

PRESS RELEASE

Tele2 and Deutsche Telekom to combine their Dutch operations

Stockholm – Tele2 Group (Tele2), (NASDAQ OMX Stockholm Exchange: TEL2 A and TEL2 B) today announced that Tele2 and Deutsche Telekom have agreed to combine Tele2 Netherlands and T-Mobile Netherlands. Tele2 will hold a 25% share in the combined company and receive a cash payment of EUR 190 million upon closing. The combined company will be a stronger customer champion in the market and enable technology investments to the benefits of the Dutch population.

A value creating transaction for customers and shareholders

The transaction combines two mobile customer champions with complementary brands, technologies and customer bases. Tele2 will own 25% of the new company and T-Mobile's ownership will amount to 75%. Based on current numbers the company will have around 5 million mobile pre- and post-paid customers, combined revenues of around EUR 2 billion and synergies estimated at an NPV of more than EUR 1 billion. As a part of the agreement, a cash payment of EUR 190 million will be made to Tele2 upon closing. The transaction crystallizes value created in the Dutch market to date and will de-risk the Dutch asset for the Tele2 Group, going forward.

Consolidation as a path to enable further investments and innovation

Tele2 and T-Mobile are now competing against two players controlling more than 80% of the Dutch mobile and fixed telecommunications market. The combination of Tele2 and T-Mobile into one company will create a stronger customer champion and secures investment capacity for new products and new technologies, such as 5G.

Allison Kirkby, President and CEO of Tele2 AB, comments: "This is a fantastic opportunity to speed up development of the Dutch telco market and to spur effective competition to the benefit of the Dutch population. This enlarged company builds on the great momentum we have built since relaunching Tele2 in November 2015 and on the network sharing that we have had with T-Mobile since 2013. I see this as a logical next step to create a stronger number three FMC player that will benefit our customers, our shareholders and our employees".

Jon James, CEO of Tele2 Netherlands, comments: "Tele2 has been on a remarkable journey in the Dutch market, building a great brand and a world-class network. Our combination with T-Mobile brings together two companies with complementary approaches and strengths to create a stronger competitor to the FMC duopoly which will shake up the telecoms market – both for consumers and businesses".

Business as usual

While we seek the necessary regulatory approval, there will be no change for the customers of Tele2 and T-Mobile. Tele2 will continue with its stand-alone strategy and to invest behind its propositions for consumers and businesses. In the longer term this transaction will enable accelerated investments into new products and technologies to the benefit of Dutch consumers and businesses.

Financing

The combined company is expected to be capitalized with an intercompany loan receivable by Deutsche Telekom of approximately EUR 1.1 billion. Looking forward, the shareholders have agreed on a dividend policy that includes a pay-out ratio of 70% of free cash flow to be initiated when the Net Debt to EBITDA is below 2.5x.

Deutsche Telekom will retain its Dutch tower assets in a separate entity. The parties have also amended the National Roaming Agreement and the Network Sharing Agreement.

Governance

The Supervisory Board will consist of 3 members appointed by Deutsche Telekom, 1 by Tele2 and 1 by the Works Council.

Regulatory process

The establishment of the combined company is subject to regulatory approval by the relevant competition authorities. The transaction is therefore expected to close in the second half of 2018. Tele2 will revert with more information on the regulatory timeline and process when it is available.

As a part of the agreement, there is a break fee amounting to EUR 25 million that Tele2 will receive, in case the transaction should not be approved by the relevant authorities.

Effects on financial reporting

Tele2 Netherlands will be reported as a discontinued operation in the period until closing.

In the fourth quarter of 2017 Tele2 will conclude the annual impairment test. Notwithstanding the incremental value created in the transaction, the test is estimated to result in an impairment of SEK 1.0-1.5 billion related to the Dutch operation. The amount will be reported under discontinued operations and has no effect on cash flow.

Press and analyst conference call

Tele2 will host an press and analysts' conference call at 08:30 CET (07:30 GMT/2:30 EST time). The conference call will be held in English and also made available as a webcast through www.tele2.com

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2017-12-15

Dial-in information:

To ensure that you are connected to the conference call, please dial in a few minutes before the start of the conference call to register your attendance.

Dial-in numbers

NL: +31 (0)20 703 8261
SE: +46 (0)8 5065 3942
UK: +44 (0)330 336 9411
US: +1 323-794-2093

Confirmation code: 5252698

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The information is of such character, which Tele2 AB (publ) shall disclose in accordance with the Securities Market Act (2007:528) and/or the law on Trading with Financial Instruments (1991:980). The information was distributed for disclosure at 07:00 CET on 15 December 2017.

TELE2'S MISSION IS TO FEARLESSLY LIBERATE PEOPLE TO LIVE A MORE CONNECTED LIFE. We believe the connected life is a better life, and so our aim is to make connectivity increasingly accessible to our customers, no matter where or when they need it. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 offers mobile services, fixed broadband and telephony, data network services, content services and global IoT solutions. Every day our 17 million customers across 8 countries enjoy a fast and wireless experience through our award winning networks. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2016, Tele2 had net sales of SEK 28 billion and reported an operating profit (EBITDA) of SEK 5.3 billion. For definitions of measures, please see the last pages of the Annual Report 2016. Follow @Tele2group on Twitter for the latest updates.

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