

# THIRD QUARTER 2017

October 19, 2017

Tele2 AB

**TELE2**

# Group highlights – Q3 2017

<i>SEK billion</i>	Q3 2017	% Change Reported	% Change LFL
Mobile end-user service revenue	3.9	9%	7%
Net sales	7.5	13%	1%
EBITDA	1.8	21%	12%

LFL is constant currencies and pro forma for TDC Sweden  
Note: All figures in this presentation exclude Tele2 Austria unless otherwise stated

# Tele2's Way2Win

## Our Purpose

We fearlessly liberate people to live a more connected life

### Where We Play



Baltic Sea  
Challenger



Investment  
Markets



IoT



Cash  
Generators

### How We Win



Positively  
Fearless  
Brands



Connecting  
Things our  
Customers  
Love



Digital First  
Customer  
Experience



Challenger  
Cost  
Structure

## Responsible Challenger



Winning People & Culture



# Delivering on our long term strategy



## Positively Fearless Brands

- Strong uptake of new commercial propositions across the Group
- Comviq awarded strongest telecom brand in Sweden
- Tele2 wins best telecom retail chain and webshop in the Netherlands



## Baltic Sea Challenger

- Baltics mobile end-user service revenue up 12%, EBITDA up 18%
- Sweden mobile end-user service revenue down 1.5%, EBITDA down 6% LFL
- Rolling 12 m operating cash flow up 22% to SEK 4.4bn



## Investment Markets

- Netherlands mobile end-user service revenue up 27%
- Netherlands data and voice on-loading at 93% and 54% respectively
- Kazakhstan mobile end-user service revenue up 19%, EBITDA margin of 26%



## Challenger Cost Structure

- Group EBITDA margin improved by 2% pts to 25%
- Netherlands mobile EBITDA losses reduced by 72%
- Challenger Program ahead of plan, on track for SEK >850m benefits in 2017

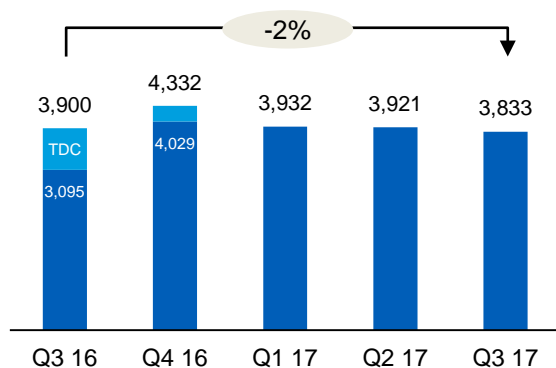
LFL is constant currencies and pro forma for TDC Sweden  
Operating cash flow is EBITDA - CAPEX, 12 m rolling

Comviq awarded by Evimetrix Swedish Brand Award and Tele2 NL awarded by the ABN AMRO Retail chain of the Year and Webshop Award election

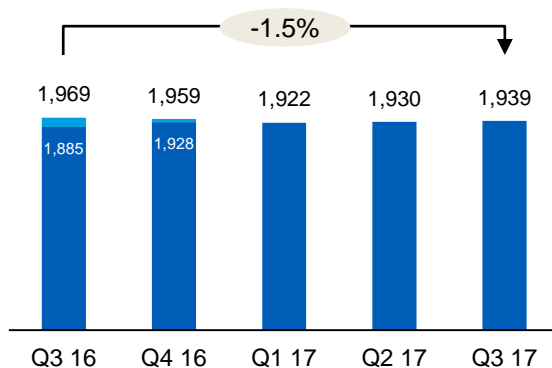
# Baltic Sea Challenger

# Sweden – Financials

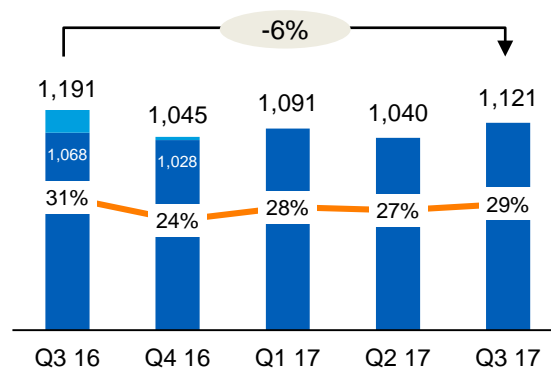
Net sales, LFL  
(SEK million)



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



EBITDA and EBITDA margin,  
LFL (SEK million)

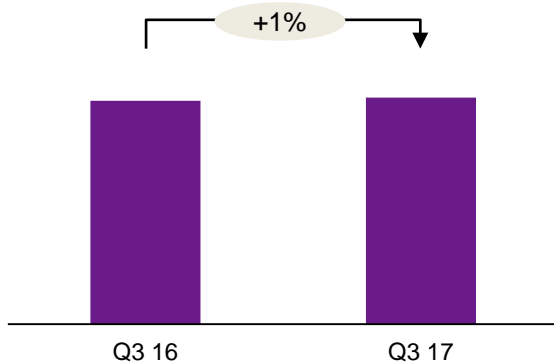


## Q3 Highlights

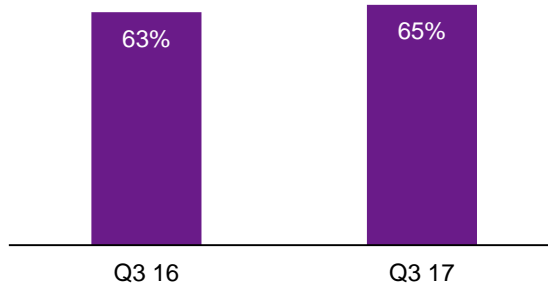
- Decrease in net sales due to Roam Like at Home (RLAH) and continued decline within fixed
- Decline in mobile end-user service revenue driven by RLAH and lower ASPU levels within B2B. Growth of 1% excluding RLAH
- EBITDA excluding RLAH flat, as Challenger and TDC synergies benefits compensate for declining fixed service revenue

# Sweden Consumer – Stable despite RLAH

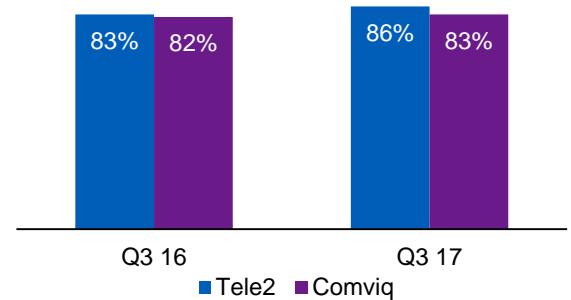
Consumer mobile end-user service revenue



Share of postpaid sales with bundle >3GB



Customer satisfaction (Tele2 Media & Insight)

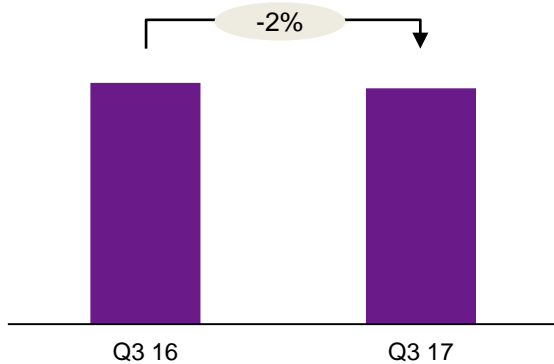


## Q3 Highlights

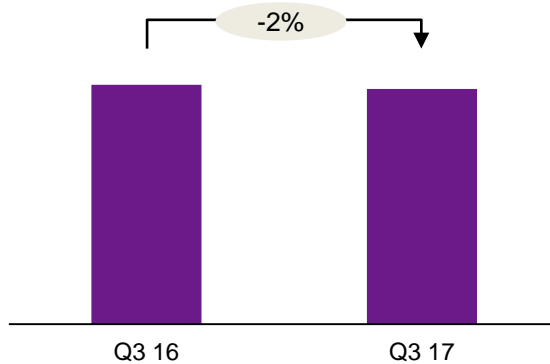
- Mobile end-user service revenue grew by 3% adjusted for RLAH
- Strong Comviq performance from continued prepaid to postpaid migration and good ASPU development in Tele2
- Comviq's 5-year postpaid anniversary promotion has fueled strong prepaid to postpaid migration
- Continued high level of customer satisfaction

# Sweden B2B – Synergies ahead of plan

B2B net sales, LFL  
(SEK million)



B2B Large net sales, LFL  
(SEK million)



YTD integration synergies

**SEK 137  
MILLION**

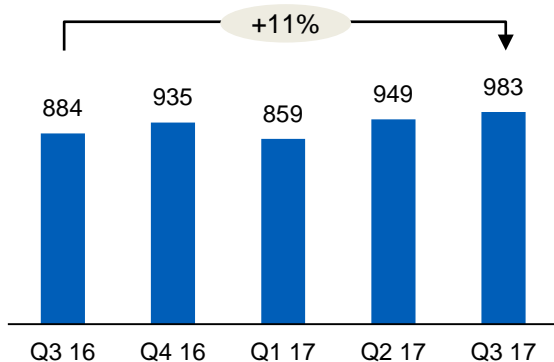
## Q3 Highlights

- Net sales down due to weak customer additions in previous quarters, continued price competition and decline in fixed
- TDC integration and synergies ahead of plan, with SEK 65m achieved in the quarter
- Positive progress in both new contracts and retention of large contracts in the quarter including University of Gothenburg, Attendo and Transportstyrelsen

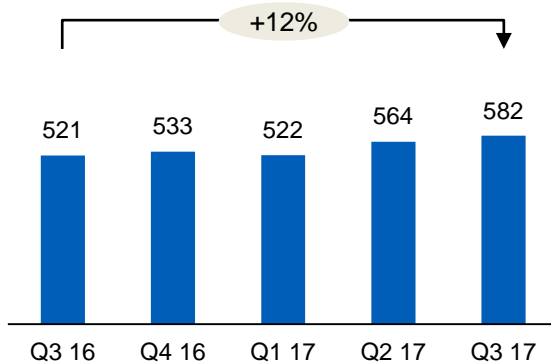


# Baltics – Financials

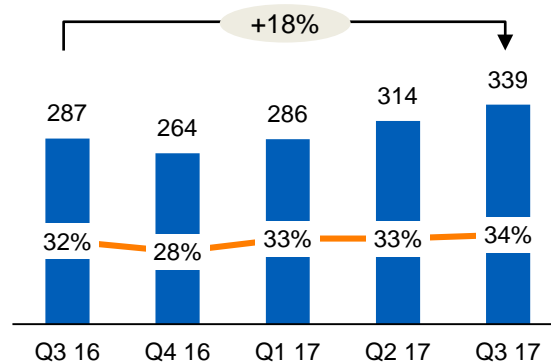
Net sales  
(SEK million)



Mobile end-user service  
revenue (SEK million)



EBITDA  
(SEK million)

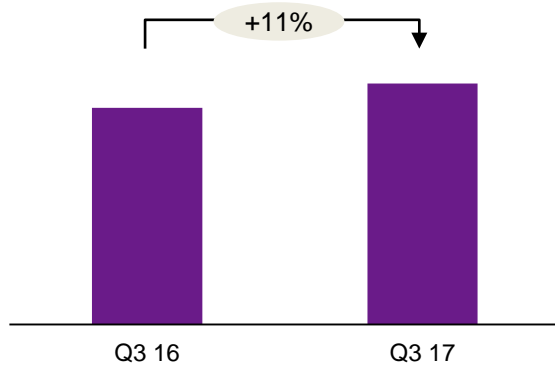


## Q3 Highlights

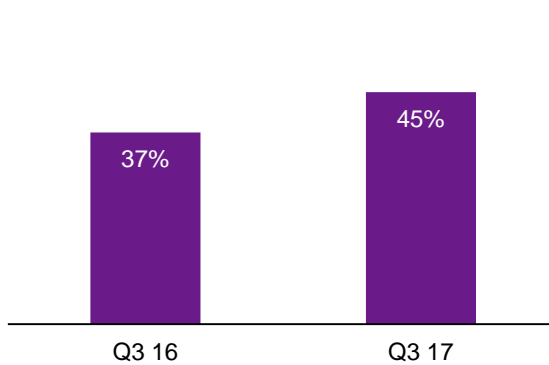
- Net sales growth driven by increase in both mobile end-user revenue and equipment sales
- Mobile end-user revenue increase driven by higher ASPU, due to successful data monetization, and growth in mobile broadband
- Strong EBITDA performance driven by higher service revenue and Challenger Program benefits

# Baltics – Strong growth despite RLAH

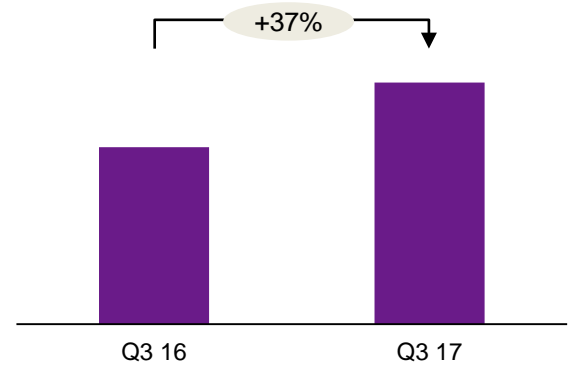
## ASPU development



## Share of 4G capable smartphones in base



## MBB end-user service revenue



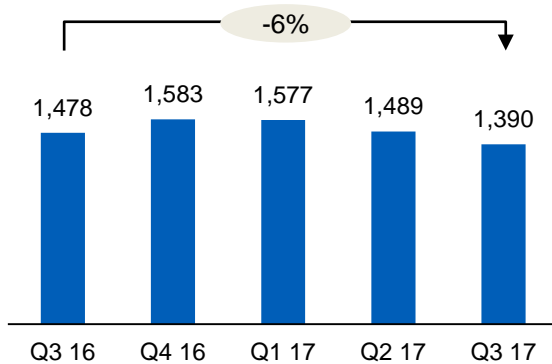
## Q3 Highlights

- Higher ASPU driven by continued prepaid to postpaid migration and strong uptake of new commercial propositions
- Smartphone penetration continues to rise with room for further growth
- Prior quarter investments in mobile broadband are contributing to mobile end-user service revenue growth

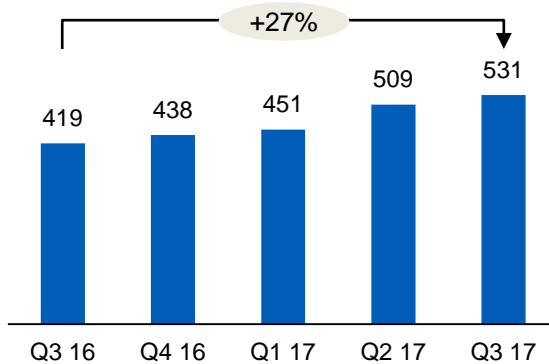
# Investment Markets

# Netherlands – Financials

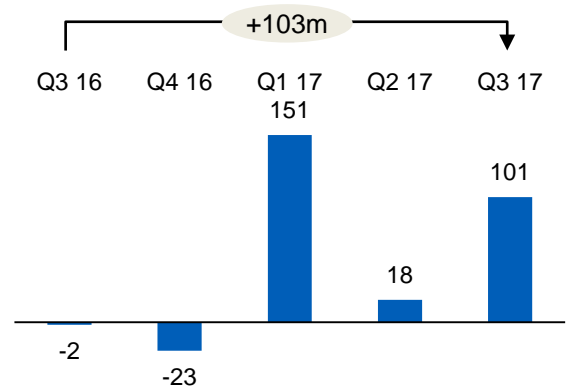
Net sales  
(SEK million)



Mobile end-user service  
revenue (SEK million)



EBITDA  
(SEK million)

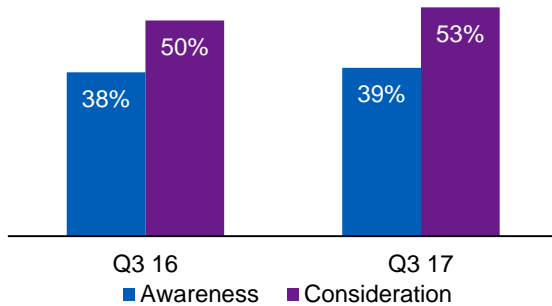


## Q3 Highlights

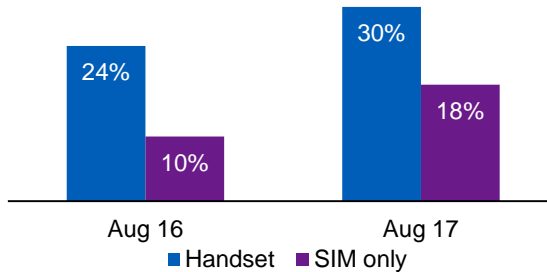
- Net sales decrease due to lower handset revenue following the new accounting rules and WFT, and lower fixed revenue
- Mobile end-user service revenue driven by 18% increase in customer base and ASPU growth of 6%
- EBITDA positively impacted by growth in mobile, lower mobile expansion costs and improved network economics

# Netherlands – Strong momentum

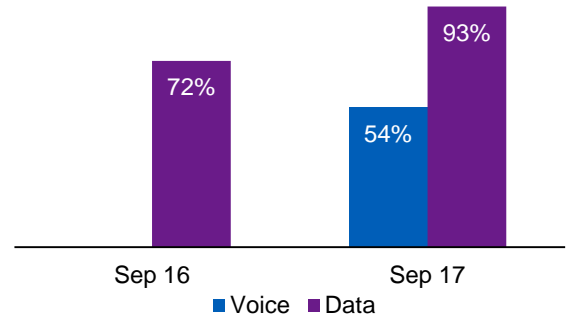
Spontaneous brand awareness & brand consideration (Memo2)



Share of total new postpaid (GfK)



Usage on own network

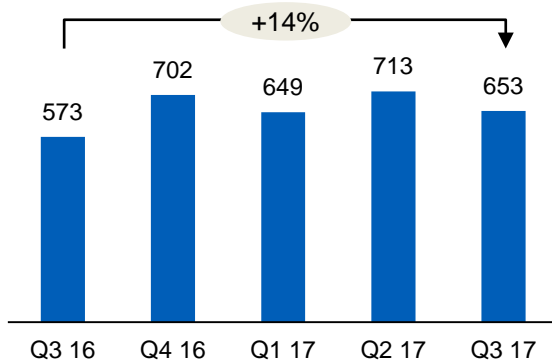


## Q3 Highlights

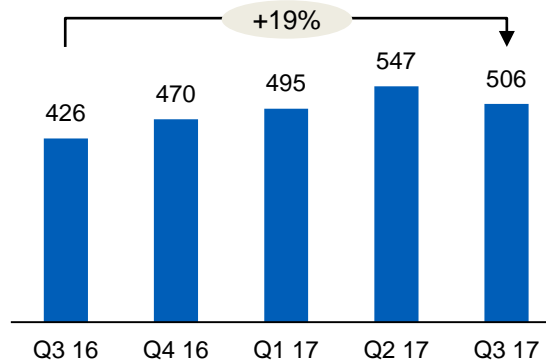
- Continuing to take >20% market share of new postpaid contracts
- Mobile customer intake grew to 57k in the quarter due to our Fun Rebel commercial propositions
- Continued progress in data on-loading driven by network roll-out and densification
- Voice on-loading at 54% with 557k active VoLTE customers

# Kazakhstan – Financials

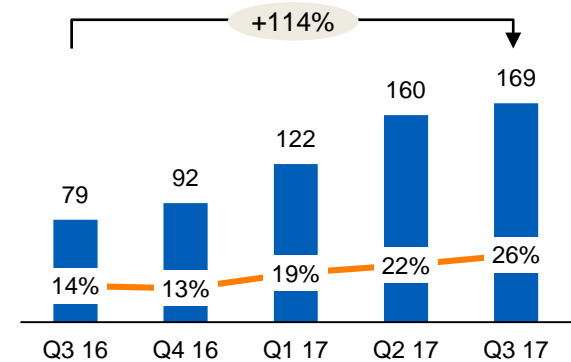
Net sales  
(SEK million)



Mobile end-user service  
revenue (SEK million)



EBITDA and EBITDA margin  
(SEK million)



## Q3 Highlights


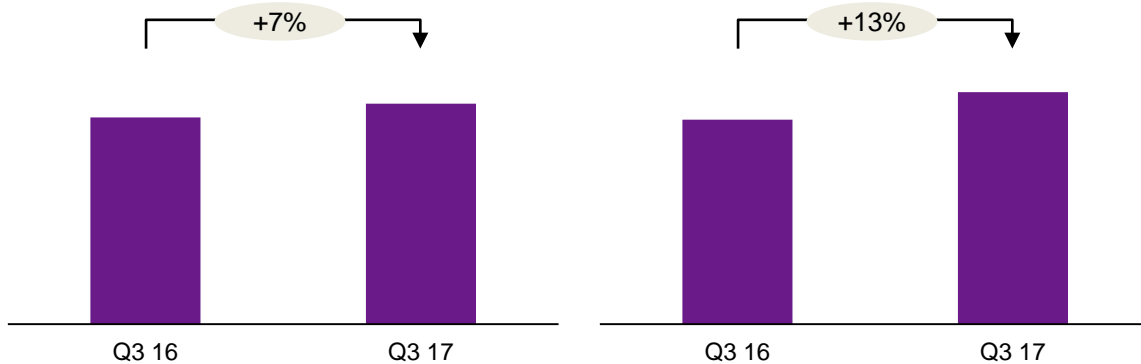
- Continued strong momentum as JV executes on integration and go-to-market strategies
- Mobile end-user service revenue growth driven by increased customer base and higher ASPU bundles
- EBITDA margin expanded to 26% from integration synergies and scale benefits

# Kazakhstan – Network integration completed

Customer base  
(thousand)

ASPU development

Integration



**~1,740  
SITES MERGED**

## Q3 Highlights

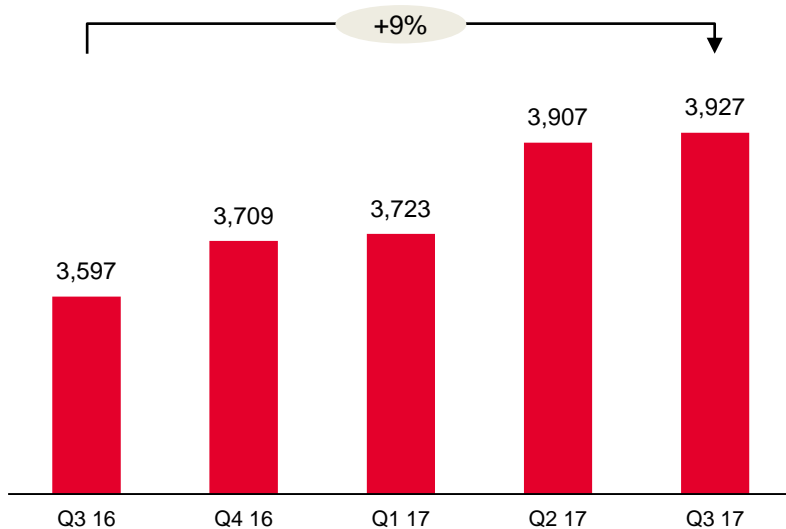
- Customer growth driven by successful dual brand strategy and expansion of distribution network
- Positive ASPU development driven by new mobile offerings and focus on higher data bundles
- Network integration successfully completed in the quarter

# Financial Overview

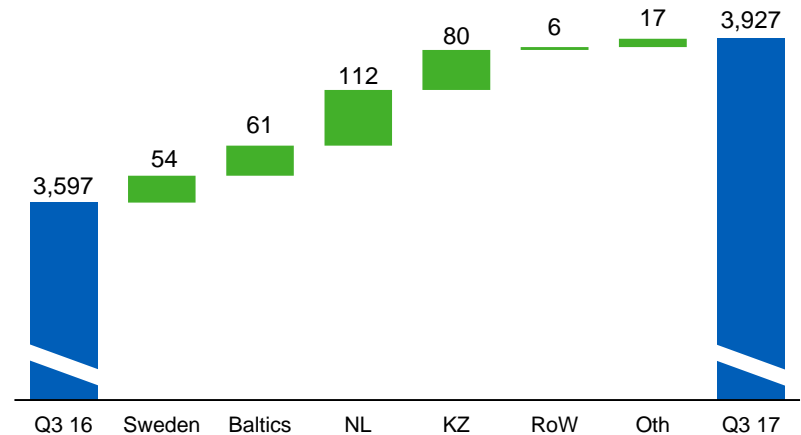


# Mobile end-user service revenue

Tele2 Group  
(SEK million)

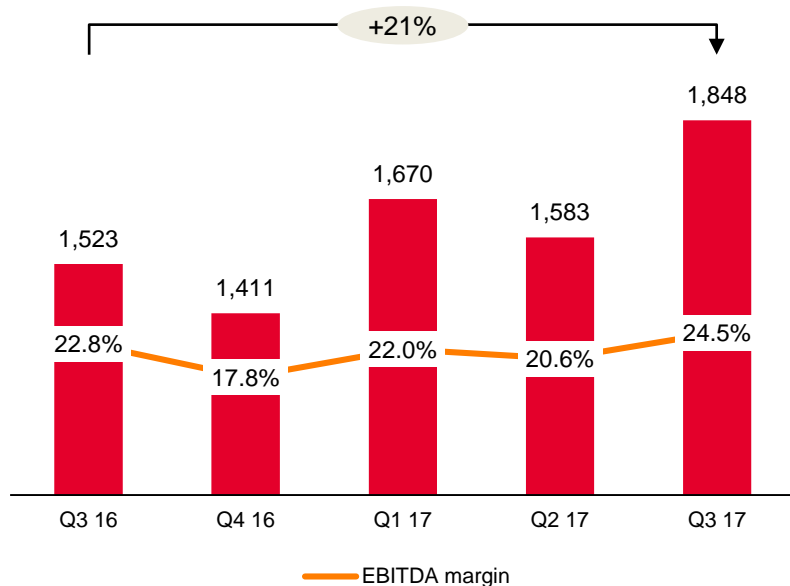


Development per market  
(SEK million)

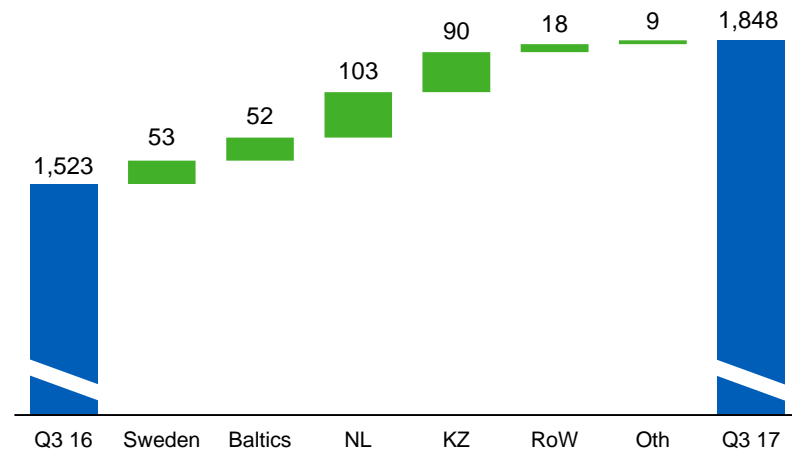


# EBITDA

## Tele2 Group (SEK million)

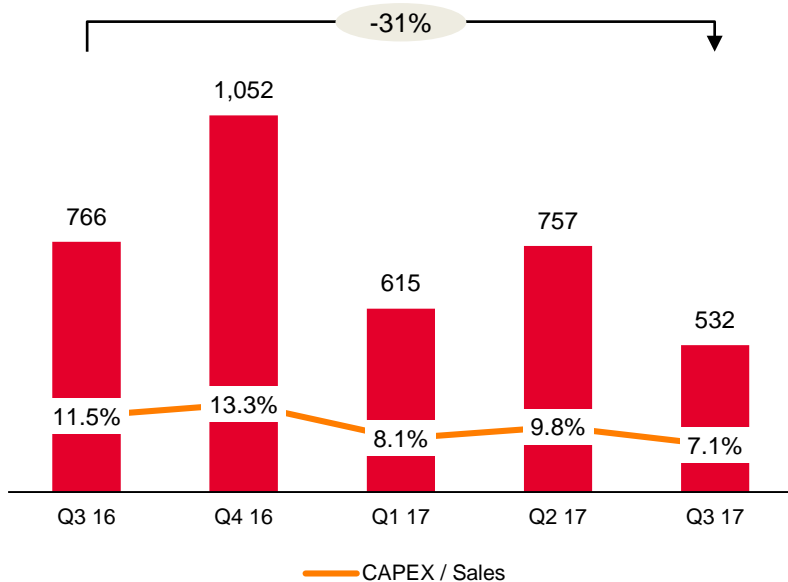


## Development per market (SEK million)

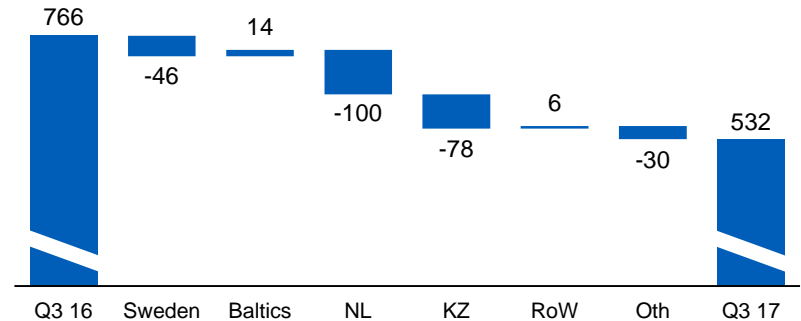


# CAPEX

## Tele2 Group (SEK million)



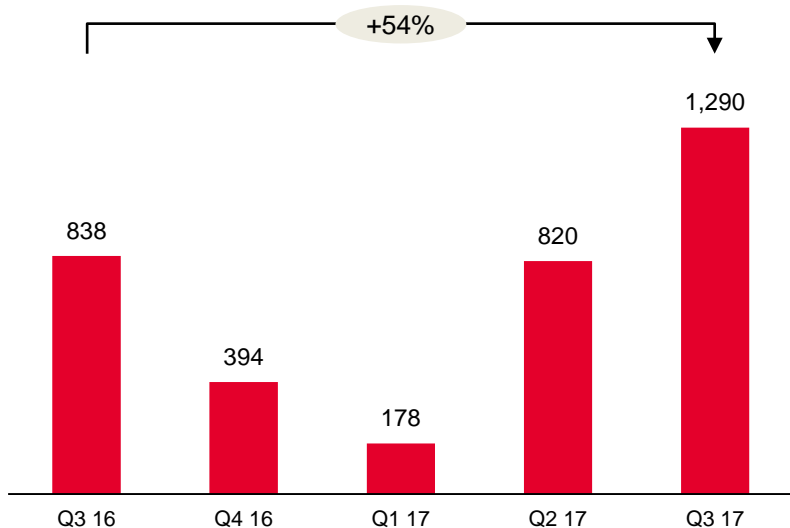
## Development per market (SEK million)



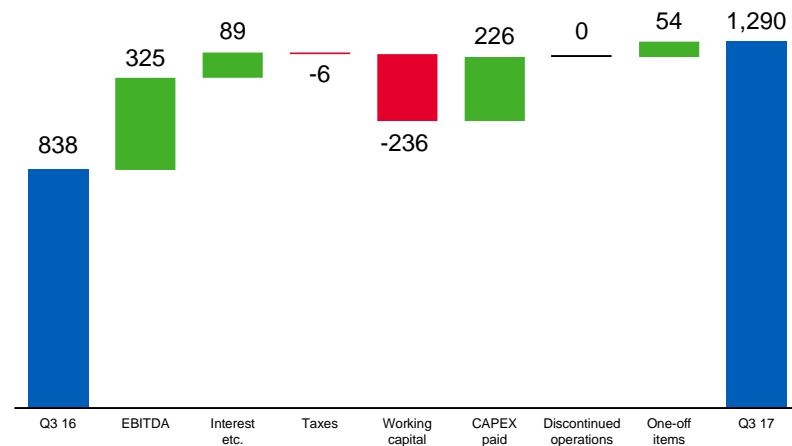
# Free cash flow

Total operations

Tele2 Group  
(SEK million)

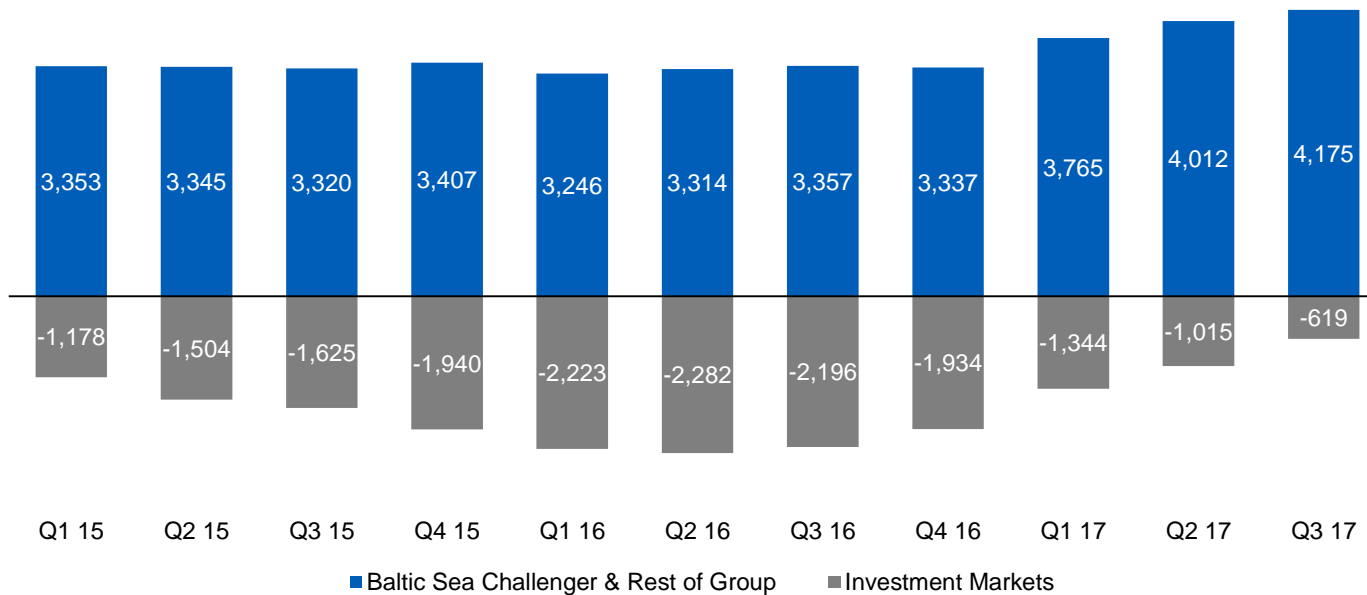


Development  
(SEK million)



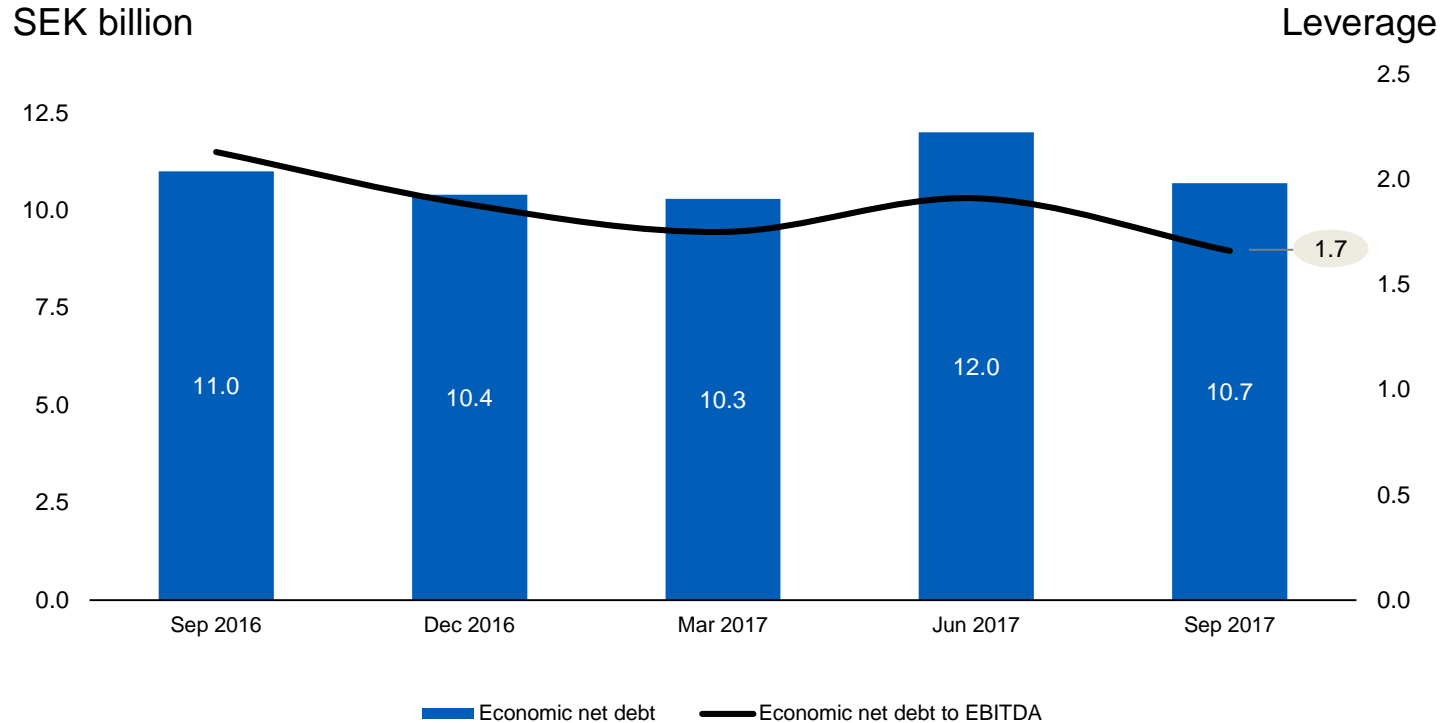
# Operating cash flow

EBITDA less CAPEX 12 m rolling, SEK million



# Debt position and financial leverage

Total operations, Economic net debt to EBITDA 12 m rolling



Economic net debt excludes liabilities to Kazakhtelecom, loan guaranteed by Kazakhtelecom and liability for earn-out obligation in Kazakhstan

# Challenger program ahead of plan

	Baseline	2016 actual	2018 target	Key progress areas since inception
<b>Simplify</b> % of products harmonized on shared platforms	30%	40%	60%	<ul style="list-style-type: none"><li>▪ New revenue streams</li><li>▪ Sales &amp; marketing efficiency</li><li>▪ Network &amp; IT consolidation</li><li>▪ Customer service optimization</li><li>▪ Procurement scope increase</li><li>▪ Administration efficiency</li></ul>
<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%	

# Financial guidance 2017 – Upgraded

Mobile end-user service revenue	High-single digit % growth*
Net sales (SEK billion)	30 – 31
EBITDA (SEK billion)	6.4 – 6.6
CAPEX (SEK billion)	2.9 – 3.2



# Summary

# Key priorities moving forward

- Fearlessly liberate people to live a more connected life
- Growth from continued data monetization
- Return Sweden to growth despite RLAH
- Further leverage our momentum in Baltics, Netherlands and Kazakhstan
- Execute on Challenger and synergy programs



Positively  
Fearless  
Brands



Connecting  
Things our  
Customers Love



Digital First  
Customer  
Experience



Challenger  
Cost  
Structure

# Tele2's Way2Win

## Our Purpose

We fearlessly liberate people to live a more connected life

### Where We Play



Baltic Sea  
Challenger



Investment  
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Cash  
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### How We Win



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## Responsible Challenger



Winning People & Culture



**THE  
END**

**TELE2**