

TELE2



OBEGRÄNSAD

Tele2 Q1 Interim Report 2023

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Introduction

Kjell Johnsen

President & CEO, Tele2

Welcome

Good morning, everyone. Welcome to Tele2's report call for the First Quarter of 2023. With me here in Kista today, I have Charlotte Hansson, our Group CFO; Hendrik De Groot, our Chief Commercial Officer; and Stefan Trampus, our Head of B2B.

Highlights and achievements

Please turn to slide two, and I will take the highlights. I'm pleased to see Tele2's overall growth in Q1 as it is of essence to keep growth momentum while building for the future. On the consumer side, we have taken actions to address the inflationary pressure, and that will contribute to revenues as the year progresses.

We are progressing well with our build-out of real 5G, which we mean services delivered on over higher frequency bands with capacities well beyond the 4G networks. Marketing coverage based on low band gives a higher number, but the user experience is not the same. This line of thinking is a starting point for our realistic ambition of building the best 5G network in Sweden.

Importantly, our IT transformation is progressing well. Once finalised, it will improve every step of the digital journey; our go-to-market speed, and not least, also be crucial to our next step FMC ambitions.

In our Q4 call, we said that improving working capital is one of our top priorities for this year. In Q1, we managed to stabilise it, and we are back to a more predictable situation regarding supply chain and handset financing. Moreover, as of February, we are mostly using existing inventories for our 5G rollout. So from the working capital perspective, the effect will come gradually as we invoice these installations through our Net4Mobility joint venture.

2023 will be a year of significant investments to build for the future, but we continue to be very CapEx efficient compared to the industry average. Our equity free cash flow was strong in Q1. We generated SEK1.1 billion, up some SEK200 million as compared to Q1 last year. Charlotte will discuss the details later on.

Before digging into our financial performance, I'd like to highlight some other important achievements and events during Q1. First, according to the Better Business CX Index based on mystery shopping, our two stores were ranked number one in service among the top 100 retailers in Sweden, not only within telecom, but among all retailers. That is quite an achievement.

Second, we were ranked number one in Sweden and among top 1% globally for gender quality by Equileap.

Third, out of nearly 15,000 companies evaluated globally, Tele2 was one of only 2% to receive a top rating for – to receive a top rating from CDP for our ambitious climate efforts.

And finally, Tele2 turned 30 years in March. Forever, the challenger that innovates and takes pride in the efforts our predecessors have made to build a great business.

Strong topline growth and equity free cash flow in Q1

So please turn to page three for a summary of the first quarter. We're off to a good start this year, and our ambition of being a growing business based on consumer value creation is as relevant as ever before. Like many other companies and industries, we are dealing with the secondary effects of supply chains, energy prices, inflation and interest rates. This does take an extra effort. But the good news is that from where we stand now, predictability is improving, and that gives us the opportunity to devise the right mix of initiatives to continue delivering and moving towards our ambitions.

During the first quarter, end-user service revenue grew by 3.6% organically, driven by the Baltics and Sweden B2B, whereas B2C remained stable. Underlying EBITDAaL declined by a minor 0.4% organically, driven by impressive 13% growth in the Baltics, whereas Sweden declined by 4% and transformation savings and modest top line growth were offset by inflation pressures, including the weak Swedish kroner and content costs.

Energy costs were approximately SEK10 million higher year-over-year in the first quarter. The content cost anomaly is a phasing issue that will disappear as of Q3.

Equity free cash flow improved significantly year-over-year as working capital and normalised tax more than offset increased CapEx and interest. Sweden B2C saw positive net intake for mobile postpaid and fixed broadband. End-user service revenue remained stable as continued growth in all core services offset decline in legacy services.

During the quarter, B2C has communicated broad-based back book price adjustments that will contribute to revenues going forward. In Sweden B2B, we saw continued solid and broad-based end user service growth and solid net intake of mobile postpaid across segments.

In the Baltics, we experienced yet another remarkable quarter, both in terms of top line and bottom-line growth. We have also continued rollout of 5G services as quickly as possible across our Baltic markets.

Sweden consumer: Solid volume growth

And with that, let's move over to the Swedish consumer segment on slide five. From an overall market perspective, competitiveness has been modest, but aggressive campaigning has persisted on the mobile side. Mobile postpaid saw continued net intake during a seasonally slow quarter, mostly driven by Comviq while ASPU declined slightly.

In fixed broadband, we see continued good growth, driven by volume and a stable ASPU development. In the digital TV, cable and fibre business, we are slightly down with subscribers, whereas ASPU continues to grow on the back of the new Viaplay infused packages and associated back book pricing.

Sweden consumer: Growth across core services

Turning to the next slide. Mobile end-user service revenue grew slightly driven by postpaid, which more than offset the decline in prepaid due to the registration requirement from February. In fixed broadband, end-user service revenues increased by 2%, thanks to the growing customer base.

Total end-user service revenue for digital TV remained flat in the quarter as a 2% growth in digital TV was offset by a continued decline in the legacy DTT TV business.

Sweden business: Sustained topline growth

And then let's jump to B2B on slide seven. We continue to execute on our strategy, and all segments are contributing to yet another solid end-user service revenue growth. Our growth areas continue to perform well and offset declines in legacy services.

Mobile net intake amounted to 12,000 RGUs with continued contributions across segments. Mobile ASPU remains stable. End-user service revenue increased by 5% in the quarter, including a positive one-off deal of SEK8 million related to fixed business. Adjusted for this, end-user service revenue grew by 4%. The macroeconomic situation, which we continue to follow closely, is affecting some of our customer groups more than others, but so far, without any significant impact on our business.

Sweden financials: Building for the future

And then let's move over to slide 8 for Sweden overview. Looking at the combined Swedish operations, end-user service revenue increased 1%, driven by a solid performance within B2B. International roaming had a positive year-over-year effect of SEK15 million.

Underlying EBITDAaL declined by 4% compared to last year as inflation and content costs exceeded end-user service revenue and transformation benefits ahead of price increases. Cash conversion remained strong at 63%, however, impacted by an increasing CapEx run rate as we are rolling out real 5G and Remote-PHY at a high pace, as planned and communicated.

Baltics operational highlights: Strong ASPU growth

Let's then continue with the Baltics on slide 10. Across our Baltic markets, the number of mobile postpaid customers continue to increase, whereas number of prepaid customers fell in line with normal first quarter seasonality. We have continued to see organic ASPU growth across markets during the quarter, resulting from our more-for-more strategy, price adjustments and, to some extent, prepaid to postpaid migration.

Baltics financials: Strong numbers across the board

And then looking at Baltic's financials on the next page. ASPU volume growth in mobile postpaid led to organic end-user service revenue growth across markets, resulting in 12% end-user service revenue growth for the Baltics as a whole.

Our strong top line, combined with successful cost control, has outpaced increased personnel costs and slightly increasing energy costs, leading to a 13% organic growth in underlying EBITDAaL. We continue to see a high cash conversion, thanks to strong underlying EBITDAaL, while impacted by significantly increasing CapEx run rate due to ongoing 5G rollouts.

With that, I hand over to Charlotte, who will go through the financial overview.

Financial Overview

Charlotte Hansson

CFO, Tele2

Group results

Thank you, Kjell, and good morning everyone. Please turn to page 13 in the presentation, and I'll start off with a few comments on the Group results. In Q1, total revenue grew by 3% organically, whereas end-user service revenue grew by 4%, as previously mentioned, driven by the Baltics and Sweden B2B.

Our underlying EBITDA grew by 1% organically. The strong organic growth in the Baltics and the continued transformation savings were offset by general inflation pressure and higher content costs.

Associated companies and joint ventures show a decrease compared to Q1 2022, as this no longer includes results from the divested T-Mobile Netherlands. Net interest and other financial items decreased somewhat to SEK213 million compared to Q1 2022. The highest financing costs for outstanding debts were more than offset by lower costs for other financial items as Q1 2022 was impacted by the exchange rate losses from hedges related to the T-Mobile Netherlands transaction.

Group cash flow

So let's look at the cash flow on slide 14. CapEx paid was higher in Q1 compared to last year, mainly due to higher network investments. Working capital ended slightly positive this quarter, mostly due to lower inventory levels, and we continue to have working capital as one of our top priorities for this year. And as we said in Q4, we expect this to take a few quarters to come back to a more normalised levels.

Taxes paid declined year-on-year, mainly as last year was negatively impacted by timing of final tax payments related to 2020. All in all, our equity free cash flow for Q1 ended at a strong SEK1.1 billion, some SEK200 million above last year's level. Over the last 12 months, we have generated SEK3.7 billion of equity free cash flow from continuing operations corresponding to SEK5.3 per share.

Leverage at 2.4x

Please move to slide 15, to go through the capital structure. At the end of March, economic net debt amounted to SEK24.6 billion, representing a reduction of SEK1.1 billion compared to year-end 2022, and that was explained by our strong cash flow in Q1.

Leverage stood at 2.4x at the end of March, which is slightly below the lower end of our target range of 2.5x 3.0x. However, pro forma adjusted for the first tranche of the proposed ordinary dividend, leverage would have been 2.7 times.

As mentioned in the full year results, the Board has proposed an ordinary dividend of SEK6.8 per share for 2022 to be paid in two tranches of SEK3.4 each in May and October this year.

Business Transformation Programme Update

So let's go to slide 16 for an update on the progress of the Business Transformation Programme.

During Q1, we continued to execute on the timing stages of the Business Transformation Programme and made improvements primarily within networks and legacy IT. This led to an annual run rate savings of SEK925 million by the end of March. The P&L effect of this was SEK215 million in the quarter, with a net effect of SEK75 million compared to Q1 2022.

We are now continuing our efforts to complete the programme to achieve the SEK1 billion of run rate savings by Q2, as previously communicated.

And with that, I will hand over to Kjell to go through our key priorities going forward.

Summary

Kjell Johnsen

President & CEO, Tele2

Key priorities going forward

In summary, our main objective is to keep our sustainable growth momentum. In order to do that, we need to continue building 5G at pace, finalise our digital transformation and get back to the typical streamlined Tele2 operating model after the external shocks that we went through in '21 and '22. These things are falling into place this year.

When it comes to 5G, we are building for the future by rolling out real 5G and Remote-PHY. This leads to higher absolute CapEx levels that Tele2 continues to be very capital efficient at a CapEx to sales level.

When it comes to sustainability, I mentioned a couple of impressive recognitions in my initial remarks, which again demonstrates our leadership in this field. Among our many ongoing activities to make the world a better place, we will, for instance, continue to expand our circle economy solutions to meet increasing customer demands.

But with that, I'll hand it over to you for your questions so we can get the focus on the things that are particularly of interest to each and every one of you. So operator, please?

Q&A

Operator: Thank you. Dear participants, as a reminder, to ask a question, you need to press star one-one on your telephone keypad and wait for a name to be announced. To withdraw your question, please press star one-one again. Please stand by. We will compile the Q&A roster. This will take a few moments. Now we're going to take our first question. And the first question comes from the line of Andrew Lee from Goldman Sachs. Your line is open. Please ask your question.

Andrew Lee (Goldman Sachs): Good morning, everyone. I just had a question. It's been so long since you gave your guidance for the full year anyway. But just wondered – I had a couple of questions on how things may have evolved since then.

So first question was just on your views on how the Swedish consumer pricing environment has developed versus your expectations when you set guidance? It seems fairly encouraging given the size and scale of tedious price rises and also Telenor raising its fighter brand mobile prices, but keen to get your take on that.

And then secondly, obviously, you've guided directionally that you'd have some EBITDAaL headwinds early on in the year, but nonetheless, the EBITDAaL missed consensus. So just wanted to get your sense of how the cost inflation you're experiencing compares to what you anticipated when you set guidance? And specifically, you set – you suggested that the range of EBITDAaL growth guidance for the full year was predicated on where energy prices averaged out, i.e., if they stay low, then you can hit the higher end of guidance. Is that still the case? Or are there more factors to take into account now? Thank you.

Kjell Johnsen: I will start and probably Hendrik De Groot will fill in – on especially on pricing. So looking at our EBITDAaL, we are very clear that we will have a stronger EBITDAaL in the second half than in the first half. And we are in a little bit of a phasing thing here at Tele2.

If you look at last year, we spent – we made a big effort to introduce an innovation in the Swedish market, where we combined linear and streaming through the Viaplay agreement. That took a lot of effort on our side and some of – many of our TV customers were affected by that.

Now since many of them also are broadband customer, say, we didn't want to rock the boat too much. So in a way, we did a bit less on pricing last year than we would have liked to do. This year, we will be back to the normal pricing routine, and it has already started. And then there's the other effect that we actually had a unusually low content cost in the first and second quarter of last year, which is something we have been very open about, and that's normalised.

So when we come back after the summer, we will back into the right phasing again, and it will be more like-for-like. So we are very confident about the EBITDAaL guiding for the year, for sure, and we see the opportunity to do pricing. I would agree with some of the observations you are making there. But I'd stop at saying that we are very confident about the EBITDAaL guidance and then on the pricing, I will hand it over to Hendrik to fill more in.

Hendrik De Groot: Thanks, Kjell. Yes, Andrew. On consumer pricing, what we've seen is the overall consumer confidence index stabilised after we had quite a significant drop in the last year, helped, of course, also by some weighting energy prices, we see when we do installations with foreign cruise, for 5G rollout. So that plays into that one. So that's something we are spending quite a bit of energy on.

And then, of course, the general inflation is something that we just need to absorb through the pricing moves we do. So there's nothing unusual about that. The numbers, of course, are a little bit higher in Sweden as elsewhere for temporary at least for inflation.

Andrew Lee: Thank you.

Operator: Thank you. Now we're going to take our next question. Please stand by. And the next question comes from the line of Ondrej Cabejsek from UBS. Your line is open. Please ask your question.

Ondrej Cabejsek (UBS): Hi, everyone. Good morning, and thank you for the presentation. I had one follow-up question on the cost side, specifically on content and then one on working capital, please. So in terms of the content cost, I'd just like to understand better, please, the mechanism of the pricing from Viaplay to you haven't been increased? And then how do you pass it on to the consumer? Do you do that – is it mandatory? Is it something that comes

with a lag, if you could explain that mechanism, please? Because obviously, you highlighted the price increases on TV last year were quite material, and it may be difficult to do the same again this year. So just curious how they're basically offsetting that?

And then you – Kjell mentioned that this is an anomaly in terms of cost, I would just like to understand that comment in terms of why costs were significantly lower last year, why they're anomaly, 1Q and 2Q because I guess the cost base started to kick in when you started offering these or selling these products, which was kind of mid last year. So is there anything that's just different relative to last year, for example, in terms of the content in particular? So that's one question, please.

And then second one, just following up on the working capital comments from Charlotte. So obviously, you outlined very hopefully, at the full year results, the free sources of kind of working capital drag and how they should unwind as time goes. So I'm just curious about the two, that you've got more, I guess, control over in terms of the inventories that you already touched upon and then the Net4Mobility agreement that should also improve your working capital. So if you can give us an update on those two and potentially where you expect these items to land for the full year. Thank you very much.

Kjell Johnsen: I guess we can all chip in on this. I can start a little bit with the content. I think it's important to remember that when we set up this, this was the first time this kind of arrangement have been set up in Sweden. It was an innovation. And we spent quite a bit of time with Viaplay in a relationship built on a huge amount of trust. So we actually had a unusually low content cost in the first two quarters, which was built into the agreement.

So the content cost you saw in Q3 and Q4 is comparable to the content costs you are seeing going forward and the way we do revenue shares. What was unusual was that why we were setting this agreement – putting this agreement into place. There was a time when we had sort of almost a grace period, and that is something that causes this one-off anomaly Q1, Q2 this year.

And maybe, Hendrik, maybe I'm not precise enough on this. Hendrik, if you want to add something to it.

Hendrik De Groot: Yeah. Ondrej, so as Kjell was saying, the – first of all, the cost is – has been now fully materialised basically in the numbers. But of course, on a year-on-year comparison, you will see it coming together from the third and fourth quarter, the second half of the year onwards. The way the cost structure – and I think as also said we talked about that before, the way the cost structure is built, that there is no fixed cost in there. So we have a variable cost towards the numbers of consumers.

And of course, the way we've implemented that with the price rise is to make sure that we do these – that we run this business, of course, at the margin. And that has been sort of been implemented.

It is fair to say that, of course, a lot of the pricing of that has happened throughout last year but not all of it. So we still have a little bit of a long tail and some customers in binding promotions that when they come out throughout the year, that will be priced. But the majority of the pricing move for this year will sit on the mobile and broadband categories.

I hope that sort of answers your question.

Ondrej Cabejsek: Maybe one just quick follow-up, just because there was a recent price increase from Viaplay to you on like a wholesale basis. So how is that going to be offset? Is that like a mandatory pass-through so that you cannot like margin squeeze them or what is it?

Kjell Johnsen: No, that's not what's happening here. We have – so there is no price increase Q1 and Q2 this year versus Q3 and Q4 last year. The main thing is that, actually, we had a lower cost to Viaplay in Q1, Q2 of last year. So there's nothing happening specifically in Q1, Q2 compared to what we did in the second half last year. So just – so that you don't think that there is a price increase from Viaplay from 1st January. This is not what is happening here.

And then on your working capital, just quickly from my side, yes, we are working on improving it, and there is still scope for improvement. I would also caution in the full transparency that the working capital level we had at the end of 2021 was exceptionally low because we had almost no handsets. We were not – we have not really started with the 5G.

So let's understand that what we are working towards in a good operating mode is to get down from where we were, but not all the way to that point because that basically would mean that we run the business without almost any stock at all.

Charlotte Hansson: Yeah. And I think I can add to that as well because the things that we pointed out in Q4 were three different areas that we said that we were going to work specifically on; and that was the inventory that could be divided into devices and also the Net4Mobility and 5G rollout. And we can see that we are making progress in this – in both these areas.

And the third one was the handset financing. And you might recall that in Q4, we actually stopped the invoicing of that, because we were renegotiating our terms with the bank. And we also – I think we communicated that we did that successfully, and then we started the handset financing involving – at the beginning of this year. So that is something, an impact that will come gradually during – as we said six months, and that's still 5G.

Kjell Johnsen: So two-and-a-half years ago for those handsets.

Charlotte Hansson: Yeah.

Ondrej Cabejsek: Thank you very much.

Operator: Thank you. Now we're going to take our next question. And the next question comes from the line of Andreas Joelsson from Danske Bank. Your line is open. Please ask your question.

Andreas Joelsson (Danske Bank): Thanks a lot and good morning, everyone. Two questions from my side. First of all, on mobile ASPU in the consumer side, which is down slightly from last year. And you still have had this unlimited offering, which comes at a quite high ARPU level or ASPU level. And you have stated that you have had good traction on that, and you have some roaming coming back. So I just want to understand a little bit more why we don't see a larger year-on-year impact on the mobile ASPU in the consumer side.

And secondly, just a follow-up on TV. Obviously, the service revenue trends have improved, but you're still are in sort of flattish mode despite this innovative solution and offering that you have. What's the next step to turn the TV side into service revenue growth? Thanks.

Hendrik De Groot: I'll take the one, Andreas. So if you look at the mobile ASPU, then, yes, it has a flattish character at the moment. And our mobile ASPU, of course, consists of a number of components. One, the postpaid and the prepaid side and secondly, of course, the – if you look into the mobile ASPU, we have two brands in the market, Tele2 and Comviq.

I just want to be clear that when we are talking about the unlimited portfolio that we've launched and that has a good traction in terms of peer mix, we're talking about the Tele2 mobile part of our total mobile postpaid business, right? So in that sense, we're still seeing the same sort of traction that we were talking about before in the first quarter with a little bit of more careful consumers we have seen; but we have had a slightly less volume, a lower volume on the unlimited tier mix.

However, we're still 50%-plus. So it is just a slightly lower tier mix number. And we've also seen – that has also been compounded a little bit by an inflow on the lower tiered part of the portfolio from the prepaid registration as in particular, senior – we've seen some seniors that found it still, although we've had a very easy digital journey, still quite cumbersome and opted for a pre to post move, and they would then come in on Tele2 on the lower tier.

So that's a little bit of a composition of what's happening there. And we've also seen, at the same time, a strong continuation on our Comviq growth. And that's sort of how the composite numbers and then sort of adds up. So our unlimited portfolio is still absolutely doing what it should be doing in the market.

On TV, the – what we, of course, said is that we are aiming for stabilised the portfolio with the Viaplay move, which I think we're doing. And in particular, on B2C, you can see that we're actually generating even a low level of growth. What we, of course, still are facing is a declining DTT business, and that will remain to be there. So the offset against that is for us to continue to drive our momentum in our DTT business. And there will be, of course, a level of pricing coming in as we go on – as we go forward.

And secondly, as you know, we're working very much on an aggregation play. Viaplay has been a first step in the journey. So that's basically a continuation of the strategy we've sort of started with Viaplay basically.

Andreas Joelsson: Very clear. Thanks a lot.

Operator: Thank you. Now we're going to take our next question. Just give us a moment. And the next question comes from the line of Nick Lyall from Société Générale. Your line is open. Please ask your question.

Nick Lyall (Société Générale): Hi there. Morning, everybody. Could I ask – just going back to Andreas' point on the consumer mobile, and please, Kjell, you mentioned aggressive campaign. Could you just help us with what you meant by that and whether it's – it doesn't sound as if it's too material, but just sort of set our minds at rest there.

And then secondly, on the back book price increases in broadband please. Could you give us a bit of detail on the scope of those? How many subs that might affect and how quickly? And what – could at all, can you give us an idea roughly of the boost to revenue over the next

couple of quarters or some at least guide towards what you would – what you might expect?
Thank you.

Hendrik De Groot: I could take it. Nick, it's Hendrik. So when we talk about what we've seen in the market, largely, I think it – we're quite happy with what we've seen, of course, Q4 was – last year was sort of quite a busy quarter as it normally is with a lot of promotions and etc. And this quarter, we have gone through back to that normality and a bit more. So I think we've seen good price announcements and moves from all of the operators in the market.

I think we are seeing a very good stability on our fixed products in the market as well at large, but also in terms of consumer behaviour, we're seeing good tier mix development, etc. And where we do see still quite a level of what we call BTL below-the-line, I would say, aggression. And to your point, it's very targeted. It's not ATL overall market-driven, is basically through some channels, right?

So for example, telemarketing where there's a lot of – there's some level of calling going on with sort of quite aggressive offices could be sell off of devices. We've seen that device market is a little bit down from this normal beat, right? We're minus 10% in Sweden in the first quarter on the total device sales. So maybe some stock sell-offs that will happen.

We have seen a level of aggression or campaigning on family office and some deeper discounting on unlimited peers from some other operators. So that sort of is the composition of basically what we're – what we've been seeing on the sort of mobile campaigning.

On the broadband back book pricing, we have, as you know, a more-for-more approach that we – the company has been working with for the last number of years. And in the more-for-more approach, we typically don't take the total base because some of our customers, of course, are in binding contracts that we don't price, but we do have a substantial base and we can't share the details of that, that we will be pricing and we will also be pricing to a more significant level that we normally do to offset some of the inflationary pressures. And I would say the price adjustment will be 30-40% higher than we would normally do.

Nick Lyall: That's great. Thanks, Hendrik. Cheers.

Hendrik De Groot: Yeah.

Operator: Thank you. Now we're going to take our next question. And the next question comes from the line of Keval Khiroya from Deutsche Bank. Your line is open. Please ask your question.

Keval Khiroya (Deutsche Bank): Thank you for taking the questions. And I have two, please. So firstly, are you putting through increase – price increases in the B2B back book? And how does that compare to what you may have done last year?

And then secondly, given the moving parts with content, price action and rates as well, would you be able to comment at all on when you think you can return back to stable EBITDAaL domestically? Should we view that as Q2 or more Q3? Thank you.

Kjell Johnsen: Maybe Stefan.

Stefan Trampus: Yeah, I will take. Hello, Keval. Thanks for your questions on the B2B part. So we are constantly evaluating if we need to do any adjustments in order to save product

margins. And I think we are working on the broad scale of different things. Pricing is one of them, but also optimisation of our portfolio as well as we do migrations from old services to new services, etc. But looking on, on the pricing part, we can do certain things instantly. And of course, just like in the B2C market, some of our customers are in contracts. So we can't do all at once. But when possible, we do it.

And if we look what we've done in Q1, for instance, we have done several price increases across the board on different products. Of course, the B2B portfolio and the contract setup is a much complex thing and a larger broader portfolio with lots of moving parts. But we have price increased, fixed voice subscriptions, data and services, handsets, ATP, service agreements on UC and also on our hybrid solutions, hybrid cloud solutions based on index clauses that we have in a contract.

But this is something that we're doing constantly and valuating. And I think one part of the good traction that we have on the end-user service revenue is this methodology that we have.

Kjell Johnsen: And when it comes to your question on the EBITDAaL, like I said, we are very confident about delivering on the guidance of EBITDAaL and we do expect that the Swedish EBITDAaL numbers will look better later in the year, but we don't guide on specific EBITDAaL for components of the Group.

Keval Khuroya: That's very clear. Thanks so much.

Operator: Thank you. Now we're going to take our next question. Just give us a moment. And the next question comes from the line of Titus Krahn from Bank of America. Your line is open. Please ask your question.

Titus Krahn (Bank of America): Good morning, everyone. Thanks a lot for the presentation, for answering our questions and taking mine as well. Just a very, very quick follow-up and then two real questions, if I may. The follow-up is just on the comment on the SEK10 million energy headwind that you had this quarter. Does that apply to the full group, or is it just on Sweden the SEK10 million?

And then just on my question on the Baltics very briefly, just because EBITDAaL trends in Lithuania and Latvia have been quite strong, but Estonia is much more difficult, which rather appears consistent with also softer result for at least till yesterday, and maybe could you help us understand what is the main driver of the difference within the Baltics? Are those cost headwinds higher on a structural basis in Estonia?

And then just on a very different note, you published a quite encouraging press release earlier this week, highlighting, under potential to reduce energy consumption in mobile network by, I think, 30-40% with the help of AI, and I believe that's quite a topic or subject of course. Could you maybe elaborate a bit more on when you expect those technologies to actually be applied to your network at a larger scale?

And maybe staying at the subject of automation, where do you see most opportunities for Tele2 to pursue that topic, those efficiencies? And which parts do you think are top of your agenda are going ahead?

Kjell Johnsen: That was quite a few questions. Now correct me if I'm wrong, Charlotte, but I think the energy impact was SEK8 million. But okay, that's for the whole Group. So it's

basically not a big number. I can give a shot at the Lithuania, Estonia, thing. I mean, clearly, Lithuania, we are number one. We have a much bigger scale. So in a very – in a relatively small operation, you are a bit more exposed to disruptions than you are in the bigger format. So that we see different impacts in Lithuania and Estonia is basically normal.

We are number one in Lithuania, and number three in Estonia, strong number three, but still a number three. So – and also, of course, it will be natural that there is some correlation between the trends that Elisa sees in the Estonia and the trend that we see. I don't think I will develop it very much more than that.

And yeah, the release talks about a theoretical potential for saving energy. Clearly, when a mobile network, a typical mobile network is up and beaming, then it's at a quite high activity level all the time. Or it's not so that it accurately reflects the number of users who are busy on that cell. One of the advantages with 5G will be with our new systems is that they have a better ability to work with differentiated loads.

In 4G, you don't necessarily – don't really have that, but what you can do is that you can, through software, try to optimise this partially. So what this does is, if you look in the ground scheme of things, consumers will be using more data as we progress. And of course, that gives us a little bit of a cushion. So it reduces the growth that would otherwise happen. So – but the usage of power per byte will, of course, then go down. I don't know if that was clear.

Titus Krahn: Yes, very clear. Thanks for answering all three questions. Sorry for that. But very, very clear, and very helpful. Thank you.

Kjell Johnsen: Okay. Thank you.

Operator: Thank you. Now we're going to take our next question. And the question comes from the line of Peter Nielsen from ABG. Your line is open. Please ask your question.

Peter Nielsen (ABG Sundal Collier): Thank you very much for the opportunity. Two questions, please. Firstly, Kjell, what do you think – I mean, the Swedish consumer market in general and for Tele2, it has been sluggish for some time. What do you think will help the market sort of to reignite growth? Is that exclusive with the price increases which you have talked about sort of comprehensively here today?

And then secondly, just a question – a clarification on the content cost. When you speak about higher content cost, you speak about Viaplay. Is that the only source of higher content costs, Kjell? Just to be clear. Thank you very much.

Kjell Johnsen: Well, price increases come in one shape or form. So yes, they will be with us. They will be a part of it. But it's important to see the whole picture. This is not only about the headline number that we have out there. The industry has had a tendency to be very aggressive in trying to hold on to customers through sales desks and different kinds of initiatives, and of course, trying to be very smart below the line.

I think we see some indications that the industry is learning that this is not a great way of creating value. For us, we have been working on a more-to-more platform. We will probably evolve that. And you heard Stefan talking about within B2B some indexation. I think probably we'll see a bit more of indexation going into B2C going forward. I think that can be a good tool.

When it will be? That's a different discussion. So the components that we work with may be changing a bit over time. You want to add something, Hendrik?

Peter Nielsen: And the content – sorry.

Kjell Johnsen: Yeah, I will take that afterwards.

Hendrik De Groot: Yeah. Maybe just a couple of things. So, Peter, the pricing, as Kjell said, of course, is an element of the business model. And yes, we will be strongly looking at moving to a price indexation, which we believe is a fairer way of approaching the consumer market.

But more importantly, we are, of course, moving forward and onward. The level of digitalisation of society in consumers is increasing every day, the usage of mobile applications and also the intensity of the mobile applications even with AI and virtual reality is increasing and the need to be connected. And with that also comes the trajectory we set in, for example, on the mobile side by moving to unlimited – to an increasingly unlimited portfolio and making it available to an increasing share of the market.

So I think there's a lot – that's just the start of a new chapter as far as I'm concerned in terms of what we will do with consumers and what innovations and changes we can bring. And the same actually is also for home connectivity, right? There's a lot happening in the home. It's a huge hub and whereby – whereas we, over the last period of time, got used to speeds of 100 megabit to be sufficient to have a whole household fully connected.

I feel that over the next period of time, we're moving to different speed levels and also different type of service levels across that. So we have a clear roadmap for ourselves to move the Swedish market to way more to the one gigabit benchmark and some of the tier mix changes are already happening as we speak.

So yes, it is about pricing, but it's not only about pricing. It's a lot about innovation at the same time.

Peter, just remind us with the content question.

Peter Nielsen: The question was when you speak about content costs, you directly obviously refer to Viaplay. Is Viaplay the only source of higher content cost or are you also seeing it as well?

Hendrik De Groot: Viaplay, of course, is – let's say, on a year-on-year basis is, of course, a bit change in the portfolio, right? However, it is – of course, in the total content cost is one of those elements that, of course, also has a level of inflation built within in terms of the other content we have. So where we have contracts coming out of – coming out of contract, we will have a level of price inflation in some categories of the content.

So there is a – so there's also price inflation in the content cost to an extent yes.

Peter Nielsen: Okay. Thank you.

Operator: Thank you. Now we're going to take our next question. And the next question comes from line of Fredrik Lithell from Handelsbanken. Your line is open. Please ask your question.

Fredrik Lithell (Handelsbanken): Thank you very much for taking my questions as well. I just wanted to have a follow-up, Kjell, when we talked about the ability to lower the energy consumption on the new 5G networks. Do you – have you sort of also taken into account the deep sleep modes in the new equipment? Or have you used that already before in the 4G network. So would that be a differentiator when it comes to energy consumption would be a follow-up on that one.

And then just a question I have then. CapEx, you came into the year with a fairly high level of CapEx, especially in Sweden. How should we see that going towards the end of the year on a quarter-over-quarter basis? Should we see fall in the share of revenue as you come closer to peak levels of CapEx spending? Or – would be good to know. Thank you.

Kjell Johnsen: Well, let me start with the last one. We – I have been very keen that we should move at speed for building 5G. Ideally, I probably would have wanted to build even more last year. But supply chain was what it was. And I'm not going to repeat that whole story. And so that's why we're coming into the year with a high CapEx number.

It will be relatively high in the second quarter also. But of course, we are in the process of throttling this so that it comes to a production level, say, for – from the summer and onwards, that is compatible with where we want to be. So – but I'd rather have that issue than having a rollout that stutters and goes slowly. So that's where we are on that. And you should expect, of course, that we, in the second half, will then have a lower production volume, specifically on 5G than you have seen now.

I mean at least as reflected in the financial books, you may know that what you see in our CapEx books does not necessarily reflect 100% where we stand technically because you have site acquisition, civil works, installation and then invoicing through Net4Mobility. So it is a relatively complex web to have there. But we love to have it because it makes us CapEx efficient to share these costs. And then we'll take the extra work that involves.

Now on energy consumption, I'm not the biggest expert on this, but I think we can say as a general rule that when 4G was developed, it wasn't really developed to have an advanced power fluctuation mechanism built into it. So what we're trying to do is an attempt to improve on that. 5G has been more developed to be – to try to optimise energy.

So – but let's be clear that whatever we now build of 5G, the consumption is growing relatively fast. So the usage per byte will go down. But our energy consumption over time will be going up.

Fredrik Lithell: Okay. Thank you.

Operator: Thank you. Now we're going to take our next question. And the next question comes from the line of Adam Fox-Rumley from HSBC. Your line is open. Please ask your question.

Adam Fox-Rumley (HSBC): Thanks very much. I have one follow-up on that CapEx question actually, which was – to ask about your level of comfort with the current midterm guidance and the kind of step down once you've passed the peak. And then the unlimited portfolio that you're increasingly putting weight on place more demands on medium-term capacity planning, for example. Are you confident in the way that the work has been done in the build-out of the network and the network sites?

And then the second question is a quick one. I wondered if you could just give us an update on the spectrum auction. Are we still expecting that in September? Are you waiting for any more details from PTS? Thank you very much.

Kjell Johnsen: So the answer to the question number two is yes, and yes. And there will be more information coming later. So to – the regulator will be coming with more information around that. But we expect it to happen. We expect to participate, and that's pretty much what we can say at this point.

And on CapEx, I just want to be clear that we clearly will be at the top end of expectations on CapEx. I think it is a good thing. I'd rather get the installations done this year and next year to build the best 5G network in Sweden. We are building, as you know, in the higher spectrum. So when we talk about our coverage, we are talking about coverage based on high spectrum and the kind of download speeds that you expect from 5G.

We will, of course, also be using a 700, which is a great thing for coverage and gives good speeds, but not the kind of thing – the speed that people have been thinking about in their minds when they think about 5G. So CapEx will be at a high level, I think, is a good thing.

And in terms of where we are, if you look at it from a CapEx to sales perspective, we are in a good spot compared to pretty much anyone in Europe. And I think that's a good way to look at it.

Adam Fox-Rumley: Okay. Thanks very much.

Operator: Thank you. Now we're going to take our first – our last question. And the last question comes from the line of Siyi He from Citi. Your line is open. Please ask your question.

Siyi He (Citi): Hello. Hi. Good morning. Thank you for taking my questions. I have two questions on mobile and one clarification, please. And the first question is, you mentioned that you have done price changes in consumers across the board. Just wondering if you can remind us what you have done on the consumer mobile side apart from the handset financing. It seems that you haven't raised prices on Comviq brand for some time. I was wondering that given that your competitors are raising low-end challenger brand prices, whether that gives you some confidence then you can also think about the pricing strategy with Comviq?

And the second question is on the B2B side. B2B mobile has been growing about 10% for the last four quarters. I think supported by your base growth. But Q1, we see a slight moderation in the app. So I wondered if you can talk about the marketing competition in the B2B mobile and whether this Q1 is just simply a seasonality thing.

And finally, the clarification is on the wage inflation. Could you remind us, once you agree with the union, is that a one-year or two-year agreement on the inflation? Thank you.

Kjell Johnsen: So take the last one first. Yes, there is collective bargaining, and there are also – there's also a collective bargaining at the industry level after the central agreement has come into place. In Sweden, they placed a lot of attention to this mark, as they call it, and that one has been set now for 4.1% this year and 3.3% next year, if I remember, correctly. And that's a very strong indicator of where things probably will end up. There's a negotiation

to be done, but it's pretty much like that. And it's effective from 1st April. So then you have it basically for the spreadsheet approximately where these things will land.

So we do have clarity on this. Maybe we – you had two questions all on B2C and B2B, anyone wants to start?

Stefan Trampus: Yeah, I can start. Thank you, Siyi, for your question on the B2B volume development. I mean we are continuously trying to find a balance between the value and volume. And I think you can see that happening in the mobile revenue growth. And if you look at the RGU growth, it varies a little bit between the quarters. During the last two years, it has been between 10,000 and 32,000 if you look quarter-by-quarter. And it really are large deals that can swing this up and down between the quarters.

And especially in this quarter, we had two unusual events. And that was we moved to larger deliveries that would have intended for Q1 forward to coming quarters. And we also had a cleanup of some legacy subscriptions. So adjusted for this, I would say we would be on par with the average for the last three quarters. I hope that answers your question.

Kjell Johnsen: And then Siyi, on the mobile, on the consumer side mobile pricing, as we've been discussing, yes, we are putting that pricing into play last year. As you note, it was indeed a year that we didn't do that much pricing: one, because we had the IT migration and new portfolio introduction on Tele2 mobile; and also on Comviq, we were just running out of a pricing move that we had done in 2021. So yes, 2022 was sort of seasonally low, let's say, in terms of pricing. So that there is room for pricing, and that is in our consideration to happen in the second and third quarter.

Siyi He: Very clear. Thank you.

Operator: Thank you. Dear speakers, there are no further questions. And I would like now to hand the conference over to Kjell Johnsen for any closing remarks. Please go ahead.

Kjell Johnsen: Thank you very much, operator. So – and thank you to all of you for taking the time to listen to us and to ask us questions and have this discussion together. I'd like to just briefly say that I'm very pleased that we are able to keep the growth momentum. I think it's absolutely fundamental for this industry to be able to keep the growth momentum so that we can be – take the relevance that we have in the market out into our P&L also.

For that purpose, it is important to build 5G relatively fast. I'd like to do it relatively fast. We have X amount of base stations in our sort of model network that we're going to build through that probability. And most of that we want to get done this year and next year and some of it, of course, in '25. And that is an investment into the future. And I reiterate that we have an absolutely realistic ambition of building the best 5G network in Sweden. That's kind of the ambition level.

And lastly, since numbers and profits are, of course, very important, we will be finished with this phasing issue that we have now related to how we importantly restructured our TV business last year. So when we come back from the summer holiday, we will be in correct phasing again. So give us this quarter and the next. And then we will be into a – it will be easier to see like-for-like year-over-year in terms of where we are. And we expect a stronger EBITDAaL in the second half than in the first half.

So with that, thank you very much for your attention, and have a great day.

Operator: That does conclude our conference for today. Thank you for participating. You may now all disconnect. Have a nice day.

[END OF TRANSCRIPT]