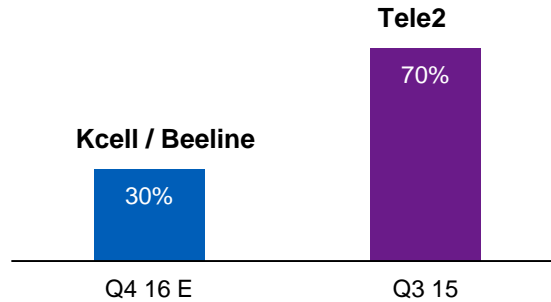
- Significant mobile end-user service revenue growth due to pricing and an increasing customer base
- Net sales lower this quarter due to Altel handset sales campaign launched in Q3 last year
- Positive EBITDA development driven by revenue growth, improved operating leverage and synergies from JV integration

# Kazakhstan – Strong performance

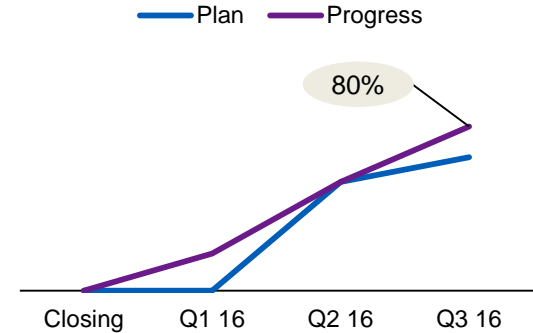
Customer base, LFL  
(thousands)



4G outdoor population coverage



JV integration



## Q3 Highlights

- 4G outdoor population coverage remains a competitive advantage
- Customer base continues to grow year-on-year, despite competitive pressure
- JV integration plan on track

# Challenger program on track

	Baseline	2016 target	2018 target
<b>Simplify</b> % of products harmonized on shared platforms	30%	40%	60%
<b>Discipline</b> % of spend strategically sourced & procured	40%	75%	80%
<b>Consolidate</b> % of reduction in IT OpEx as share of revenue	0%	5%	20%
<b>Transform</b> % of staff in Shared Operations	12%	18%	25%

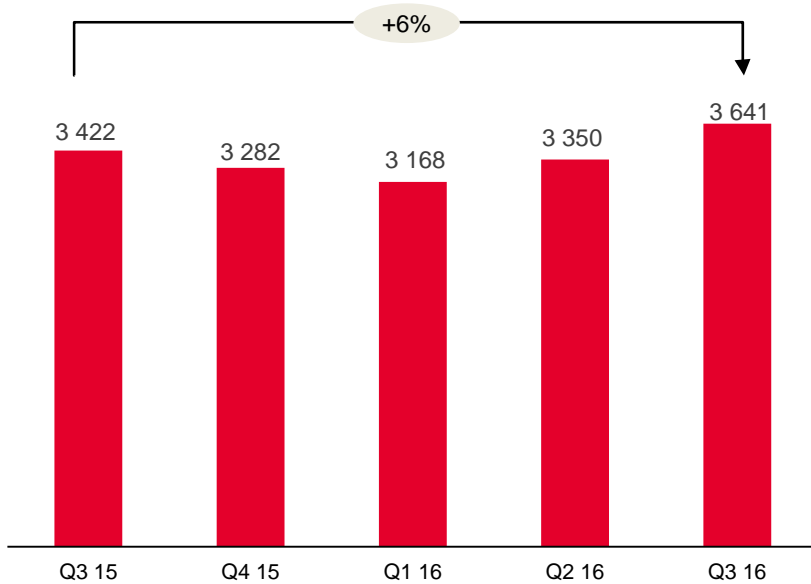
## Key progress areas in the quarter

- Product simplification initiative progressing. More than 900 products closed year-to-date
- Data analytics and optimized marketing spend driving improved ROI
- Transfer of ~90 Dutch FTEs to Indian partner started this quarter, bringing total to ~200 FTEs
- Productivity improvement program announced in Sweden, with an estimated reduction of 225 FTEs

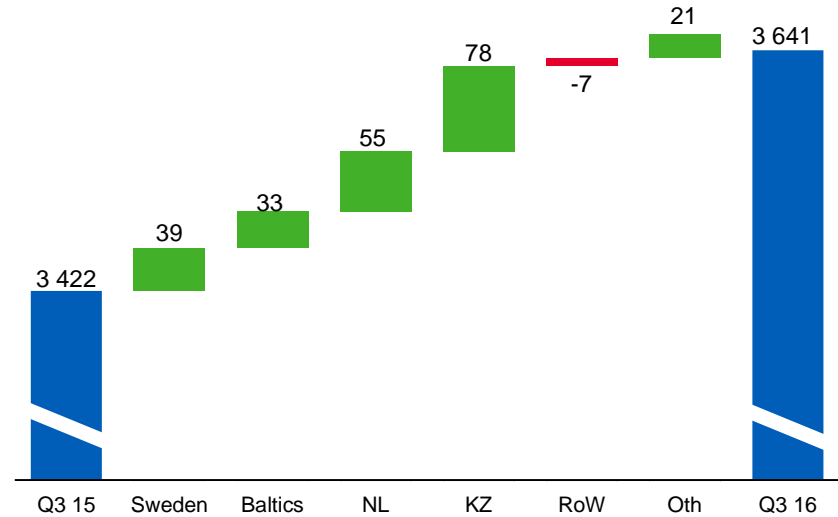
# Financial Overview

# Mobile end-user service revenue

Tele2 Group  
(SEK million)

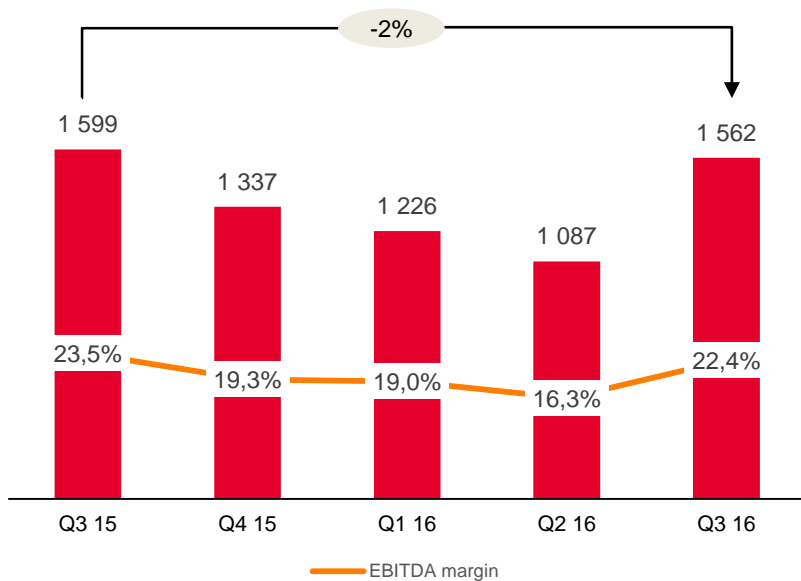


Development per market  
(SEK million)

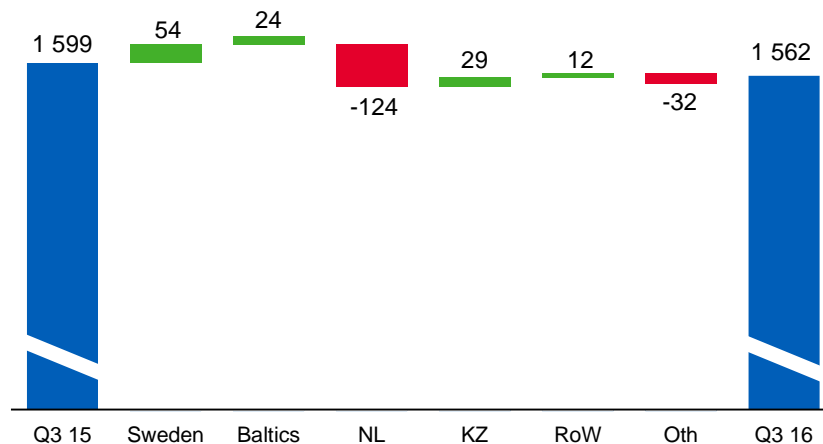


# EBITDA

## Tele2 Group (SEK million)

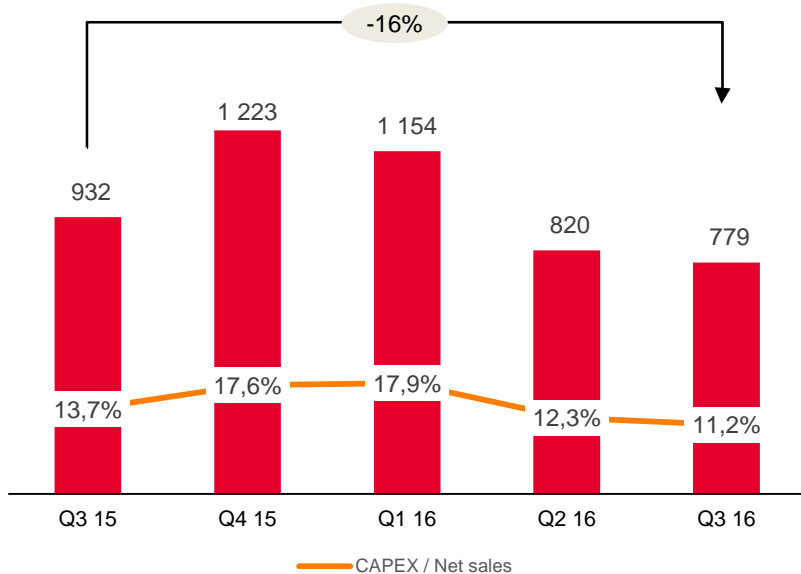


## Development per market (SEK million)

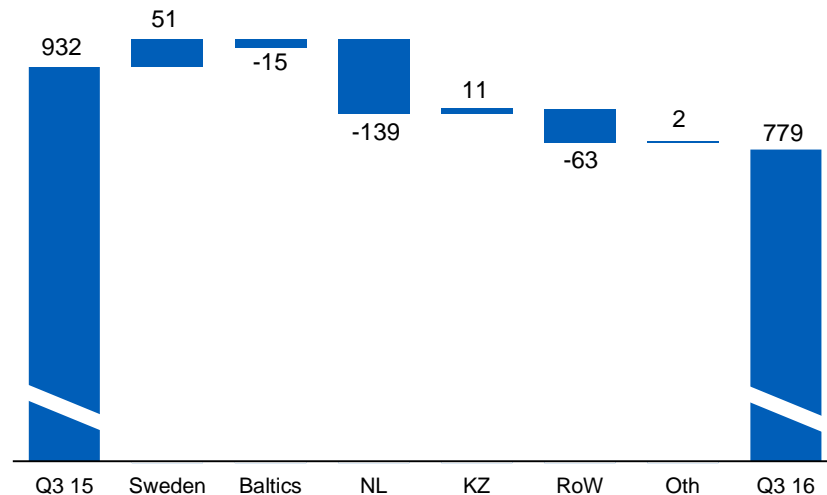


# CAPEX

Tele2 Group  
(SEK million)



Development per market  
(SEK million)

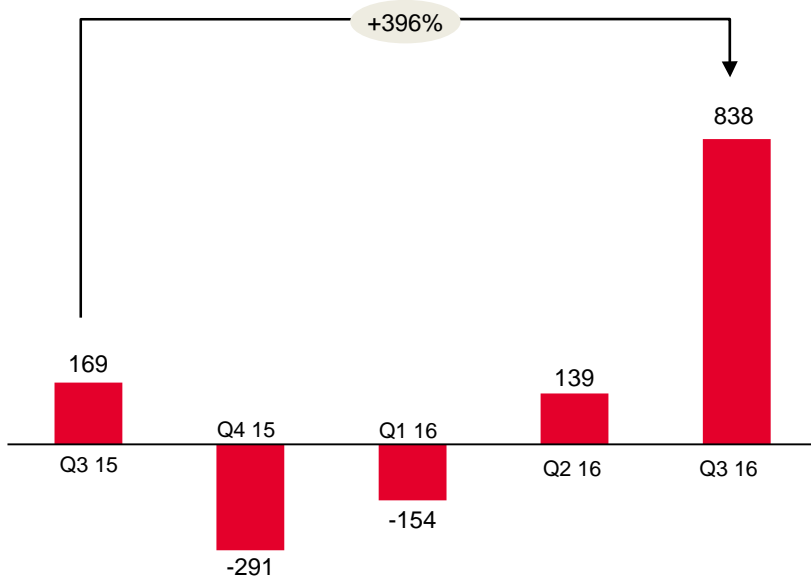




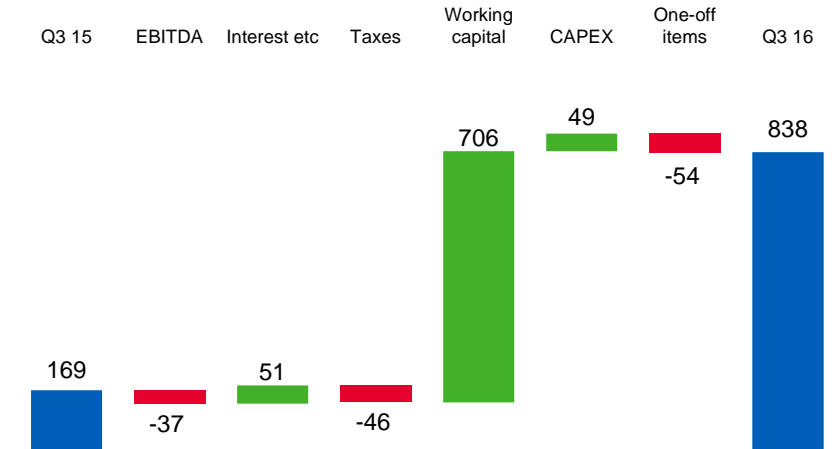
# Free cash flow

Total operations

Tele2 Group  
(SEK million)

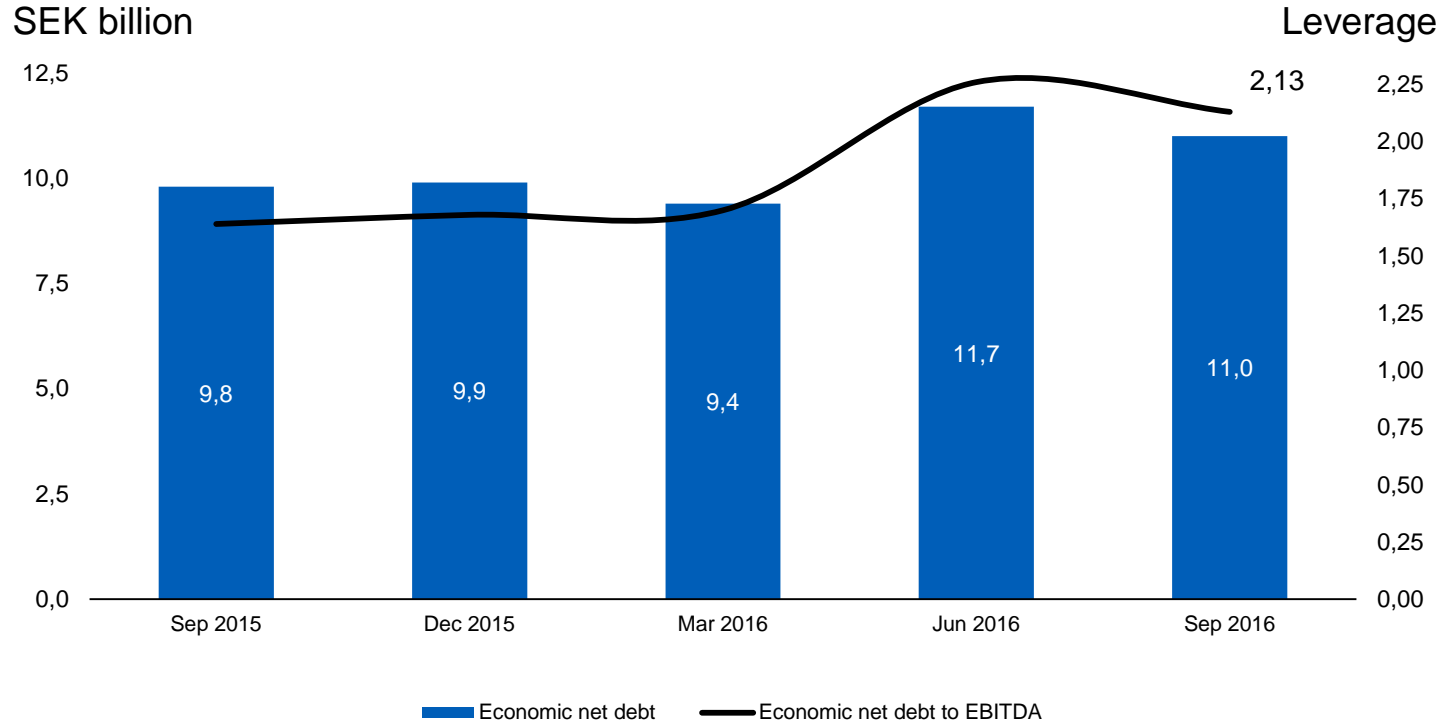


Development  
(SEK million)



# Debt position and financial leverage

Economic net debt to EBITDA 12 m rolling



# Rights Issue

## Background

- Acquisition of TDC Sweden announced on 21<sup>st</sup> June to strengthen our B2B position in Sweden (not conditional upon equity financing)
- In conjunction, the company announced the intention to raise equity through a Rights issue
- EGM to be held on 27<sup>th</sup> October

## Equity financing

- Financing through equity issue with preferential rights for existing shareholders to maintain the Company's financial strength
  - Tele2's largest shareholder, Kinnevik, has committed to subscribe for its rights
  - Nordea Bank AB has entered into a standby underwriting commitment for the remaining portion

# Financial guidance 2016

Mobile end-user service revenue	Mid-single digit % growth*
Net sales (SEK billion)	26 – 27
EBITDA (SEK billion)	4.6 – 5.0
CAPEX (SEK billion)	3.7 – 4.1

# Summary

# Key priorities moving forward

- Sustain momentum in Sweden
- Continue to monetize 4G investments
- Continued integration of Altel in Kazakhstan
- Execute on Challenger Program
- Closing of TDC



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



IoT

### How we win



Focused Technology Choices



Value Champion



Step-Change Productivity



Winning People & Culture

## Responsible Challenger

## The Tele2 Way

**THE  
END**

**TELE2**