



Q3 2023 Interim Report

Wednesday, 18th October 2023

Q3 Review

Kjell Johnsen

President and CEO, Tele2

Good morning everyone and welcome to Tele2's report call for the third quarter of 2023. With me in Kista today I have Charlotte Hansson, our group CFO; Hendrik de Groot, our Chief Commercial Officer; and Stefan Trampus, our Head of B2B. And then let's just move to the slide 2.

Q3 highlights

I'm very happy to see that our current focus on top line growth once again paid off in the third quarter, which marks the tenth consecutive quarter of organic end-user service revenue growth for Tele2. When it comes to EBITDAaL growth, we have previously talked about a back-end loaded 2023 due to phasing of backward pricing and base income cost headwinds and lower energy costs. In the third quarter, we grew organic EBITDAaL by 3%. Admittedly supported by lower energy costs year over year. We're nevertheless optimistic about prospects to grow EBITDAaL meaningfully also in Q4, where we don't foresee any major year over year movement on energy costs. We're also happy about our strong cash generation in the third quarter.

Another important milestone was the favourable outcome of the Swedish spectrum auction, where we secured spectrum in all the offered bands at reasonable costs. We end Q3 with a leverage well below the lower end of our target range. On a pro forma basis, including the second ordinary dividend tranche and the first instalment of the spectrum, we're still only at 2.6 times.

In the third quarter, we demonstrated innovation in our customer broadband segment as we launched a broadband connection guarantee, where we linked our fixed and mobile connectivity for superior reliability and consequently high customer value based on our FMC capability. In addition, we're very pleased to see positive developments in customer loyalty and churn for Tele2 brand in Sweden as we're gradually moving away from various legacy limitations.

In terms of sustainability, Tele2 was recently awarded for the most transparent sustainability reporting of Stockholm OMX Large Cap. And with that, let's move to page 3.

Back to EBITDAaL growth

So, end user service revenue grew by 3% organically, driven by the Baltics and Sweden B2B. underlying EBITDAaL grew by 3% as end user service revenue growth, transformation savings and lower energy costs more than offset inflationary pressures.

We had a very strong equity free cash flow this quarter. The main driver for the year-over-year improvement was the significantly better working capital, followed by good growth in EBITDAaL.

In Sweden B2C we saw solid net intake of mobile postpaid and fixed broadband. End user service revenue continued to grow slightly, with increasing growth rates in fixed broadband

and mobile postpaid, partly offset by increasing legacy headwinds. Back-book pricing will contribute somewhat more in Q4 as we are approaching the full run rate.

Sweden B2B delivered continued solid and broad-based end user service revenue growth, as growth in mobile and solutions continued to exceed decline in fixed legacy services.

Our Baltic operations delivered yet another impressive quarter both in terms of top line and bottom line growth, and we continued to roll out 5G at high pace across our markets.

Let's move then to Swedish consumer on slide 5.

Sweden consumer: Solid volume growth

The overall consumer telecom market is demonstrating resilience in the face of inflationary pressures. Our mobile postpaid business showed solid net intake, driven by the Tele2 brand, including family subscriptions. ASPU was flat year over year but grew by a low single digit when excluding dilution from free mobile broadband RGUs.

In fixed broadband we saw continued good RGU growth, driven by FMC and lower churn, alongside healthy ASPU growth supported by pricing.

Our digital TV, cable and fiber business remained stable in the quarter.

And then moving to page 6.

Solid end-user service revenue growth in connectivity

Mobile end user service revenue grew slightly, driven by somewhat improving postpaid growth, which more than offset another full quarter of prepaid registration effects. In fixed broadband, end user service revenue growth reached 7% thanks to both volume and ASPU growth.

End user service revenue for digital TV declined by 3% with largely stable sales in cable and fibre and continued decline in the legacy DTT business.

And then moving to B2B.

Sweden business: Continued healthy top line growth.

We continued to execute on our successful B2B strategy and all customer segments are contributing to the solid end user service revenue growth of 4%. Again, our growth areas exceeded the decline in legacy services, where our copper decommissioning has approached 80% completion rate.

Mobile net intake amounted to 4,000 RGUs in a seasonally slow Q3. ASPU was slightly up year over year.

The macro-economic situation, which we continue to monitor closely, is affecting some of our customer groups more than others but so far without significant impact on our business.

During the quarter, we have reclassified some RGUs previously reported in mobile to IOT subscriptions, which has led to a reduction in mobile RGUs and an increase in mobile ASPU, excluding IoT. The reclassification has also been done retroactively. The updated historical numbers are available in our Q3 Excel file on the web.

And then let's move to slide 8.

Recovering EBITDAaL trajectory.

So for Sweden overall, end user service revenue growth for the total Swedish operations ended at 2%, driven by a continued solid performance in B2B and slightly improving performance in B2C. International roaming had a positive effect of SEK8 million year over year. Underlying EBITDAaL declined by 1% as higher end user service revenue, continued transformation benefits, and lower energy costs were more than offset by inflationary pressures and continued margin pressure from product mix changes as legacy services declined. Nevertheless, Q3 marked a clear improvement versus the previous couple of quarters. A cash conversion of 58% is reflecting group CAPEX to sales of 14% during the last 12 months.

And then let's move to Baltics.

Baltics operational highlights: Strong ASPU growth

The total number of Baltic mobile postpaid customers continued to increase in the quarter. Organic ASPU continued to grow at a healthy rate across markets, thanks to our more for more strategy, price adjustments and to some extent prepaid to postpaid migrations.

And turning to the financials on the next page.

Baltics financials: Continued outstanding track record

The overall volume and ASPU growth generated a solid 9% organic end user service revenue growth for the Baltics. Our topline combined with lower energy costs has outpaced other inflationary pressures, leading to a strong 15% organic growth in underlying EBITDAaL.

Cash conversion remained at very high levels thanks to strong underlying EBITDAaL despite continued significant CAPEX run rate due to ongoing 5G rollouts.

And with that, I hand over to Charlotte for financials.

Financial Overview

Charlotte Hansson

CFO, Tele2

Group results

Heading 4

Thank you Kjell and good morning everyone. Please turn to page 13. First, a few comments on the group P&L. In Q3 total revenue was flat organically whereas end user service revenue grew slightly more than 3%. Our underlying EBITDA grew by 6% in fixed terms while close to 4% organically. The underlying EBITDAaL grew by close to 3% organically, as end user service revenue growth, cost savings related to the finalized business transformation program and lower energy costs more than offset inflationary pressures and continued margin pressure from product mix changes as legacy services decline.

In Q3 we had SEK64 million tailwind from energy year on year, which included a final SEK25 million electricity support in Sweden. For Q4 we currently estimate a slight headwind from energy costs year on year.

In Q3 we saw a revenue increase of SEK11 million from international roaming year on year, the same year on year increase as in Q2.

As you can see on the slide, our net financial items increased by SEK100 million year on year due to high interest rates on loans and leases, and by Q3, we had a debt mix of 66% fixed rates and 34% floating rates. With that, it follows that for every one percentage point rate hike by our Central Bank, our annualised financial expenses on loans increase by around SEK100 million.

Let's look at the cash flow on slide 14.

Group cash flow

CAPEX paid was slightly lower in Q3 compared to last year, simply due to timing as our balance sheet CAPEX was significantly higher than last year. Working capital continued to improve in Q3. It was mainly impacted by unusually high levels of accounts payable, which we expect to revert in Q4. And working capital remains a priority for us also going forward.

Net financial items paid increased due to high interest rates both on loans and leases. All in all, our equity free cash flow for Q3 ended at a strong SEK1.9 billion, some SEK500 million above last year's level. And over the last 12 months, we have generated SEK4.6 billion of equity free cash flow, corresponding to SEK6.7 per share.

Please move to slide 15 for our capital structure.

Leverage at 2.3 times

At the end of September, economic net debt amounted to 23.9 billion, representing a 1.8 billion decrease as compared to year-end 2022, despite the pay out of the first tranche of our ordinary dividend. Leverage stood at 2.3 times at end of September, which is well below the lower end of our target range of 2.5 and 3 times. And as Kjell mentioned earlier, on a pro forma basis including the second ordinary dividend tranche and the first instalment of the spectrum, we're still only at 2.6 times. The second tranche of the ordinary dividend was paid last week and the first tranche of the spectrum will be paid later this month.

So let's move to slide 16 for our financial outlook.

Financial outlook unchanged

Following the first nine months of 2023, which have generated close to 4% organic end-user service revenue growth and 1% organic underlying EBITDAaL growth, we reiterate our financial guidance for 2023 and our mid-term ambition. When it comes to this year's guidance, I'll just repeat what Kjell said earlier: We are optimistic about prospects to grow EBITDAaL meaningfully also in Q4 where we don't foresee any major year on year movements on energy costs.

And our CAPEX to sales guidance for 2023 is below 14% and we are at 13% so far this year year-to-date.

Finally, in line with our standard practice, we will our 2024 financial guidance in relation to the full year 2023 results. And with that, I hand over to Kjell to go through our key priorities going forward.

Key priorities going forward

Kjell Johnsen

CEO, Tele2

Main objective: Sustain growth momentum

Thank you very much Charlotte. And then let's turn to slide 17. So, in summary, our main objective remains to keep up our growth momentum, which in turn requires us to continue building 5G and Remote-Phy at pace, and to finalise the digital transformation, including our digital customer journeys.

Our efficient cashflow profile and strong balance sheet allow for a healthy shareholder remuneration while investing. We will also continue to lead in sustainability as suggested by several recent impressive recognitions.

So with that, I say thank you for these prepared statements and then, of course, turn it over to the operator.

Q&A

Operator: Thank you. As a reminder, to ask a question, please press star one and one on your telephone and wait for your name to be announced. To withdraw your question, please press star one and one again. Please stand by while we compile the Q&A roster. We will now take the first question – one moment please – from the line of Andrew Lee of Goldman Sachs. Please go ahead.

Andrew Lee (Goldman Sachs): Morning, Kjell and Charlotte. I have two questions. Firstly, on Swedish EBITDA growth and then secondly on the dividend. On the Swedish EBITDA growth, you delivered your end user service revenue growth of 2% and most telcos would then expect to see higher EBITDA growth from that. You're still seeing declines. We all acknowledge it's been a turbulent year for costs, given content, energy, etc, but it's really difficult for investors to understand how to think about operational gearing in 2024 and structurally going forwards; or, as one investor put it here, what's going on under the hood in terms of costs. So the question is, should we expect operational gearing in Sweden, i.e., EBITDA growth greater than service revenue growth in 2024, and if not, why not?

And then the second question was just on dividend. Clearly, as Charlotte, you picked out, there's a phasing boost to free cashflow this quarter, but how confident are you in free cashflow coverage for your dividend plans going forward? Thank you.

Kjell Johnsen: So, I can start on the second one. So based on what we see now, we are pretty confident about the ability to continue with the shareholder remuneration, I mean the dividend. But there's nothing in the model that shouldn't give us the opportunity to be a strong provider of shareholder remuneration. Even in these relatively turbulent times of high inflation, you can see that while it can be fluctuations quarter over quarter, we are still delivering a cashflow that supports a high level of investment in the business as well as the capex and the dividend – the payment for the spectrum that is also coming this month, this October.

So I think that's a pretty strong position we're in and I do think that there was some uncertainty about it one quarter back, because we said that we will invest to meet our regulatory obligations in 2024 and 2025, and that is now behind us, in my view.

Then we can take different stabs at the EBITDA versus revenue development. I think Hendrik and the team have done a good job on moving pricing, particularly in the broadband area. We're starting to see more and more effects of that in the third and also even more in the fourth quarter coming in. So that area and I think on the broadband side it's pretty strong. And we are lifting pricing, we're doing very well in terms of developing the Tele2 brand with lower churn and loyalty, and that's going to be important for us to continue, having operational leverage.

So lots of things coming in at the same time with high activity levels as well as the inflation, and of course the effect coming in now at the tail end of the year. That's why you haven't seen operational leverage up to now. Maybe you want to add?

Charlotte Hansson: I can just add when it comes to the content, we've talked about content in the same terms as well, now it's been annualised as well, so we don't see that headwind going forward. And but of course we do have some of the legacy products still with us. But on the other hand we're also looking at – we've talked about many times as well, how we can make things more efficient and talking about the expansion costs as well, if there are other ways we can actually handle this with the transformation that we're now doing. So in that sense we are optimistic for the future as well. Maybe Hendrik you'd like to add something? No?

Andrew Lee: Can I just ask a quick follow up on that question then. So you've got high activity levels and inflation and a continued drags on margins, and legacies, that headwind's not going away. So those are the negatives. And then the positives are your revenues are growing and increasingly, so it seems, plus you've got efficiencies. So how does that – do the positives outweigh the negatives for 2024? Or structurally? You may not want to answer specifically for 2024 but should we be seeing operational gearing, i.e. EBITDA growth higher than revenue growth shortly? Or should we expect that on a medium-term basis?

Kjell Johnsen: Like Charlotte said on page 15, we will come with the guidance of course in February. But I think it's important to look at some of the drivers in the markets. When you look at the numbers, you see that things are moving very well in the broadband arena. If I should comment on what's happening in the mobile side, then I might say there is too much activity around external retail. We're going to work ourselves out of that and we do see signs that customers are more interested in convergent solutions. There is, I think, a secular trend towards that. That's going to be with us for several years and we need to make sure that that happens in a smooth way. Because feeding external retail is just dragging our costs and not necessarily even promoting customer loyalty.

So there are some parts of the model in the Swedish market that we need to work ourselves out of as one of the leading operators in the market. That's going to be an important element going forward.

Andrew Lee: Okay, thank you.

Operator: Thank you. We will now take the next question from the line of Jakob Bluestone from Exane BNP Paribas. Go ahead.

Jakob Bluestone (Exane BNP Paribas): Hi, good morning. Thanks for taking the questions. I've got two questions as well. Firstly, I was wondering if you could maybe comment a little bit on the outcome of the spectrum auction and how that impacted any parts of your thinking. You got, I think, just over 100 MHz of spectrum. Was that more or less than you expected and how should we think about your capex as a result of that? And also the cost itself was perhaps a little lower than perhaps expected. Does that maybe give you a little bit more confidence around the cash returns that you were talking about?

And then secondly I had a question just around your cash flow. You highlighted that you had lower – unusually high levels of accounts payable, which was what boosted your working capital. Can you maybe just give us a sense of how much of a reversal should we see from that? And also there's a gap between your capex paid and your capex booked. So again, is that something that's going to reverse in Q4? Just to help us understand a little bit more what's going on in terms of some of the cashflow items. Thank you.

Kjell Johnsen: I can take the first one and then Charlotte number two maybe. So on the spectrum, we landed where we expected. That's the very short summary of it. And we got very good spectrum, both in mid-band and in the 900. And then of course you can always ask questions. So why is this what you expected? Well, it's very simple. Because today if you look at how we're building our networks, we are using two times ten in 900 to build 4G and 5G. We're using five for 3G and five for 2G and we're going to close down 2g and 3g. So that's how it's going to work. And then you have to see it in the context of that we also have other spectrum broadband. 700, which was acquired at a much higher price some years ago. 700, 800. So the portfolio is good. And when we make our capex plans, this is fully in line with what we had expected to do. So that's pretty much that on spectrum.

I think the pricing shows that there was a fairly rational approach to it. So I think it – it's where we expected to be, more or less.

Charlotte Hansson: Yes, and then just a comment on the cashflow. As we highlighted also here initially that the accounts payable are unusually high and we are expecting them to reverse to some extent. It's always difficult to say exactly how much but we are expecting somewhere in the region of a couple of hundred. And so, that's – at least what we see right now anyway.

When it comes to the capex paid, what we book is always the amount of work that we've done and then that's not always in line with the payments of course. So we expect to pay more in Q4 out of that. So I think that's normal procedure when it comes to the accounting part.

Jakob Bluestone: Thank you.

Operator: Thank you. We will now take the next question from the line of Oskar Rönnkvist from ABG Sander Collier. Please go ahead.

Oskar Rönnkvist (ABG Sander Collier): Thank you, good morning Kjell and Charlotte. Thanks for taking my questions. So just the first one, I just wanted to get a sense of Sweden. Sweden certainly improved sequentially in terms of organic EBITDA growth but just can you

remind us of your year comps in Q4. The energy would be a slight headwind year over year, coming from a tailwind now in Q3 obviously? And you also mentioned something on the content cost, a headwind there, and if that is completely gone? If you could share some comment on that, thank you.

Charlotte Hansson: Yes, I can talk to that. When it comes to the energy, there will be a slight tailwind and somewhere in the region that we've seen in the previous quarters for Q1, Q2. So that's what we're expecting just on the headwind that we're having here in Q3.

When it comes to the content costs, I mentioned that it will now be fully annualised in Q4. So we don't see any impact from that in this year in Q4.

Oskar Rönnkvist: Perfect, thank you. Then just my second question would be on where you are on the price increases; because obviously it was pretty high activity in the quarter, but just can you remind us on where you are on the price increases and if we should expect further support in Q4? Thanks.

Hendrik de Groot: Yes, Oskar, it's Hendrik. I can take that question. As you see on our broadband services, most of the price increases are in the result as we speak. And we've also alluded to that in earlier calls, that that's, you know, that most of that was executed in Q2. The mobile price increases are following. Running in parallel but following a little bit. So some of those price increases are in the third quarter but you'll see the full component coming on the fourth quarter. So there's still a bit to come.

In particular, just to highlight our mobile price increases are executed across our two brands, Tele2 and Comviq. Tele2 was done earlier with a backbook of price increase or a new portfolio. And for Comviq we've introduced for September a new frontbook; and we're also doing a new backbook to frontbook on Comviq for part of the customer base that is not in a binding contract. So that will come through in the fourth quarter.

Oskar Rönnkvist: Understood. Thank you very much, that was all for me.

Operator: Thank you. We will now take the next question from the line of Maurice Patrick from Barclays. Please go ahead.

Maurice Patrick (Barclays): Yeah, hi guys, hopefully you can hear me okay. I mean, thank you for the comments on pricing that you just made. I was just curious to understand a bit more around customer reactions to the price increases you're generally putting through. Are you seeing increases in churn when that happens? Are you driving sort of greater calls to call centres complaining? What's your customer reaction to the price increases? Maybe it's becoming a norm given wider inflation? Very helpful, thank you.

Hendrik de Groot: Yes, Maurice. On pricing customer reactions, indeed as you say we do pricing of course on a regular basis, although one could say this year, given of course also inflationary pressures and the overall situation in the market, our pricing has been more substantial. We of course always see that customers do react. Now, in relation to the level of price increases, we have not seen any more, you know, deeper reactions from the customers in general. So it has been pretty much in line with what we normally expect to see, in that sense, therefore, you would – you know, it's a positive.

And what's also quite interesting actually is that across our services, and in particular on the fixed side, we've seen actually that although we've done the pricing but we have the situation

in the market where people are more careful, that – and also more careful with making switches – that we've seen actually churn being lower versus, you know, previous years. So we have a bit more of a higher pricing activity, comes in the end with a lower churn. And that's sort of quite interesting in the end. But of course, there's always pricing reaction on the customer base.

Maurice Patrick: Great. If I can just ask a quick follow up, I think in the past you've talked about the strategy to narrow the discounts in pricing to Telia and investments being needed in the brand and the network to get that. I wondered where your current thinking on that is. Thank you.

Hendrik de Groot: Sure, that's a trajectory we're definitely on. And over the last period, I mean one or two years, we have subsequently done a lot around the discounting mechanics. One on the ATL side but also on BTL and Savedesk. So we have basically been raising the floor in terms of, you know, the Savedesk discounts that we're giving. And as you probably have seen in the market, we've also been raising the campaign price levels. We always need to balance what we do in the market in a four-player market. Also this year we see that in particular on the lower end of the market, there's quite a lot of, I would say, campaign activity. Of course, you know, attending to a customer segment that is in search of valuable deals. It is a balance but is clearly that we are driving value agenda.

Maurice Patrick: That's great, thank you.

Operator: Thank you. We will now take the next question from the line of Stefan Gauffin from DNB. Please go ahead.

Stefan Gauffin (DNB): Yes, hello and thanks for taking my questions. I'm following up on Maurice's question. So despite high inflationary environment you have continued to report very solid revenue growth in the Baltics, and this is primarily driven by ASPU growth. But in the report you mention, there is some pressure on the consumer now due to inflation and interest rate increases. So do you continue to see support for further price increases coming into 2024 in the Baltics?

The second question, I'm just noticing that you're reporting an EBITDA decline in Estonia and I'm a bit surprised by that given that you should have seen rather strong tailwind from lower energy cost in the quarter. Could you please explain why you're seeing pressure on the margin in Estonia?

Kjell Johnsen: Let's just overall talk a little bit about the Baltics. We are very pleased of course with the overall numbers, with the effect still being there somewhat of the price increases in Latvia, what they did twice last year. Of course Lithuania doing a really good job here. And that comes through both at top line and at EBITDA, clearly helped by energy costs. I've been saying to you for the last year and a half, two years, that of course we cannot expect these kind of growth rates to go on in perpetuity. We will have growth in the Baltics overall but of course the numbers that we've seen in the last couple of quarters have been outstanding. And for the numbers?

Charlotte Hansson: Yes, we talked about the energy in Estonia but we don't really see a tailwind there because remember we had a lot of hedges in Estonia that ran out early this year. Those were very favourable. I think that's one of the main explanations.

Stefan Gauffin: Okay, that's perfect. Thank you.

Operator: Thank you. We will now take the next question from the line of Ondrej Cabejsek from UBS. Please go ahead.

Ondrej Cabejsek (UBS): Hi, thank you for the presentation and taking my questions. I want to follow up on the auction. First question is, you were going into the auction with the lowest kind of megahertz per subscriber ratio in the market, but you're stated goal is to become the 5g leader in Sweden. I think part of the reason why the auction turned out to be very rationale is that, you know, you lost some megahertz in the end compared to the previous state. I was just wondering how the approach to – this is voluntary, I guess – you know, losing, I think it was 40 MHz of spectrum reconciles with the kind of longer term strategy of being – medium-term strategy of being the 5g leader in Sweden. That's one question.

Then perhaps on your net debt to EBITDA ratio. So you have obviously got – previously you had a comfort zone of 2.7 to 2.8, now the guidance is to be at the very low end of the 2.5 to 3 times. I was wondering with, you know, taking into consideration things like capex to sales implicitly being higher than before, at least for the medium term, interest rates impacting the cash flow as well, and the fact that I think the previous ratio was constructed with the assumption that from this year onwards you were going to be getting benevolent dividend, if you're firmly committed to just being at the very low end; is there a situation in which you see the ratio move down by say 2.2, 2.3 as a range overall, or can we expect, you know, 2.5 as a target but still have a net ratio for the medium term? Thank you.

Kjell Johnsen: On this, the policy on that is what it is until it's communicated in any kind of different way. So it's 2.5 to 3 but we've been very, very clear that after selling Netherlands, it would be unlikely that we over an extended period of time would go beyond 2.8. And if we would do that, it would probably be because we would acquire something that would be accretive to EBITDA. That would give us a cashflow.

So, we're not changing anything here but I think it has been very prudent for us to be at the lower end so that we came into the auction with, and come into this period of uncertainty, with a strong balance sheet and now it is the strongest it's ever been. That gives us strategic flexibility. If there is anything, if there is something that we think is really a good thing to do in terms of building shareholder value in the medium and longer term, then we have the flexibility to do that.

I'm not saying to you that we will always be at the lower end of it. Of course, now when we've paid a dividend and the spectrum, like we said, pro forma we would have been at 2.6. We still have some headroom. I think it means that many of our shareholders, who are very keen to have a stable dividend that they can rely on, are happy to see us not being completely at the upper end, especially in turbulent times like these. I think we're trying to find that balance in a good way and the evidence that we have in front of us now kind of indicates that it works well.

Yes, the 5g leaders, ambition is definitely there. That goes to the strengthening of the model, because we are now running a geo-split with Telenor in net mobility. That's manageable complexity, we're okay with that. It's divided into four areas. In addition, we run Sunab with Telia, which is a 3g network, which is completely different set up. The one part that we don't speak very often about – we speak about 5g radio station, we talk about spectrum, but we're

also doing a massive upgrade of our entire core, which is going to be the newest core in the market.

When we come out of this, we will have the scale efficiency of having everything in one network. We will have a brand new core that we can use in the market; and of course, every single base station will be new. That is not necessarily the case for our main competitor. So we have an opportunity to build that position, and I am very confident that within the framework that we have outlined to shareholders and the board and everyone, we have the opportunity to build that network.

The spectrum that we have bought is enough for it. We have 700, 800, 900. We have mid band. We have a full package of C band. And we have already reached more than well over 40% coverage only in C band. So the user experience is really, really good.

And I would like to say one thing to you that people often misunderstand. They look at tests and they can be even very good tests, like Opensignal's numbers, and then they see who's got the fastest download, thinking that's automatically the best one. No, it's not always so. It can be the one who is not using 5g for what it should be, a broadband product where you differentiate on speed. So if you want to throw out all the goodies, then you can be good in a measurement like that. What we are doing is that we are monetising 5g. If you go and buy the subscription with us that gives you the full speed, you will get the best speed on the market.

Ondrej Cabejsek: Thank you Kjell. If I may have one follow-up on the leverage ratio, maybe ask a different way. Under what circumstances would you be comfortable in getting back to the 2.7, 2.8? Is that purely macro driven or what kind of bottom-up things have to change as well in terms of, for example, the capex coming up to 10% or EBITDA re-accelerating to mention one variable? Or is a combination of both the macro and kind of the bottom-up? Thank you.

Kjell Johnsen: I think the most likely scenario would be if we do some kind of not too big bolt-on acquisition that generates an EBITDA and cashflow that we temporarily would increase. So I guess you are not switching over to asking us about extraordinary, so we can leave that for now. So, first of all, we want to be very stable in terms of people's expectations for dividend. And then of course, we can from time to time look at things that can develop our business further. That doesn't have to be capex as such.

Ondrej Cabejsek: Because you keep talking about M&A, is there something in particular that you are referring to, be it, I don't know, a trigger or anything like that, that would be kind of a bolt-on that you were referring to?

Kjell Johnsen: No, it's just I've been saying this maybe not the last couple of quarters but before, over the last two and a half, three years, we've had this question very often. Is there anything we would be thinking about doing? And we've said that if we would do something, it would probably be in the broadband area, but it could also be in the Baltics. In the Baltics we're primarily a mobile-centric operator that deliver services. If we see options there or in Sweden that helps us in becoming a converged leader, a FMC leader in either of these markets, that is something that fits to our profile. But that's all I'm saying. It's the same thing I've been saying for many quarters before.

Ondrej Cabejsek: Got it. Thank you very much.

Operator: Thank you. We will now take the next question from the line of Nick Lyall from Societe Generale. Please go ahead.

Nick Lyall (Societe Generale): Yeah morning guys, it's Nick at SocGen. Can I just ask one on postpaid ARPU please? I mean Hendrik's made some comments on pricing already, but why is it with the price rises going through for the last couple of quarters that postpaid ARPU is still so weak? I mean, are there any other factors in there, for example economic currents you've mentioned? Is there any spindown, because it doesn't seem that people are spinning down brands, given your comments on Tele2 churn being so solid. Or is it maybe that the low end of the market pricing is affecting you a bit more in the blended ASPU number than we can see? Could you maybe give us a little bit of a sort of talk through as to why the postpaid ARPU number's not responding maybe in the way it should be, or maybe in the way we expected, given some of the price rises. Thank you.

Hendrik de Groot: Yeah Nick, happy to do that. If you look at the postpaid ARPU, I think the first one is the commentary also made in the presentation and that is that we have over the last year launched a broadband product that we launched together with a mobile backup. That mobile backup was delivered through an MBB and we zero-rated that MBB. This was basically a precursor to the product that we've just launched now at the end of the summer with the connection guarantee, whereby we basically truly converged fixed and mobile networking into the router of the consumer. With that, the mobile component is still there but it doesn't become a, you know, a reported RGU. It's basically a product component. Over the last year we add, let's say, this free MBB into the mix and they've been suppressing the ASPU a little bit. And if you take over the last quarter, we said low single digit, but you know, with the pricing coming in, if you exclude the MBB component, you know, this is about a SEK4 or 2% difference on the ASPU, just to give you a little bit of colour.

That will now abate because we have now launched, of course, the full product that we have always envisaged and therefore that free MBB component will sort of unwind over the next period. I think that's a big one.

The second item to just maybe highlight is that we have, you know, on the pricing as we said before, you can see on the broadband that the full component of pricing is in also in the ASPU and that the mobile pricing sort of rolls out over Q3 and Q4. There's still an element of pricing for this year to come in, so that is a second element that is I think still underlying building the ASPU, we have not yet fully seen all the effects.

Then I think thirdly just to mention is that when you look at pricing and our ASPU, you need to look at it across two brands as you mentioned and also across the mix of the composition of the services. We have seen very good traction on our unlimited portfolio; and as you know we're keeping, we're holding the price point, so 399 is the price point in the market. As Kjell said, we're monetising 5g. And we also are very successful with combining it in an FMC context. Which means that it's quite an attractive proposition in the market to combine our unlimited proposition in the context of 5g with family; and we've seen that there's quite a lot of demand on family and family comes in at a little bit of a lower ASPU. Whilst that's helping the volume, it of course doesn't come at the full, let's say, full ASPU.

These would be I think three components to just highlight, you know, what's happening with the ASPU. Underlying, again, there's absolute growth in there. I think the main factor is the free MBB here. Not all the pricing is in yet and we see, you know, very good traction on our unlimited portfolio with 50-plus% of our total Tele2 base on unlimited price plans. And then with family.

Nick Lyall: Right. Thanks Hendrik. So it doesn't sound like too much to worry about, about the comments about the low end of the market directly affecting the ASPU? It's the other factors at the moment that we should be thinking about first?

Hendrik de Groot: Yes, you're right. So we did launch the new price book on Comviq also to just see what's happening in the market. We see of course, and you can just look on the web, who is doing what in terms of campaigns. But there is, on the no-frills side, a lot of very aggressive down-spinning, I would say, into the campaign pricing. I don't see that affecting us directly. Comviq is, I would say, a sort of premium sub-brand, so we do have a way more stable customer base. But to make sure that we're not getting too much damage on the very low end, we with the new portfolio introduced a new SEK110 price point in the market, just to make sure that we are in place still at the very low end of the market. But for now, I think we're good.

I think the main thing that we are a little bit seeing in the market – you can see it on our total operating revenues – is that the handset market is still down by a factor of 15 to 20% in the third quarter. Customers are a little bit more mindful of their purchases. That's one side, but then of course if you look at the iPhone launch, we've seen a rebound again. It's interesting to see it. The market is mindful, is careful but if the right thing does come along, like the new iPhone, then there is pent-up demand again. That's, I think, the lay of the land a little bit, Nick.

Nick Lyall: Great. Thanks Hendrik. Thanks very much.

Operator: Thank you. We will now take the next question from the line of Siyi He from Citi. Please go ahead.

Siyi He (Citi): Hello, hi, good morning. Thank you for taking my questions. I have two please. The first question is on the Swedish B2B mobile. It seems that the net adds on mobile have been coming down over the last few quarters and also is below the previous year's run rate. So I'm wondering if you can talk about the competitive environment in the Swedish B2B market, because it seems that all operators are focusing on the SME growth at the moment. Also if you expect some of the accelerations for Tele2 in the b2b going forward?

Second question is on the variables around pricing for next year. This quarter we see some of your competitors putting through pretty big price increases on TV but at the same time your salary increases and your inflation on costs probably is going to spill over to next year and the inflation is coming down gradually in Sweden. With all these kind of factors in place, I'd want to get an idea of how do you think of price increase for next year. Do you think that you can still maintain the current magnitude that we have seen for 2023? Thank you.

Stefan Trampus: Right, Siyi, thank you. Stefan here, so I will go on answering the b2b question. I mean, if we look at the b2b development, I'm happy to see yet another quarter of growth. This is the ninth quarter in a row where we have solid growth for mobile. And we

have a good mix, and that's what we're looking at. We're looking at a good mix of volume and price. There are some levers that we could drive in regards to grow up that volume but we want to be prudent and have a long view and a long-term perspective of creating profit and growth, profitable growth in the market. And those levers that we're careful of driving is commission in the market, in external markets or external partners. We see that we are lower on external commission levels than the competition, and that's where we want to be. And I think we are confident that we have the right capabilities in place in regards to winning customers both on tools, our network, also recently we got confirmation of our work in customer experience, where we ended up first in the Swedish market from Swedish Quality index, which is a good testimony on how we drive customer experience.

The second thing that we're a bit prudent on and I'm careful on is price. We only go after the right customers and winning price. And we look at, you know, the development that you were alluding to with lower margins or lower volumes, I would say it's dependent on larger customers. So the swings between the quarters is very much dependent on larger customers coming in.

So all in all, I would say we are happy with the mix that we have now with price and also volume. And yeah, that's the strategy we have going forward.

From a competitive perspective, I'd say in SME segment and SOHO segment we've seen competition being aggressive on both commission but also on price. I can confirm that. But it's not elevating as such, I would say. If we look at the larger segments, I would say that our biggest competitors in that segment have responsible approach in the market to pricing as well. With all that said, I feel confident in the capability that we have, to continue to be in a good position in the mobile domain, basically. Hope that answers your question, Siyi.

Hendrik de Groot: Let me pick up on your second question. On pricing and outlook next year, what I can sort of share in thoughts, and then you also mentioned TV. I think a couple of thoughts here just to reflect on. First of all, on TV and content, I think what we're generally seeing in the market that we're sort of starting to hit ceilings of how content can be monetised in the market. If you take sports rights or other integrated packages, and of course we see the difficulties that have been experienced in the market also with some of the players there. I think on overpricing levels there is always a reality check in the market to be done and price rises, and particularly on the content side, I think again are sort of at peak levels.

Secondly, if you look at price rise on frontbooks, you always need to compare them then again with campaign prices in the market. Although frontbook prices may be put up, if campaign prices are still quite low, the only thing you create is quite a big bill shock. I think I just earlier in the call already said we want to get out of these bill shocks and have fair and responsible price levels in the market.

I do believe though that if we look forward, that the market and the way, I think, also consumers most easily translate to our pricing is that they relate their lives to how inflation is moving. Right? So looking through the lens of inflation at the way we price and the way we take our fair and responsible is certainly on our thoughts as we move forward. Whilst we have done a fair amount of pricing this year around backbook to front book, it is also true that our frontbooks in particular on mobile and on TV have not been changed this year.

Kjell Johnsen: Okay.

Operator: Thank you. We will now take the next question from the line of Fredrik Lithell from Handelsbanken. Please go ahead.

Fredrik Lithell (Handelsbanken): Thank you. A lot of questions have been answered of course. Just one, maybe Charlotte if you could update us on the debt portfolio and what refinancing situation we have in front of us in the coming quarters, maybe just to refresh on that a little bit.

I would like to ask Hendrik and Stefan on sort of the abilities you will get and that you are getting in 5g and also 5g core that you're rolling out full speed in terms of fixed wireless access. For example, if there are any possibilities there. And also then on private networks including slicing and Stefan, what you see there for possibilities. I know we have talked about that before but maybe if there's some kind of update.

Charlotte Hansson: Yes, I can just briefly say something about the debt portfolio that we have. I think we are in a good position right now. We have some things running out in Q2 next year, April and May, and we already started discussions regarding these. So not bigger amounts that we've seen in the past, I think that we've done quite a lot this year, so we are happy where we are right now.

Stefan Trampus: I will keep it short due to time. Stefan here. So, I mean, there are many capabilities beyond what we're seeing at the moment that we're utilising for driving 5g deployment and all the benefits that we see that we get from it. But from a b2b perspective, I'd say there are some standards in place but there are more to come in future releases of the mobile technologies, both in regards to quality, efficiency, monetising, etc. And all of that is, I would say, quite exciting from a technical perspective. What I find more interesting is really customer adoption and use of technology in customer solutions. We have identified several use cases that we believe have a good potential to add customer value for them. And it's in digital airspace, augmented reality, media broadcasting, 5g indoor. There are several areas that we're looking at.

How fast they come to live though, is dependent on both technology adoption and process adoption I would say among operators in general but also customers. And I would say it will take some time, a couple of years' time, before we see a big uptake in the market dependent on.

Fredrik Lithell: Yeah, thank you.

Kjell Johnsen: I think we're going to have one or two more questions.

Operator: Thank you. We will now take the next question from the line of Erik Lindholm-Rojestal from SEB. Please go ahead.

Erik Lindholm-Rojestal (SEB): Yeah, good morning. Thank you for taking my questions. So two questions from me, if I may. Starting off on the energy piece. You mentioned you have a view here on the fourth quarter of energy being a bit flat to a slight headwind in Q4. Sort of looking at spot prices, it would seem that you would have quite a nice tailwind also in Q4. So is it sort of hedge-driven or what is driving this?

And then the second question, you mentioned the mix impact here in Sweden from legacy decline. Is it possible to quantify this on EBITDA in Sweden and how would you look at this into next year perhaps? Thank you.

Charlotte Hansson: I can just briefly comment on the energy. And what we said is not – we don't expect it to be flat, more in line with what we've seen in Q2, somewhere in that region. So a slight headwind anyway. And the reason being that we had some good hedges coming into the year, as mentioned for example in Estonia, although it's a small country. But I think that in Q3 last year all the energy costs were increasing so we're more on par with that, so it's more of a – that's why we see a slight headwind going forward.

Kjell Johnsen: Just super-quick on the legacy, because we're running out of time. I mean, depending what you call legacy. For example, the copper decommissioning we're down at – we're not at 80% of it, so it's mostly done. And if we want to call it a legacy or not, we had this prepaid registration that changes the – the landscape. So, obviously in Sweden like every other country that I've seen, that also leads to some people not topping up, some of them going to postpaid and some of them more or less disappearing from the market. So there are some of these elements that are represent an element of leakage.

And on the TV side, while we have been the innovator of the market by pairing linear with streaming and the Viaplay deal we did, there was still, in particular, the DTT area, some people who basically stopped being customers as that technology gradually winds down.

That is just something that you can't change on some of these things.

Erik Lindholm-Rojestal: Alright, thank you.

Operator: Thank you. We will now take the next question from the line of Zahir Ramcharan from Redburn Atlantic. Please go ahead.

Zahir Ramcharan (Redburn Atlantic): Hi everyone, good morning. Thanks for taking my questions. Just a quick one. I think we've talked a lot about consumer sentiment and sort of demand for various products, but just on the Viaplay packages. You said that households are being more careful with their resources in the report. I mean, are you seeing any effects on the Viaplay packages that they're taking? Any softer demand there, especially after the price rises, which were some time ago but were quite large?

And then second question is on the spectrum auction. I hear everything you're saying about the auction going as you expected and coming out having spent what you planned to, but you have lost a bit of spectrum – I think specifically 10 megahertz of 900. I'm just wondering what will, if anything, be the network impact of that. Will consumers feel anything different on the network? Do you expect any impacts?

Kjell Johnsen: So let me take the last one. I think I said it already. I mean, we have two times 20 now. We use two times 10 of that for 4g and 5g. We often speak about the 5g, which is very, very important, and that's going to give us a lot of new capacity. At this time, as we're building 5g, we're also totally upgrading the 4g capacities. That is important from a coverage perspective also. That will remain as it is. Those two times 10 will deliver 4g and 5g. Then we will be shutting down, over time now, 2g and 3g. That's just what every market will do. We will remain with the same spectrum that we're using today, with a much more efficient network to utilise those two times 10 megahertz.

Hendrik de Groot: And on Viaplay the situation is like this. The overall mix I think is still in a good shape that we're seeing in the market, which means that we have a good uptake on the middle and higher packages. The higher packages are somewhat promoted though. But I think that's a good trajectory we're seeing. You can also see on our core DTT we have a plus 2k net intake, so there's I think still good traction on the cores. Kjell outlined the boxer based on DTT. That's sort of the legacy that is declining. Of course it also has Viaplay inside.

Just one thing to comment is that, you know, last year, we of course had a bit of a tailwind from the Telia and Viaplay stand-off. Some of that will roll out over this – the customers will come out of that, and some of course will probably go back to Telia now, but that is a smaller effect.

But overall I think we're good on the Viaplay packages.

Zahir Ramcharan: Okay. Thanks very much both.

Operator: Thank you. We will now take the next question from the line of Adam Fox-Rumley from HSBC. Please go ahead.

Adam Fox-Rumley (HSBC): Hello everyone, thanks for taking questions. I just had a couple of follow-up points really. I was interested in Kjell's comments that convergent – you were seeing a bit more demand for convergence. And you kind of touched on it in a few of the answers but I was wondering if you could categorise what was really driving that interest. Is it price or is it product? It sounds like it's maybe a little bit early for product to be the really driving factor at this stage.

And then there was a question on the external retail mix. I wonder if you could talk about the time it might take to rebalance that channel. Are we really talking about driving sales online rather than to your own shops and if so, has the IT work all been completed in the background to get you ready to push harder in that place? Thank you.

Kjell Johnsen: Yeah, I think when we talk about the first point on the convergence, Stefan mentioned this Swedish quality index. One of the findings that we can see there is that there is an increasing interest towards converged quality product. I think you're absolutely right, this is something that's going to take time before the whole market – or there will be a late majority that probably wants to do this in five years, seven years. But we think it's important sometimes to just see the right trends. In my first CEO job, in 2009, we correctly predicted a substantial demand for pre- to post- migration and in a way, that made us the heroes of the market for the next two years. So spotting a trend sometimes is super-important.

I think there is going to be a direction towards convergence in the Swedish market in the next two years and I think that there will be fewer and fewer who are interested in this campaign-driven market where you get 90% discount for three, four, five months and then you go back to an original price plan. This is really not in the customer's long-term interest to have this kind of pumped market and often it leads to lower happiness over time. This is my personal opinion on it. I think the timing is right for us now to focus on convergence.

Which is a good segue to the next part, which is what's going to happen to retail. Because that's kind of interlinked with that. Maybe Hendrik you want to say a few words on that?

Hendrik de Groot: Well absolutely Kjell and whilst it is about spotting the trend and being on it, we are already of course executing on it. Given the product we just launched and I think to

get really to converged products it takes a while, because a lot of components technically and on the IT need to come together, but that's why we're very happy with the connection guarantee. Now that it's a truly automatic fall-back onto the mobile network and that's really a key sort of innovation, I would think.

We have already quite a bit of our tier mix in the right order. Let's just remind you that Comviq for example, the main channel is digital. And of our fixed service, quite a lot already goes through our own channels as well. The key thing here is to get out of this mobile rotation in the market. That's of course also where I would say FMC will bite. Bite in terms of the customer and their loyalty and also in terms of the orientation towards our own channels. The introduction for instance of handset binding, that we just introduced now in our channels, will – it's all a building block towards moving away to a more solid state customer base, our own channels and increasingly digital.

Kjell Johnsen: Way to go.

Adam Fox-Rumley: Thank you.

Operator: Thank you. I would now like to turn the conference back to Kjell Johnsen for final remarks.

Kjell Johnsen: Thank you very much. I'd like to just say thank you to all of you for taking the time to have discussion with us today. It's always good to get your questions, to make us think from all kinds of different angles. I think some of the discussion we had at the end here highlights some of the key strengths of Tele2 for the longer run. One is the convergence discussion, where we are in a very good position. The main competitor also has many of these assets but I do think that we can create a segment of the market that will be growing for many years to come and will take away some of the – move some of the value-creation to a segment with more stability and less of these actions and campaigns.

I also think that this quarter shows the efficiency of our model, where we have shared spectrum, shared network, giving us a good cashflow and a strong balance sheet. And then of course in terms of the longer-term prospect of this company, it's important to keep up the growth momentum. We made ten quarters, so that's double digit and now we want to keep building on that. So, thank you for your time.

[END OF TRANSCRIPT]